

We are distributing this Official Statement to furnish information on our Series 2002A Bonds. This cover contains certain information for quick reference only. This cover is not a summary of the Series 2002A Bonds. Prospective investors should read the entire Official Statement, including all Appendices, to make an informed investment decision.



**\$40,625,000**  
**OKLAHOMA STUDENT LOAN AUTHORITY**  
**Oklahoma Student Loan Bonds and Notes**  
**Variable Rate Demand Obligations, Series 2002A-1**  
**Price: 100%**

**Issue:**

Dated the Date of Issuance. CUSIP Number 679110 CV 6.

**Maturity:**

December 1, 2031. However, during any Weekly Rate Period, the holder may tender Series 2002A Bonds at the Purchase Price on 7 days' notice.

**Denomination:**

\$100,000 or any integral multiple of \$5,000 in excess thereof.

**Interest Rates and Payment:**

The interest rate on the Series 2002A Bonds for the initial Weekly Rate Period ending February 5, 2002 will be determined by the initial offering and sale. Thereafter, the Weekly Rate of interest will be determined as provided herein by the Remarketing Agent. The Weekly Rate will not exceed 12% per annum, except for Bank Bonds. Interest will be payable semi-annually on June 1 and December 1 of each year, beginning June 1, 2002.

**Limited Revenue Obligation:**

The Series 2002A Bonds are limited revenue obligations payable solely from the Financed Eligible Loans and other assets pledged therefor. Their payment will be secured equally and ratably with several series of Prior Bonds.

**The Series 2002A Bonds are not an obligation of the State of Oklahoma. The faith and credit or the taxing power of the State of Oklahoma is not pledged to the payment of the Series 2002A Bonds.**

**The Series 2002A Bonds are *not* personal obligations of the trustees of the Authority and are not a general obligation of the Authority. The Authority has no taxing power.**

**Liquidity Facility:**

In the event of a tender of Variable Rate Bonds, the Purchase Price payment will be secured by a Standby Bond Purchase Agreement with Bank One, Oklahoma, NA.

**Credit Facility:**

Payment of regularly scheduled principal of, and interest on, the Series 2002A Bonds will be secured by a financial guaranty insurance policy issued by MBIA Insurance Corporation.

**Tax Status:**

In the opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming accuracy of certain representations and continuing compliance with certain covenants, interest on the Series 2002A Bonds is excluded from gross income for federal income tax purposes. However, interest is a specific preference item for purposes of the federal alternative minimum tax. The Series 2002A Bonds, and the income therefrom, are exempt from taxation in the State of Oklahoma. See "TAX MATTERS" on page 52.

**Trustee:**

Bank of Oklahoma, N.A., Oklahoma City, Oklahoma. The Trustee also is the Tender Agent.

**Risk Factors:**

**Consider carefully the information in the "RISK FACTORS" section beginning on page 45.**

**Expected Ratings:**

Delivery is subject to assignment of the municipal bond ratings listed below. See "RATINGS" on page 53.  
 Moody's Investors Service, Inc.: Aaa/VMIG-1      Standard & Poor's Ratings (S&P): AAA/A-1

**Expected Delivery:**

On January 31, 2002 in Book-Entry form only through the facilities of The Depository Trust Company, New York, New York.

The Series 2002A Bonds are offered when, as and if issued by us, subject to prior sale and subject to the approval of legality by Kutak Rock LLP, Oklahoma City, Oklahoma, Bond Counsel. Certain legal matters will be passed upon for us by our special counsel, Roderick W. Durrell, Esq., and for the Underwriter by its counsel, Williams & Anderson LLP, Little Rock, Arkansas.

You should rely only on the information contained in this Official Statement or information to which we have referred you. We have not authorized anyone to provide you with information that is different.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, the Series 2002A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

MBIA Insurance Corporation, Bank One, Oklahoma, NA, the State Guarantee Agency and The Depository Trust Company gave us the respective information to describe themselves. We do not, and the Underwriter does not, guarantee the accuracy or completeness of that information.

The information and expressions of opinion herein are subject to change without notice. The delivery of this Official Statement and any sale made hereunder will not, under any circumstances, create any implication that there has been no change in our affairs or the affairs of any other entity described herein after the date hereof.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2002A BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE SERIES 2002A BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION. THE REGISTRATION, QUALIFICATION OR EXEMPTION OF THE SERIES 2002A BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE SECURITIES HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF. THESE JURISDICTIONS, AND THEIR AGENCIES, HAVE NOT GUARANTEED OR PASSED ON THE SAFETY OF THE SERIES 2002A BONDS AS AN INVESTMENT. ALSO, THEY HAVE NOT PASSED ON THE PROBABILITY OF ANY EARNINGS ON THE SERIES 2002A BONDS, OR ON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT.

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## INDEX OF PRINCIPAL TERMS

This Index provides an alphabetical listing of the descriptions of principal terms used in this Official Statement. The terms are summaries or extracts of some of the definitions in the Bond Resolution. **Reference is hereby made to the Bond Resolution for the entire definitions and provisions thereof.**

A copy of the Bond Resolution is available upon request to the Authority or the Trustee.

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## SUMMARY STATEMENT

Because this is a summary, it does not contain all the information that may be important to you. You should read all the information in this Official Statement, including the Appendices, carefully before you invest.

**Issuer (We)** ..... Oklahoma Student Loan Authority, an express trust established for the benefit of the State of Oklahoma. We are also referred to in this document as the “*Authority*”.

We participate in the Federal Family Education Loan Program. We are a loan servicer and secondary market for 33 eligible lenders of the OSLA Student Lending Network. Also, we are an Eligible Lender and a lender of last resort.

Additional information about us and our business is in Appendix C.

**The Bonds** ..... The Series 2002A Bonds are being issued as variable rate demand obligations, maturing December 1, 2031. Interest rates after the initial period will be determined by the Remarketing Agent on February 5, 2002, to be effective February 6, 2002, and the pricing mechanics will be repeated generally every 7 days thereafter.

You may elect to tender your Series 2002A Bonds on any Business Day with 7 days’ advance notice. We may convert the Series 2002A Bonds to a different variable rate or to a fixed rate.

Interest on the Series 2002A Bonds is payable semi-annually on June 1 and December 1, beginning June 1, 2002.

**Trust Estate** ..... The Series 2002A Bonds are being issued pursuant to a Bond Resolution originally adopted on November 4, 1996, as it has been or may be in the future amended and supplemented. The Bond Resolution pledges a Trust Estate to secure all Bonds and Notes issued pursuant to the Bond Resolution.

Other Bonds and Notes are already outstanding under the Bond Resolution (the “*Prior Bonds*”). The Prior Bonds have a claim to the Trust Estate equal to that of the Series 2002A Bonds.

**Sources of Revenue and Security** .....

The Trust Estate securing the Series 2002A Bonds is comprised of the following:

- (1) Student loans originated under the Federal Family Education Loan Program that we have acquired already, and those we expect to acquire, as part of the Trust Estate. The student loans may be acquired from bond proceeds or from principal repayments on acquired loans. These student loans will be held on our behalf by a custodian.
- (2) Revenues and Recoveries of Principal derived from the student loans, including federal interest benefits and Special Allowance Payments paid to us by the U.S. Department of Education.
- (3) Moneys on deposit in the funds and accounts established under the Bond Resolution.
- (4) Our rights in the related Servicing Agreements, Custodian Agreements, Student Loan Purchase Agreements, Authority Guarantee Agreements, Swap Agreements and Swap Counterparty Guarantees.
- (5) Any other property, rights and interests of any kind provided to the Trustee as additional security for our Obligations.

We are only obligated to pay debt service on the Series 2002A Bonds from the sources identified above. We own other student loans and assets that are not a part of the Trust Estate, and such student loans and assets are not pledged to the repayment of the Series 2002A Bonds. We cannot compel the State of Oklahoma to pay any amounts owed on the Series 2002A Bonds from any source of funds.

**Policies Affecting Revenue** .....

Our borrowers can qualify for our TOP™ program and EZ Pay™-Discount Plan (1/3 of 1% for automatic debit payments) incentive savings.



The TOP program has two types of borrower savings:

- TOP 1-2-3 Principal Reduction of 1.00% if the first three payments of principal and interest are made on time; and
- TOP Interest Rate Discount of 1.50% if the first 12 payments of principal and interest are made on time.

Federal Consolidation Loans we hold are not eligible for TOP.

**Debt Service Reserve**

**Account Requirement** . . . . . The Debt Service Reserve Account Requirement for our Bonds and Notes under the Bond Resolution is 1% of the aggregate principal amount of the Bonds and Notes Outstanding, including the Series 2002A Bonds. This requirement will be met for all Bonds and Notes under the Bond Resolution by the issuance of two separate Surety Bonds by MBIA.

**Student Loan Insurance,**

**Guarantee and Reinsurance** . . . . All student loans we have acquired with proceeds of Prior Bonds, and those we intend to acquire with proceeds of the Series 2002A Bonds are covered by a Guarantee of at least 98% (or the highest percentage allowed by law) of principal and accrued interest by certain guarantors.

We must perform specific due diligence activities in the servicing and collection of loans, from receipt of the loan application and continuing throughout the life of the loan, in order to maintain the Guarantee of the loan.

Guarantee claims paid by a guarantor are reinsured to the guarantor by the Secretary of Education on a scale ranging from 75% to 100% depending on various factors.

Approximately 98% of our student loans are Guaranteed by the State Guarantee Agency. Additional information about the State Guarantee Agency is in Appendix E.

**Redemption and Acceleration** . . . . We may, and under certain circumstances must, prepay your Series 2002A Bonds prior to maturity as a result of optional or mandatory redemption or acceleration as described herein.

**Additional Bonds and Notes**

**and other Obligations** . . . . . We may issue Additional Bonds and Notes to enable us to acquire additional student loans or to refinance previously issued Bonds and Notes if we meet certain conditions described herein.

The incurrence of Additional Bonds and Notes may reduce the ratio of assets to Bonds and Notes outstanding, depending on the amount of Additional Bonds and Notes issued and the amount of costs of issuance and other amounts paid from proceeds of the Additional Bonds and Notes.

We also may enter into interest rate swaps which may require payment to the swap provider from the Trust Estate assets.

**Loan Servicing** . . . . . We currently service education loans using the remote servicing system of UNIPAC Service Corporation.

We expect to begin using in-house a student loan servicing system and software licensed by IFA Systems on or about January 28, 2002. We expect to convert the existing loan portfolio to the IFA System on or about March 1, 2002.

**Remarketing Agent** . . . . . William R. Hough & Co., Charleston, South Carolina is the initial Remarketing Agent for the Series 2002A Bonds.

**Tender Agent** . . . . . Bank of Oklahoma, N.A., Oklahoma City, Oklahoma, is the Tender Agent for the Series 2002A Bonds.

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**\$40,625,000**  
**OKLAHOMA STUDENT LOAN AUTHORITY**  
**Oklahoma Student Loan Bonds and Notes**  
**Variable Rate Demand Obligations, Series 2002A-1**

**INTRODUCTION**

**General**

We are an express trust established in 1972 for the benefit of the State of Oklahoma. We are distributing this Official Statement to furnish information regarding our Oklahoma Student Loan Bonds and Notes designated as Variable Rate Demand Obligations, Series 2002A-1 (the “*Series 2002A Bonds*”).

The Series 2002A Bonds initially will bear interest at a Weekly Rate with certain optional tender rights and mandatory tender requirements. William R. Hough & Co. is the initial Remarketing Agent (the “*Remarketing Agent*”) with respect to the Series 2002A Bonds pursuant to a Remarketing Agreement dated as of January 1, 2002 (the “*Remarketing Agreement*”) by and among the Authority, Bank of Oklahoma, N.A., Oklahoma City, Oklahoma (the “*Trustee*”) and the Remarketing Agent.

The Series 2002A Bonds will be issued on a parity with certain bonds and notes previously issued and outstanding under the Bond Resolution described below. Bonds and Notes previously issued and outstanding under the Bond Resolution are referred to herein as “*Prior Bonds*.” The Prior Bonds are summarized under the caption “INTRODUCTION — Prior Bonds”.

All of the Prior Bonds are supported by separate financial guarantee insurance policies issued by MBIA Insurance Corporation (“*MBIA*”), Armonk, New York. MBIA is also issuing a financial guaranty insurance policy insuring the payment of regularly scheduled principal of and interest on the Series 2002A Bonds as further described under the caption “THE SERIES 2002A CREDIT FACILITY”.

Bonds and Notes which may be issued in the future under the Bond Resolution are referred to as “*Additional Bonds and Notes*”. The Prior Bonds, the Series 2002A Bonds and any Additional Bonds and Notes are collectively referred to as the “*Bonds and Notes*”. The Bonds and Notes and our obligations to make any Authority Swap Payment and pay amounts to the Credit Facility Providers and Liquidity Facility Providers are collectively referred to as “*Obligations*”. Definitions of certain terms used in this Official Statement are included in Appendix A.

For a further description of us and our business, see APPENDIX C — “GENERAL DESCRIPTION OF THE OKLAHOMA STUDENT LOAN AUTHORITY” herein.

## Authorization

The Series 2002A Bonds will be issued pursuant to the provisions of the Act, as Additional Bonds and Notes pursuant to the Series 1996A Bond Resolution adopted by the trustees of the Authority on November 4, 1996 (the “*Series 1996A Bond Resolution*”), as previously supplemented and amended, and as further supplemented and amended by a Series 2002A Supplemental Bond Resolution adopted January 22, 2002 (the “*Series 2002A Bond Resolution*”).

The Series 1996A Bond Resolution, as supplemented and amended, is referred to herein as the “*Bond Resolution*” The Bond Resolution pledges student loans held under the Bond Resolution and other assets described in the Bond Resolution to secure the Bonds and Notes. For the complete definitions and provisions of the Bond Resolution, reference is made to that document. A copy of the Bond Resolution is available during the initial offering period upon request to the “*Underwriter*”

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Facsimile: (727) 985-8895

and thereafter to the Authority or the Trustee.

Capitalized terms used and not defined herein have the same meanings set forth in the Bond Resolution unless the context clearly indicates otherwise.

## Use of Proceeds

We will use the proceeds of the Series 2002A Bonds to: (i) provide funds to finance Eligible Loans; (ii) acquire a Surety Bond to satisfy the Debt Service Reserve Requirement; (iii) fund capitalized interest; and (iv) pay the costs of issuing the Series 2002A Bonds.

<u>Sources</u>	
Series 2002A Bonds	<u>\$40,625,000</u>
Total	<u>\$40,625,000</u>

<u>Uses</u>	
Deposit to Series 2002A Loan Account	\$40,211,688
Acquire Debt Service Reserve Surety Bond	20,312
Capitalized Interest	118,000
Costs of Issuance	161,250
Underwriting Fee and Expenses	<u>113,750</u>
Total	<u>\$40,625,000</u>

## Prior Bonds

When issued, the Series 2002A Bonds will be secured on a parity with the Prior Bonds under the Bond Resolution. The Prior Bonds are as follows:

<u>Series</u>	<u>Tax Status</u>	<u>Amount Outstanding</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Interest Rate Mode</u>
2000A-1	Taxable	\$ 50,000,000	08-31-00	06-01-30	Auction <sup>1</sup>
2000A-2	Taxable	25,000,000	08-31-00	06-01-30	Auction <sup>1</sup>
2000A-3	Taxable	25,000,000	08-31-00	06-01-30	Auction <sup>1</sup>
2000A-4	Tax-Exempt	20,945,000	08-31-00	06-01-29	Weekly
1998A	Tax-Exempt	33,100,000	07-08-98	06-01-08	Weekly
1997A	Tax-Exempt	33,000,000	05-13-97	12-01-26	Weekly
1996A	Tax-Exempt	<u>32,580,000</u>	11-08-96	06-01-26	Weekly
	Total	<u>\$219,625,000</u>			

<sup>1</sup>28-day Auction Periods

When the Series 2002A Bonds are issued, the aggregate principal amount of Bonds and Notes outstanding under the Bond Resolution will be \$260,250,000.

## Initial Collateralization

It is expected that after the application of the proceeds of the Series 2002A Bonds as described herein, the ratio of the Aggregate Market Value of the Trust Estate to the total accrued and unpaid principal of and interest on the Bonds and Notes Outstanding will exceed 101%.

The Bond Resolution does not require that any particular level of collateralization be maintained. However, certain ratios are required for the withdrawal of assets from the Trust Estate.

Issuance of Additional Bonds and Notes in the future could reduce collateralization. However, issuance of Additional Bonds and Notes is subject to several conditions, including verification from each Rating Agency that the issuance of such Additional Bonds and Notes will not cause the existing rating on any of the Outstanding Bonds and Notes to be reduced or withdrawn, and the consent of the Credit Facility Provider.

## Financed Eligible Loans

Eligible Loans held in the Trust Estate are referred to herein as “*Financed Eligible Loans*”. The education loan promissory notes evidencing the Financed Eligible Loans and related loan documentation will be held by Bank of Oklahoma, N.A., acting as “*Custodian*”.

We have acquired or originated a portfolio of Financed Eligible Loans in the Trust Estate and expect to deposit additional Eligible Loans that we have already acquired or originated and will acquire or originate in the Trust Estate. The Eligible Loans acquired or originated by the remaining proceeds of the Series 2002A Bonds are expected to be deposited in the Trust Estate on or before March 1, 2004.

Substantially all Eligible Loans, except for Federal Consolidation Loans which are not eligible for TOP, will be eligible for our Timely on Payments (“*TOP<sup>TM</sup>*”) program. TOP is the identifying trademark for our behavioral incentive loan program for borrowers who can qualify for savings on their loans in repayment. TOP has two types of borrower savings -

- TOP 1-2-3 Principal Reduction is available under certain conditions if the eligible borrower makes the first three payments of principal and interest on time. Once achieved, the borrower receives a non-recurring reduction of 1.00% of the eligible principal amount.
- TOP Interest Rate Discount is available under certain conditions if the eligible borrower makes the first 12 payments of principal and interest on time. Once achieved, the borrower receives a 1.50% interest rate discount. The interest rate discount is permanent.

In addition, we offer repayment borrowers our EZ Pay<sup>TM</sup> Discount Plan if they agree to recurring automatic debits to make their monthly loan payments. The EZ Pay Discount Plan gives the borrower a 1/3 of 1% interest rate discount. The borrower can be disqualified for the EZ Pay Discount Plan under certain circumstances.

To the extent borrowers qualify for our borrower savings programs, Revenues and Recoveries of Principal will be reduced. These programs have been accounted for in the cash flow projections prepared by the Underwriter, based on information provided by us to the Underwriter.

### **Guarantee of Eligible Loans**

Financed Eligible Loans will be Guaranteed as provided for in the Higher Education Act of 1965 by:

- the Oklahoma State Regents for Higher Education (the “*State Regents*”), acting as the State Guarantee Agency (the “*State Guarantee Agency*”);
- other Guarantee Agencies qualified under the provisions of the Bond Resolution to act in such capacity; or
- in rare instances, the Secretary of the United States Department of Education (the “*USDE*”).

The amount of the Guarantee on the Financed Eligible Loans will be the percentage established by the Higher Education Act, which currently ranges from 98% to 100% of outstanding principal amount. It is expected that the majority of Financed Eligible Loans will be Guaranteed at 98%, although that amount could be reduced in the future. We must use due diligence in the servicing and collection of loans in order to maintain the Guarantee of the loan. The due diligence standards we must follow are set forth in the Higher Education Act, and certain other due diligence standards established by the Guarantee Agencies. In order to satisfy the due diligence requirements, we must adhere to specific activities in a timely manner beginning with the receipt of the loan application and continuing throughout the life of the loan.

The respective Guarantee Agencies are reinsured, subject to various terms and conditions, by the Secretary for reimbursement from 75% to 100% of the amounts expended in payment of claims by eligible lenders. The reimbursement percentage for each Guarantee Agency depends upon its claims rate. See the information under the caption “LEGISLATIVE AND ADMINISTRATIVE MATTERS – *Risk Sharing Provisions*” in APPENDIX F – “SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM” for a description of the Secretary’s reimbursement of Guarantee Agencies.

As of December 31, 2001, approximately 98.0% of the Federal Family Education Loan Program (the “*FFEL Program*”) loans held by us were Guaranteed by the State Guarantee Agency. For a brief description of the State Guarantee Agency, see APPENDIX E — “GENERAL DESCRIPTION OF THE STATE GUARANTEE AGENCY.”

## **Recycling**

As a general practice, we utilize Recoveries of Principal from the various funding sources to finance additional Eligible Loans instead of redeeming bond principal prior to its scheduled maturity (referred to as “*Recycling*”). We plan to continue Recycling to the maximum extent possible with respect to the Prior Bonds and the Series 2002A Bonds. We may use Recycling in the Trust Estate through July 1, 2005, or through such earlier date directed by the Credit Facility Provider or such later date acceptable to the Credit Facility Provider.

## **Loan Servicing**

We service our own loans and those of other eligible lenders. Pursuant to the Bond Resolution, we are required to perform all services and duties customary to the servicing of education loans in compliance with all standards and procedures provided for in the Higher Education Act.

We service education loans internally on a remote servicing system database provided by UNIPAC Service Corporation, Aurora, Colorado. However, we licensed a system to perform comparable functions (the “*IFA System*”) from Idaho Financial Associates, Inc., Boise, Idaho through its IFA Systems division to replace the remote servicing system. We will operate the IFA System in-house using our own staff. We expect to begin origination of education loans using the

IFA System on or about January 28, 2002; and expect to convert and implement servicing of the portfolios that we service remotely on or about March 1, 2002.

See Appendix C - “GENERAL DESCRIPTION OF THE OKLAHOMA STUDENT LOAN AUTHORITY - Loan Servicing” for additional information about our loan servicing activities.

We also perform origination and pre-acquisition interim servicing for 33 other eligible lenders that are members of the OSLA Student Lending Network (the “*OSLA Network*”). The OSLA Network members are required to sell to us, and we are required to buy, the loans that we service from them from time to time prior to the commencement of repayment status of such loans.

### **Security for the 2002A Bonds**

The Bond Resolution creates a pledge of revenues, funds, Financed Eligible Loans and other assets to the Trustee, as a Trust Estate for the benefit of the Registered Owners of Bonds and Notes, any Credit Facility Provider, any Liquidity Facility Provider and any Swap Counterparty. In addition, the Bond Resolution grants a security interest in the Trust Estate to the Trustee for the benefit of such parties.

In addition, payment of the scheduled principal of, and interest on, the Series 2002A Bonds will be secured by a financial guaranty insurance policy issued by MBIA. The financial guaranty insurance policy, and any Alternate Credit Facility in substitution therefor, is the “*Series 2002A Credit Facility*”. In such capacity, MBIA (or the provider of any Alternate Credit Facility) is the Credit Facility Provider. See the caption “THE SERIES 2002A CREDIT FACILITY” herein.

Each series of the Prior Bonds is secured by a separate financial guaranty insurance policy issued by MBIA as a Credit Facility. Each existing Credit Facility secures only its respective series of Prior Bonds and does not secure any other series of Bonds and Notes.

No Credit Facility covers the Purchase Price of the Prior Bonds or the Series 2002A Bonds upon an optional or mandatory tender. With certain exceptions, no Credit Facility covers amounts due on any redemption of the Prior Bonds or the Series 2002A Bonds prior to their scheduled maturity. We have reserved the right to replace any Credit Facility with an Alternate Credit Facility pursuant to the requirements of the Bond Resolution.

If the Remarketing Agent is not able to remarket Series 2002A Bonds that have been tendered, payment of their Purchase Price will be secured initially by a Standby Bond Purchase Agreement dated as of January 1, 2002, by and among the Authority, Bank One, Oklahoma, NA, the Trustee, and Bank of Oklahoma, N.A. Oklahoma City, Oklahoma, as tender agent (the “*Tender Agent*”). That Standby Bond Purchase Agreement, including any Alternate Liquidity Facility in substitution therefor, is the “*Series 2002A Liquidity Facility*”. As a party to the Series 2002A Liquidity Facility, Bank One, Oklahoma, NA (or the provider of any Alternate Liquidity Facility in substitution therefor) is the “*Series 2002A Liquidity Facility Provider*”. See the caption “THE SERIES 2002A LIQUIDITY FACILITY” herein.



**The Series 2002A Bonds, and the interest thereon, are limited revenue obligations of the Authority, secured by the assets specifically pledged therefor, as more particularly described herein and in the Bond Resolution.**

**The Series 2002A Bonds, and the interest thereon, are not obligations of the State of Oklahoma. Neither the faith and credit nor the taxing power of the State of Oklahoma is pledged to the payment of the principal of, or interest on, the Series 2002A Bonds.**

**The Series 2002A Bonds, and the interest thereon, are not personal obligations of the trustees of the Authority and are not a general obligation of the Authority. The Authority has no taxing power.**

### **Liquidity Facility Providers**

Upon optional or mandatory tender, payment of the Purchase Price of the various series of Prior Bonds in a Weekly Rate mode is secured by a separate Liquidity Facilities, each in the form of a Standby Bond Purchase Agreement, as summarized in the table below.

<u>Liquidity Facility Provider</u>	<u>Series of Bonds</u>	<u>Original Term</u>	<u>Current Expiration</u>
Dexia Bank, SA	2000A-4	3 years	August 30, 2003
Landesbank Hessen-Thuringen Girozentrale	1998A	1 year	June 4, 2002
Sallie Mae, Inc.	1997A	5 years	May 1, 2002
Sallie Mae, Inc.	1996A	5 years	May 1, 2002

Each Liquidity Facility secures only its respective series of Prior Bonds and does not secure any other series of Bonds and Notes.

We have reserved the right to replace any Liquidity Facility with an Alternate Liquidity Facility pursuant to the requirements of the Bond Resolution and the applicable Liquidity Facility; and, subject to consent of the applicable Credit Facility Provider. The Liquidity Facilities provided by Sallie Mae, Inc., listed above, expire on May 1, 2002. We are currently evaluating proposals to replace those Liquidity Facilities.

### **Corporate Trustee**

Administration of the Trust Estate created for the Bonds and Notes will be governed by the:

- Series 1996A Trust Agreement dated as of November 1, 1996;
- Series 1997A Trust Agreement dated as of May 1, 1997;

- Series 1998A Trust Agreement dated as of July 1, 1998;
- Series 2000A-1/A-2/A-3 Trust Agreement dated as of August 1, 2000;
- Series 2000A-4 Trust Agreement dated as of August 1, 2000;
- Series 2002A-1 Trust Agreement dated as of January 1, 2002 (the “*Series 2002A Trust Agreement*”);

each by and between the Authority and the Trustee. The various series trust agreements listed above are collectively referred to as the “*Trust Agreement*”.

The Trustee also is acting as paying agent, authenticating agent and registrar pursuant to the Bond Resolution and the Trust Agreement.

### **Availability of Documentation**

The descriptions of the Series 2002A Bonds and of the documents authorizing and securing the Series 2002A Bonds contained herein do not purport to be definitive or comprehensive. All references herein to those documents are qualified in their entirety by reference to the Series 2002A Bonds and such documents. Copies of the documents may be examined at:

Bank of Oklahoma, N.A., as Trustee	Oklahoma Student Loan Authority
9520 North May Avenue	4545 North Lincoln Boulevard
Suite 110	Suite 66
Oklahoma City, Oklahoma 73120	Oklahoma City, Oklahoma 73105
Attention: Corporate Trust Services; or	Attention: President

### **THE SERIES 2002A CREDIT FACILITY**

**The information contained in this section has been furnished by MBIA for use herein. The information is not guaranteed as to accuracy or completeness by the Authority, the Underwriter or its counsel, or Bond Counsel, and is not to be construed as a representation by any of those persons. The Authority, the Underwriter and its counsel, and Bond Counsel have not independently verified this information. No representation is made by any of those persons as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof. Reference is made to Appendix B for a specimen of MBIA’s policy.**

MBIA does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding MBIA’s policy and MBIA set forth under the heading “THE SERIES 2002A CREDIT FACILITY”. Additionally, MBIA makes no representation regarding the Series 2002A Bonds or the advisability of investing in the Series 2002A Bonds.

## **The MBIA Insurance Corporation Insurance Policy**

The following information has been furnished by MBIA for use in this Official Statement. Reference is made to Appendix B for a specimen of MBIA's policy.

MBIA's policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Authority to the Trustee or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on the Series 2002A Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by MBIA's policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the Series 2002A Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "*Preference*").

MBIA's policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Series 2002A Bond. MBIA's policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of the Series 2002A Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. MBIA's policy also does not insure against nonpayment of principal of or interest on the Series 2002A Bonds resulting from the insolvency, negligence or any other act or omission of the Trustee or any other paying agent for the Series 2002A Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by MBIA from the Trustee or any owner of a Series 2002A Bond the payment of an insured amount for which is then due, that such required payment has not been made, MBIA on the due date of such payment or within one Business Day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Series 2002A Bonds or presentment of such other proof of ownership of the Series 2002A Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Series 2002A Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the Series 2002A Bonds in any legal proceeding related to payment of insured amounts on the Series 2002A Bonds, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners or the Trustee payment of the insured amounts due on such Series 2002A Bonds, less

any amount held by the Trustee for the payment of such insured amounts and legally available therefor.

MBIA's policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

MBIA's policy has been endorsed to provide for cancellation upon delivery of an Alternate Credit Facility, pursuant to the Bond Resolution. MBIA's policy will, however, remain in effect with respect to claims for certain preferences resulting from payments made prior to the effective date of cancellation of MBIA's policy.

### **MBIA Financial Information**

As of December 31, 2000, MBIA had admitted assets of \$7.6 billion (audited), total liabilities of \$5.2 billion (audited), and total capital and surplus of \$2.4 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of September 30, 2001, MBIA had admitted assets of \$8.4 billion (unaudited), total liabilities of \$6.0 billion (unaudited), and total capital and surplus of \$2.4 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

### **Additional Information About MBIA**

MBIA is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "*Company*"). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA has three branches, one in the Republic of France, one in the Republic of Singapore and one in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by MBIA, changes in control and transactions among affiliates. Additionally, MBIA is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

The Company files annual, quarterly and special reports, information statements and other information with the Securities and Exchange Commission under File No. 1-9583. These Securities and Exchange Commission filings are available to the public over the Internet at the Securities and Exchange Commission's web site at <http://www.sec.gov>. The public may also read and copy any of these Securities and Exchange Commission filings at the Securities and Exchange Commission's public reference room in Washington D.C. Please call the Securities and Exchange Commission at 1-800-SEC-0330 for further information on the public reference rooms.

Copies of the Securities and Exchange Commission filings including

- the Company's Annual Report on Form 10-K for the year ended December 31, 2000,
- the Company's Quarterly Reports on Form 10-Q for the quarter ended September 30, 2001, and
- the report on Form 8-K filed by the Company on January 30, 2001

are also available, at no cost, upon request to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504. The telephone number of MBIA is (914) 273-4545. The Securities and Exchange Commission filings are also available to the public over the Internet at the Company's web site at <http://www.mbia.com>.

The following documents filed by the Company with the Securities and Exchange Commission are incorporated herein by reference:

- the Company's Annual Report on Form 10-K for the year ended December 31, 2000,
- the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001, and
- the report on Form 8-K filed by the Company on January 30, 2001.

Any documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, after the date of this Official Statement and prior to the termination of the offering of the securities offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

### **Financial Strength Ratings of MBIA**

Moody's Investors Service, Inc. rates the financial strength of MBIA "Aaa."

Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. rates the financial strength of MBIA "AAA."

Fitch, Inc. rates the financial strength of MBIA "AAA."

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Series 2002A Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Series 2002A Bonds. MBIA does not guaranty the market price of the Series 2002A Bonds nor does it guaranty that the ratings on the Series 2002A Bonds will not be revised or withdrawn.

#### **ALTERNATE CREDIT FACILITY**

We may, and will upon the written request of the Series 2002A Liquidity Facility Provider, replace the existing Series 2002A Credit Facility with an Alternate Credit Facility at any time if the Ratings of the existing Credit Facility Provider have been downgraded below the two highest rating categories by Moody's and S&P. Such Alternate Credit Facility shall be intended to remain in full force and effect for at least one year, to provide security for payment of the principal of and interest on the Series 2002A Bonds. We must give the Trustee no less than thirty (30) days' prior written notice of our intention to replace the existing Series 2002A Credit Facility with an Alternate Credit Facility.

On or prior to the effective date of such replacement, we must furnish to the Trustee: (i) an opinion of nationally recognized bond counsel that the delivery of such Alternate Credit Facility is authorized under the Bond Resolution and that it will not adversely affect the exemption from federal income taxation of interest on the Bonds and Notes under the Code; (ii) written evidence from each Rating Agency that the substitution for the existing Series 2002A Credit Facility will not, by itself, result in a reduction of its Ratings of the Bonds and Notes from those applicable when the Series 2002A Credit Facility was last in effect or a withdrawal of its Ratings of the Bonds and Notes; and (iii) prior written consent of the Series 2002A Liquidity Facility Provider, if any, provided that if such Credit Facility Provider is the same entity as the Series 2002A Liquidity Facility Provider, or if such Series 2002A Liquidity Facility Provider is also being replaced, such consent will not be required.

#### **THE SERIES 2002A LIQUIDITY FACILITY**

The Remarketing Agent will continually offer for sale and use its best efforts to sell any Series 2002A Bonds with respect to which a notice of optional tender has been received or which are subject to mandatory tender at a price equal to the principal amount thereof plus accrued interest, if any. If the Remarketing Agent is not able to remarket the Series 2002A Bonds upon an optional or mandatory tender thereof, the Series 2002A Liquidity Facility Provider has agreed to purchase such Series 2002A Bonds at the Purchase Price pursuant to the provisions of the Series 2002A Liquidity Facility.

## Summary of Series 2002A Liquidity Facility Provisions

**The following is a summary description of certain provisions of the Series 2002A Liquidity Facility. This summary does not purport to be complete or to cover all sections of the Series 2002A Liquidity Facility. Reference is hereby made to the Series 2002A Liquidity Facility for the complete provisions thereof. The Series 2002A Credit Facility does not insure the Purchase Price of the purchase of tendered Series 2002A Bonds.**

*Bond Purchase Period.* Unless earlier terminated or extended pursuant to the provisions of the Series 2002A Liquidity Facility, the Series 2002A Liquidity Facility Provider's commitment to purchase Series 2002A Bonds in the event they are not remarketed by the Remarketing Agent will extend from the issuance of the Series 2002A Bonds through January 30, 2003 (the "*Bond Purchase Period*").

*Available Commitment Amount.* During the Bond Purchase Period, subject to the terms and conditions of the Series 2002A Liquidity Facility, Series 2002A Liquidity Facility Provider agrees to purchase Series 2002A Bonds at the principal amount thereof plus accrued but unpaid interest thereon in aggregate principal and interest amounts purchased on any Business Day during the Bond Purchase Period that does not exceed the Available Commitment. As used herein, "*Available Commitment*" means:

- A. The initial principal amount of \$40,625,000 as automatically adjusted, from time to time, (i) *downward* by the principal amount of Series 2002A Bonds redeemed or converted to an Interest Rate other than a Variable Rate by the Authority, (ii) *downward* by the principal amount of funds made available by Series 2002A Liquidity Facility Provider to purchase Series 2002A Bonds that have been tendered or are deemed tendered for purchase, and (iii) *upward* by the principal amount of any Series 2002A Bonds purchased by Series 2002A Liquidity Facility Provider that are resold by the Remarketing Agent; and
- B. The initial interest amount of \$2,470,891 (185 days interest on the Series 2002A Bonds at the rate of 12% per annum) as automatically adjusted (i) *downward* by an amount that bears the same proportion as any reduction in the principal commitment bears to \$40,625,000, and (ii) *upward* by an amount that bears the same proportion to such initial amount as the amount of any upward adjustment of the principal commitment bears to \$40,625,000.

The Series 2002A Liquidity Facility Provider's obligation to fund under the Available Commitment is subject to, among other things, timely receipt of notices; lack of receipt of funds by the Tender Agent from remarketing the Series 2002A Bonds or from moneys available under the Series 2002A Bond Resolution; and that the Tender Agent, the Remarketing Agent and the Authority shall have performed their respective obligations.

**THE SERIES 2002A LIQUIDITY FACILITY IS NOT DESIGNED TO PROVIDE CREDIT ENHANCEMENT OR CREDIT SUBSTITUTION. UPON THE HAPPENING OF CERTAIN EVENTS, THE SERIES 2002A LIQUIDITY FACILITY PROVIDER'S COMMITMENT UNDER THE SERIES 2002A LIQUIDITY FACILITY MAY BE SUSPENDED OR TERMINATED WITHOUT THE OWNERS OF THE SERIES 2002A BONDS HAVING A RIGHT TO TENDER THEIR SERIES 2002A BONDS.**

*Suspension or Termination Without Tender Rights.* In the event that principal or interest on the Series 2002A Bonds is not paid by the Authority when due (and such amounts are not paid by the Credit Facility Provider as required by the Series 2002A Credit Facility), or certain actions or proceedings relating to bankruptcy or insolvency by or in respect to the Credit Facility Provider are instituted, then the Available Commitment and the Series 2002A Liquidity Facility Provider's obligation to purchase Series 2002A Bonds will *immediately* terminate without notice and the Series 2002A Liquidity Facility Provider will be under no obligation to purchase Series 2002A Bonds.

In certain events of lack of validity or enforceability of the Series 2002A Credit Facility, the Series 2002A Liquidity Facility Provider's obligation to purchase Series 2002A Bonds will be *suspended* without notice and the Series 2002A Liquidity Facility Provider will be under no obligation to purchase Series 2002A Bonds whether or not a notice of purchase has been delivered by the Tender Agent prior to such occurrence. If a non-appealable court order is entered regarding such lack of validity or enforceability of the Series 2002A Credit Facility (or a material provision thereof), then the Series 2002A Liquidity Facility Provider's obligation to purchase Series 2002A Bonds will *terminate* immediately; and, if the contested provisions are upheld in their entirety by such court order, the Series 2002A Liquidity Facility Provider's obligation under the Series 2002A Liquidity will be reinstated automatically.

*Termination With Tender Rights.* Under the terms of the Series 2002A Liquidity Facility, if certain events occur, including non-payment of the quarterly facility fee or certain ratings downgrades of the Credit Facility Provider (all as described in the Series 2002A Liquidity Facility), the Series 2002A Liquidity Facility Provider may give written notice specifying the commitment termination date (not less than 30 days from the date notice was received by the Tender Agent) on which the Available Commitment shall terminate, and such date shall be deemed to be an Expiration Date pursuant to the Series 2002A Bond Resolution.

*Replacement of Series 2002A Liquidity Facility Provider.* We may terminate the Available Commitment and replace the Series 2002A Liquidity Facility with an Alternate Liquidity Facility: (i) on ninety (90) days' written notice in the event the rating on short term obligations issued by the Series 2002A Liquidity Facility Provider shall have been reduced to a category below the top two highest categories of Moody's or S&P; (ii) if the Series 2002A Liquidity Facility Provider imposes certain increased costs under its Series 2002A Liquidity Facility; and (iii) if the Bond Purchase Period is not extended by us and the Series 2002A Liquidity Facility Provider pursuant to the provisions thereof.



Such termination and replacement will not be effective unless the provider of such Alternate Liquidity Facility shall have purchased all Series 2002A Bonds owned by the Series 2002A Liquidity Facility Provider and any other sums owing to the Series 2002A Liquidity Facility Provider to the date of such termination and replacement shall have been paid in full.

### **Bank One, Oklahoma, NA**

**The information contained in this section has been furnished by Bank One, Oklahoma, NA for use herein. The information is not guaranteed as to accuracy or completeness by the Authority, the Underwriter or its counsel, or Bond Counsel, and is not to be construed as a representation by any of those persons. The Authority, the Underwriter and its counsel, and Bond Counsel have not independently verified this information. No representation is made by any of those persons as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.**

Bank One, Oklahoma, NA ("*Bank One, Oklahoma*") is a national banking association organized under the laws of the United States of America with its principal office located in Oklahoma City, Oklahoma. Bank One, Oklahoma is a commercial bank which offers a broad range of retail, commercial and correspondent banking and trust services within the State of Oklahoma. It is a member of the Federal Reserve System and its deposits are insured by the Federal Deposit Insurance Corporation to the extent provided by law.

Bank One, Oklahoma had total assets of \$3.4 billion as of September 30, 2001. It currently has a long term senior debt rating of "A+" by S&P, "Aa2" by Moody's and "AA-" by Fitch. Its short term obligations are currently rated A-1 by S&P, P-1 by Moody's and F-1+ by Fitch.

The earnings of Bank One, Oklahoma are affected by the policies of regulatory authorities, including the Board of Governors of the Federal Reserve System (the "*Federal Reserve*"). An important function of the Federal Reserve is to promote orderly economic growth by influencing interest rates and the supply of money and credit. The monetary policies of the Federal Reserve can have a significant effect on the operating results of the bank. The effect on future business and earnings of Bank One, Oklahoma of such policies and other economic controls which may be imposed by executive, legislative and regulatory authorities from time to time can not be predicted.

Bank One, Oklahoma is required by regulation to file Consolidated Reports of Condition and Income ("*Call Reports*") with the Comptroller of the Currency on a quarterly basis. The Call Reports contain various financial and statistical information on Bank One, Oklahoma and copies can be inspected and reproduced at the Comptroller's office at 490 L'Enfant Plaza, S.W., 6<sup>th</sup> Floor, Washington, D.C. 20219, and can be obtained by mail upon request from the Manager, Statistical Branch, Data Processing, Comptroller of the Currency, Washington, D.C. 20219.

Bank One, Oklahoma is a wholly-owned subsidiary of Bank One Corporation, a multi-bank holding company incorporated under the laws of the State of Delaware with its principal office located in Chicago, Illinois. Bank One Corporation is a publicly-held company registered under the Securities Exchange Act of 1934. Bank One Corporation files annual and other reports containing audited, consolidated financial statements and other information with the Securities and Exchange Commission. Copies of reports filed with the Commission can be inspected and reproduced at the Public Reference Room of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549. In addition, Bank One Corporation will supply, without charge, a copy of Bank One Corporation's Form 10-K for the year ended December 31, 2001, as well as copies of subsequently filed Forms 10-K, 10-Q or 8-K, as filed with the Securities and Exchange Commission, to any person to whom this Official Statement is delivered, upon written request to Bank One Corporation, 1 Bank One Plaza, Mail Code IL1-0460, Chicago, Illinois 60670, Attention: Investor Relations.

The information on Bank One Corporation that is contained herein is being provided for informational purposes only. **The Series 2002A Liquidity Facility is not an obligation of Bank One Corporation.**

#### **ALTERNATE LIQUIDITY FACILITY**

We may replace the existing Series 2002A Liquidity Facility with an Alternate Liquidity Facility at any time, and shall replace the existing Series 2002A Liquidity Facility with an Alternate Liquidity Facility if the Ratings of the existing Series 2002A Liquidity Facility Provider have been downgraded below the two highest short-term rating categories by Moody's or S&P. We must give the Trustee no less than thirty (30) days' written notice of our intention to replace the existing Series 2002A Liquidity Facility with an Alternate Liquidity Facility. An Alternate Liquidity Facility shall be intended to remain in full force and effect for at least 364 days or to the maturity date of the Series 2002A Bonds, whichever is less.

On or prior to the effective date of such replacement, we must furnish to the Trustee: (i) an opinion of nationally recognized bond counsel that the delivery of such Alternate Liquidity Facility to us is authorized under the Bond Resolution and that it will not adversely affect the exemption from federal income taxation of interest on the Bonds and Notes under the Code; (ii) written evidence from each Rating Agency that the substitution of the proposed Alternate Liquidity Facility for the existing Series 2002A Liquidity Facility will not, by itself, result in a reduction of its Rating of the Bonds and Notes from that which prevailed when the existing Series 2002A Liquidity Facility was last in effect or a withdrawal of its Ratings on the Bonds and Notes; and (iii) the prior written consent of the Credit Facility Provider, provided that if such Credit Facility Provider is the same entity as the Series 2002A Liquidity Facility Provider being replaced, or if such Credit Facility Provider is also being replaced, such consent will not be required.

We will not otherwise rescind or terminate the existing Series 2002A Liquidity Facility unless such an Alternate Liquidity Facility is in effect, or all of the Series 2002A Bonds have been converted to a Interest Rate other than a Variable Rate.

## DESCRIPTION OF THE SERIES 2002A BONDS

### General

The Bond Resolution, as supplemented by the Series 2002A Bond Resolution, will authorize, among other things: (i) the issuance of the Series 2002A Bonds; (ii) the transfer of fully disbursed Financed Eligible Loans and other assets to the Trust Estate; (iii) the creation and administration of various Funds and Accounts, including the Debt Service Reserve Account in its required amount; and (iv) the execution and delivery of the various related documents pertaining to the issuance of the Series 2002A Bonds.

The Series 2002A Bonds will be issued only in fully registered form. When issued, the Depository Trust Company will act as securities depository (the “*Securities Depository*”) for the Series 2002A Bonds. Individual purchases will be made in Book Entry form only and purchasers of beneficial ownership interests (the “*Beneficial Owners*”) will not receive certificates representing their interests in the Series 2002A Bonds. See the caption “SECURITIES DEPOSITORY” herein.

### Interest on the Series 2002A Bonds

The Series 2002A Bonds initially will bear interest at the Weekly Rate. The Series 2002A Bonds bearing interest at Variable Rate may bear interest in one of the following interest rate modes: (i) Weekly Rate, (ii) Quarterly Rate, (iii) Semiannual Rate and (iv) Annual Rate. Interest payable on the Series 2002A Bonds bearing interest at a Variable Rate will be computed on the basis of a 365 or 366-day year, as appropriate, and the actual days elapsed.

Interest payments on the Series 2002A Bonds are to be made by the Trustee to the persons who are the Registered Owners thereof (initially, Cede & Co.) as of the Record Date. See the caption “SECURITIES DEPOSITORY” herein for a description of how the Securities Depository, as the Registered Owner of the Series 2002A Bonds, is expected to disburse such payments to the Beneficial Owners.

Until a conversion of the Series 2002A Bonds to bear interest on an Interest Rate other than a Variable Rate, we may designate different Variable Rates to be applicable to the Series 2002A Bonds (each a “*Conversion*”) and to be effective on any Conversion Date established for the Series 2002A Bonds. Notice of such Conversion shall be given as described herein.

The Series 2002A Bonds may be converted to bear interest at Interest Rates other than the Variable Rates described herein. If we convert the Series 2002A Bonds to bear interest at an Interest Rate other than the Variable Rates described herein, the Series 2002A Bonds will be subject to mandatory tender as described herein and will be re-offered by us pursuant to the terms of a separate offering document.

## Determination of Interest Rates

Interest Rates on the Series 2002A Bonds will be determined as follows for Weekly Rate Bonds, Quarterly Rate Bonds, Semiannual Rate Bonds, Annual Rate Bonds and Fixed Rate Bonds.

- A. *For Weekly Rate Bonds*, the Interest Rate for any Weekly Rate Period will be the rate established for such Weekly Rate Period by the Remarketing Agent no later than 12:00 p.m., New York City time, on the first day of such Weekly Rate Period as being the minimum rate of interest necessary, in the best professional judgment of the Remarketing Agent taking into account prevailing market conditions, to enable the Remarketing Agent to sell all of the Weekly Rate Bonds in the secondary market on the date such rate is set at a price equal to the principal amount thereof, plus accrued interest.
- B. *For Quarterly Rate Bonds*, the Interest Rate for any Quarterly Rate Period will be the rate established for such Quarterly Rate Period by the Remarketing Agent no later than 12:00 p.m., New York City time, on the first day of such Quarterly Rate Period as being the minimum rate of interest necessary, in the best professional judgment of the Remarketing Agent taking into account prevailing market conditions, to enable the Remarketing Agent to sell all of the Quarterly Rate Bonds in the secondary market on the date such rate is set at a price equal to the principal amount thereof, plus accrued interest.
- C. *For Semiannual Rate Bonds*, the Interest Rate for any Semiannual Rate Period will be the rate established for such Semiannual Rate Period by the Remarketing Agent no later than 12:00 p.m., New York City time, on the first day of such Semiannual Rate Period as being the minimum rate of interest necessary, in the best professional judgment of the Remarketing Agent taking into account prevailing market conditions, to enable the Remarketing Agent to sell all of the Semiannual Rate Bonds in the secondary market on the date such rate is set at a price equal to the principal amount thereof, plus accrued interest.
- D. *For Annual Rate Bonds*, the Interest Rate for any Annual Rate Period will be the rate established for such Annual Rate Period by the Remarketing Agent no later than 12:00 p.m., New York City time, on the first day of such Annual Rate Period as being the minimum rate of interest necessary, in the best professional judgment of the Remarketing Agent taking into account prevailing market conditions, to enable the Remarketing Agent to sell all of the Annual Rate Bonds in the secondary market on the date such rate is set at a price equal to the principal amount thereof, plus accrued interest.
- E. *For Fixed Rate Bonds*, the Interest Rate will be an annual rate established by the Remarketing Agent on or prior to the first day on which the Series 2002A Bonds bear the Fixed Rate as being, in the best professional judgment of the Remarketing

Agent taking into account prevailing market conditions, the minimum fixed rate of interest which would be necessary to enable the Remarketing Agent to sell all of the Fixed Rate Bonds in a secondary market transaction at a price equal to the principal amount thereof, plus accrued interest.

Series 2002A Bonds while owned by a Series 2002A Liquidity Facility Provider will bear interest at the Bank Rate which shall be the lesser of: (i) the maximum rate permitted by applicable law; or (ii) the rates provided in the Series 2002A Liquidity Facility. If such Bank Bonds are sold pursuant to the remarketing provisions of the Series 2002A Bond Resolution, such Bank Bonds will bear interest from the date of sale calculated as though such Series 2002A Bonds did not bear interest at the Bank Rate. The differential interest due to the Series 2002A Liquidity Facility Provider on Bank Bonds sold between Interest Payment Dates will be paid to the Series 2002A Liquidity Facility Provider on the remarketing thereof, but no more frequently than monthly.

In the event that the Remarketing Agent no longer determines, or fails to determine, an Interest Rate pursuant to paragraphs A through E above, or if for any reason such manner of determination shall be held to be invalid or unenforceable by a court of law, the interest rate or rates for the next succeeding interest period will be as follows (subject to the Maximum Rate):

- A. *For Weekly Rate Bonds*, that interest rate for each Weekly Rate Period equal to the Bond Market Association Municipal Swap Index or, in the event such index is no longer in existence, 85% of the 15-day dealer taxable commercial paper rate as most recently published by the Federal Reserve Bank of New York next preceding the first day of such Weekly Rate Period, but effective as of such first day of the Weekly Rate Period; and
- B. *For Quarterly Rate Bonds, Semiannual Rate Bonds and Annual Rate Bonds*, that annual rate of interest equal to 85% of the rate listed in the table most recently circulated by the United States Treasury Department known as “Table [applicable dates shown on the most recent table], Maximum Interest Rates Payable on United States Treasury Certificates of Indebtedness, Notes and Bonds-State and Local Government Series Subscribed for During Period [applicable dates shown on the most recent table]” or any subsequent and substantially equivalent table circulated by the United States Treasury Department for the maturity most closely approximating the duration, as the case may be, of the Quarterly Rate Period, the Semiannual Rate Period or the Annual Rate Period.

The Interest Rate on any Series 2002A Bonds bearing interest at an Interest Rate other than a Fixed Rate or a Variable Rate shall be determined in accordance with the Supplemental Bond Resolution establishing such rate.

Any Weekly Rate Bond with regard to which demand is not made for optional tender or mandatory tender will be deemed to have been remarketed to the Registered Owner thereof at the Variable Rate and on the terms provided for in the Series 2002A Bond Resolution. All Quarterly

Rate Bonds, Semiannual Rate Bonds and Annual Rate Bonds are subject to mandatory tender on the Business Day succeeding such Quarterly Rate Period, Semiannual Rate Period and Annual Rate Period.

Any determination of an Interest Rate shall be conclusive and binding upon the Authority, the Trustee, the Tender Agent, the Remarketing Agent, the Credit Facility Provider, the Series 2002A Liquidity Facility Provider and the Registered Owners of the Bonds and Notes.

Interest payable on the Series 2002A Bonds will never exceed the Maximum Rate, except as provided for Bank Bonds.

### **Conversion of Interest Rate**

The interest rates on the Series 2002A Bonds (except for Fixed Rate Bonds, which are not subject to Conversion) are subject to Conversion from one Interest Rate mode to another (including from one Interest Rate mode within the Variable Rates to another interest rate mode within the Variable Rates), in whole and not in part, at our option, by mailing a notice to the Trustee, the Tender Agent, the Credit Facility Provider, the Series 2002A Liquidity Facility Provider and the Remarketing Agent at least thirty (30) days (twenty (20) days in the event of Conversion from one interest rate mode within the Variable Rates to another interest rate mode within the Variable Rates) before the Conversion Date accompanied by a preliminary opinion of nationally recognized municipal bond counsel stating that such Conversion is authorized and in accordance with the Bond Resolution and will not adversely affect the exemption of the interest on any of the Bonds and Notes from federal income taxation under the Code. On the Conversion Date as a necessary condition to such Conversion, we will deliver to the Trustee and the Credit Facility Provider an opinion of nationally recognized municipal bond counsel confirming the preliminary opinion as of such Conversion Date.

In the event that such confirming opinion of bond counsel is not so delivered on the Conversion Date, the intended Conversion will not take place and interest on the Series 2002A Bonds for which the Conversion was intended will be determined on the basis of the Weekly Rate.

If the interest rate on any Series 2002A Bond is to be converted to a Fixed Rate, the interest rate on all Series 2002A Bonds must be converted to a Fixed Rate.

The prior written consent of the Credit Facility Provider will be required for any such Conversion.

The Trustee will give notice by mail to the Registered Owners of the Series 2002A Bonds when the interest rate is to be converted not less than twenty-five (25) days (fifteen (15) days for a Conversion from one Variable Rate mode to another) prior to the Conversion Date. Such notice will state, among other things: (i) that such Series 2002A Bonds are being converted, as set forth in our notice; (ii) the Conversion Date; (iii) that every Series 2002A Bond (with an appropriate transfer of registration executed in blank in form satisfactory to the Tender Agent) must be delivered to the

Tender Agent (at its designated office) not later than the Conversion Date or the next succeeding Business Day if not a Business Day and, in the absence of such delivery, will be deemed to have been delivered and purchased; and (iv) the Purchase Price we will pay for the Series 2002A Bonds on such Purchase Date, that no interest will accrue to the benefit of such Registered Owners after the Purchase Date, and that every Outstanding Series 2002A Bond subject to the Conversion will be purchased by the Tender Agent on the Purchase Date or the next succeeding Business Day if not a Business Day.

In the event that the intended Conversion does not take place, the Trustee will give notice immediately to the Series 2002A Liquidity Facility Provider and, within a reasonable time, but not more than twenty-five (25) days after the proposed Conversion Date, give notice to the Registered Owners, in the manner in which notice of redemption was given, that such Conversion did not take place.

While the Series 2002A Bonds are in a Variable Rate mode, there shall be in effect a Series 2002A Credit Facility or Alternate Credit Facility and Series 2002A Liquidity Facility or Alternate Liquidity Facility with respect to the Series 2002A Bonds. The Series 2002A Credit Facility or Alternate Credit Facility or Series 2002A Liquidity Facility or Alternate Liquidity Facility are not required to remain in effect after conversion of the interest rates on all Series 2002A Bonds to an Interest Rate other than a Variable Rate.

#### **Purchase of Weekly Rate Bonds on Demand**

So long as a Series 2002A Liquidity Facility is in effect, any Weekly Rate Bond will be purchased, on the demand of the Registered Owner or Beneficial Owner thereof, on any Business Day designated by the Registered Owner or Beneficial Owner thereof which is not less than seven (7) days after the date of such demand at a purchase price equal to the principal amount thereof plus accrued interest, if any, to the Purchase Date, upon telephonic notice to the Tender Agent and the Remarketing Agent at their designated offices and confirmed by written notice to the Tender Agent and the Remarketing Agent (at their designated offices) not later than the third Business Day prior to the Purchase Date, which notice: (i) states the number and principal amount (or portion thereof in an Authorized Denomination) of such Weekly Rate Bond to be purchased; (ii) states the Purchase Date on which such Weekly Rate Bond will be purchased pursuant to the Series 2002A Bond Resolution; and (iii) irrevocably requests such purchase. The Series 2002A Credit Facility does not insure the Purchase Price of such purchase of tendered Series 2002A Bonds.

**IF THE SERIES 2002A LIQUIDITY FACILITY HAS BEEN TERMINATED IN ACCORDANCE WITH ITS TERMS, THE SERIES 2002A BONDS WILL NO LONGER BE SUBJECT TO OPTIONAL TENDER. IN ADDITION, THE SERIES 2002A LIQUIDITY FACILITY MAY BE TERMINATED WITHOUT REQUIRING A MANDATORY TENDER OF THE SERIES 2002A BONDS UPON THE TERMINATION OF THE SERIES 2002A CREDIT FACILITY OR THE BANKRUPTCY OF THE CREDIT FACILITY PROVIDER.**

Any Weekly Rate Bond with regard to which demand is made will be deemed to have been tendered for purchase on the Purchase Date. Delivery of such Weekly Rate Bond (with an appropriate transfer of registration executed in blank in form satisfactory to Tender Agent) at the designated office of Tender Agent at or prior to 11:30 a.m., New York City time, on the date specified in the notice will be required for payment in same day funds of the purchase price due on such Purchase Date. No Registered Owner will be entitled to payment of the purchase price due on such Purchase Date except upon surrender of such Weekly Rate Bonds as set forth herein.

If the Purchase Date is also an Interest Payment Date, the Purchase Price will not include accrued interest.

So long as we maintain a Book Entry System for the Series 2002A Bonds, evidence of ownership and an assignment sufficient to transfer the beneficial ownership of a tendered Series 2002A Bond to the Tender Agent or its assignee shall be deemed to be presentation and surrender of the Series 2002A Bond for purposes hereof. See the caption "SECURITIES DEPOSITORY" herein.

On the date Series 2002A Bonds are to be purchased on a demand tender option, the Series 2002A Bonds will be purchased only from the funds listed below, at a purchase price equal to the principal amount thereof plus accrued interest, if any, to the date of purchase. Funds for the payment of such purchase price will be derived from the following sources in the order of priority indicated and none of the Authority, the Trustee, the Tender Agent or the Remarketing Agent will be obligated to provide funds from any other source. At the request of the Tender Agent, the Trustee and the Remarketing Agent will deliver any moneys held by them from such sources in such order to the Tender Agent: (i) proceeds of the sale of such Series 2002A Bonds pursuant to remarketing; and (ii) proceeds of a payment pursuant to the Series 2002A Liquidity Facility.

The Tender Agent will: (i) hold all Series 2002A Bonds delivered to it in trust for the benefit of the respective Registered Owners until moneys representing the Purchase Price of such Series 2002A Bonds have been delivered to or for the account of or to the order of such Registered Owners; and (ii) hold all moneys delivered to it for the purchase of such Series 2002A Bonds in trust uninvested for the benefit of the person or entity which shall have so delivered such moneys until the Series 2002A Bonds have been delivered to or the account of such person.

*No Purchases Or Sales After Termination of Series 2002A Liquidity Facility; Notice of Pending Termination.* There shall be no purchases or sales of Series 2002A Bonds if there shall have been a termination of the Series 2002A Liquidity Facility and the Tender Agent has been informed of such termination. The Trustee shall give immediate notice of such termination by telecommunication to the Remarketing Agent, the Tender Agent (together with a copy of the notice to be sent to the Registered Owners), the Credit Facility Provider and the Series 2002A Liquidity Facility Provider. The Trustee shall cause the Tender Agent to give notice to the Registered Owners by mail of: (i) the termination of the Series 2002A Liquidity Facility and that such termination results in no purchase or sales of Series 2002A Bonds being permitted pursuant to the Series 2002A Bond Resolution; and (ii) substitution of an Alternate Liquidity Facility and that in consequence of



such substitution purchases and sales are again permitted pursuant to the Series 2002A Bond Resolution.

In addition, upon the Trustee's receipt of written notice from us, the Series 2002A Liquidity Facility Provider or the Credit Facility Provider of pending termination (without substitution) of the Series 2002A Liquidity Facility or Series 2002A Credit Facility, the Trustee shall, as soon thereafter as is reasonably practicable, notify the Tender Agent and the Remarketing Agent by registered mail, return receipt requested (and also by telex, telecopy or similar means), of such fact. The Trustee shall cause the Tender Agent to notify all Registered Owners of the Series 2002A Bonds by registered mail, return receipt requested, of such fact. The notice shall state (i) the expected date of termination; (ii) that on such date the Registered Owners' right to request purchase of Series 2002A Bonds by the Tender Agent will not exist; and (iii) that the ratings of Rating Agencies, if any, of the Series 2002A Bonds in effect as of such date will cease to apply.

### **Mandatory Tender and Purchase**

*Quarterly, Semiannual and Annual Rate Periods.* So long as a Series 2002A Liquidity Facility is in effect, all Quarterly Rate Bonds, Semiannual Rate Bonds and Annual Rate Bonds shall be delivered to the Tender Agent on the Business Day succeeding each Quarterly Rate Period, Semiannual Rate Period and Annual Rate Period for purchase (with all necessary endorsements) and purchased at a price equal to the principal amount thereof plus accrued interest, if any.

*Conversion.* So long as a Series 2002A Liquidity Facility is in effect, on any Conversion with respect to any Series 2002A Bonds, all such Series 2002A Bonds (other than Bank Bonds) shall be delivered to the Tender Agent for purchase (with all necessary endorsements) and purchased at a price equal to the principal amount thereof plus accrued interest, if any.

*Facility Substitution or Expiration.* So long as a Liquidity Facility is in effect, on any Facility Substitution Date or Expiration Date, all Series 2002A Bonds shall be delivered to the Tender Agent for purchase (with all necessary endorsements) and purchased at a price equal to the principal amount thereof plus accrued interest, if any. Notice of Facility Substitution or Expiration shall be given in accordance with the Series 2002A Bond Resolution.

*Source of Funds.* The purchase price of the Series 2002A Bonds purchased pursuant to mandatory tender will be paid from the following sources in the order of priority indicated and none of the Authority, the Trustee, the Tender Agent or the Remarketing Agent will be obligated to provide funds from any other source. At the request of the Tender Agent, the Trustee and the Remarketing Agent shall deliver any moneys held by them from such sources in such order to the Tender Agent: (i) proceeds of the sale of such Series 2002A Bonds pursuant to remarketing; and (ii) proceeds of a payment pursuant to the Series 2002A Liquidity Facility. The Series 2002A Credit Facility does not insure the Purchase Price of such purchase of tendered Series 2002A Bonds.

IF THE SERIES 2002A LIQUIDITY FACILITY HAS BEEN TERMINATED IN ACCORDANCE WITH ITS TERMS, THE SERIES 2002A BONDS WILL NO LONGER BE

SUBJECT TO MANDATORY TENDER. IN ADDITION, THE SERIES 2002A LIQUIDITY FACILITY MAY BE TERMINATED WITHOUT REQUIRING A MANDATORY TENDER OF THE SERIES 2002A BONDS UPON THE TERMINATION OF THE SERIES 2002A CREDIT FACILITY OR THE BANKRUPTCY OF THE CREDIT FACILITY PROVIDER.

*Deemed Tender.* Series 2002A Bonds to be purchased in accordance with a mandatory tender for purchase which are not delivered to the Tender Agent will nevertheless be deemed to have been delivered by the Registered Owners thereof, whereupon interest accruing on and after such mandatory tender date on such Series 2002A Bonds will no longer be payable to the former Registered Owners but will be paid to the new Registered Owners thereof. In such event, the Authority will execute and the Trustee will authenticate and deliver new Series 2002A Bonds. Interest payable on such date will be paid to the Registered Owners of such Series 2002A Bonds as of the Record Date next preceding such Interest Payment Date. The former Registered Owner will have recourse solely to the funds held by the Tender Agent for the purchase of such Series 2002A Bonds, which shall be paid to the former Registered Owner by the Tender Agent upon presentation and surrender of such Series 2002A Bonds endorsed for transfer with signature guaranty satisfactory to the Tender Agent. No other transfer of such Series 2002A Bonds after the mandatory tender date shall be recognized.

*Failed Conversion.* If for any reason an intended Conversion does not take effect on a Conversion Date: (i) from and after the proposed Conversion Date until any subsequent Conversion, the Series 2002A Bonds as to which the Conversion failed will bear interest at the Weekly Rate; and (ii) the mandatory purchase of Series 2002A Bonds as to which the Conversion was to relate will nevertheless remain effective and will occur as if the Conversion had taken effect if the Trustee has notified the Registered Owners of the proposed Conversion.

*Substitution.* If for any reason an intended substitution of a Series 2002A Liquidity Facility or Series 2002A Credit Facility does not take effect on the specified date, the mandatory purchase of Series 2002A Bonds will nevertheless remain effective and will occur as if the substitution had taken effect if the Trustee has notified the Registered Owners of the proposed Conversion. The Series 2002A Liquidity Facility will not be released until all principal, interest and Purchase Price of the Series 2002A Bonds payable therefrom have been paid.

*Book Entry System.* So long as we maintain a Book Entry System for the Series 2002A Bonds, evidence of ownership and an assignment sufficient to transfer the Beneficial Ownership of a tendered Series 2002A Bond to the Tender Agent or its assignee will be deemed to be presentation and surrender of the Series 2002A Bond. See the caption "SECURITIES DEPOSITORY" herein.

## **Redemption Provisions**

The Series 2002A Bonds are subject to redemption by or on behalf of the Authority upon notice as described under the caption "Notice of Redemption" below. If less than all Series 2002A Bonds that are outstanding are to be redeemed, the particular obligations to be redeemed will be

selected (and redeemed only in Authorized Denominations) as described under the caption “Partial Redemption” below.

*Optional Redemption.* The Series 2002A Bonds are subject to optional redemption under certain conditions.

- A. *During a Variable Rate Period*, the Series 2002A Bonds will be subject to redemption at the option of the Authority (with the written consent of the Credit Facility Provider) on any Business Day in the principal amount of an Authorized Denomination at a redemption price equal to the principal amount thereof plus accrued interest, if any, in whole or in part from Available Moneys.
- B. *After conversion to a Fixed Rate*, the Series 2002A Bonds will be subject to redemption at the option of the Authority (with the written consent of the Credit Facility Provider), in the principal amount of an Authorized Denomination in whole or in part from Available Moneys.

The Fixed Rate Bonds will be noncallable for redemption for the first five (5) years after the Fixed Rate Conversion Date. On and after the fifth anniversary of the Fixed Rate Conversion Date, the Series 2002A Bonds will be subject to redemption in whole at any time, or in part on any Interest Payment Date thereafter at a redemption price of 102% of the principal amount thereof, which price shall decline by ½ of 1% per annum on each anniversary of such Fixed Rate Conversion Date to 100% (i.e., 101-1/2% on and after the sixth anniversary of such Fixed Rate Conversion Date; 101% on and after the seventh anniversary; 100-1/2% on and after the eighth anniversary; and 100% on the ninth anniversary and thereafter).

- C. After a Conversion of the Series 2002A-1 Bonds to an Interest Rate other than a Fixed Rate or a Variable Rate, the Series 2002A-1 Bonds shall be subject to redemption at the option of the Authority, with the written consent of the Credit Facility Provider, in Authorized Denominations, in whole or in part from Available Moneys, at the times and at the redemption prices set forth in the Supplemental Bond Resolution establishing such rate.
- D. In addition, the Series 2002A Bonds are subject to extraordinary optional redemption, in whole or in part, in Authorized Denominations on any Business Day at the principal amount thereof, plus accrued interest to the date set for redemption, if the Authority suffers unreasonable burdens or excessive liabilities in connection with the operation of its program for originating, purchasing or financing student loans (the “*Program*”) or the redemption of the Series 2002A Bonds is required or necessary under applicable law or regulations of the Secretary to enable the Authority to continue to receive various federal benefits, all as evidenced by a certificate of the Authority addressed to the Trustee and the Credit Facility Provider.

The Series 2002A Bonds shall be optionally redeemed only in Authorized Denominations and only with Available Moneys; provided that a Series 2002A Bond must be left Outstanding in an Authorized Denomination or must be redeemed in whole. The Trustee will redeem all Outstanding Bank Bonds prior to optional redemption of any other Series 2002A Bond.

*Mandatory Redemption.* The Series 2002A Bonds are subject to mandatory redemption by the Authority, in whole or in part, on any Business Day at a Redemption Price equal to the principal amount thereof being redeemed, plus accrued interest to the date set for redemption, in Authorized Denominations, from moneys on deposit in the Series 2002A Principal Subaccount:

- A. Which are not derived from the voluntary sale or disposition of Eligible Loans and which the Authority determines (as indicated in an order given to the Trustee at least forty-five (45) days before the redemption date) are not available or are not expected to be used to acquire Eligible Loans;
- B. Which represent moneys deposited therein on the Date of Issuance of the Series 2002A Bonds which have not been used to acquire Eligible Loans by March 1, 2004 or such later date acceptable to the Credit Facility Provider; or
- C. Which represent Recoveries of Principal from Eligible Loans acquired directly or indirectly with the proceeds of the Series 2002A Bonds.

See the captions "SECURITY AND SOURCES OF PAYMENT - Flow of Funds" and "- Creation of Series 2002A Accounts" herein.

All Series 2002A Bonds constituting Bank Bonds are subject to mandatory redemption on each anniversary of the Expiration Date of the Series 2002A Liquidity Facility in an amount equal to one-fifth (1/5) of the principal amount of Bank Bonds Outstanding on , in whole only, on the date which is five (5) years after the Expiration Date of the Series 2002A Liquidity Facility at their Redemption Price, plus accrued interest at the Bank Rate to the redemption date.

The Series 2002A Bonds to be redeemed pursuant to mandatory redemption will be redeemed only in the principal amount of an Authorized Denomination; provided that a Series 2002A Bond must be left Outstanding in an Authorized Denomination or must be redeemed in whole. The Series 2002A Bonds or portions of the Series 2002A Bonds to be redeemed will be selected by lot or in such other manner as the Trustee in its discretion may deem fair, except that Bank Bonds will be redeemed prior to any other Series 2002A Bonds.

### **Partial Redemption**

If less than all of the Series 2002A Bonds are to be redeemed, the particular Series 2002A Bonds or portions thereof to be redeemed will be selected, not more than fifteen (15) days prior to the date of notice of redemption, by the Trustee at random in such manner as the Trustee in its

discretion may deem fair and appropriate. The Trustee shall treat each Series 2002A Bond to be redeemed as representing that number of Series 2002A Bonds of the lowest Authorized Denomination as is obtained by dividing the principal amount of such Series 2002A Bond by such Authorized Denomination.

In case part but not all of an outstanding Series 2002A Bond is selected for redemption, upon surrender of such Series 2002A Bond, the Authority will execute and the Trustee will authenticate and deliver to such Registered Owner, the cost of which will be paid as a Program Expense, a new Series 2002A Bond(s) of Authorized Denominations in an aggregate principal amount equal to the unredeemed portion of the Series 2002A Bond surrendered.

### **Notice of Redemption**

The Trustee will cause notice of redemption to be given to the Tender Agent, the Remarketing Agent, the Credit Facility Provider and the Registered Owner of any Series 2002A Bonds designated for redemption in whole or in part, by: (a) in the case of redemptions of Series 2002A Bonds (other than Bank Bonds) mailing a copy of the redemption notice by first-class mail at least thirty (30) days prior to the redemption date; and (b) in the case of redemptions of Bank Bonds, sending a copy of the redemption notice to the Series 2002A Liquidity Facility Provider at least three (3) Business Days prior to the redemption date by first-class express mail, telex or telecopy with confirmation by first-class mail. The failure of the Trustee to give notice to a Registered Owner or any defect in such notice will not affect the validity of the redemption of any other Series 2002A Bonds.

Each notice of redemption will specify the Series 2002A Bonds to be redeemed, the date fixed for redemption, the place or places of payment, that payment will be made upon presentation and surrender of the Series 2002A Bonds to be redeemed, that interest, if any, accrued to the date fixed for redemption will be paid as specified in said notice, and that on and after said date interest thereon will cease to accrue. If less than all the Outstanding Series 2002A Bonds are to be redeemed, the notice of redemption shall specify the series and numbers of the Series 2002A Bonds or portions thereof to be redeemed.

With respect to any notice of redemption of Series 2002A Bonds in accordance with optional redemptions, such notice will state that such redemption will be conditioned upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys (which shall be Available Moneys for optional redemptions), subject to the condition below, sufficient to pay the principal of, premium, if any, and interest on such Series 2002A Bonds to be redeemed, and that if such moneys will not have been so received the notice shall be of no force and effect, the Trustee will not be required to redeem such Series 2002A Bonds and all the rights of the Registered Owners prior to the redemption date shall be restored. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption will not be made, and the Trustee will, within a reasonable time but not more than 10 days after the proposed date of redemption, give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

No assurance can be given by the Authority or the Trustee that DTC will distribute to the Participants, or the Participants will distribute to the Beneficial Owners: (i) payments of principal and interest on the Series 2002A Bonds paid to DTC (or its nominee), as the Registered Owner; or (ii) any redemption or other notices; or (iii) that DTC or the Participants will serve and act on a timely basis or in the manner described herein.

## **Transfer and Exchange**

**Notwithstanding the following, for so long as the Series 2002A Bonds are available only in the Book Entry System of The Depository Trust Company as the Securities Depository, transfers and exchanges of the Series 2002A Bonds by the Beneficial Owners thereof will occur as described under the caption “SECURITIES DEPOSITORY” herein.**

Each Series 2002A Bond will be transferable only upon our books, which will be kept for such purpose at the corporate trust office of the Trustee, by the Registered Owner thereof in person or by his attorney duly authorized in writing, upon surrender thereof, together with a written instrument of transfer satisfactory to the Trustee duly executed by the Registered Owner or his duly authorized attorney. Upon surrender for transfer of any such Series 2002A Bond, we will execute and the Trustee will authenticate and deliver, in the name of the transferee, one or more new fully registered Series 2002A Bonds of the same aggregate principal amount as the surrendered Series 2002A Bond.

The Authority, the Tender Agent and the Trustee will deem and treat the person in whose name any Outstanding Series 2002A Bond is registered upon the books of the Authority as the absolute owner thereof, whether such Series 2002A Bond is overdue or not, for the purpose of receiving payment of (or on account of) the principal or Redemption Price of and interest on such Series 2002A Bond and for all other purposes. Payment of the principal or Redemption Price and interest will be made only to (or upon the order of) such Registered Owner. All such payments to such Registered Owner will be valid and effectual to satisfy and discharge the liability upon such Series 2002A Bond to the extent of the sum or sums so paid, and none of the Authority, the Tender Agent and the Trustee will be affected by any notice to the contrary.

For every such exchange or transfer of Series 2002A Bonds, the Authority, the Tender Agent and the Trustee may make a charge sufficient for reimbursement of any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer. Such sum or sums will be paid by the Registered Owner requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer. None of the Authority, the Tender Agent or the Trustee will be obligated to: (i) issue, exchange or transfer any Series 2002A Bond after the Record Date next preceding a Bond Payment Date; (ii) issue, exchange or transfer any Series 2002A Bond during a period beginning at the opening of business fifteen (15) days next preceding any selection of Series 2002A Bonds to be redeemed and ending at the close of business on the date of the first mailing of notice of such redemption; or (iii) transfer or exchange any Series 2002A Bonds called or being called for redemption in whole or in part.

## **Mutilated, Destroyed, Lost and Stolen Series 2002A Bonds**

If any mutilated Series 2002A Bond is surrendered to the Trustee, or the Trustee and the Authority receive evidence to their satisfaction of the destruction, loss or theft of any Series 2002A Bond, and there is delivered to the Trustee and the Authority such security or indemnity as may be required by them to save each of them harmless, then the Authority will execute, and, upon request by the Authority, the Trustee will authenticate and deliver, in exchange for any such mutilated Series 2002A Bond, or in lieu of any such destroyed, lost or stolen Series 2002A Bond, a new Series 2002A Bond of like tenor and principal amount, bearing a number not contemporaneously Outstanding. The Trustee will thereupon cancel any such mutilated Series 2002A Bond so surrendered. In case any such mutilated, destroyed, lost or stolen Series 2002A Bond has become or is about to become due and payable, the Authority in its discretion may pay such Series 2002A Bond instead of issuing a new Series 2002A Bond.

Upon the issuance of any new Series 2002A Bond, the Authority may require the payment by the Registered Owner thereof of a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto and any other expenses, including counsel fees, of the Authority, the Tender Agent or the Trustee, connected therewith.

## **SECURITIES DEPOSITORY**

**The information in this section concerning DTC and DTC's Book Entry system has been obtained from DTC and from other sources which the Authority believes to be reliable. However, the Authority, the Underwriter or its counsel, or Bond Counsel and the Trustee take no responsibility for the accuracy thereof. No representation is made by any of those persons as to the absence of material changes in such information subsequent to the date hereof.**

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Series 2002A Bonds. The Series 2002A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for the Series 2002A Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (“Direct Participants”) deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants’ accounts, thereby eliminating the need for physical movement of

securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“*Indirect Participants*”, collectively with Direct Participants, the “*Participants*”). The Rules applicable to DTC and its Direct and Indirect Participants are on file with the Securities and Exchange Commission.

Purchases of Series 2002A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2002A Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2002A Bonds (“*Beneficial Owner*”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2002A Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2002A Bonds, except in the event that use of the book-entry system for the Series 2002A Bonds is discontinued.

To facilitate subsequent transfers, all Series 2002A Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2002A Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2002A Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2002A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. Beneficial Owners of Series 2002A Bonds may wish to ascertain that the nominee holding the Series 2002A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, or in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.



Redemption notices shall be sent to DTC. If less than all of the Series 2002A Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2002A Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2002A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2002A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Series 2002A Bonds purchased or tendered, through its Participant, to the Tender Agent, and shall effect delivery of such Series 2002A Bonds by causing the Direct Participant to transfer the Participant's interest in the Series 2002A Bonds, on DTC's records, to the Tender Agent. The requirement for physical delivery of the Series 2002A Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series 2002A Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Series 2002A Bonds to the Tender Agent's DTC account.

DTC may discontinue providing its services as securities depository with respect to the Series 2002A Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered.

**The Authority, Bond Counsel, the Trustee and the Underwriter cannot and do not give any assurances that the DTC Participants will distribute to the Beneficial Owners of the Series 2002A Bonds: (i) payments of principal of or interest on the Series 2002A Bonds; (ii) certificates representing an ownership interest or other confirmation of beneficial ownership interests in the Series 2002A Bonds; or (iii) redemption or other notices sent to DTC or its nominee, as the Registered Owners of the Series 2002A Bonds; or that they will do so on a timely basis or that DTC or its Participants will serve and act in the manner described in this Official Statement. The current "rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.**

**None of the Authority, Bond Counsel, the Trustee or the Underwriter will have any responsibility or obligation to such DTC Participants (direct or indirect) or the persons for whom they act as nominees with respect to: (i) the Series 2002A Bonds; (ii) the accuracy of any records maintained by DTC or any DTC Participant; (iii) the payment by any DTC Participant of any amount due to any Beneficial Owner in respect of the principal amount of or interest on the Series 2002A Bonds; (iv) the delivery by any DTC Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Bond Resolution to be given to Registered Owners; (v) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series 2002A Bonds; or (vi) any consent given or other action taken by DTC as Registered Owner.**

In reading this Official Statement, it should be understood that while the Series 2002A Bonds are in the Book Entry system, references in other sections of this Official Statement to Registered Owner should be read to include the Beneficial Owners of the Series 2002A Bonds, but: (i) all rights of ownership must be exercised through DTC and the Book Entry system; and (ii) notices that are to be given to Registered Owners by the Authority or the Trustee will be given only to DTC.

## **SECURITY AND SOURCES OF PAYMENT**

### **Trust Estate**

The Bond Resolution provides that all Bonds and Notes issued thereunder, as well as any Swap Agreement, are limited and special revenue obligations of the Authority secured by and payable solely from revenues, funds and other assets specifically pledged therefor, including among other things, all rights, title, interest and privileges of the Authority with respect to:

- The Revenues (other than Revenues deposited in the Rebate Fund) and Recoveries of Principal in and payable into the Funds and Accounts created by the Bond Resolution;
- All moneys and Investment Securities held in the Funds and Accounts created by the Bond Resolution;
- The Financed Eligible Loans (including the education loan promissory notes evidencing such indebtedness and related loan documentation);
- The rights of the Authority in and to the Authority Guarantee Agreements, the Custodian Agreement, the Servicing Agreements, and any Student Loan Purchase Agreement as such documents relate to Financed Eligible Loans;
- The rights of the Authority in and to any Swap Agreement and any Swap Counterparty Guarantee, provided, however, that the security interest described in this paragraph will not be for the benefit of a Swap Counterparty with respect to its Swap Agreement; and
- Any and all other property, rights and interests of every kind granted, transferred or delivered from time to time to the Trustee as additional security, whether now owned or hereafter acquired.

The above property, assets and rights are collectively referred to herein as the “*Trust Estate*”. Our responsibility to pay all Obligations under the Bond Resolution, including payment of the principal of and interest on the Bonds and Notes, is limited to the Trust Estate

### **Issuance of Additional Bonds and Notes**

The Bond Resolution provides that the Authority may issue Additional Bonds and Notes pursuant to a Supplemental Bond Resolution only upon satisfying certain conditions. These conditions include the delivery of written verification from each Rating Agency that the Ratings on the Additional Bonds and Notes is not lower than the Ratings of the Bonds and Notes Outstanding; and confirming that the Ratings on the Outstanding Bonds and Notes will not be lowered or withdrawn due to the issuance of the Additional Bonds or Notes. In addition, the written consent of the Credit Facility Provider to the issuance of such Additional Bonds and Notes is required.

Except as otherwise provided in the Bond Resolution, we (i) will not create or voluntarily permit to be created any lien which would be on a parity with, junior to, or prior to the lien of the Bond Resolution; (ii) will not do, omit to do, or voluntarily permit anything whereby the lien of the Bond Resolution or the priority of such lien for the Bonds and Notes thereby secured might or could be lost or impaired, and (iii) will pay or cause to be paid or will make adequate provisions for the satisfaction and discharge of all lawful claims and demands which if unpaid might by law be given

precedence to or any equality with the Bond Resolution as a lien or charge upon the Financed Eligible Loans.

### **Cash Flow Projections**

We do not expect to issue the Series 2002A Bonds unless we believe, based on our analysis of cash flow projections, including the assumptions described herein, that Revenues and Recoveries of Principal will be sufficient to pay principal of and interest on the Series 2002A Bonds when due, and also to pay all Servicing Fees, Program Expenses and Administrative Expenses until the final maturity or redemption of the Series 2002A Bonds.

The cash flow projections related to the issuance of the Series 2002A Bonds have been prepared for us by the Underwriter, based on information provided by us to the Underwriter. The cash flow projections utilize assumptions, which we believe are reasonable, regarding the current and future composition of, yield on and collection experience for the Eligible Loans, the rate of return on moneys to be invested in various Funds and Accounts under the Bond Resolution, the Borrower savings programs we offer, and the occurrence of future events and conditions. They also take into account various limitations or requirements under the Bond Resolution and the anticipated Recycling of principal repayments into new Eligible Loans during the time period allowed for Recycling. While such assumptions are and will be derived from our experience in the administration of the Program, actual circumstances can and most likely will differ from the assumptions. Such differences may be material.

See “Appendix D - LOAN PORTFOLIO COMPOSITION” for information and certain assumptions about the Financed Eligible Loans held under the Trust Estate.

**There can be no assurance that interest and principal payments from the Financed Eligible Loans will be received as anticipated, that the reinvestment rates assumed on the amounts in various Funds and Accounts will be realized, or that Interest Benefit or Special Allowance Payments will be received in the amounts and at the times anticipated. Furthermore, future events over which the Authority has no control may adversely affect the Authority’s actual receipt of Revenues and Recoveries of Principal. See the caption “RISK FACTORS – Outside Factors May Adversely Affect Cash Flow Sufficiency” and “-- Future Changes in the Higher Education Act or Other Relevant Law”.**

### **Flow of Funds**

The Act established a Student Loan Fund and a Student Loan Sinking Fund. The Bond Resolution maintains these Funds as well as establishing a “*Loan Account*” within the Student Loan Fund, a “*Repayment Account*” and a “*Debt Service Reserve Account*” within the Student Loan Sinking Fund, and a “*Rebate Fund*”.

The Repayment Account will be used for the deposit of all Revenues and Recoveries of Principal derived from Financed Eligible Loans, all other Revenue derived from the Trust Estate, all Swap Payments with respect to Bonds and Notes, and any other amounts deposited thereto.

All Recoveries of Principal deposited in the Repayment Account to be used to finance additional Eligible Loans will be transferred to the Recycling Subaccount of the Loan Account of the Student Loan Fund (the “*Recycling Subaccount*”) corresponding to the series Loan Account from which such Recoveries of Principal were derived or as otherwise provided in a Supplemental Bond Resolution.

Recoveries of Principal deposited to the Repayment Account and not required to be transferred to the Loan Account shall be deposited to the Series Principal Subaccounts corresponding to the series of Bond and Notes which financed the Eligible Loans from which such Recoveries of Principal were derived or as otherwise provided in a Supplemental Bond Resolution. The Authority may, by Authority Order on any Bond Payment Date, require that amounts representing Capitalized Interest Payments on Financed Eligible Loans be deducted from any subsequently received Recoveries of Principal corresponding to such Financed Eligible Loans deposited to the Repayment Account and treated as Revenues for purposes of the Repayment Account. The amount of the Recoveries of Principal corresponding to the Financed Eligible Loans of any series of Bonds and Notes which may be redesignated as Revenues shall not exceed, together with all previous redesignations of such Recoveries of Principal, the amount of all Capitalized Interest Payments on the Financed Eligible Loans of such series of Bonds and Notes, as of such date.

Revenues deposited to the Repayment Account are to be used in the following order of priority (including reimbursement of such amounts to the Authority):

- A. To pay to the Rebate Fund on any date any rebate or excess interest payments to comply with any Investment Instructions or any Tax Regulatory Agreement;
- B. To pay any current Servicing Fees (with respect to the Financed Eligible Loans) which are due and payable;
- C. To pay any current fees and expenses of the Trustee, the Credit Facility Provider or the Liquidity Facility Provider (with respect to the Bonds and Notes) which are due and payable;
- D. To pay on each Bond Payment Date (or fund the corresponding Account of the Sinking Fund to provide for) interest on all Bonds and Notes and the amount of any Authority Swap Payment;
- E. To pay on each Bond Payment Date, on a parity basis, (or fund the corresponding Account of the Sinking Fund to provide for) the principal on any Bonds and Notes;
- F. To fund any deficiency in the Debt Service Reserve Account;

- G. To pay any other Program Expenses (with respect to the Bonds and Notes) which are due and payable;
- H. To pay Administrative Expenses (with respect to the Bonds and Notes) which are due and payable to the Authority;
- I. On June 1 and December 1 of each year, at the option of the Authority, any remaining amounts on deposit in the Repayment Account may be re-designated as Recoveries of Principal; and
- J. On June 1 and December 1 of each year, upon satisfying certain collateral ratios described under the caption “Releases to the Authority” below, transferred to us free and clear of lien of the Bond Resolution.

If there are not sufficient moneys in the Repayment Account and the Debt Service Reserve Account to make the transfers and payments required by paragraphs A through H, the Trustee shall transfer an amount equal to such deficiency from any series Recycling subaccount or any series Loan Subaccount of the Loan Account of the Student Loan Fund to the Repayment Account to make such transfers or payments.

### **Creation of Accounts**

The Bond Resolution establishes the following Accounts and Subaccounts with respect to the Prior Bonds and the Series 2002A Bonds:

- A. Within the Loan Account of the Student Loan Fund, a Loan Subaccount for each series of Prior Bonds, and the “*Series 2002A Loan Subaccount*” to be used to account for,
  - 1. Original proceeds of the applicable series of the Prior Bonds and the Series 2002A Bonds, respectively, deposited thereto, and
  - 2. Eligible Loans financed by the proceeds of the applicable series of Prior Bonds and the Series 2002A Bonds, respectively.

Unless otherwise agreed to in writing by the Credit Facility Provider, the Eligible Loans acquired with the proceeds of the Prior Bonds and Series 2002A Bonds, respectively, as a whole shall have characteristics of interest yield, unpaid principal balance and type of eligible institution attended that fairly represent the characteristics of the total of Eligible Loans acquired by the Authority for its other portfolios.

- B. Within the Loan Account, a Recycling Subaccount for each series of Prior Bonds and the “*Series 2002A Recycling Subaccount*” to be used to account for Recoveries of

Principal on the applicable series of Prior Bonds and the Series 2002A Bonds, respectively, that are to be used to finance additional Eligible Loans.

Unless otherwise agreed to in writing by the Credit Facility Provider, the Eligible Loans acquired with Recoveries of Principal deposited to the Recycling Subaccounts as a whole shall have characteristics of interest yield (except with respect to loans originated on or after July 1, 1998), unpaid principal balance and type of eligible institution attended that fairly represent the characteristics of the total of Eligible Loans acquired with the original proceeds of the applicable series of Prior Bonds and the Series 2002A Bonds, respectively.

Recoveries of Principal which have remained on deposit in a Recycling Subaccount for a period of one hundred eighty (180) days (or such later time period consented to in writing by the Credit Facility Provider) shall be transferred to the Principal Subaccount applicable to such series of Bonds and Notes and used to redeem Bonds and Notes pursuant to the Bonds Resolution.

- C. Within the Repayment Account, a Principal Subaccount for each series of Prior Bonds and the “*Series 2002A Principal Subaccount*” to be used to account for all moneys to be used to pay the principal of or Redemption Price of any applicable series of Prior Bonds and the Series 2002A Bonds, respectively.
- D. The Debt Service Reserve Account of the Student Loan Sinking Fund for the Bonds and Notes, including the Series 2002A Bonds; and
- E. The Rebate Fund for deposit of computed amounts of rebate or excess interest, in which fund the Registered Owners will not have any right, title or interest.

### **Debt Service Reserve Account**

Pursuant to the Bond Resolution, the Authority is required to maintain the Debt Service Reserve Account at an amount equal to the Debt Service Reserve Account Requirement. Prior to the adoption of the Series 2002A Bond Resolution, the “*Debt Service Reserve Account Requirement*” for the Bonds and Notes was an amount equal to the greater of two percent (2%) of the principal amount of the Bonds and Notes outstanding under the Bond Resolution or \$500,000. The Series 2002A Bond Resolution will amend the Bond Resolution to reduce the Debt Service Reserve Account Requirement to one percent (1%) of the principal amount of the Bonds and Notes outstanding under the Bond Resolution or \$500,000. The amendment will be made pursuant to the provisions of the Bond Resolution which require Credit Facility Provider and Liquidity Facility Provider consent, and Rating Agency confirmation.

To the extent there are insufficient moneys in the Repayment Account to make the transfers described in paragraphs A through H, inclusive, under the caption “SECURITY AND SOURCES OF PAYMENT — Flow of Funds”, then, after any required transfer from the Student Loan Fund, the

amount of such deficiency will be paid directly from the Debt Service Reserve Account. However, draws upon Reserve Account Surety Bonds, as described below, will only be used to defer the deficiencies in the transfers required by paragraphs D and E under the caption “SECURITY AND SOURCES OF PAYMENT — Flow of Funds,” unless the provider of such Reserve Account Surety Bond permits a drawing for such other transfers.

If the Debt Service Reserve Account is used for the purposes described in the preceding paragraph, the Trustee will restore the Debt Service Reserve Account Requirement on the next Bond Payment Date by transfers from the Repayment Account. If, on any date, the Debt Service Reserve Account Requirement is exceeded for any reason, the Trustee, at the direction of the Authority, will transfer the excess to the Repayment Account.

The Bond Resolution permits the Authority to utilize in the Debt Service Reserve Account a letter or line of credit, surety bond, insurance policy or similar instrument issued by an insurance company originally rated in the highest rating category by Standard & Poor’s and Moody’s and, if rated by A.M. Best & Company, also rated in the highest rating category by A.M. Best & Company (a “*Reserve Account Surety Bond*”) in lieu of or in addition to cash or Investment Securities in satisfaction in whole or in part of the Debt Service Reserve Requirement. The Authority must also provide written confirmation from each Rating Agency that its then applicable Ratings on the Bonds and Notes will not be lowered or withdrawn because of such substitution.

The Authority previously obtained a Reserve Account Surety Bond from MBIA, as the “*Surety Provider*”, in an amount equal to the Debt Service Reserve Account Requirement for the Prior Bonds. Because the Debt Service Reserve Account Requirement has been reduced pursuant to the Series 2002A Bond Resolution, MBIA has agreed to issue two new Reserve Account Surety Bonds. One Reserve Account Surety Bond will be issued in an amount equal to one percent (1%) of the Outstanding amount of the Prior Bonds (the “*Prior Bonds Reserve Account Surety Bond*”), and the amount of the Prior Bonds Reserve Account Surety Bond will automatically be reduced to the extent the Outstanding amount of the Prior Bonds is reduced. The other Reserve Account Surety Bond will be issued in an amount equal to one percent (1%) of the original issuance amount of Series 2002A Bonds (the “*Series 2002A Reserve Account Surety Bond*”). The amount of the Series 2002A Reserve Account Surety Bond will not be reduced as Series 2002A Bonds are redeemed or paid at maturity.

The Reserve Account Surety Bonds provide that upon the later of: (i) three (3) days after receipt by the Surety Provider of a Demand for Payment presented by the Trustee; or (ii) the payment date of the Bonds and Notes as specified in the Demand for Payment, the Surety Provider will make a deposit of funds sufficient for the payment to the Trustee of amounts which are then due to the Trustee, subject to the available amount of the Reserve Account Surety Bond.

The available amount of each Reserve Account Surety Bond is the initial face amount less the amount of any previous deposits by the Surety Provider with the Trustee which have not been reimbursed by the Authority, and, with respect to the Prior Bonds Reserve Account Surety Bond, the amount by which such Prior Bonds Reserve Account Surety Bond has been automatically



reduced because of the redemption or maturity of the Prior Bonds. The Authority and MBIA have entered into two separate Financial Guaranty Agreements with respect to each Reserve Account Surety Bond (the “*Financial Guaranty Agreements*”). Pursuant to the Financial Guaranty Agreements, the Authority is required to reimburse the Surety Provider, within one year of any deposit, the amount of such deposit. Such reimbursement shall be made from Revenues to be deposited to the Debt Service Reserve Fund only after all required deposits described in paragraphs A through E inclusive, under the caption “Flow of Funds” above have been made.

Under the terms of the Financial Guaranty Agreements, the Trustee is required to reimburse MBIA, with interest, until the face amount of the Reserve Account Surety Bond is reinstated before any Revenues are used to pay certain Program Expenses and Administrative Expenses. No optional redemption of Bonds or Notes may be made until the Reserve Account Surety Bond is reinstated. The Reserve Account Surety Bond will be held by the Trustee in the Debt Service Reserve Account. The premium for the Prior Bonds Reserve Account Surety Bond is paid on an annual basis by the Authority, and the entire premium for the Series 2002A Reserve Account Surety Bond will be paid at the time the Series 2002A Bonds are issued.

Any draws on the Reserve Account Surety Bonds are to be made only after all cash and Investment Securities in the Debt Service Reserve Account have been expended. Draws on the Reserve Account Surety Bonds shall be made on a pro rata basis to fund the insufficiency. In the event money is withdrawn from the Debt Service Reserve Account (including draws on any Reserve Account Surety Bond) to pay principal of or interest on the Bonds or Notes secured thereby, (or in the event the amounts on deposit in the Debt Service Reserve Account are, for any other reason, less than the Debt Service Reserve Account Requirement), the Authority shall restore the amount so withdrawn (or replenish such deficiency) from the first Revenues deposited to the Debt Service Reserve Fund as required by the Bond Resolution, provided that such Revenues shall be used first to reinstate, on a pro rata basis, any Reserve Account Surety Bond to the required level (and pay interest on any draws thereunder), after taking into account the amounts available under the Reserve Account Surety Bond. If the Debt Service Reserve Account contains surety bonds issued by two or more different providers, any provider of such surety bond may request that the Trustee establish separate Subaccounts within the Debt Service Reserve Account to provide that each debt service surety bond only secures the repayment of the principal of and interest on one or more specified Series of the Bonds and Notes.

## **Swap Agreements**

In the Bond Resolution, the Authority directs the Trustee to agree to any Swap Agreement approved in writing by the Credit Facility Provider and entered into by the Authority and a Swap Counterparty under which: (i) the Authority may be required to make, from time to time, Authority Swap Payments; and (ii) the Trustee may receive from time to time, Counterparty Swap Payments for the account of the Authority.

Any Swap Agreement will provide that the Authority will have the right to terminate the Swap Agreement without payment by the Authority of any Swap Value or termination payment or

other compensation for any loss or damage to the Swap Counterparty resulting from such termination if the Swap Counterparty's Rating by a Rating Agency is suspended, withdrawn or falls below "A2" with respect to Moody's, and within ten (10) days thereafter, the Swap Counterparty fails to provide collateral (consisting of direct obligations of the United States Government or obligations of federal agencies which are fully guaranteed as to principal and interest by the United States Government) to be held by the Trustee (or third party designated by the Authority) in an amount (valued in accordance with the provisions of the Swap Agreement) which is not less than 103% of the maximum aggregate remaining payment obligation of the Swap Counterparty over the remaining term of the Swap Agreement.

In connection with the execution of a Swap Agreement, the Trustee, on behalf of the Swap Counterparty, will waive in a Supplemental Bond Resolution executed in connection with a Swap Agreement any and all rights which the Swap Counterparty may have to receive any amounts realized by the Trustee from foreclosure upon the Trust Estate consisting of any Counterparty Swap Payment from the Swap Counterparty.

In addition, no voluntary termination payment required to be made by the Authority under a Swap Agreement will be paid from moneys in the Trust Estate unless the Trustee receives the written consent of the Credit Facility Provider and written confirmation from each Rating Agency that its then-applicable Ratings on the Bonds and Notes will not be lowered or withdrawn due to such payment.

To date, the Authority has not entered into any Swap Agreement pursuant to the Bond Resolution.

### **Servicing Fees, Program Expenses and Administrative Expenses**

The amount used to pay Servicing Fees, Program Expenses and Administrative Expenses in any one Fiscal Year will not exceed the amount budgeted by the Authority with respect to the Bonds and Notes. In addition, such fees and expenses will not exceed the amount designated therefor in the cash flows provided to the Credit Facility Provider on the date of issuance of any Outstanding Bonds and Notes, unless the Authority, after furnishing the Credit Facility Provider with revised cash flows, has received the written consent of the Credit Facility Provider to the payment of such additional fees and expenses.

### **Investment of Funds**

The Trustee will invest money held for the credit of any Fund, Account or Subaccount as directed in writing by the Authority, to the fullest extent practicable, in Investment Securities which shall mature or be redeemed at the option of the holder prior to the respective dates when the money held for the credit of such Fund, Account or Subaccount will be required for the purposes intended. In the absence of any such direction the Trustee will invest such amounts in Governmental Obligations.

Earnings with respect to, and any net gain on the disposition of, any such investments, except on investments contained in the Rebate Fund, will be deposited into the corresponding Account or Subaccount. Earnings on amounts contained in the Rebate Fund shall remain in the Rebate Fund. Investments are valued monthly at their Value.

### **Supplemental Resolutions**

The Bond Resolution provides that, subject to various conditions, resolutions supplemental to and amendatory of the Bond Resolution may be adopted by the trustees of the Authority. Some supplemental resolutions may be adopted without the consent of the Registered Owners of the Bonds and Notes. Reference is made to the Bond Resolution for the complete provisions thereof.

*Supplemental Resolutions Not Requiring Consent of Registered Owners.* The Authority may, with the consent of the Trustee, the Credit Facility Provider and the Liquidity Facility Provider, but without the consent of or notice to any of the Registered Owners, adopt any resolution supplemental to the Bond Resolution for any one or more of the following purposes:

- A. To enter into a Supplemental Bond Resolution for the purposes of issuing Additional Bonds and Notes;
- B. To make the terms and provisions of the Bond Resolution, including the lien and security interest granted therein, applicable to a Swap Agreement;
- C. To evidence the appointment of a separate or co-Trustee or the succession of a new Trustee, or any additional or substitute Guarantee Agency or Servicer;
- D. To add to or amend such provisions of the Bond Resolution as may be necessary or desirable to assure implementation of the Program in conformance with the Higher Education Act, to make any change as shall be necessary in order to obtain an investment-grade rating for the Bonds and Notes from a nationally recognized rating service (which changes, in the opinion of the Trustee, are not to the prejudice of the Registered Owners), or to make any change as shall be necessary in order to maintain the exclusion of interest on the Bonds and Notes from gross income of the Registered Owners thereof for federal income tax purposes;
- E. To cure any ambiguity or formal defect or omission in the Bond Resolution, to grant to or confer upon the Trustee (for the benefit of the Registered Owners) any additional benefits, rights, remedies, powers or authorities that may lawfully be granted to or conferred upon the Registered Owners or the Trustee, or to subject to the Bond Resolution additional revenues, properties or collateral, or to create any additional Funds or Accounts or Subaccounts under the Bond Resolution;
- F. To make any change which affects the Bonds and Notes only when they bear a type of interest rate other than the one borne at the time of delivery of the Bond

Resolution or a Supplemental Bond Resolution upon receipt by the Authority and the Trustee of written confirmation from each Rating Agency that its then-applicable Ratings on the Bonds and Notes will not be lowered or withdrawn because of such change;

- G. To modify, amend or supplement the Bond Resolution or any resolution supplemental thereto in such manner as to permit the qualification of such resolutions under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect, or to permit the qualification of the Bonds and Notes for sale under the securities laws of the United States of America or of any of the states thereof, and, to add to the Bond Resolution or any Supplemental Bond Resolution such other terms, conditions and provisions as may be permitted by the Trust Indenture Act of 1939 or similar federal statute; or
- H. To make any other change, except for any change which requires the consent of all the Registered Owners, upon receipt by the Authority and the Trustee of written confirmation from each Rating Agency that its then-applicable Ratings on the Bonds and Notes will not be lowered or withdrawn because of such change.

*Supplemental Resolutions Requiring Consent of Registered Owners.* Except for Supplemental Resolutions *not* requiring the consent of Registered Owners, the Credit Facility Provider, the Liquidity Facility Provider and the Registered Owners of not less than a majority of the collective aggregate principal amount of the Bonds and Notes then Outstanding (which in the opinion of the Trustee are affected) shall have the right to consent to and approve the adoption by the Authority of such Supplemental Bond Resolution as shall be deemed necessary and desirable by the Trustee for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Bond Resolution or in any Supplemental Bond Resolution.

However, nothing shall permit, or be construed as permitting, without the consent of the Registered Owners of *all* Outstanding Bonds and Notes affected thereby: (i) an extension of the maturity date of the principal of or the interest on any Bond or Note; or (ii) a reduction in the principal amount of any Bond or Note or the rate of interest thereon; or (iii) a privilege or priority of any Bond or Note or Bonds or Notes over any other Bond or Note or Bonds or Notes except as otherwise provided in the Bond Resolution; or (iv) a reduction in the aggregate principal amount of the Bonds and Notes required for consent to such Supplemental Bond Resolution; or (v) the creation of any lien other than a lien ratably securing all of the Bonds and Notes at any time Outstanding except as otherwise provided in the Bond Resolution.

*Amendments to the Series 2002A Credit or Liquidity Facilities Not Requiring Consent of Registered Owners.* The Authority and the Trustee may, without the consent of or notice to the Registered Owners, but only with the prior written consent of the Credit Facility Provider and the Series 2002A Liquidity Facility Provider, consent to any amendment, change or modification of the Series 2002A Credit Facility, the Series 2002A Liquidity Facility, any Alternate Credit Facility or

any Alternate Liquidity Facility that may be required: (i) by the provisions of the Series 2002A Credit Facility, the Series 2002A Liquidity Facility, an Alternate Credit Facility, an Alternate Liquidity Facility or the Bond Resolution, (ii) for the purpose of curing any ambiguity, formal defect or omission; (iii) to add additional rights acquired in accordance with the provisions of the Series 2002A Credit Facility, the Series 2002A Liquidity Facility, an Alternate Credit Facility or an Alternate Liquidity Facility; (iv) in order to obtain for the Bonds an investment grade rating from a nationally recognized rating service; or (v) in connection with any other change therein which, in the judgment of the Trustee, is not to the material prejudice of the Trustee or the Registered Owners of the applicable series of Bonds and Notes.

*Amendments to Series 2002A Credit or Liquidity Facilities Requiring Consent of Registered Owners.* Except for Series 2002A Credit or Liquidity Facility amendments *not* requiring the consent of Registered Owners, neither the Authority nor the Trustee shall consent to any amendment, change or modification of the Series 2002A Credit Facility, the Series 2002A Liquidity Facility, any Alternate Credit Facility or any Alternate Liquidity Facility without notice and the written approval or consent of the Registered Owners of not less than two-thirds (2/3) in aggregate principal amount of the Series applicable series of Bonds and Notes at the time Outstanding and the prior written consent of the Credit Facility Provider and the Series 2002A Liquidity Facility Provider. Nothing shall permit, or be construed as permitting, a reduction of the aggregate principal amount of a series of Bonds and Notes the Registered Owners of which are required to consent to any such amendment, change or modification or a reduction in, or a postponement of the payments under the Series 2002A Credit Facility or the Series 2002A Liquidity Facility without the consent of the Registered Owners of *all* of the applicable series of Bonds and Notes then Outstanding.

## **Events of Default and Remedies**

The Bond Resolution provides various remedies to, and limitations on the exercise of remedies by, the Registered Owners of the Bonds and Notes. Reference is made to the Bond Resolution, a copy of which is available upon request to the Authority, for the complete provisions thereof.

*Events of Default.* The following events are defined in the Bond Resolution as “*Events of Default*”: (i) default in the payment of the principal of or interest on any of the Bonds and Notes when due, or failure to make any payment due under any of the Obligations when due; (ii) default in the performance or observance of any other of the Authority covenants to be kept and performed and continuation of such default for a period of ninety (90) days after written notice thereof by the Trustee to the Authority; (iii) the occurrence of an “event of default” under a Tax Regulatory Agreement with respect to any series of tax-exempt Bonds and Notes; and (iv) default in the payment of any amount due pursuant to the tender demand for purchase or mandatory purchase of Bonds and Notes under the Bond Resolution.

While the failure to perform any of the covenants or agreements contained in the Bond Resolution will be deemed to be a “default”, the remedies contained therein are exercisable solely upon the happening of Events of Default listed above.

*Right to Enforce in Trustee.* No Registered Owner will have any right to institute any suit, action or proceeding for the enforcement of the provisions of the Bond Resolution or for any other remedy thereunder. All such rights of action are vested exclusively in the Trustee, unless and until such Registered Owner: (i) shall have obtained the written consent of the Credit Facility Provider for such action; (ii) shall have previously given the Trustee written notice of a default and of the continuance thereof; (iii) shall have made written request upon the Trustee and the Trustee shall have been afforded reasonable opportunity to institute such action; and (iv) the Trustee shall have been offered reasonable indemnity and security satisfactory to it against the expenses and liabilities to be incurred therein; and (v) the Trustee shall have failed to institute any such action for thirty (30) days after receipt of such notification and offer of indemnity.

*Remedies on Default.* The remedies in the Bond Resolution available to the Trustee, the Credit Facility Provider or the Registered Owners are not intended to be exclusive of any other remedy, but each remedy will be cumulative and will be in addition to every other remedy given thereunder or now or hereafter existing. No delay or omission of the Trustee, the Credit Facility Provider or any Registered Owner to exercise any power or right arising from any default will impair any such right or power or will be construed to be a waiver of any such default or to be acquiescence herein.

- A. *Accelerated Maturity Remedy.* If an Event of Default shall have occurred and be continuing, the Trustee (with the written consent of the Credit Facility Provider) may declare — or upon the written direction of the Credit Facility Provider or by the Registered Owners of at least twenty-five percent (25%) of the aggregate principal amount of the Bonds and Notes then Outstanding and with the written consent of the Credit Facility Provider, shall declare - the principal of all Obligations then Outstanding, and the interest thereon, immediately due and payable; provided, however, that a declaration of acceleration upon a default pursuant to (ii) or (iii) under the heading “Events of Default” above shall require the written consent of the Credit Facility Provider or 100% of the Registered Owners of the aggregate principal amount of the Bonds and Notes then Outstanding with the written consent of the Credit Facility Provider.
- B. *Possession of Trust Estate Remedy.* Subject to provisions in the Bond Resolution regarding acceleration of Obligations, upon the happening and continuance of any Event of Default, the Trustee may take possession of such portion of the Trust Estate as shall be in the custody of others, and manage and control the same as it shall deem best, and collect and receive all Revenues and Recoveries of Principal thereof, and after deducting therefrom all expenses incurred and all other proper outlays, the Trustee shall apply the rest and residue of the money received by it, including proceeds of sale of the Trust Estate, as provided in the Bond Resolution.
- C. *Sale of Trust Estate Remedy.* Upon the happening of any Event of Default and if the principal of all of the Outstanding Obligations shall have been declared due and payable, then the Trustee may (with the written consent of the Credit Facility

Provider) — and shall, upon the written direction of the Credit Facility Provider — sell the Trust Estate, and all right, title, interest, claim and demand thereto and the right of redemption thereof, to the highest bidder at any such place, time, notice and terms as may be required by law. Upon such sale the Trustee may make and deliver to the purchaser or purchasers a good and sufficient assignment or conveyance for the same.

*Restoration of Position.* In case the Trustee shall have proceeded to enforce any rights under the Bond Resolution by sale or otherwise, and such proceedings shall have been waived, discontinued, or determined adversely to the Trustee, then the Authority, the Trustee, the Registered Owners and the Credit Facility Provider will be restored to their former respective positions and rights in respect to the Trust Estate.

### **Releases to the Authority**

The Bond Resolution permits the Authority to instruct the Trustee to transfer certain excess assets of the Trust Estate to the Authority free and clear of the lien of the Bond Resolution; provided that no such transfer of assets to the Authority will be made unless:

- A. There is on deposit in the Debt Service Reserve Account an amount at least equal to the Debt Service Reserve Account Requirement;
- B. The Trustee has received a Cash Flow Certificate and an opinion of nationally recognized municipal bond counsel that certain conditions have been met and that such transfer will not affect adversely the exclusion from federal income taxation of interest on any Bonds and Notes;
- C. The Trustee has received an Authority certificate to the effect that all rebate liability as calculated pursuant to the Tax Regulatory Agreement and Investment Instructions through the date of such transfer has been paid or deposited in the Rebate Fund; and
- D. Immediately after taking into account any such transfer, the Aggregate Market Value of the assets in the Trust Estate will be at least equal to 103% of the unpaid principal amount of the Bonds and Notes Outstanding.

### **RISK FACTORS**

You should consider the following factors together with all of the information contained in this Official Statement in deciding whether to purchase any of the Series 2002A Bonds. We obtained the Series 2002A Credit Facility to pay scheduled payments of the principal of and interest on the Series 2002A Bonds in the event we are unable to do so with assets in the Trust Estate. References below to loss of principal should be considered as applicable if the Credit Facility Provider is unable or unwilling to honor its obligations.

## **The Series 2002A Liquidity Facility Provider's Obligations are not Absolute**

The Series 2002A Liquidity Facility Provider is not obligated to pay the tender price if the Series 2002A Credit Facility is no longer in effect, after expiration of the Series 2002A Liquidity Facility or if we or the Credit Facility Provider are involved in bankruptcy proceedings.

## **The Series 2002A Bonds are Limited Obligations of the Authority**

We are only obligated to make payments on the Series 2002A Bonds from assets in the Trust Estate. We cannot compel the State of Oklahoma to make any payments on the Series 2002A Bonds from any source. In the event there are not sufficient assets in the Trust Estate to make a payment, you may suffer a loss of principal or interest, the amount of which will depend upon the return we have received on the Eligible Loans we have been able to acquire and our ability to control expenses.

## **Enforceability of Remedies**

If the Trustee is required to exercise remedies on your behalf and litigation ensues, including, but not limited to bankruptcy proceedings, it may not be able to sell the loans or otherwise exercise remedies you may want it to exercise as quickly as you may want. Delays are inherent in litigation and in many instances, a judge will have discretion whether to allow a desired remedy or action by the Trustee on your behalf. The legal opinions delivered at the closing of the Series 2002A Bonds are qualified as to whether the Trustee can exercise remedies in bankruptcy or insolvency proceedings or similar laws affecting creditors in general.

## **Outside Factors May Adversely Affect Cash Flow Sufficiency**

We established the terms of the Series 2002A Bonds based on our experience in acquiring portfolios of Eligible Loans and the expenses we incur in operating the Program. We may not be able to acquire Eligible Loans in the amount or when expected for several reasons, including competition from other secondary markets, from other lenders participating in the FFEL Program or potential borrowers obtaining loans originated under the USDE's William D. Ford Direct Student Loan Program.

To the extent we are able to use proceeds of the Series 2002A Bonds or Additional Bonds and Notes to acquire Eligible Loans, we may not realize the return we expect for several reasons including, without limitation:

- the Eligible Loans are generally 98% reinsured by a Guarantee Agency (to the extent a borrower defaults, the Trust Estate will suffer a loss of generally 2% of the outstanding principal and accrued interest);



- borrowers may prepay their loans faster than we expect, either as a result of economic conditions or because they refinanced our loan through a consolidation loan with another lender;
- borrowers may participate in our borrower savings plans, such as TOP and EZ Pay-Discount Plan at greater rates than projected reducing Revenues and Recoveries of Principal;
- the FFEL Program is subject to frequent amendments, which could affect when and how much Interest Benefit and Special Allowance Payments we receive from USDE and reimbursement from Guarantee Agencies; and
- we may not receive loan payments when we expect if borrowers enter into deferment periods longer than we anticipate or are granted forbearance in larger numbers than we anticipate.

### **Series 2002A Bonds May Be Prepaid**

If Revenues and Recoveries of Principal are received and we can not Recycle monies to acquire additional Eligible Loans, we may have to prepay Series 2002A Bonds. If we prepay your Series 2002A Bonds, you may not be able to reinvest your principal at a comparable interest rate.

### **Loan Servicing and Origination Compliance with the Higher Education Act**

If we originate an Eligible Loan and do not comply with the Higher Education Act and applicable regulations, we may lose the Guarantee if the borrower defaults. If a third party makes the error, we reserve the right to sell the defective loan to the party from whom we purchased it, but we cannot guarantee that entity will be willing or able to honor its repurchase obligation.

Similarly, we service our own loans. If we make a servicing mistake under the Higher Education Act and applicable regulations that causes us to lose the benefit of a Guarantee, we will not be able to recover the loss from a Guarantee Agency and will have to attempt to collect on the non-guaranteed loans from the borrowers.

### **Financial Status of Guarantee Agencies**

The Financed Eligible Loans will be unsecured. We are depending on the ability of the Guarantee Agencies, and the State Guarantee Agency in particular, to honor guaranty claims for defaulted loans. The permitted reserves, reinsurance percentages, default (trigger) rates at which the reinsurance percentage is reduced and other income generating activities of the Guarantee Agencies have been reduced on numerous occasions in recent legislation. These changes may impact the ability of Guarantee Agencies to honor their guaranty obligations in the future.

While the Higher Education Act provides a loan holder may submit a guarantee claim directly to the USDE if a Guarantee Agency is unable to honor its commitment, it is possible that there would be a delay in our ability to realize claim payments on this procedure if any of the Guarantee Agencies become insolvent.

### **Future Changes in Higher Education Act or Other Relevant Law**

The Higher Education Act and applicable regulations are the subject of frequent amendments. Many of the recent amendments have reduced the return available to us on Eligible Loans. It is possible that future amendments may further reduce the return on Eligible Loans, which may hurt our ability to pay debt service on the Series 2002A Bonds when due.

### **Limitations Imposed by the Soldiers' and Sailors' Civil Relief Act and Department of Education Administrative Announcements**

The Soldiers' and Sailors' Civil Relief Act of 1940 (the "*Relief Act*"), provides relief to borrowers who enter active military service and to borrowers in reserve status who are called to active duty after the origination of their student loan. The Relief Act provides generally that a borrower who is covered by the Relief Act may not be charged interest on a loan in excess of 6% per annum during the period of the borrower's active duty. However, this limitation does not apply to the loans originated pursuant to the Higher Education Act, such as the Eligible Loans.

The Secretary issued guidelines recently that would extend the in-school status, in-school deferment status, grace period status or forbearance status of certain borrowers ordered to active duty. Further, if a borrower is in default on an Eligible Loan, the applicable Guarantee Agency must, upon being notified that the borrower has been called to active duty, cease all collection activities for the expected period of the borrower's military service, through September 15, 2002, unless the Secretary provides guidance extending this period.

We do not know how many Eligible Loans have been or may be affected by the application of the Relief Act or the Secretary's recent guidelines.

### **Forward-Looking Statements**

This Official Statement contains statements relating to future results that are "forward-looking statements". When used in this Official Statement, the words "estimate," "intend," "assume" and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty and risks that could cause actual results to differ, possibly materially, from those contemplated in the forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward-looking statements and actual results, and that those differences could be material.

## GUARANTEE AGENCIES

**The material in this Section of the Official Statement is a brief overview. It does not purport to be complete information on the Guarantee Agencies, including the State Guarantee Agency which is the primary guarantor of education loans held by us. Reference is made to “Appendix E – GENERAL DESCRIPTION OF THE STATE GUARANTEE AGENCY” herein for descriptive information on the State Guarantee Agency.**

### **Guarantee of Loans**

Pursuant to a contract with a guarantor, an eligible lender is entitled to a claim payment from the Guarantee Agency for 98% to 100% of any proven loss resulting from default, death, permanent and total disability, or discharge in bankruptcy of the borrower.

However, in servicing a portfolio of education loans, an eligible lender is required to use due diligence in the servicing and collection of loans and to use collection practices no less extensive and forceful than those generally in use among financial institutions in order to maintain the Guarantee on the loan. In order to satisfy the due diligence requirements in servicing and collections of Eligible Loans, we must adhere to specific activities in a timely manner beginning with the receipt of the loan application and continuing throughout the life of the loan. See APPENDIX C — “GENERAL DESCRIPTION OF THE OKLAHOMA STUDENT LOAN AUTHORITY — LOAN SERVICING” herein.

Under the Higher Education Act, a guarantor deems default to mean the borrower’s failure to make an installment payment when due or to comply with other terms of a note or agreement under circumstances in which the holder may reasonably conclude that the borrower no longer intends to honor the repayment obligation and in which the failure persists for 270 days in the case of a loan payable in monthly installments or for 330 days in the case of a loan payable in less frequent installments.

### **Reinsurance of Loans**

Each respective Guarantee Agency has entered into a guarantee agreement and a supplemental guarantee agreement pertaining to the Secretary’s reimbursement for amounts expended by the Guarantee Agency to discharge its guarantee obligation. The supplemental guarantee agreement is subject to annual renegotiation and to termination for cause by the Secretary.

The formula for reinsurance amounts is summarized below:

<u>Claims Rate</u>	<u>Guarantor Reinsurance Rate for Loans Made prior to October 1, 1993</u>	<u>Guarantor Reinsurance Rate for Loans Made between October 1, 1993 and September 30, 1998</u>	<u>Guarantor Reinsurance Rate for Loans Made on or after October 1, 1998</u>
0% up to 5%	100%	98%	95%
5% up to 9%	100% of claims up to 5%; and 90% of claims 5% and over	98% of claims up to 5%; and 88% of claims 5% and over	95% of claims up to 5%; and 85% of claims 5% and over
9% and over	100% of claims up to 5%; 90% of claims 5% up to 9%; 80% of claims 9% and over	98% of claims up to 5%; 88% of claims 5% up to 9%; 78% of claims 9% and over	95% of claims up to 5%; 85% of claims 5% up to 9%; 75% of claims 9% and over

### **Federal Payment of Claims**

If the Secretary has determined that a Guarantee Agency is unable to meet its obligations, the holder of loans Guaranteed by the Guarantee Agency may submit insurance claims directly to the Secretary. The Secretary will pay the holder the full insurance obligation of the Guarantee Agency. Such arrangements will continue until the Secretary is satisfied that the guarantee obligations have been transferred to another guarantee agency who can meet those obligations or a successor will assume the outstanding obligations. There can be no assurance, however, that the Secretary will make such a determination or will do so in a timely manner.

The Higher Education Act also provides that the Secretary is authorized, on terms and conditions satisfactory to the Secretary, to make advances to a guarantee agency in order to assist the guarantee agency in meeting its immediate cash needs and to ensure uninterrupted payment of default claims by lenders.

### **Oklahoma Guaranteed Student Loan Program**

Substantially all of the Eligible Loans held by us, and the OSLA Network members, are Guaranteed by the State Guarantee Agency. The State Guarantee Agency administers and utilizes the Guarantee Fund established in the State Treasury by Title 70 Oklahoma Statutes 1991, Sections 622 and 623, as amended (the “*Guarantee Fund*”) to guarantee FFEL Program loans.

Numerous eligible lenders make education loans Guaranteed by the State Guarantee Agency. The Guarantee Fund administered by the State Regents is not a reserve for our bonds or notes or our education loans only, but is an insurance reserve established in respect to any claims that might be

submitted by any participating eligible lender with regard to education loans Guaranteed by the State Guarantee Agency.

The State Guarantee Agency is a separate legal entity from us, and the members of the State Regents and the trustees of the Authority do not overlap. In addition, our administrative management and the management of the State Guarantee Agency are separate.

For a description of the State Guarantee Agency, including some statistical and financial information, see APPENDIX E - "GENERAL DESCRIPTION OF THE STATE GUARANTEE AGENCY" herein.

#### **ABSENCE OF LITIGATION**

There is no litigation of any nature now pending or threatened, or in any way contesting or affecting the validity of the Series 2002A Bonds or any proceedings of the Authority taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security provided for the payment of the Series 2002A Bonds or the existence or powers of the Authority.

#### **LEGALITY OF INVESTMENT**

The Oklahoma Student Loan Act provides in Title 70 Oklahoma Statutes, Section 695.3, as follows:

All bonds issued under the Oklahoma Student Loan Act are legal and authorized investments for banks, savings banks, trust companies, savings and loan associations, insurance companies, fiduciaries, trustees and guardians, and for the State of Oklahoma and any of its political subdivisions, departments, institutions and agencies. When accompanied by all unmatured coupons appurtenant thereto, the bonds are sufficient security for all deposits of state funds and of all funds of any board in control at the par value of the bonds.

#### **LEGAL MATTERS**

The issuance of the Series 2002A Bonds is subject to approval of validity by Kutak Rock LLP, Oklahoma City, Oklahoma, Bond Counsel, whose approving opinion will be addressed to the Authority and the Underwriter and will state, among other things, that under existing law:

- A. The Authority is an express trust duly created and established for public purposes, and has full power and authority to issue the Series 2002A Bonds and to adopt the Bond Resolution and enter into the Series 2002A Trust Agreement, the Tax Regulatory Agreement and the other documents contemplated thereby and perform its obligations thereunder;

- B. The Bond Resolution, the Series 2002A Trust Agreement and the Tax Regulatory Agreement have been duly authorized, executed and delivered, are in full force and effect and constitute legal, valid and binding agreements of the Authority enforceable in accordance with their terms;
- C. The Series 2002A Bonds have been duly authorized and issued by the Authority, are entitled to the benefits of the Bond Resolution and are valid and binding limited and special revenue obligations of the Authority secured by and payable solely from the revenues, funds and accounts of the Authority pledged as the trust estate therefor pursuant to the Bond Resolution.

Bond Counsel has not passed upon any matters relating to the business, properties, affairs or condition, financial or otherwise, of the Authority and no inference should be drawn that they have expressed an opinion on matters relating to the financial ability of the Authority to perform its obligations under the Series 2002A Bonds and the documents described herein.

The opinions expressed above by Bond Counsel with respect to the enforceability of the Series 2002A Bonds and the documents described herein are qualified to the extent that the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws relating to or affecting creditors' rights generally, by the application of general principles of equity, and by the exercise of judicial discretion in appropriate cases.

The fee and expenses of Bond Counsel are contingent upon the sale and delivery of the Series 2002A Bonds.

In addition, Bond Counsel will deliver a supplemental opinion to the Authority, the Underwriter and the Credit Facility Provider regarding the fair and accurate description of certain provisions of the Series 2002A Bonds and the Bond Resolution in the Official Statement, the exemption from securities registration of the Series 2002A Bonds and the creation of a first perfected security interest in the Trust Estate which secures the Series 2002A Bonds, subject to certain standard exceptions.

Certain legal matters will be passed on for the Authority by its special counsel, Roderick W. Durrell, Esq.; and for the Underwriter by its counsel, Williams & Anderson LLP, Little Rock, Arkansas; for MBIA by Kutak Rock LLP, Omaha, Nebraska; and for Bank One, Oklahoma, NA by Crowe & Dunlevy, Oklahoma City, Oklahoma. Certain legal matters also will be passed on by the Attorney General of the State of Oklahoma in approving the transcript of legal proceedings. See also, the caption "TAX MATTERS" below.

#### **TAX MATTERS**

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Series 2002A Bonds is excluded from gross income for federal income tax purposes. The opinion described in the preceding sentence assumes the accuracy of

certain representations and compliance by the Authority with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Series 2002A Bonds. Failure to comply with such requirements could cause interest on the Series 2002A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2002A Bonds. The Authority has covenanted to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Series 2002A Bonds.

Bond Counsel is further of the opinion that interest on the Series 2002A Bonds is a specific preference item for purposes of the federal alternative minimum tax.

The accrual or receipt of interest on the Series 2002A Bonds may otherwise affect the federal income tax liability of the owners of the Series 2002A Bonds. The extent of these other tax consequences will depend upon such owner's particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series 2002A Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers otherwise entitled to claim the earned income credit, or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Series 2002A Bonds.

From time to time, there are legislative proposals in the Congress that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Series 2002A Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. Purchasers of the Series 2002A Bonds should consult their tax advisors regarding any pending or proposed tax legislation. The opinions expressed by Bond Counsel are based upon existing legislation as of the date of issuance and delivery of the Series 2002A Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation.

Bond Counsel is further of the opinion that, pursuant to the Act, the Series 2002A Bonds and the income therefrom are exempt from taxation in the State of Oklahoma.

## **RATINGS**

The Underwriter's obligation to purchase the Series 2002A Bonds is subject to the condition that Moody's has assigned its municipal bond ratings of "Aaa/VMIG-1" to the Series 2002A Bonds; and that S&P has assigned its municipal bond ratings of "AAA/A-1" to the Series 2002A Bonds. Each Rating Agency has based its Ratings upon the issuance by MBIA of its financial guaranty insurance policy insuring the payment when due of the principal of and interest on the Series 2002A Bonds and the Series 2002A Liquidity Facility issued by Series 2002A Liquidity Facility Provider.

The Ratings were applied for by the Authority. The Authority, MBIA and the Series 2002A Liquidity Facility Provider have furnished certain information and materials to the Rating Agencies concerning the Series 2002A Bonds and regarding the Authority, MBIA and the Series 2002A Liquidity Facility Provider, respectively, some of which is not included in this Official Statement. Generally, a rating agency bases its rating on such information and materials and also on such investigations, studies and assumptions as it may undertake or establish independently. The Ratings are not a recommendation to buy, sell or hold the Series 2002A Bonds. An explanation of the significance of the Ratings may be obtained from Moody's and S&P, respectively.

The Ratings are subject to change or withdrawal at any time. Any such change or withdrawal may affect the market price or marketability of the Series 2002A Bonds. Neither the Authority nor the Underwriter has undertaken any responsibility either to bring to the attention of the Registered Owners of the Series 2002A Bonds any proposed change in, or proposed withdrawal of, the Ratings on the Series 2002A Bonds or to oppose any such change or withdrawal.

#### **UNDERWRITING**

The Series 2002A Bonds are to be purchased by the Underwriter pursuant to the terms and conditions of the Bond Purchase Agreement (the "*Bond Purchase Agreement*") entered into by and between the Authority and the Underwriter which requires the Underwriter to pay a purchase price of \$40,625,000 (representing the par amount of the Series 2002A Bonds, plus accrued interest, if any).

The Bond Purchase Agreement provides that the Underwriter's obligation is subject to certain conditions and that the Underwriter will purchase all of the Series 2002A Bonds, if any are purchased. Upon delivery of, and payment for the Series 2002A Bonds, the Underwriter will be paid a fee of \$113,750, which is equal to 0.28% of the aggregate principal amount of the Series 2002A Bonds, for its services.

The initial public offering price (as shown on the cover page hereof) may be changed from time to time by the Underwriter without notice. The Underwriter may offer and sell the Series 2002A Bonds to certain dealers (including dealers depositing Series 2002A Bonds into investment trusts) and others at prices lower than the public offering price shown on the cover page hereof.

#### **CONTINUING SECONDARY MARKET DISCLOSURE**

We will enter into a Continuing Disclosure Agreement (the "*Undertaking*") for the benefit of the Beneficial Owners of the Series 2002A Bonds. The Undertaking, when effective with respect to the Series 2002A Bonds, will require us to send certain information annually, and to provide notice of certain events, to information repositories pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (the "*Rule*") adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934. The specific nature of the information to be provided and a



summary of other terms of the Undertaking, are set forth in APPENDIX G — CONTINUING DISCLOSURE UNDERTAKING.

We are exempt from the disclosure requirements of the Rule because of the nature of the Series 2002A Bonds. So long as the Series 2002A Bonds remain in minimum Authorized Denominations of at least \$100,000, and the Beneficial Owners retain the right to tender their Series 2002A Bonds not less frequently than every nine months, we will maintain the exemption. If the Series 2002A Bonds are converted to an Annual Rate or a Fixed Rate, however, we will comply with the disclosure requirements of the Undertaking.

We are in compliance in all material respects with our existing undertakings pursuant to the Rule. A failure to comply with the Undertaking will not constitute a default under the Bond Resolution and Beneficial Owners of the Series 2002A Bonds are limited to the remedies described in the Undertaking.

A failure by the Authority to comply with the Undertaking must be reported in accordance with the Rule and must be considered by a broker, dealer or municipal securities dealer before recommending the purchase or sale of the Series 2002A Bonds in the secondary market. Consequently, such a failure may adversely affect the market price, transferability and liquidity of the Series 2002A Bonds.

### APPROVAL

This Official Statement has been approved by the Authority for distribution by the Underwriter to the prospective purchasers and the Registered and Beneficial Owners of the Series 2002A Bonds.

OKLAHOMA STUDENT LOAN AUTHORITY



\_\_\_\_\_  
/s/ Patrick Rooney  
Chairman

ATTEST:

\_\_\_\_\_  
/s/ Sylvia Weedman  
Secretary

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## APPENDIX A

### OKLAHOMA STUDENT LOAN AUTHORITY OKLAHOMA STUDENT LOAN BONDS AND NOTES, SERIES 2002A

#### DEFINITION OF CERTAIN TERMS

Set forth below are certain definitions of terms used in this Official Statement. The definitions are extracted from the various definitions included in the Bond Resolution. Reference is made to the Bond Resolution, copies of which are available on request from the Authority or the Trustee..

“*Act*” means, collectively, the Oklahoma Student Loan Act, Title 70, Oklahoma Statutes 1991, Section 695.1 *et seq.*, as amended, and the Oklahoma Trusts For Furtherance of Public Functions Act, Title 60, Oklahoma Statutes 1991, Sections 176 to 180.3, inclusive, as amended.

“*Administrative Expenses*” means all of the Authority's expenses in administering its Program (including the acquisition and origination of Eligible Loans) under the Bond Resolution and shall include, without limiting the generality of the foregoing, salaries, acquisition, origination and servicing fees, supplies, utilities, mailing, labor, materials, office rent or mortgage payment, maintenance, furnishings, equipment, machinery and apparatus, telephone, insurance premiums, legal, accounting, management, consulting and banking services and expenses, credit and liquidity facility fees and expenses, travel, and payments for pension, retirement, health and hospitalization and life and disability insurance benefits, in each case as such fees and expenses are related to the Bond Resolution.

“*Aggregate Market Value*” means on any calculation date the sum of the Values of all assets of the Trust Estate.

“*Annual Rate*” means the Interest Rate determined annually for each Annual Rate Period in accordance with the Bond Resolution. See the captions “DESCRIPTION OF THE SERIES 2002A BONDS — Interest on the Series 2002A Bonds” and “— Determination of Interest Rates” in the main body of this Official Statement.

“*Annual Rate Bonds*” means the Series 2002A Bonds bearing interest at the Annual Rate.

“*Annual Rate Period*” means the period beginning on, and including, any December 1 (or, if not a Business Day, on the next succeeding Business Day) and ending on, and including, the next November 30, except that in the event of Conversion to Annual Rate Bonds, the first "Annual Rate Period" means the period beginning on, and including, the Conversion Date and ending on, and including, the next succeeding November 30.

“*Authority*” means the Oklahoma Student Loan Authority, created pursuant to the provisions of the Act and a Trust Indenture, dated August 2, 1972, for the benefit of the State of Oklahoma.

*“Authority Guarantee Agreements”* means: (i) the Agreement to Endorse Loans, dated October 3, 1994, between the Authority and the State Guarantee Agency, including any amendment thereof entered into in accordance with the provisions thereof; and (ii) any similar guarantee or agreement issued by the Secretary or any Guarantee Agency to the Authority and consented to by the Credit Facility Provider in writing, including any amendment thereof entered into in accordance with the provisions thereof and of the Bond Resolution and consented to by the Credit Facility Provider in writing.

*“Authority Request,” “Authority Order,” “Authority Certificate”* and *“Authority Consent”* means, respectively, a written request, order, certificate or consent signed in the name of the Authority by an Authorized Officer and delivered by overnight or same-day mail or courier, telex, telegram or other electronic means or by hand delivery, or in the case of an Authority Request or an Authority Order, an oral request by an Authorized Officer promptly confirmed in writing by such an Authorized Officer in any manner specified above in this definition.

*“Authority Swap Payment”* means a payment required to be made by or on behalf of the Authority due to a Swap Counterparty pursuant to a Swap Agreement other than a termination payment (unless the Credit Facility Provider consents to the payment of such termination payment).

*“Authorized Denominations”* means: (i) with respect to the Series 2002A Bonds bearing interest at a Fixed Rate, \$5,000 and any integral multiple thereof; (ii) with respect to the Series 2002A Bonds bearing interest at a Variable Rate, \$100,000 and any integral multiple of \$5,000 in excess thereof; and (iii) with respect to any Additional Bonds or Notes, the Authorized Denomination provided in the Supplemental Bond Resolution authorizing the issuance of such Additional Bonds and Notes.

*“Authorized Officer,”* when used with reference to the Authority, means the Chairman, the Vice Chairman, the President, the Secretary or an Assistant Secretary of the Authority or any other person designated in writing from time to time by the trustees of the Authority.

*“Available Moneys”* means: (i) while a Credit Facility is in effect, moneys which are (a) continuously on deposit with the Trustee in trust for the benefit of the Registered Owners in a separate and segregated account in which only Available Moneys are held and (b) proceeds of (1) the Bonds and Notes received contemporaneously with the issuance and sale of the Bonds and Notes, (2) payments made under the Credit Facility or the Liquidity Facility, (3) payments made by the Authority if at the time of the deposit of such payments and for a period of at least 123 days thereafter no petition in bankruptcy under the United States Bankruptcy Code or similar law is pending with respect to the Authority unless such petition shall have been dismissed and such dismissal shall be final and not subject to appeal, (4) any moneys for which the Trustee has received a written opinion of nationally recognized counsel experienced in bankruptcy matters and acceptable to the Trustee, the Rating Agencies and the Credit Facility Provider to the effect that payment of such moneys to the Registered Owners would not constitute an avoidable preference under Section 547 of the United States Bankruptcy Code in the event the Authority were to become a debtor under the United States Bankruptcy Code, or (5) income derived from the investment of the foregoing; and (ii) if a Credit Facility is not in effect, any moneys available under the Bond Resolution

“*Bank Bonds*” means those Bonds and Notes purchased pursuant to a purchase drawing, if applicable, under the Liquidity Facility, or purchased by any Liquidity Facility Provider pursuant to a related Liquidity Facility.

“*Bank Rate*” means the Interest Rate determined in accordance with the Bond Resolution. “Bank Rate” shall be the lesser of the maximum rate permitted by applicable law or the rate of interest charged under the Liquidity Facility and subject to a maximum rate approved by the Credit Facility Provider.

“*Bond Market Association*” means The Bond Market Association, as successor to the Public Securities Association, and its successors and assigns.

“*Bond Market Association Municipal Swap Index*” means on any date, a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data and published or made available by The Bond Market Association or any Person acting in cooperation with or under the sponsorship of The Bond Market Association, and acceptable to the Remarketing Agent, and effective from such date.

“*Bond Payment Date*” means any date on which principal or interest is due and payable on such Bond or Note, or any date on which an Authority Swap Payment is due and payable.

“*Business Day*” means a day of the year other than: (i) a day on which commercial banks located in the cities in which the principal office of any of the Trustee, the Remarketing Agent, the Tender Agent, the Credit Facility Provider or the Liquidity Facility is located are required or authorized by law to close; (ii) a day on which The New York Stock Exchange, Inc. is closed; and (iii) a day on which the office of the Credit Facility Provider or the Liquidity Facility Provider at which a payment under the Credit Facility or Liquidity Facility, respectively, is required to be made is closed. The Credit Facility Provider and the Liquidity Facility Provider will promptly notify the Authority, the Trustee, the Remarketing Agent and the Tender Agent if any such day is not also a day otherwise meeting this definition of “Business Day,” such notice to be given at least three Business Days in advance if possible.

“*Capitalized Interest Payments*” means any scheduled payments of interest in respect of a Financed Eligible Loan that were not received by a Servicer on the scheduled due date thereof because such payments are subject to deferment pursuant to the High Education Act.

“*Cash Flow Certificate*” means a report prepared by the Cash Flow Consultant and acceptable to the Credit Facility Provider based upon assumptions used with respect to relevant variables that are consistent with criteria approved by the Credit Facility Provider showing, with respect to the period extending from the date of the Cash Flow Certificate to each Maturity of the Bonds and Notes: (i) all Revenues and Recoveries of Principal anticipated to be received during such period, taking into account any rebates expected to be payable to student borrowers; (ii) the application of all Revenues and Recoveries of Principal in accordance with the provisions of the Bond Resolution, taking into account investment earnings, if any; and (iii) resulting balances;

provided that the Cash Flow Certificate must show that anticipated Revenues and Recoveries of Principal will be at least sufficient and available to pay all Servicing Fees, Program Expenses and Administrative Expenses payable under the Bond Resolution and the debt service on all Obligations during such period.

“*Cash Flow Consultant*” means any Person appointed by the Authority and acceptable to the Credit Facility Provider to prepare the Cash Flow Certificate and other cash flow projections.

“*Claim Adjustment*” means: (i) amounts payable to a Guarantee Agency as a result of a determination that the status of any Eligible Loan was “current” subsequent to the submission of a default claim with respect to such Eligible Loan; and (ii) amounts payable to a Eligible Lender as a reimbursement for amounts paid by the Eligible Lender to repurchase such Eligible Loan pursuant to its loan purchase agreement as a result of a determination that such Eligible Loan was not required to be repurchased.

“*Code*” means the Internal Revenue Code of 1986, as amended from time to time and the Treasury Regulations, including temporary and proposed regulations, relating to such sections which are applicable to the Bonds and Notes or the use of the proceeds thereof. A reference to any specific section of the Code shall be deemed also to be a reference to the comparable provisions of any enactment which supersedes or replaces the Code thereunder from time to time.

“*Conversion*” means the conversion from time to time in accordance with the terms and provisions of the Bond Resolution from one interest rate mode to another interest rate mode.

“*Conversion Date*” means the effective date of any Conversion and means a Business Day succeeding any Weekly Rate Period, any Quarterly Rate Period, any Semiannual Rate Period and any Annual Rate Period.

“*Counterparty Swap Payments*” means any payment to be made to, or for the benefit of, the Authority under a Swap Agreement.

“*Credit Facility*” means any credit instruments (whether a letter of credit, insurance policy, surety bond or other agreement) which assure payment of the principal of (whether upon acceleration, maturity, redemption or otherwise) and all or a specified amount of interest on any series of Bonds and Notes, including any Alternate Credit Facility with respect to any series of Bonds and Notes.

“*Credit Facility Agreement*” means any agreement pursuant to which a Credit Facility or an Alternate Credit Facility is issued.

“*Credit Facility Provider*” means the Person or Persons which issue a Credit Facility and are liable thereon and any issuer of an Alternate Credit Facility. The initial Credit Facility Provider with respect to all Outstanding Bond and Notes, including the Series 2002A Bonds, is MBIA Insurance Corporation, and its successors and assigns.

“*Custodian Agreement*” means the Master Custodian Services Agreement, dated as of September, 27, 1994, between the Authority and the Custodian, as amended and supplemented.

“*Eligible Lender*” means any “*eligible lender*”, as defined in the Higher Education Act, and which has received an eligible lender designation from the Secretary with respect to Eligible Loans.

“*Eligible Loan*” means (unless determined otherwise in a Supplemental Bond Resolution pursuant to which particular Bonds or Notes were issued) a Student Loan which: (i) has been or will be made to an eligible borrower to finance the post-secondary education of (a) a resident of the State attending a post-secondary school within or without the State, or (b) a resident of a state other than the State attending a post-secondary school located within the State; (ii) is Guaranteed or Insured; (iii) is an “eligible loan” as defined in Section 438 of the Higher Education Act for purposes of receiving Special Allowance Payments and is eligible to receive Special Allowance Payments; (iv) bears interest at a rate of interest not less than or in excess of the applicable maximum rate of interest set forth in the Act for that loan except for loans made pursuant to an Authority program approved by the Credit Facility Provider which reduces the interest rate on the loan; or (v) is otherwise permitted to be acquired by the Authority pursuant to its Program (provided a favorable opinion is received with respect thereto, and provided further that the Trustee and the Authority shall have received the written consent of the Credit Facility Provider to such acquisition); provided that if the Authority has received notice from the Credit Facility Provider that an amendment to the Higher Education Act or any other law of the United States has been enacted after the date of the Series 1996A Bond Resolution that changes the percentage added to the Treasury bill rate or the commercial paper rate in calculating Special Allowance Payments in a manner which would cause the Authority to obtain a Rate of Return on a Student Loan disbursed pursuant to the Higher Education Act which would be lower, by more than thirty-hundredths of one percent (.30%), than the Rate of Return on such Student Loan under the Higher Education Act as in effect on the date of the Series 1996A Bond Resolution (such lower rate of return being referred to herein as a “*Materially Lower Rate of Return*”), no Student Loan disbursed after the effective date of such amendment and affected by such amendment shall, without the express written consent of the Credit Facility Provider, be an Eligible Loan.

“*Expiration Date*” means the date on which an outstanding Credit Facility or Liquidity Facility is to terminate pursuant to the terms thereof, including any extension of such date but not including any early termination because of the occurrence of an event of default (other than a nonpayment of fees thereunder or a downgrading of the Rating of the Credit Facility Provider) under the related Liquidity Facility Agreement or Credit Facility Agreement.

“*Facility Substitution*” means the delivery of an Alternate Credit Facility or Alternate Liquidity Facility.

“*Federal Consolidation Loan*” means any loan made under the Consolidation Loan Program described in the Higher Education Act to consolidate two or more outstanding student loans.

“*Financed Eligible Loans*” means Eligible Loans: (i) acquired by the Authority with balances in the Student Loan Fund or otherwise deposited in or accounted for in the Student Loan

Fund or otherwise constituting a part of the Trust Estate; and (ii) Eligible Loans substituted or exchanged for Financed Eligible Loans, but does not include Eligible Loans released from the lien of the Bond Resolution and sold or transferred, to the extent permitted by the Bond Resolution.

“*Fixed Rate*” means, with respect to any Series 2002A Bonds, the rate of interest fixed to the stated maturity of the Series 2002A Bonds and not subject to adjustment.

“*Fixed Rate Bonds*” means any Series 2002A Bonds bearing interest at a Fixed Rate.

“*Fixed Rate Conversion Date*” means, with respect to each Series of the Series 2002A Bonds, the date on which a Fixed Rate becomes effective for such Series 2002A Bonds.

“*Funds*” or “*Funds and Accounts*” means the funds, accounts or subaccounts created by the Bond Resolution. See the caption “SECURITY AND SOURCES OF PAYMENT — Flow of Funds” and “— Creation of Accounts” in the main body of this Official Statement.

“*Governmental Obligations*” means any of the following: direct general obligations of, or obligations the full and timely payment of the principal of and interest on which is unconditionally guaranteed by, the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America).

“*Guarantee*” or “*Guaranteed*” means with respect to an Eligible Loan, the insurance or guarantee by the Guarantee Agency pursuant to such Guarantee Agency's Guarantee Agreement of the maximum percentage of the principal of and accrued interest on such Eligible Loan allowed by the terms of the Higher Education Act with respect to such Eligible Loan at the time it was originated and the coverage of such Eligible Loan by the federal reimbursement contracts, providing, among other things, for reimbursement to the Guarantee Agency for payments made by it on defaulted Eligible Loans insured or guaranteed by the Guarantee Agency of at least the minimum reimbursement allowed by the Higher Education Act with respect to a particular Eligible Loan.

“*Guarantee Agency*” means the State Guarantee Agency, United Student Aid Funds, Inc., Texas Guaranteed Student Loan Corporation, Student Loan Guarantee Foundation of Arkansas, Inc., the Colorado Department of Education, Student Loans Division and/or any other guarantee agency, provided that the Authority and the Trustee receive the written consent of the Credit Facility Provider to such additional or substitute Guarantee Agency.

“*Higher Education Act*” means Title IV, Part B of the Higher Education Act of 1965, as amended, and the regulations thereunder.

“*Insurance*” or “*Insured*” or “*Insuring*” means, with respect to a student loan, the insuring by the Secretary under the provisions of the Higher Education Act of the maximum allowable percentage of the principal of and accrued interest on such student loan.



“*Interest Benefit Payment*” means an interest payment on Eligible Loans received pursuant to the Higher Education Act and an agreement with the federal government, or any similar payments.

“*Interest Payment Date*” means with respect to the Series 2002A Bonds, each June 1 and December 1.

“*Interest Rate*” means the rate of interest borne by the Bonds and Notes identified in the reference thereto, as of the time referred to.

“*Investment Instructions*” means the investment instructions delivered to the Authority and the Trustee by Bond Counsel on the date of issuance for each series of Bonds and Notes and any amendments or supplements thereto.

“*Investment Securities*” means any of the following which are at the time of investment legal investments for the funds of the Authority under the laws of the State, including the Act, for the moneys proposed to be invested (provided that the Authority may direct the Trustee in writing to exclude or limit any of the following).

- (a) Governmental Obligations.
- (b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself): (i) Farmers Home Administration (FmHA) Certificates of beneficial ownership; (ii) Federal Housing Administration (FHA) Debentures; (iii) General Services Administration Participation certificates; (iv) Government National Mortgage Association (GNMA or “*Ginnie Mae*”) guaranteed mortgage-backed bonds or guaranteed pass-through obligations; (v) U.S. Maritime Administration Guaranteed Title XI financing; (vi) U.S. Department of Housing and Urban Development (HUD) Project Notes or Local Authority Bonds; (vii) U.S. Export-Import Bank (EXIM Bank) direct obligations or fully guaranteed certificates of beneficial ownership; and (viii) Federal Financing Bank.
- (c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself): (i) Federal Home Loan Bank System Senior debt obligations; (ii) Federal Home Loan Mortgage Corporation (FHLMC or “*Freddie Mac*”) Participation Certificates or Senior debt obligations; (iii) Federal National Mortgage Association (FNMA or “*Fannie Mae*”) Mortgage-backed securities and senior debt obligations; (iv) Student Loan Marketing Association (SLMA or “*Sallie Mae*”) Senior debt obligations; (v) Resolution Funding Corp. (REFCORP) obligations; and (vi) Farm Credit System consolidated systemwide bonds and notes.

- (d) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of “AAAm-G”, “AAAm”, or “AAm”; and if rated by Moody’s are rated “Aaa”, “Aa1” or “Aa2”.
- (e) Certificates of deposit secured at all times by collateral described in (a) and/or (b) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the bondholders must have a perfected first security interest in the collateral.
- (f) Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF.
- (g) Investment Agreements, including GIC's, acceptable to the Credit Facility Provider and S&P.
- (h) Commercial paper rated, at the time of purchase, “Prime - 1” by Moody's or “A-1” or better by S&P.
- (i) Bonds or notes issued by any state or municipality which are rated by Moody's or S&P in one of the two highest rating categories assigned by such agencies.
- (j) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of “Prime - 1” or “A3” or better by Moody's and “A-1” or “A” or better by S&P.
- (k) Repurchase agreements for thirty (30) days or less must follow the criteria provided in the Bond Resolution. Repurchase agreements which exceed thirty (30) days must be acceptable to the Credit Facility Provider.

“*Liquidity Facility*” means any agreements (whether a letter of credit, standby bond purchase agreement, or other agreement) which assures payment of the purchase price of a series of Bonds and Notes, including any Alternate Liquidity Facility with respect to any series of Bonds and Notes.

“*Liquidity Facility Agreement*” means any agreements pursuant to which a Liquidity Facility or Alternate Liquidity Facility is issued and which is approved in writing by the Credit Facility Provider.

“*Liquidity Facility Provider*” means the Person or Persons which issue a Liquidity Facility and are liable thereon. The initial Liquidity Facility Provider for the Series 2002A Bonds is Bank One, Oklahoma, NA.

“*Maximum Rate*” means with respect to the Series 2002A Bonds (except Bank Bonds), the lesser of: (i) 12% per annum; or (ii) the maximum rate of interest permitted under State law.

“*Moody’s*” means Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “*Moody’s*” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority.

“*Obligations*” means, collectively, the Bonds and Notes, any Authority Swap Payment and any amounts payable to any Credit Facility Provider or any Liquidity Facility Provider pursuant to the Credit Facility or a Liquidity Facility, respectively.

“*Outstanding*” or “*outstanding*” means, when used in connection with any Bond or Note, a Bond or Note which has been executed and delivered pursuant to the Bond Resolution which at such time remains unpaid as to principal or interest, and when used in connection with a Swap Agreement, a Swap Agreement which has not expired or been terminated, unless in each case provision has been made for such payment, excluding Bonds or Notes which have been replaced pursuant to the Bond Resolution.

“*Person*” means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof.

“*Program Expenses*” means the fees and expenses of the Trustee, any Tender Agent, any Auction Agent, any Market Agent, any Broker-Dealer, any Remarketing Agent, any paying agent, any registrar, any authenticating agent, any securities depository, and any co-registrar or transfer agent appointed under the Bond Resolution and fees, payments and expenses payable with respect to the Rating Agencies, the Liquidity Facility, the Credit Facility, legal counsel, any rebate consultant, Accountant's fees and the Cash Flow Consultant's fees, in each case as such fees and expenses are related to the Bond Resolution, but excluding Administrative Expenses and Servicing Fees.

“*Purchase Date*” means: (i) in the case of Weekly Rate Bonds, the Business Day such Weekly Rate Bonds are to be purchased; and (ii) in the case of Series 2002A Bonds other than Weekly Rate Bonds, any Business Day on which such Series 2002A Bonds are subject to mandatory purchase. “*Purchase Date*” shall also mean a Facility Substitution Date and, in the case of conversion of the Series 2002A Bonds, the Conversion Date or next succeeding Business Day if not a Business Day.

“*Purchase Price*” means, with respect to any Series 2002A Bond, the principal amount thereof plus accrued interest, if any, thereon to the respective Purchase Date, provided, however, that if the Purchase Date is also an Interest Payment Date, the Purchase Price shall not include accrued interest.

“*Quarterly Rate*” means the Interest Rate for each Quarterly Rate Period determined in accordance with the Bond Resolution. See the captions, “DESCRIPTION OF THE SERIES 2002A BONDS

— Interest on the Series 2002A Bonds” and “ — Determination of Interest Rates” in the main body of this Official Statement.

“*Quarterly Rate Bonds*” means Series 2002A Bonds bearing interest at the Quarterly Rate.

“*Quarterly Rate Period*” means the period beginning on the day following the end of the last period of the preceding interest rate mode and extending to, but not including, the first Business Day of the third calendar month after the calendar month in which such period commenced.

“*Rating*” means one of the rating categories of Moody's or S&P or any other Rating Agency, provided Moody's, S&P or any other Rating Agency, as the case may be, is currently rating the Bonds or Notes.

“*Rating Agencies*” means Moody's and S&P, if and to the extent such entity is then rating the Bonds or Notes at the request of the Authority, and any other rating service requested by the Authority to rate any Bonds or Notes.

“*Record Date*” means: (i) with respect to the Series 2002A Bonds bearing interest at a Weekly Rate or a Quarterly Rate, the Business Day preceding each Interest Payment Date for the Series 2002A Bonds; (ii) with respect to any Series 2002A Bonds bearing interest at a Semiannual Rate, an Annual Rate or a Fixed Rate, the fifteenth day of the calendar month preceding each Interest Payment Date; and (iii) with respect to any Additional Bond and Notes, the Record Date established for such Additional Bonds and Notes by the Supplemental Bond Resolution authorizing the issuance of such Additional Bonds and Notes.

“*Recoveries of Principal*” means, among other things, all amounts received by or on behalf of the Authority or by the Trustee for the account of the Authority, from or on account of any Financed Eligible Loan as a recovery of the principal amount thereof, including scheduled, delinquent and advance payments, payouts or prepayments, proceeds from the sale, assignment, transfer, reallocation or other disposition of such loans, and any payments representing principal from claim payments on the guarantee or insurance of any such loan, but excludes any Claim Adjustments relating to principal on an Eligible Loan and any Recoveries of Principal released from the lien of the Trust Estate as provided in the Bond Resolution.

“*Redemption Price*” means, with respect to the Series 2002A Bonds, the principal amount of the Series 2002A Bonds being redeemed, respectively, and, with respect to any Additional Bonds and Notes, the Redemption Price established for such Additional Bonds and Notes by the Supplemental Bond Resolution authorizing the issuance of such Additional Bonds and Notes.

“*Registered Owner*” means the Person in whose name a Bond or Note is registered on the registration books maintained by the Trustee, and shall also mean with respect to a Swap Agreement, any Swap Counterparty unless the context otherwise requires.

“*Revenues*” means, among other things: (a) All payments, proceeds, charges and other income received by or on behalf of the Authority, or by the Trustee for the account of the Authority,

including, (i) scheduled, delinquent and advance payments of interest, (ii) payouts or prepayments of interest, (iii) Interest Benefit or Special Allowance Payments from the Secretary, (iv) any guarantee or insurance proceeds with respect to interest, from any Financed Eligible Loan held as a part of the Trust Estate or as a result of the sale or alienation thereof; (b) All interest earned or gain realized from the investment of amounts in any Fund or Account (other than amounts credited or required to be deposited to the Rebate Fund), and (c) All payments received by the Authority pursuant to a Swap Agreement, but *excludes* Recoveries of Principal, Claim Adjustments relating to interest on an Eligible Loan and any Revenues released from the lien of the Trust Estate as provided in the Bond Resolution.

“*Secretary*” means the Secretary of the United States Department of Education, or any successor to the functions thereof under the Higher Education Act, or when the context so requires, the former Commissioner of Education of the former United States Department of Health, Education and Welfare.

“*Semiannual Rate*” means the Interest Rate determined semiannually for each Semiannual Rate Period in accordance with the Bond Resolution. See the captions, “DESCRIPTION OF THE SERIES 2002A BONDS — Interest on the Series 2002A Bonds” and “— Determination of Interest Rates” in the main body of this Official Statement.

“*Semiannual Rate Bonds*” means Series 2002A Bonds bearing interest at the Semiannual Rate.

“*Semiannual Rate Period*” means the period beginning on, and including, any June 1 or December 1 (or, if not a Business Day, the next succeeding Business Day) and ending on, and including, the next May 31 or November 30, as the case may be, except that in the event of Conversion to Semiannual Rate Bonds, the first “Semiannual Rate Period” means the period beginning on, and including, the Conversion Date and ending on, and including, the next succeeding May 31 or November 30.

“*Servicer*” means the Authority, acting as the servicer of the Financed Eligible Loans and any other entity appointed by the Authority as a servicer with respect to Financed Eligible Loans upon the receipt by the Authority and the Trustee of the written consent of the Credit Facility Provider to the appointment of such Servicer.

“*Servicing Agreement*” means, collectively, each servicing agreement between the Authority and a Servicer consented to in writing by the Credit Facility Provider under which the Servicer agrees to act as the Authority's agent in administering and collecting Financed Eligible Loans in accordance with the Bond Resolution, and any amendments thereto consented to in writing by the Credit Facility Provider.

“*Servicing Fees*” means any fees payable by the Authority to a Servicer (including the Authority) in respect of Financed Eligible Loans.

*“Special Allowance Payments”* means special allowance payments authorized to be made by the Secretary by Section 438 of the Higher Education Act, or similar allowances, if any, authorized from time to time by federal law or regulation.

*“S&P”* means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, *“S&P”* shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority.

*“State”* means the State of Oklahoma.

*“Student Loan Purchase Agreement”* means a loan purchase agreement entered into for the purchase of Eligible Loans.

*“Supplemental Bond Resolution”* means any Supplemental Bond Resolution adopted by the Authority amending and/or supplementing the Bond Resolution.

*“Swap Agreement”* means a written contract or agreement between the Authority and a Swap Counterparty and approved by the Credit Facility Provider, which provides that the Authority's obligations thereunder will be conditioned on the absence of (i) a failure by the Swap Counterparty to make any payment required thereunder when due and payable, or (ii) a default thereunder with respect to the financial status of the Swap Counterparty, and: (a) under which the Authority is obligated to pay (whether on a net payment basis or otherwise) on one or more scheduled and specified Swap Payment Dates, the Authority Swap Payments in exchange for the Swap Counterparty's obligation to pay (whether on a net payment basis or otherwise), or to cause to be paid, to the Authority, Swap Payments on one or more scheduled and specified Swap Payment Dates in the amounts set forth in the Swap Agreement; (b) for which the Authority's obligation to make Authority Swap Payments is secured by a pledge of and lien on the Trust Estate on an equal and ratable basis with the Authority's Outstanding Bonds and Notes and which Authority Swap Payments are equal in priority with the Authority's Outstanding Bonds and Notes; and (c) under which Counterparty Swap Payments are to be made directly to the Trustee for deposit into the Student Loan Sinking Fund.

*“Swap Counterparty”* means a third party approved by the Credit Facility Provider which, at the time of entering into a Swap Agreement, has at least an “Aa2/P-1” rating, or its equivalent, from Moody's, and which is obligated to make Counterparty Swap Payments under a Swap Agreement.

*“Swap Payment Date”* means, with respect to a Swap Agreement, any date specified in the Swap Agreement on which both or either of the Authority Swap Payment and/or a Counterparty Swap Payment is due and payable under the Swap Agreement.

“*Tax Regulatory Agreement*” means, collectively, the Tax Regulatory Agreements entered into between the Authority and the Trustee with respect to each series of tax-exempt Bonds and Notes, as each are amended or supplemented.

“*Value*” on any calculation date when required under the Bond Resolution means the value of the Trust Estate calculated by the Authority as to (a) below and by the Trustee as to (b) through (e), inclusive, below, as follows: (a) with respect to any Eligible Loan, the unpaid principal amount thereof plus any accrued but unpaid interest, Interest Benefit Payments and Special Allowance Payments, subject to adjustment if the Credit Facility Provider has given notice to the Authority that an amendment of any law of the United States will result in a materially lower rate of return on such Eligible Loan; (b) with respect to any funds of the Authority held under the Bond Resolution and on deposit in any commercial bank or as to any banker's acceptance or repurchase agreement or investment contract, the amount thereof plus accrued but unpaid interest; (c) with respect to any Investment Securities of an investment company, the bid price of the shares as reported by the investment company; (d) as to investments the bid and asked prices of which are published on a regular basis in *The Wall Street Journal* (or, if not there, then in *The New York Times*), the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination; and (e) as to investments the bid and asked prices of which are not published on a regular basis in *The Wall Street Journal* or *The New York Times*, (i) the lower of the bid prices at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Authority in its absolute discretion) at the time making a market in such investments, or (ii) the bid price published by a nationally recognized pricing service.

“*Variable Rate*” means any of the Weekly Rate, the Quarterly Rate, the Semiannual Rate and the Annual Rate.

“*Variable Rate Bonds*” means Weekly Rate Bonds, Quarterly Rate Bonds, Semiannual Rate Bonds and Annual Rate Bonds.

“*Weekly Rate*” means the Interest Rate determined for each Weekly Rate Period in accordance with the Bond Resolution. See the captions “DESCRIPTION OF THE SERIES 2002A BONDS — Interest on the Series 2002A Bonds” and “ — Determination of Interest Rates” in the main body of this Official Statement.

“*Weekly Rate Bonds*” means Series 2002A Bonds bearing interest at the Weekly Rate.

“*Weekly Rate Period*” means the period beginning on, and including, any Wednesday (or, if not a Business Day, on the next succeeding Business Day) and ending on, and including, the then next Tuesday (or the day immediately preceding the first day of the next Weekly Rate Period for Weekly Rate Bonds), except that in the event of a Conversion to Weekly Rate Bonds, the first “Weekly Rate Period” means the period beginning on, and including, the Conversion Date and ending on, and including, the second succeeding Tuesday (or the day immediately preceding the first day of the next Weekly Rate Period for Weekly Rate Bonds) unless the Conversion Date is a Tuesday or Wednesday, in which case it shall end on the first succeeding Tuesday.

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**APPENDIX B**

**OKLAHOMA STUDENT LOAN AUTHORITY  
OKLAHOMA STUDENT LOAN BONDS AND NOTES, SERIES 2002A**

**FORM OF MBIA INSURANCE POLICY AND ENDORSEMENT**

# FINANCIAL GUARANTY INSURANCE POLICY

## MBIA Insurance Corporation Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]  
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

**MBIA Insurance Corporation**

\_\_\_\_\_  
President

Attest:

\_\_\_\_\_  
Assistant Secretary

ENDORSEMENT

Attached to Policy No. [\_\_\_\_\_] (the "Policy") issued by the MBIA Insurance Corporation (the "Insurer"), to the Paying Agent, as defined in the Policy issued with respect to the Obligations:

\$40,625,000  
Oklahoma Student Loan Authority  
Oklahoma Student Loan Bonds and Notes  
Variable Rate Demand Obligations  
Series 2002A-1

Notwithstanding the terms and conditions contained in the Policy, it is understood that (a) the Policy will be canceled upon delivery of an Alternate Series 2002A-1 Credit Facility pursuant to the Bond Resolution (hereinafter defined) provided, however, that the Policy shall remain in effect with respect to any claims of Insured Amounts as described in clause (ii) of the first paragraph of the Policy resulting from payments made by or on behalf of the Issuer prior to the effective date of the cancellation of the Policy; (b) the Policy shall guarantee the full and complete payment required to be made by or on behalf of the Issuer to the Paying Agent of an amount equal to principal of and interest accrued on the Series 2002A-1 Bank Bonds (as such terms are defined in the Series 2002A -1 Supplemental Bond Resolution adopted by the Issuer on January 22, 2002 (the "Bond Resolution")) which are mandatorily redeemed in accordance with Section 3.02(b) of the Bond Resolution; and (c) the Policy shall guarantee the payment of Differential Interest Amount (as defined in the Bond Resolution) on the Series 2002A-1 Bank Bonds no more frequently than once a month.

This Endorsement forms a part of the Policy, effective on the inception date of the Policy.

IN WITNESS WHEREOF, the Insurer has caused this Endorsement to be executed in facsimile on its behalf by its President and its Assistant Secretary, this \_\_\_\_ day of January, 2002.

MBIA INSURANCE CORPORATION

By \_\_\_\_\_  
President

Attest:

By \_\_\_\_\_  
Assistant Secretary

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**APPENDIX C**

**OKLAHOMA STUDENT LOAN AUTHORITY  
OKLAHOMA STUDENT LOAN BONDS AND NOTES, SERIES 2002A**

**GENERAL DESCRIPTION OF THE  
OKLAHOMA STUDENT LOAN AUTHORITY**

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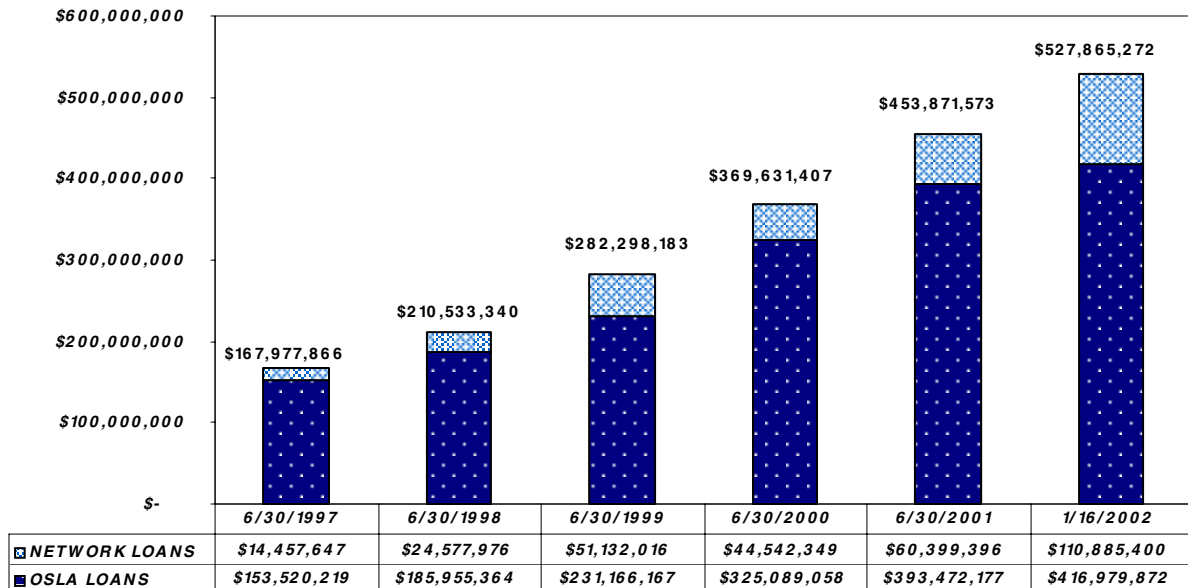
**OPERATING BUSINESS**

We are a secondary market, loan servicer and eligible lender in the guaranteed Federal Family Education Loan Program under the Higher Education Act . Loan origination and servicing functions are performed by us under the registered tradename “OSLA Student Loan Servicing™”.

We also perform origination and pre-acquisition servicing for 33 other eligible lenders which are members of the OSLA Student Lending Network™. Each OSLA Network lender is required to sell, and we are required to purchase, the loans that we service before repayment of the loans begins. We maintain a revolving warehouse line of credit to fund these purchases.

At the dates indicated in the Table below, we managed FFEL Program loans, including uninsured loans and loans serviced for other eligible lenders, with current principal balances as shown in the following Graph and Table:

**FFEL PROGRAM LOANS MANAGED  
Current Principal Balance**



In our SHELF™ Program for private loans, we also originate and hold education loans that are not guaranteed under the Higher Education Act. SHELF loans are underwritten based on the borrower's credit to provide supplemental funds as determined by the financial aid staff at eligible schools.

We receive no appropriated funds from the State for our operating expenses. All expenses are paid from revenues derived from trust operations in the administration of our various education loan programs. Our Fiscal Year is from July 1 of each year through June 30 of the next year.

The bonds and notes issued by us to finance our loan activities are not general obligations, but are limited revenue obligations payable solely from the assets of the Trust Estates created for particular financings by various Bond Resolutions.

Our offices are located at 4545 North Lincoln Boulevard, Suite 66, Oklahoma City, OK 73105-3413. The administrative telephone number is (405) 556-9210; and the facsimile transmission number is (405) 556-9255. Our general internet e-mail address is [info@osla.org](mailto:info@osla.org). Certain financial information on us is available on the internet at our separate *website* located at "OSLAfinancial.com".

**ORGANIZATION AND POWERS**

We were created by an express Trust Indenture dated August 2, 1972 in accordance with the provisions of the:

- Student Loan Act at Title 70, Oklahoma Statutes 1991, Sections 695.1 *et seq.*, as amended; and
- Public Trust Act at Title 60, Oklahoma Statutes 1991, Sections 176 to 183.3, inclusive, as amended.

We are governed by five Trustees who are appointed by the Governor, subject to the advice and consent of the State Senate, for overlapping five (5) year terms. The present Trustees of the Authority and their principal occupations are as follows:

<u>Name</u>	<u>Office</u>	<u>Term Expiration</u>	<u>Principal Occupation</u>
Patrick Rooney	Chairman	April 6, 2005	Investments; Oklahoma City, OK
Tom McCasland, III	Vice Chairman	April 6, 2006	President, Mack Energy Company; Duncan, OK
Sylvia Weedman	Secretary	April 6, 2002	Retired – Former Instructor, Gordon Cooper Area Vo-Tech School; Shawnee, OK
Steven Bramlett	Assistant Secretary	April 6, 2004	Owner, McClure Insurance Agency; Alva, OK
Dr. T. Sterling Wetzel	Trustee	April 6, 2003	Professor, Oklahoma State University; Stillwater, OK

The Trust Indenture creating the Authority, and Oklahoma law, empower us to incur debt and to secure such debt by lien, pledge or otherwise. In addition, we are authorized to make and perform contracts of every kind, and to do all acts necessary or desirable for the proper management of the trust estate. We may bring any suit or action which is necessary or proper to protect the interests of the trust estate, or to enforce any claim, demand or contract.

Under the Public Trust Act and the Trust Indenture, the trust can not be terminated by voluntary action if there is any indebtedness or fixed term obligations outstanding, unless all owners of such indebtedness or obligations consent in writing to the termination.

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## ADMINISTRATION

### Executive Management

Our day-to-day management is vested in a President and Executive Staff appointed by the Trustees of the Authority. Our present executive officers are listed below.

*James T. Farha, Esq., President.* Mr. Farha became President and Chief Executive Officer of the Authority in June, 1999. From 1998 until assuming his current position, he was a practicing attorney with Kerr, Irvine, Rhodes & Ables, Oklahoma City, Oklahoma. Prior to that he was President and Chief Executive Officer and a Member of the Board of Directors for Standard Life and Accident Insurance Company, Oklahoma City, Oklahoma.

Mr. Farha also serves as Director of Guaranty Reassurance Corporation (GRC), Jacksonville, Florida; and has served as a Director/Vice Chairman, and Chairman for the Oklahoma Life and Health Guaranty Association; Director, Past Treasurer and Chairman for the National Organization of Life and Health Guaranty Associations; and Director/President for the Association of Oklahoma Life Insurance Companies.

Mr. Farha is a member of the American Bar Association, the Oklahoma Bar Association, the Association of Life Insurance Counsel as well as various civic organizations. He received his Associate in Arts degree from Wentworth Military Academy in 1961, his Bachelor of Business Administration degree from the University of Oklahoma School of Business in 1963, and his Juris Doctor degree from the University of Oklahoma College of Law in 1966.

*Roderick W. Durrell, Esq., Vice President — Finance.* Mr. Durrell has been employed by the Authority in his current position since July, 1990. Prior to that, Mr. Durrell was in private practice specializing in public finance law in Oklahoma City and an officer of municipal securities broker-dealer firms in Oklahoma City. Mr. Durrell is a member of the Oklahoma Bar Association.

Mr. Durrell received his Bachelor of Science degree from the University of Vermont in 1967, his Master of Business Administration degree from the University of Hartford in 1972, and his Juris Doctor degree from the University of Oklahoma College of Law in 1975.

*Graden Perry, Vice President — Loan Management.* Mr. Perry has been employed by the Authority since July, 1991. Mr. Perry was employed by Continental Federal Savings & Loan Association, Oklahoma City, Oklahoma, from 1976 to June, 1991. He was Retail Banking Division Manager, Senior Vice President from 1984 to 1991; Chief Loan Officer, Senior Vice President from 1983 to 1984; Personal Lending Division Manager, Senior Vice President 1980 to 1983; and Branch Manager, Vice President from 1976 to 1980. While at Continental Federal, Mr. Perry's responsibilities included developing and managing its guaranteed student loan activities.

From 1959 to 1976, Mr. Perry was employed by Transamerica Financial Corporation in Oklahoma City. Mr. Perry attended the University of Tulsa and the University of Central Oklahoma.

*W. A. Rogers, C.P.A., Controller and Vice President — Operations.* Mr. Rogers has been employed by the Authority as Controller since October, 1991. His primary duties as Controller are the production of accrual basis financial statements, related management reports and the management of



systems related thereto. In 1995, Mr. Rogers also assumed responsibility for our loan servicing and information technology operational functions.

From 1987 to 1991, Mr. Rogers was the Controller for W. R. Hess Company of Chickasha, Oklahoma, a gasoline jobber and retailer of computer hardware and software. From 1981 to 1987, Mr. Rogers worked in public accounting in Oklahoma City where his duties included auditing, management advisory services and tax compliance work for a variety of governmental, non-profit and commercial entities.

Mr. Rogers received a Bachelor of Science degree in 1978 from Arkansas State University and received his CPA certificate in July, 1983. He is a member of the American Institute of Certified Public Accountants.

*Carole D. Lowe, Assistant Vice President – Finance.* Ms. Lowe has been employed by the Authority in her current position since August, 2000. Prior to rejoining us, she was Director of Administrative Services for Financial Aid at Langston University, Langston, Oklahoma from August, 1998 to August, 2000. She originally joined the Authority in December, 1987 serving as Assistant Vice President of Loan Management until 1998.

From 1972 to 1987 Ms. Lowe was employed with The Bank of Casey, Casey, Illinois. She was Vice President of the Loan Department, overseeing all aspects of the lending portfolio, which included commercial, agricultural, consumer, real estate and student loans. In 1986, she served as President of the Illinois Bankers Association.

Ms. Lowe attended Oklahoma State University, Stillwater, Oklahoma from 1961 to 1962 majoring in Business. She received her Associate Degree in Banking from Southern Illinois University, Carbondale, Illinois in 1983, her Bachelor of Theology degree from Liberty School of Theology, Beacon University, Columbus, Georgia in 1996, and her Master of Theology and Counseling degree from Liberty School of Theology, Beacon University in 1999.

## **Employees**

Effective July 1, 2001, the full time equivalent limit on Authority employees was increased from 51 to 68. At December 31, 2001, we had approximately 56 full time equivalent employees, including the individuals listed above.

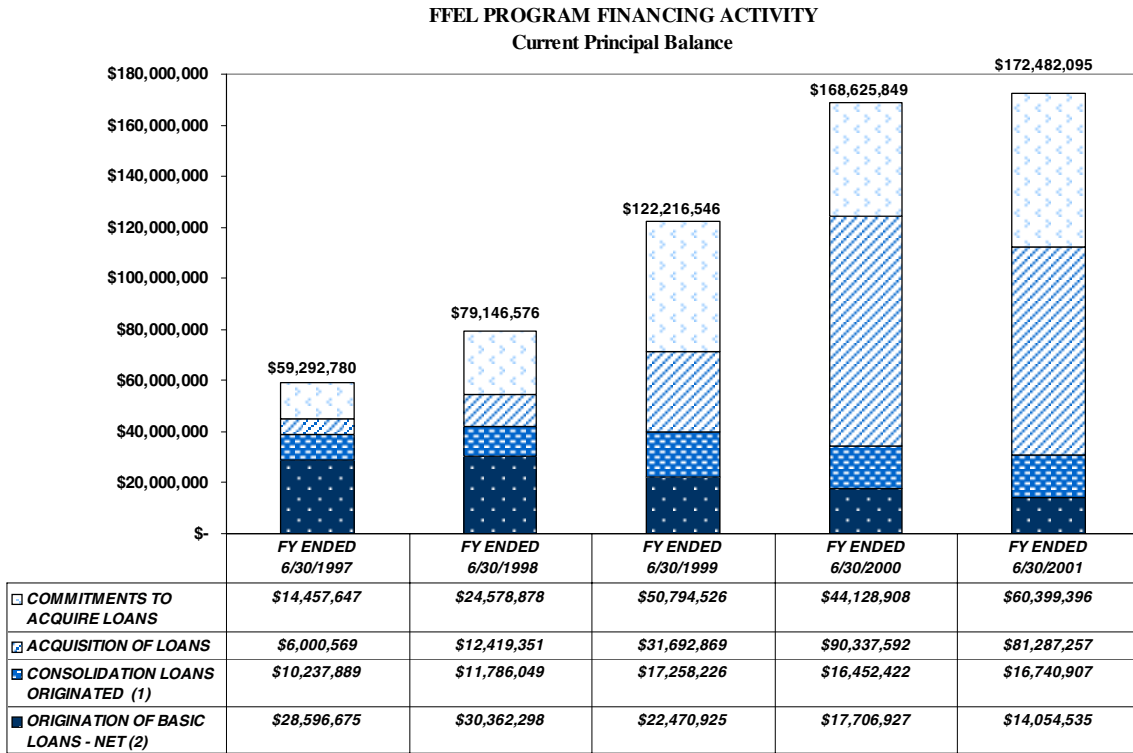
## **Properties**

Our offices, including the loan servicing center, are maintained under a lease agreement with an unaffiliated third party that expires January 31, 2002. The lease term may be extended for one year after that date, at our option, on the present terms and conditions. We exercised that option, extending the lease to January 31, 2003.

## LOAN FINANCE PROGRAMS

### Program Activity Summary

During the Fiscal Years ended June 30, as indicated below, our total loan financing activity in the FFEL Program was approximately as shown in the following Graph and Table:



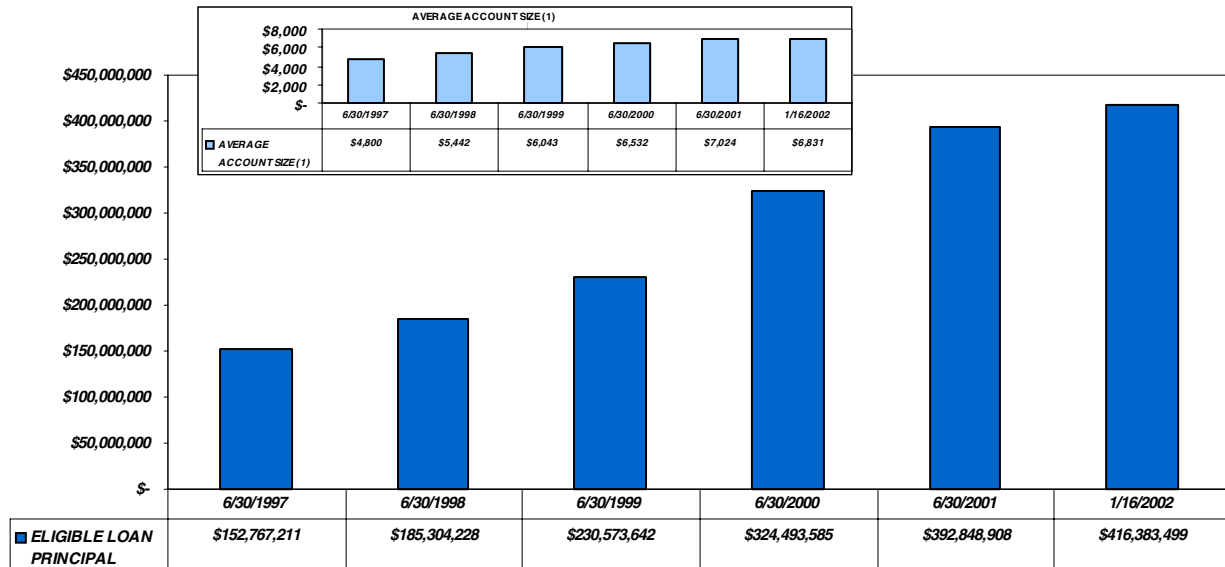
<sup>1</sup>In the Fiscal Year ended June 30, 2001, 69% (66% in 2000 and 60% in 1999) of Consolidation Loans that were originated paid off loans that were already owned by us.

<sup>2</sup>In April 1998, we announced a policy of not soliciting new borrowers, while continuing to originate loans for existing borrowers. New borrowers were intended to be served by the OSLA Network.

### Eligible Loan Principal Balances

At the dates indicated in the Table below, the current principal balance of our Eligible Loan principal (exclusive of uninsured status loans) receivable from borrowers and average borrower indebtedness was approximately as shown the following Graph and Table:

**FFEL PROGRAM ELIGIBLE LOANS  
Current Principal Balance**



<sup>1</sup>At June 30, 2001, Stafford Loans were an average account size of approximately \$6,390 (\$5,860 in 2000 and \$5,319 in 1999); Parent Loans for Undergraduate Students (PLUS) loans approximately \$4,096 (\$4,123 in 2000 and \$4,101 in 1999); and Consolidation Loans approximately \$17,216 (\$16,715 in 2000 and \$15,639 in 1999.)

**Guarantee of Loans**

At June 30, 2001, the current principal balance of our loans managed, including loans owned by OSLA Network members and required to be sold to us, were guaranteed and had loan guarantee eligibility (percentage of the principal amount of a default claim) approximately as shown in the following Table:

<u>Guarantor</u>	<u>Principal Location</u>	<u>100% Guaranteed<sup>1</sup></u>	<u>98% Guaranteed<sup>2</sup></u>	<u>Total</u>
Oklahoma State Regents Guaranteed Student Loan Program	Oklahoma City, OK	4.2%	93.7%	97.9%
USAF Incorporated	Indianapolis, IN	0.1	0.8	0.9
Student Loan Guarantee Foundation of Arkansas	Little Rock, AR	N/A	0.8	0.8
Texas Guaranteed Student Loan Corporation	Austin, TX	N/A	0.4	0.4
<b>Total</b>		<u>4.3%</u>	<u>95.7%</u>	<u>100.0%</u>

<sup>1</sup>Includes Lender of Last Resort Loans.

<sup>2</sup>Unless the claim is the result of death, permanent and total disability or discharge in bankruptcy.

## **Secondary Market Loan Acquisition**

We established the OSLA Network of eligible lenders in August 1994 to further our secondary market activities. We perform loan application processing, disbursement and pre-acquisition servicing of education loans for the OSLA Network lenders pursuant to separate Education Loan Servicing Agreements between us and each participating lender.

In addition, we maintain separate Forward Purchase Commitment Agreements with each participating lender. These agreements require the lender to sell, and require us to purchase, education loans held by the OSLA Network lenders before repayment of the loans begins. The purchases are made at agreed upon prices.

## **Lender of Last Resort**

In February 1994, we began offering loans to certain students, primarily those attending high default rate schools, under a Lender of Last Resort Loan Program with the State Guarantee Agency. At December 31, 2001, we held approximately \$406,000 principal amount of such loans.

Students requesting Lender of Last Resort loans generally must have two (2) denial letters from other eligible lenders that will not make the loan to that student. Lender of Last Resort loans that default are guaranteed 100% as to principal and interest by the State Guarantee Agency.

## **SHELF<sup>TM</sup> Loan Program**

In April 2000, we started our Supplemental Higher Education Loan Finance<sup>TM</sup> Program (SHELF<sup>TM</sup>) on a limited market basis. SHELF is a private loan program that is self insured and is *not* guaranteed by the federal government or a third party. SHELF Program loans are originated by us and then serviced by UNIPAC Private Loan Servicing, St. Paul, MN. We plan to start servicing these loans ourself on or before March 1, 2002.

SHELF Program loans are underwritten based on the credit score of a borrower. A co-borrower may be required for credit underwriting purposes. SHELF Program loans are funded by our General Funds and not by bond or note proceeds. Guarantee fees are withheld from SHELF loan disbursements and placed in the Guarantee Reserve Fund of the Authority's General Student Loan Trust as a reserve against loan defaults.

The intent of the SHELF Program is to supplement loan funds available in the FFEL Program, as determined by the financial aid staff at eligible schools. Loan disbursements are made through eligible school financial aid offices. As of December 31, 2001, the principal amount of SHELF Program loans held by us was approximately \$862,000.

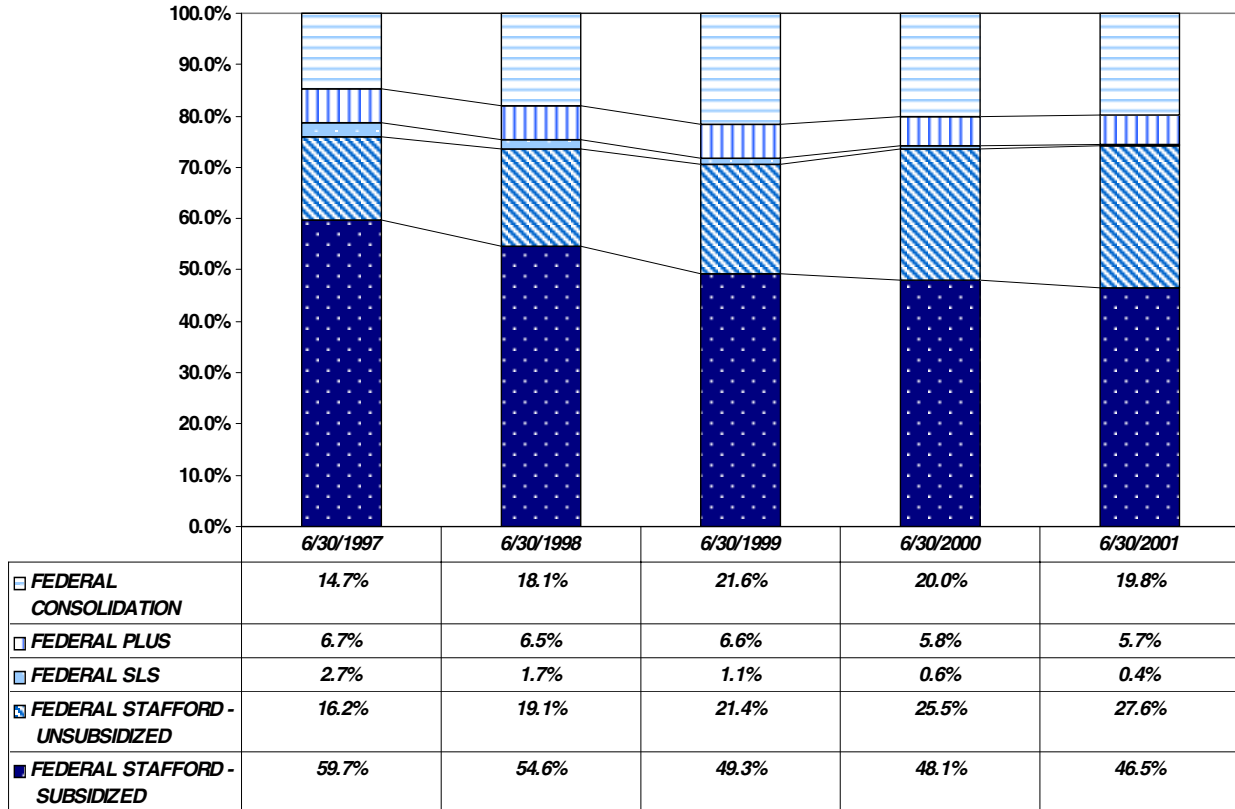
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## LOAN PORTFOLIO DATA

### Loan Type

At June 30 of the Fiscal Years indicated below, the current principal balance of our Eligible Loans by loan type was approximately in the percentages shown in the following Graph and Table:

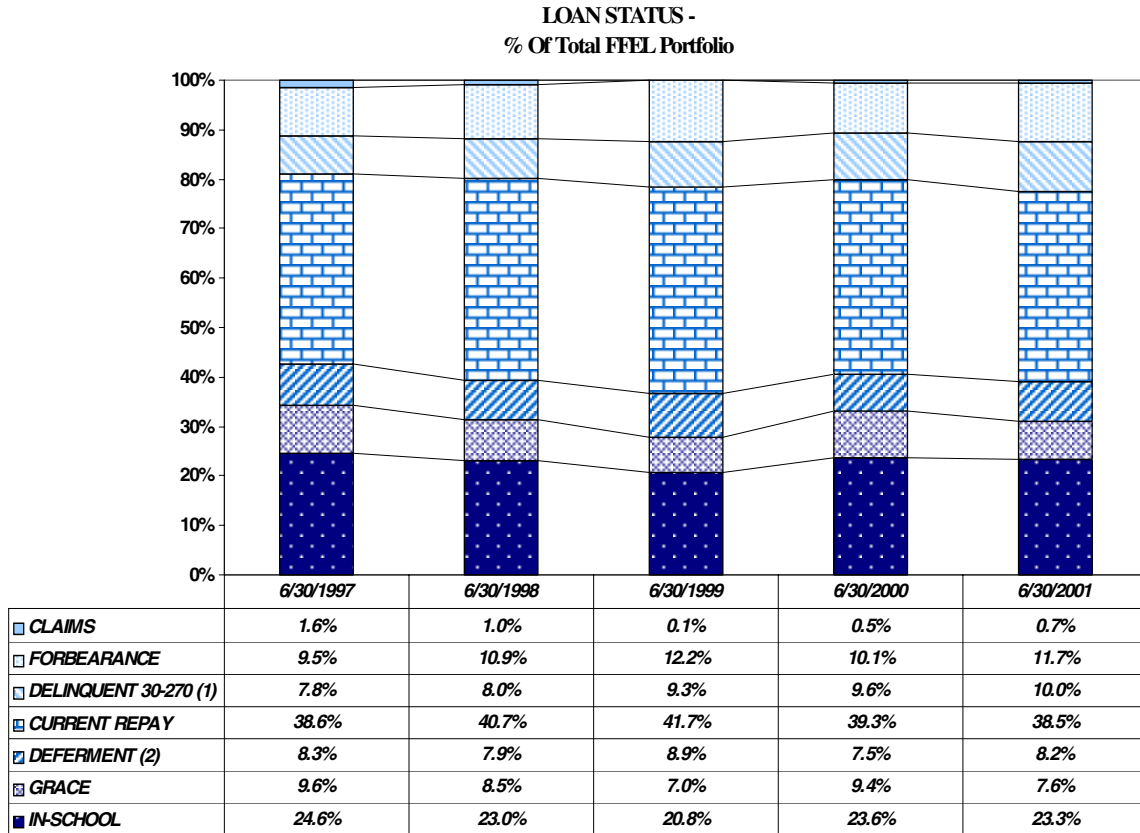
**LOAN TYPE**  
% Of Total FFEL Portfolio



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## Loan Status

At June 30 of the Fiscal Years indicated below, the current principal balance of our Eligible Loans by loan status was approximately in the percentages shown in the following Graph and Table:



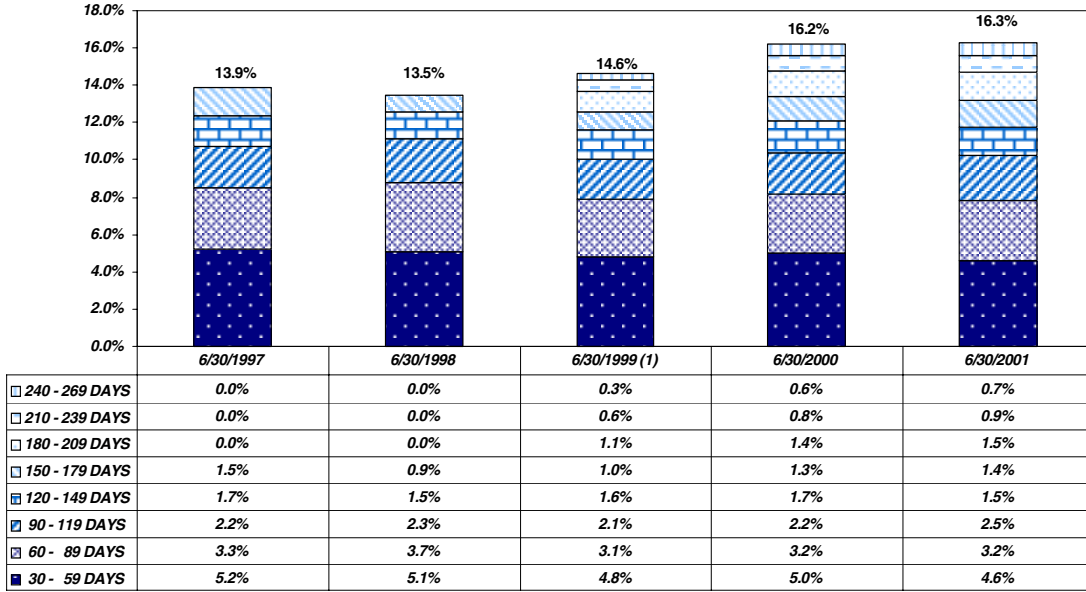
<sup>1</sup>Beginning in October 1998, loans that became delinquent required a 270 day delinquency period before a default claim could be filed. Prior to that the delinquency default period was 180 days.

<sup>2</sup>At June 30, 2001, approximately 59% of this category were Subsidized Stafford loans or certain Consolidation loans on which the USDE pays interest during deferment.

## Repayment Loan Delinquency

At June 30 of the Fiscal Years indicated below, the delinquency rates of the current principal balance of our Eligible Loans that were in Repayment status, including Forbearance status loans, were approximately in the percentages shown in the following Graph and Table:

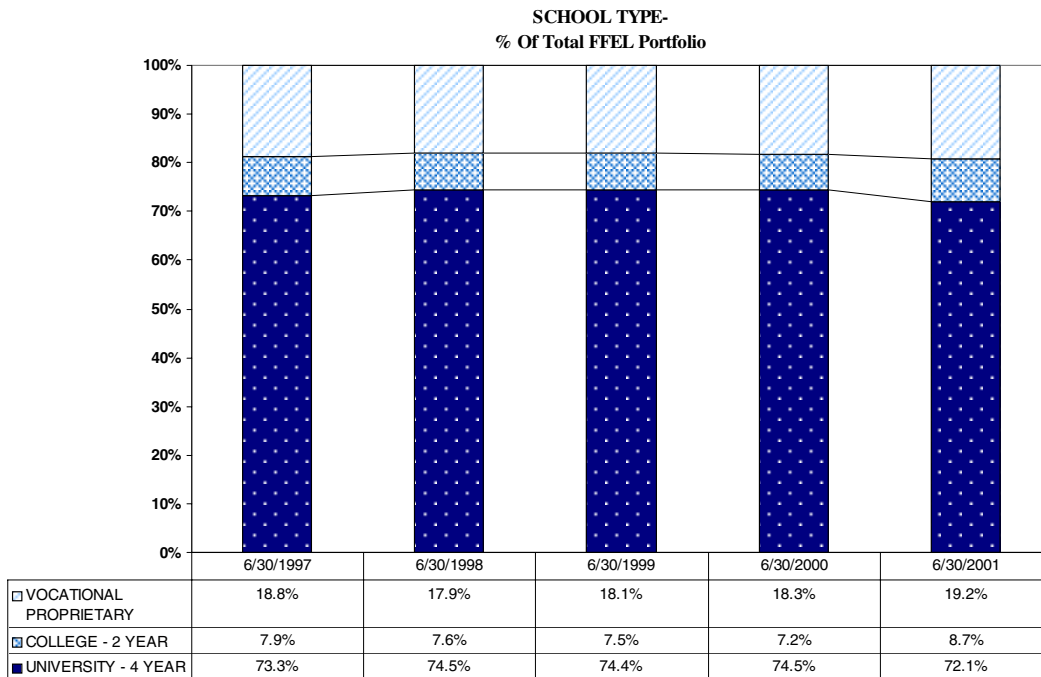
**REPAYMENT LOAN DELINQUENCY -  
% Of Total FFEL Portfolio**



<sup>1</sup>Beginning in October 1998, loans that became delinquent required a 270 day delinquency period before a default claim could be filed. Prior to that the delinquency default period was 180 days.

**School Type**

At June 30 of the Fiscal Years indicated below, the current principal balance of our Eligible Loans by school type, exclusive of Federal Consolidation Loans which are not generally reported by school type, was approximately in the percentages shown in the following Graph and Table:



## LOAN SERVICING

### Standards and Activities

Loan servicing functions performed by us include: application processing and funds disbursement in originating loans; customer service; loan account maintenance, including production of notices and forms to borrowers and the processing thereof; billings to the USDE for Interest Benefits and Special Allowance Payments; collections of principal and interest from borrowers; filing claims to collect guarantee payments on defaulted loans; and accounting. We are paid servicing fees from the revenues of the various Trust Estates for such servicing functions.

We are required to use due diligence in the origination, servicing and collection of loans. In addition, we are required to use collection practices no less extensive and forceful than those generally in use among financial institutions with respect to other consumer debt.

In order to satisfy the due diligence requirements in servicing and collections of education loans, we must adhere to specific activities in a timely manner. These activities begin with the receipt of the loan application and continue throughout the life of the loan. Examples of the specific activities include:

- Verifying that the original application is completed with all pertinent data and has a guarantee provided to the lender;
- Diligent efforts to contact a delinquent borrower by letter and telephone;
- Skip tracing if a borrower has an invalid phone number or address;
- Requesting default aversion assistance from the Guarantee Agency between 60 and 120 days of delinquency;
- Sending a final demand letter to the borrower when the loan becomes 241 or more days delinquent; and
- Timely filing of the default claim for payment, provided the borrower's failure to make monthly installment payments when due, or to comply with other terms of the obligations, persists for the most recent consecutive 270-day period (330 days for a loan repayable in less frequent installments).

### Loan Servicing Systems

We originate and service loans on a remote servicing system database provided by UNIPAC Service Corporation of Aurora, Colorado, pursuant to an Electronic Data Processing Service Agreement dated as of November 1, 1993, as renewed and amended for a term ending April 1, 2002.

The remote servicing software is operated from terminals and a gateway computer file server controlled by us and connected to the UNIPAC Service Corporation data processing facilities by a data channel on a dedicated telecommunications line. UNIPAC Service Corporation provides us with a mainframe computer data base for storage of loan account data, the use of education loan servicing software and support thereof for us to perform our servicing functions, maintenance of the education loan servicing software, daily mainframe computer batch processing and reporting of loan data and information to us.

We licensed a new loan servicing system from Idaho Financial Associates, Inc. (*IFA*), Boise, Idaho through its IFA Systems division. IFA is a privately owned company that provides education loan servicing software to 12 other student loan clients that service loans.



We will operate the IFA System in-house using our own staff. We expect to begin originating education loans using the IFA System on or about January 28, 2002; and plan to convert and implement IFA System servicing of the portfolio that presently we service remotely on or about March 1, 2002.

Under the IFA System licensing arrangement, in addition to performing the servicing functions that we are responsible for currently, we will be responsible for services previously provided by UNIPAC Service Corporation, including, among other things: (i) providing, maintaining and operating the requisite computer system and its operating and database software; (ii) installing and testing the IFA System software; (iii) set-up and maintenance of tables and profiles on lenders, guarantors and post-secondary institutions that we work with; (iv) installing and testing new releases of the IFA System; (v) compliance of the IFA System, as operated by us, with the Higher Education Act and other applicable law; (vi) exchanges of data files with various third party trading partners; (vii) any necessary or desirable ancillary programming for loan servicing functionality not provided by IFA Systems; and (viii) necessary or desirable internet functionality related to loan origination and servicing.

### **Cures of Rejected Claims**

If we do not comply with the due diligence standards required by the Higher Education Act, a claim to the Guarantor of the loan may be rejected. In such event, we can attempt to cure the rejected claim loan by various procedures. A cure within three years re-instates the guarantee.

For the Fiscal Years ended June 30 indicated below, our cure experience was as shown in the following Table:

<u>Fiscal Year</u>	<u>Claims Filed</u>	<u>Rejected<sup>1</sup></u>	<u>Cured<sup>1</sup></u>	<u>Un-Resolved<sup>2</sup></u>
2001	\$15,134,549	\$ 79,324	\$ 43,664	\$ 35,660
2000	\$ 9,642,426	\$ 62,581	\$ 81,490	\$ (18,909)
1999	\$ 9,234,072	\$ 85,646	\$ 94,587	\$ (8,941)
1998	\$ 8,777,870	\$ 144,476	\$128,672	\$ 15,804
1997	\$ 7,585,061	\$ 114,152	\$ 35,513	\$ 78,639

<sup>1</sup>Annual amounts are adjusted due to the reconciliation and capitalized interest from the recovery process.

<sup>2</sup>More than the original amount may be recovered because of capitalized interest during the recovery process.

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## **PROGRAM REVIEWS**

The USDE routinely conducts site program reviews or audits of secondary markets for compliance with various aspects of the Higher Education Act. In addition, the State Guarantee Agency routinely conducts site program reviews, or audits, of lenders, such as us and our OSLA Network members, for compliance with various aspects of the Higher Education Act.

We underwent a site program compliance review by the State Guarantee Agency in June 1999. In October 1999, we received the report on the compliance review presenting the State Guarantee Agency's findings and responded in November 1999, within the allotted time. The State Guarantee Agency closed the compliance review on June 23, 2000 after concluding that we had satisfactorily responded to all items of the report on the compliance review.

## **SUMMARY DEBT INFORMATION**

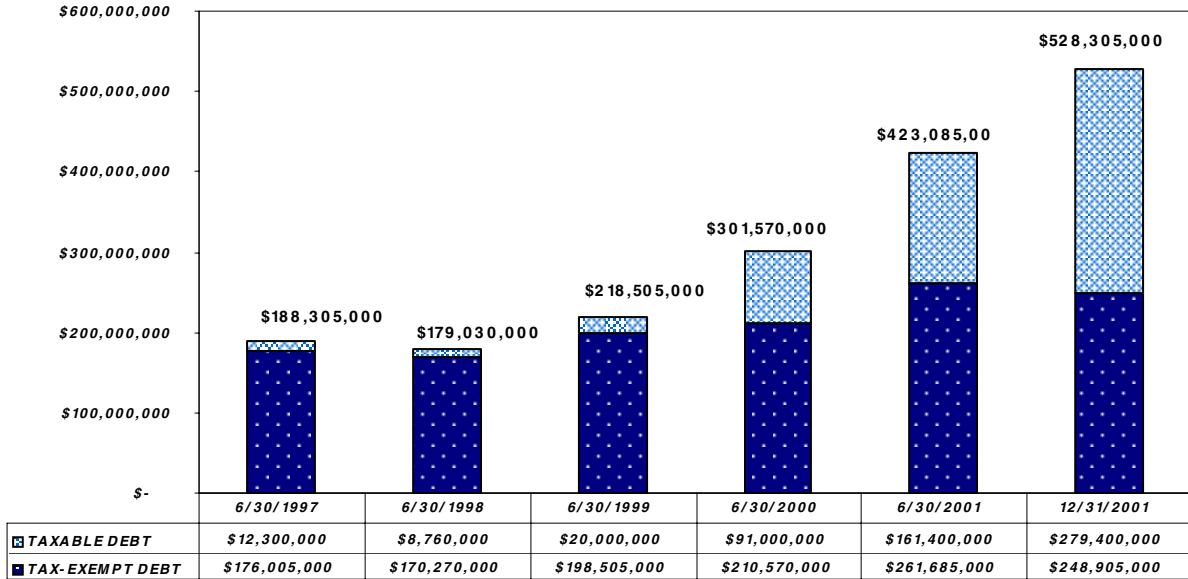
We issued various debt obligations for our loan financing activities. The bonds and notes issued by us are not general obligations, but are limited revenue obligations secured by, and payable solely from, the assets of the Trust Estates created for particular financings by the various Bond Resolutions. At December 31, 2001, we had total outstanding debt of \$528,305,000 in our various financing systems.

We meet our temporary funding requirements through a revolving warehouse line of credit provided by commercial banks. The commitment amount of the line of credit is \$125,000,000. Advances on the commitment are available in multiple draws as needed by us. The commitment currently expires on November 30, 2002, subject to annual extensions with the approval of the credit providers.

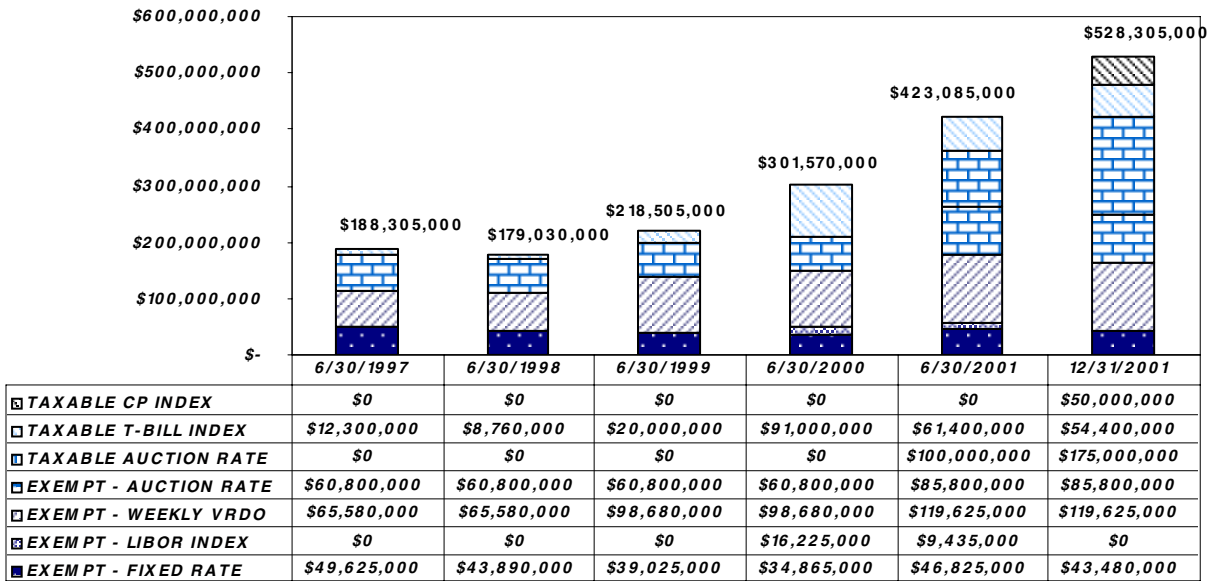
The characteristics of the various outstanding taxable and tax-exempt debt obligations at the dates indicated in the Table below are itemized in the following Graphs and Tables:

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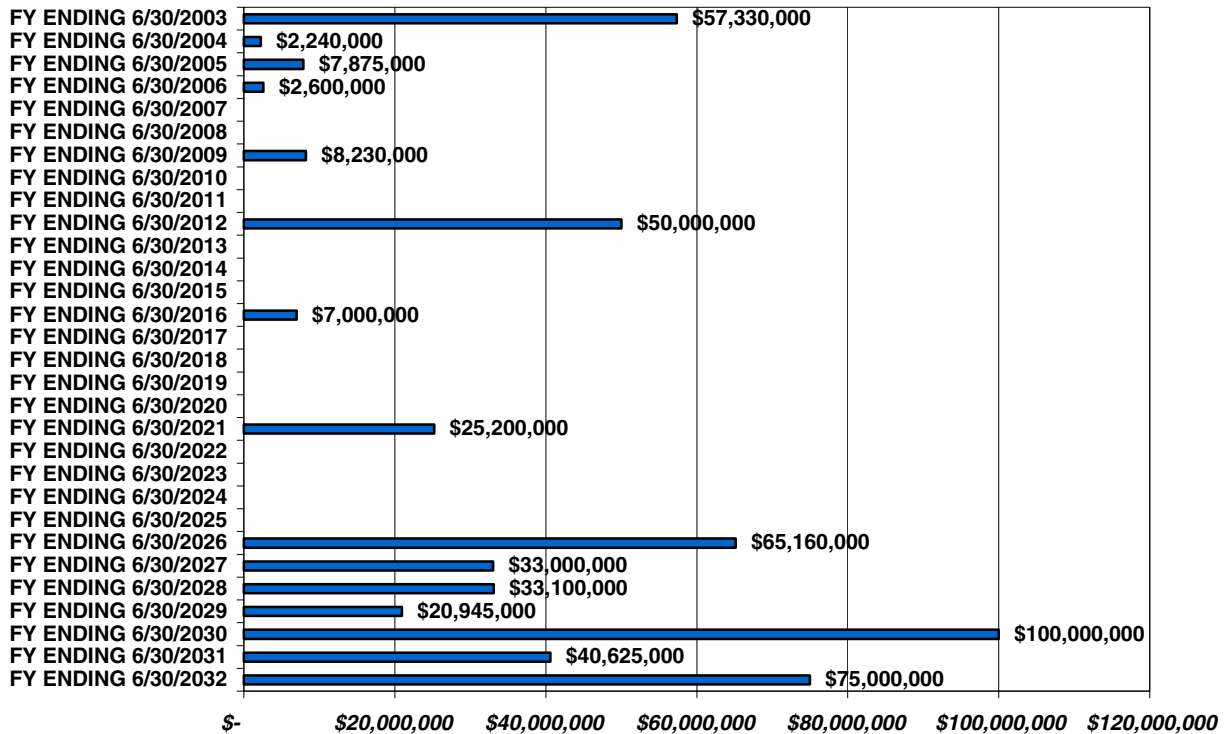
**OUTSTANDING DEBT  
Tax Status Of Obligations**



**OUTSTANDING DEBT  
Interest Basis Composition**



**SCHEDULED BOND MATURITIES AT DECEMBER 31, 2001**  
**Total Principal Amount Due \$528,305,000**



**FINANCIAL STATEMENTS**

Our financial statements are prepared in conformity with generally accepted accounting principles as applied on an accrual basis. The financial statements for the Fiscal Years ended June 30, 2001 and 2000 were audited and reported on by KPMG LLP, Oklahoma City, Oklahoma, independent certified public accountants.

Our financial statements for the Fiscal Years ended June 30, 2001 and 2000 were prepared to comply with Governmental Accounting Standards Board Statement No. 34. In order to comply with Governmental Accounting Standards Board Statement No. 34, the various items in the financial statements for the Fiscal Year ended June 30, 2000 were reclassified.

The audited financial statements speak only as of their respective dates and KPMG LLP has not been requested, nor has it undertaken, to conduct any post-audit review.

A copy of the audited financial statements is available on the internet at the *website* address of "OSLAFinancial.com" and a copy has been filed with the various Nationally Recognized Municipal Securities Information Repositories.

**APPENDIX D**

**OKLAHOMA STUDENT LOAN AUTHORITY  
OKLAHOMA STUDENT LOAN BONDS AND NOTES, SERIES 2002A**

**LOAN PORTFOLIO COMPOSITION**

Set forth herein is a description of the Authority’s portfolio of Eligible Loans financed with proceeds of the Prior Bonds. See also, the captions “SECURITY AND SOURCES OF PAYMENT—Cash Flow Projections” and “RISK FACTORS—Outside Factors May Adversely Affect Cash Flow Sufficiency” in the main body of the Official Statement.

**Existing Loan Portfolio**

A. *Existing Portfolio Principal Balance by Loan Type.* As of October 31, 2001, \$210,375,733 in principal balance of loans was outstanding with the following loan type distribution:

<u>Loan Type</u>	<u>Amount</u>	<u>% of Total</u>
Subsidized Stafford	\$ 103,537,220	49.22%
Unsubsidized Stafford	<u>62,921,618</u>	<u>29.91%</u>
Total Stafford	<u>\$ 166,458,838</u>	<u>79.12%</u>
 PLUS	 7,132,763	 3.39%
Consolidation	<u>36,784,132</u>	<u>17.48%</u>
Total	<u>\$ 210,375,733</u>	<u>100.00%</u>

B. *Existing Portfolio Duration by Borrower Status.* The Eligible Loans financed with proceeds of the Prior Bonds and held in the Trust Estate as of October 31, 2001 are assumed to have an average term to maturity as follows:

<u>Borrower Status as of October 31, 2001</u>	<u>Term to Maturity, in Months</u>		
	<u>Stafford</u>	<u>PLUS</u>	<u>Consolidation</u>
School	143	N/A	N/A
Grace	93	N/A	N/A
Deferment	104	87	192
Forbearance	99	84	188
Repayment	82	68	157

C. *Existing Portfolio by Loan Status.* The Eligible Loans financed with proceeds of Prior Bonds as of October 31, 2001 have the status composition as shown below:

<u>Borrower Status</u>	<u>% of Total</u>
School	20.93%
Grace	9.15%
Deferment	11.50%
Forbearance	14.54%
Repayment	42.44%
Claim	<u>1.44%</u>
Total	<u>100.00%</u>

D. *Existing Portfolio by Delinquency Status.* The Eligible Loans financed with the proceeds of Prior Bonds as of October 31, 2001 have the following delinquency rates:

<u>Delinquency</u>	<u>% of Repayment &amp; Forbearance Loans</u>
30 to 59 days	4.56%
60 to 89 days	3.39%
90 to 119 days	3.49%
120 to 149 days	2.10%
150 to 179 days	1.10%
180 to 209 days	1.11%
210 to 239 days	1.11%
240 to 269 days	<u>0.80%</u>
Total	<u>17.66%</u>

E. *Existing Portfolio by School Type.* The Eligible Loans financed with the proceeds of Prior Bonds as of October 31, 2001 have the following school type composition:

<u>School Type</u>	<u>% of Total*</u>
University - 4 Year	69.44%
College - 2 Year	9.87%
Vocational/Proprietary	<u>20.69%</u>
Total	<u>100.00%</u>

\*Excludes Consolidation Loans which are not reported by school type.

### **Other Financed Eligible Loan Characteristics**

A. *Borrower Incentive Loan Programs.* Approximately fifty percent (50%) of Eligible Loans (except Consolidation Loans) financed with the Series 1996A Bond proceeds and one hundred percent (100%) of Eligible Loans (except Consolidation

Loans) financed with the proceeds of the Series 1997A, Series 1998A and Series 2000A bonds are eligible for the Authority's TOP<sup>TM</sup> Interest Rate Discount program ("TOP Interest Reduction"). It is further anticipated that one hundred percent (100%) of Eligible Loans (except Consolidation Loans) financed with the proceeds of the Series 2002A Bonds will be eligible for the Authority's TOP 1-2-3 Principal Reduction program ("TOP 1-2-3").

TOP is the identifying trademark name of the Authority's behavioral incentive loan program for borrowers in repayment. The TOP Interest Reduction applies to borrowers that make timely payments and qualify for a subsequent interest rate discount of 1.50% on their education loans held by the Authority. In order to be eligible for TOP Interest Reduction, (i) an education loan must have been, with certain exceptions, first disbursed on or after July 1, 1996 and (ii) an eligible borrower must make their first twelve (12) consecutive timely payments of principal and interest. Once achieved, the TOP loan discount is permanent.

TOP 1-2-3 is a further enhancement to the Authority's behavioral incentive loan program for borrowers in repayment. Borrowers that make timely payments qualify for a non-recurring reduction of 1.00% of the eligible principal amount. In order to be eligible for TOP 1-2-3, (i) an education loan, with certain exceptions, must have been first disbursed on or after July 1, 2001 and (ii) an eligible borrower must make their first three (3) consecutive timely payments of principal and interest.

B. *Recycling*. Recycling is available for moneys received until July 1, 2005 with respect to Eligible Loans acquired with the proceeds of the Prior Bonds and the Series 2002A Bonds, unless these Recycling periods are reduced or extended by the Credit Facility Provider. It is expected that 100% of all Eligible Loans (except Consolidation Loans) financed with Recycling proceeds will be eligible for TOP 1-2-3 and the TOP Interest Reduction.

C. *OSLA EZ-Pay*. The Authority reduces borrowers' interest rates by 1/3 of 1% if they arrange to make their loan payments through an automatic debit of their checking or savings accounts.

See "APPENDIX F—SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM" herein for a description of various terms and provisions relating to the guaranteed education loans that comprise the Eligible Loans to be held under the Bond Resolution following the application of the proceeds of the Series 2002A Bonds.

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## **APPENDIX E**

### **OKLAHOMA STUDENT LOAN AUTHORITY OKLAHOMA STUDENT LOAN BONDS AND NOTES, SERIES 2002A**

**The following information concerning the State Guarantee Agency has been obtained from the State Guarantee Agency for inclusion herein. The information contained in this material is not guaranteed as to accuracy or completeness by the Authority, the Underwriter, its counsel or Bond Counsel. It is not to be construed as a representation by any of those persons.**

**The Authority, the Underwriter, its counsel or Bond Counsel have not independently verified this information. No representation is made by any of those persons as to the accuracy or adequacy of such information, or as to the absence of material adverse changes in such information subsequent to the date hereof.**

#### **GENERAL DESCRIPTION OF THE STATE GUARANTEE AGENCY**

##### **General**

The State Regents, acting as the “State Guarantee Agency”, operate the Oklahoma Guaranteed Student Loan Program. The State Guarantee Agency has been in operation in Oklahoma since November 1965. It administers the Guarantee Fund to guarantee FFEL Program education loans made to students who attend approved universities, colleges, vocational education or trade schools.

At Federal Fiscal Years ended September 30, 2001 and 2000, FFEL Program loans made by various eligible lenders and guaranteed by the State Guarantee Agency were outstanding in the total principal amount of approximately \$2.4 billion and \$2.2 billion, respectively.

There are approximately 70 schools in Oklahoma and 88 eligible lenders actively participating in the State Guarantee Agency program.

##### **State Guarantee Agency Administration**

The State Regents appoint a chief executive officer, the Chancellor of Higher Education. The present Chancellor is Dr. Hans Brisch. Mary Mowdy is the Executive Director of the State Guarantee Agency. The State Guarantee Agency employs approximately 150 full time equivalent employees.

The offices of the State Guarantee Agency are located at 421 N.W. 13th Street, Oklahoma City, Oklahoma 73103; Telephone (405) 234-4300.

## Electronic Data Processing Support

The State Guarantee Agency uses an integrated software system and data processing facilities for administering education loans that is provided by USA Group Guarantee Services, Inc., a subsidiary of USA Education, Inc., pursuant to an agreement between the State Regents and Sallie Mae Servicing L.P. dated September 7, 1989, as amended and extended to December 31, 2005.

This software system is operated from terminals controlled by the State Guarantee Agency and connected to Sallie Mae's system. The system provides for loan application processing, guarantee fee billings to lenders, loan status management, preclaims assistance, claims processing, post claims operations (including reinsurance claims to the USDE) and reporting.

## Annual Guaranteed Loan Volume

During the past five federal fiscal years, the loan principal volume guaranteed by the State Guarantee Agency was as shown on the following table:

### Annual Education Loan Guarantees

	Federal Fiscal Year Ended <u>9/30/01</u>	Federal Fiscal Year Ended <u>9/30/00</u>	Federal Fiscal Year Ended <u>9/30/99</u>	Federal Fiscal Year Ended <u>9/30/98</u>	Federal Fiscal Year Ended <u>9/30/97</u>
<b>Principal Amount Guaranteed</b>	\$444,641,133	\$389,724,742	\$374,676,177	\$358,881,261	\$346,938,725
<b>Loan Type</b>					
Stafford (Sub.)	42.9%	45.0%	47.9%	53.2%	53.9%
Unsubsidized					
Stafford	32.3	32.3	33.1	33.5	31.0
PLUS	5.1	5.2	5.4	5.6	4.2
SLS	0.0	0.0	0.0	0.0	0.0
Consolidation	<u>19.7</u>	<u>17.5</u>	<u>13.6</u>	<u>7.7</u>	<u>10.9</u>
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Annual Education Loan Guarantees (continued)

**Principal**

**Amount**

**Guaranteed\***     \$444,641,133     \$389,724,742     \$374,676,177     \$358,881,261     \$346,938,725

**School Type\***

4 Year Univ	71.0%	71.5%	79.8%	80.8%	78.5%
2 Year College	15.3	14.3	13.7	13.1	13.9
Proprietary	<u>13.7</u>	<u>14.2</u>	<u>6.5</u>	<u>6.1</u>	<u>7.6</u>
 Total	 <u>100.0%</u>	 <u>100.0%</u>	 <u>100.0%</u>	 <u>100.0%</u>	 <u>100.0%</u>

\*The State Guarantee Agency's system does not track Consolidation Loan approvals by institution type.

**Outstanding Portfolio Composition**

The composition of the State Guarantee Agency's outstanding loan principal guaranteed during the last five federal fiscal years has been as shown in the following table:

Composition of Outstanding Education Loan Guarantees

	Federal Fiscal Year Ended <u>9/30/01</u>	Federal Fiscal Year Ended <u>9/30/00</u>	Federal Fiscal Year Ended <u>9/30/99</u>	Federal Fiscal Year Ended <u>9/30/98</u>	Federal Fiscal Year Ended <u>9/30/97</u>
<b>Principal</b>					
<b>Amount</b>					
<b>Guaranteed</b>	\$2,448,623,123	\$2,247,159,517	\$2,077,044,048	\$1,895,980,815	\$1,729,145,094
 <b>Loan Status</b>					
Interim	28.1%	34.2%	34.4%	34.7%	34.6%
Deferred	8.4	3.7	3.6	3.8	3.9
Repayment	<u>63.5</u>	<u>62.1</u>	<u>62.0</u>	<u>61.5</u>	<u>61.5</u>
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
 <b>Institution</b>					
<b>Type</b>					
4 Year Univ.	80.4%	85.4%	85.5%	85.3%	85.1%
2 Year College	12.4	10.1	10.2	10.1	10.0
Proprietary	<u>7.2</u>	<u>4.5</u>	<u>4.3</u>	<u>4.6</u>	<u>4.9</u>
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

## Trigger Rate

Reimbursements by USDE of claims paid by the State Guarantee Agency are subject to a sliding scale from 95% to 100%, depending on the date of first disbursement, if the State Guarantee Agency's "trigger rate" is below 5.0%. USDE reimbursements can decrease to 75% to 90% if the rate is 5.0% or greater. During the past five federal fiscal years, the trigger rate for the State Guarantee Agency has been as shown on the following table:

### Trigger Rate of the State Guarantee Agency

<u>Federal Fiscal Year Ended 9/30</u>	<u>Trigger Numerator</u>	<u>Trigger Denominator</u>	<u>Rate</u>
2001	\$45,760,709	\$1,559,846,640	2.93%
2000	\$32,172,868	\$1,401,087,544	2.30%
1999	\$35,776,314	\$1,228,540,686	2.91%
1998	\$38,709,038	\$1,100,056,555	3.52%
1997	\$47,912,897	\$988,630,075	4.85%

The State Guarantee Agency is responsible as a co-insurer in each federal fiscal year for the difference between the claim amount paid to eligible lenders and the Secretary's reimbursement under the trigger rate formula.

## Reserve Ratio

On an accrual basis of accounting, based on the balance sheet items of allowance for default claims, deferred guarantee fees and restricted fund balance, the reserve ratio for the State Guarantee Agency for the past five Fiscal Years ended June 30 was as shown in the Table below:

### Reserve Ratio of the State Guarantee Agency

<u>Fiscal Year Ended June 30</u>	<u>Reserve Ratio</u>	<u>Required Reserve Ratio</u>
2001	0.64%	0.25%
2000	0.84%	0.25%
1999	1.18%	0.25%
1998	1.21%	0.25%
1997	1.24%	1.10%

## Default Rates and Collections

The gross and net (after collections) default rates for the State Guarantee Agency during the last five federal fiscal years have been as shown in the following table:

### Default Rates Regarding the State Guarantee Agency

	Federal Fiscal Year Ended <u>9/30/01</u>	Federal Fiscal Year Ended <u>9/30/00</u>	Federal Fiscal Year Ended <u>9/30/99</u>	Federal Fiscal Year Ended <u>9/30/98</u>	Federal Fiscal Year Ended <u>9/30/97</u>
Gross Default Rate	19.2%	18.2%	19.0%	20.2%	21.1%
National Average	N/A	14.6%	15.0%	15.5%	15.4%
Net Default Rate after Collections	8.2%	8.2%	9.7%	11.3%	12.5%
National Average	N/A	5.5%	6.8%	8.0%	8.5%

The Higher Education Amendments of 1998 reduced guarantee agencies' retention rate on collection recoveries from 27% to 24%. In addition, pursuant to the Secretary's interpretation of the Higher Education Act, the retention rate paid by the Secretary on defaulted loans that are paid by the making of a Federal Consolidation Loan is 18.5%.

## Pending State Legislation and Litigation

There is no State legislative action pending or proposed with respect to the State Guarantee Agency or the Guarantee Fund.

There is no currently pending or, to the knowledge of the State Regents, threatened legal proceeding with respect to the State Guarantee Agency and the Guarantee Fund except for defaulted loan collection recovery efforts in normal course of operations.

## Status of Federal Matters

Regulations which provide that a guarantee agency paying a claim more than 90 days after submission, cannot file with USDE for reinsurance. The regulations have had no adverse effect on the reserve fund status of the State Guarantee Agency.

The USDE routinely conducts regular guarantor reviews or audits of guarantee agencies, such as the State Guarantee Agency, for compliance with various aspects of the Higher Education Act. The State Guarantee Agency underwent a financial review in May, 2001.

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## APPENDIX F

### OKLAHOMA STUDENT LOAN AUTHORITY OKLAHOMA STUDENT LOAN BONDS AND NOTES, SERIES 2002A

#### SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM

**The Summary set forth below of the guaranteed Federal Family Education Loan Program as established by the Higher Education Act does not purport to be comprehensive or definitive. The summary is qualified in its entirety by reference to the Higher Education Act and the regulations promulgated thereunder. Certain of the information summarized herein may or may not be applicable to the Authority's FFEL Program.**

#### **Introduction**

The following descriptions of the Federal Family Education Loan Program (the "*FFEL Program*"), formerly known as the Guaranteed Student Loan Program, including the Stafford Student Loan Program, the Supplemental Loans for Students ("*SLS*") Program, Parent Loans for Undergraduate Students ("*PLUS*") Program, and Consolidation Loan Program as authorized under Title IV, part B of the Higher Education Act of 1965, as amended) are qualified in their entirety by reference to the Higher Education Act. Since its original enactment in 1965, the Higher Education Act has been amended and re-authorized several times, including by the Higher Education Amendments of 1986, 1990, 1992, 1993, 1994, 1997 and 1998. There can be no assurance that the Higher Education Act, or other relevant federal or state laws, rules and regulations, will not be changed in the future in a manner that will adversely impact the programs described below and the student loans (the "*Guaranteed Student Loans*") made thereunder. In particular, the enacted legislation and other measures described under "Legislative and Administrative Matters" below, or future measures, may adversely affect these programs.

#### **Legislative and Administrative Matters**

**General.** Both the Higher Education Act and the regulations promulgated thereunder have been the subject of extensive amendments in recent years and there can be no assurance that further amendments will not materially change the provisions described herein or the effect thereof. The Higher Education Act was amended by enactment of the Higher Education Amendments of 1986 (the "*1986 Amendments*"), the general provisions of which took effect on October 17, 1986 and which extended the principal provisions of the FFEL Program to September 30, 1992 (or in the case of borrowers who have received loans prior to that date, September 30, 1997). The Omnibus Budget Reconciliation Act of 1990 (P.L. 101-508) (the "*1990 Reconciliation Act*") also contained major revisions to the Higher Education Act and the Congressional Budget Act affecting the FFEL Program. These changes include the Credit Reform Act of 1990, revisions to the budget process and

new restrictions on the eligibility of education institutions in the FFEL Program. On July 23, 1992, the President signed into law P.L. 102-325 (the “1992 Reauthorization Law”) that re-authorized the FFEL Program through October 1, 1998 and made a number of revisions thereto. On August 10, 1993, the President signed into law the Student Loan Reform Act of 1993 which further amended the Higher Education Act (the “1993 Amendments”) by revising a number of provisions to the FFEL Program and enacted a Federal Direct Student Loan Program.

**Fiscal Year 1998 Budget.** In the 1997 Budget Reconciliation Act (P.L. 105-33), several changes were made to the Higher Education Act that impact the FFEL Program. These provisions include, among other things, requiring guaranty agencies to return \$1 billion of their reserves to the U.S. Treasury by September 1, 2002 (to be paid in annual installments), greater restrictions on use of reserves by guaranty agencies and a continuation of the Administrative Cost Allowance payable to guaranty agencies (which is a fee paid to guaranty agencies equal to 0.85% of new loans guaranteed).

**1998 Amendments.** On June 9, 1998, the President signed into law, a temporary measure relating to the Higher Education Act and FFEL Program loans as part of the Intermodal Surface Transportation Efficiency Act of 1998 (the “1998 Amendments”) that revised interest rate changes under the FFEL Program that were scheduled to become effective on July 1, 1998. For loans made during the period July 1, 1998 through September 30, 1998, the borrower interest rate for Stafford Loans and Unsubsidized Stafford Loans is reduced to a rate of 91-day Treasury Bill rate plus 2.30% (1.70% during school, grace and deferment), subject to a maximum rate of 8.25%. As described below, the formula for Special Allowance Payments on Stafford Loans and Unsubsidized Stafford Loans is calculated to produce a yield to the loan owner of 91-day Treasury Bill rate plus 2.80% (2.20% during school, grace and deferment).

**1998 Reauthorization Law.** On October 7, 1998, President Clinton signed into law the Higher Education Amendments of 1998 (the “1998 Reauthorization Law”), which enacted significant reforms in the FFEL Program. The major provisions of the 1998 Reauthorization Law include the following:

- (a) All references to a “transition” to full implementation of the Federal Direct Student Loan Program were deleted from the FFELP statute.
- (b) Guarantor reserve funds were restructured so that guaranty agencies are provided with additional flexibility in choosing how to spend certain funds they receive.
- (c) Additional recall of reserve funds by the Secretary of Education (the “Secretary”) was mandated, amounting to \$85 million in fiscal year 2002, \$82.5 million in fiscal year 2006, and \$82.5 million in fiscal year 2007. However, certain minimum reserve levels are protected from recall.
- (d) The Administrative Cost Allowance was replaced by two new payments, a Guaranteed Student Loan processing and issuance fee equal to 65 basis points (40 basis points for loans made on or after October 1, 2003) paid on a quarterly basis, and an account



maintenance fee of 12 basis points (10 basis points for fiscal years 2001-2003) paid annually on outstanding Guaranteed Student Loans.

(e) The percentage of collections on defaulted Guaranteed Student Loans a guaranty agency is permitted to retain is reduced from 27% to 24% (23% beginning on October 1, 2003) plus the complement of the reinsurance percentage applicable at the time a claim was paid to the lender on the Guaranteed Student Loan.

(f) Federal reinsurance provided to guaranty agencies is reduced from 98% to 95% for Guaranteed Student Loans first disbursed on or after October 1, 1998.

(g) The delinquency period required for a loan to be declared in default is increased from 180 days to 270 days for loans on which the first day of delinquency occurs on or after the date of enactment of the 1998 Reauthorization Law.

(h) Interest rates charged to borrowers on Stafford Loans, and the yield for Stafford Loan owners established by the 1998 Amendments, were made permanent.

(i) Federal Consolidation Loan interest rates were revised to equal the weighted average of the loans consolidated rounded up to the nearest one-eighth of 1%, capped at 8.25%. When the 91-day Treasury Bill rate plus 3.1% exceeds the borrower's interest rate, Special Allowance Payments are made to make up the difference.

(j) The lender-paid offset fee on Federal Consolidation Loans of 1.05% was reduced to .62% for loans made pursuant to applications received on or after October 1, 1998 and on or before January 31, 1999.

(k) The Federal Consolidation Loan interest rate calculation was revised to reflect the rate for Federal Consolidation Loans, and will be effective for loans on which applications are received on or after February 1, 1999.

(l) Lenders are required to offer extended repayment schedules to new borrowers after the enactment of the 1998 Reauthorization Law who accumulate after such date outstanding loans under FFELP totaling more than \$30,000. Under these extended schedules the repayment period may extend up to 25 years subject to certain minimum annual repayment amounts.

(m) During fiscal years 1999, 2000 and 2001, the Secretary is authorized to enter into six voluntary flexible agreements with guaranty agencies under which various statutory and regulatory provisions can be waived or modified.

(n) Federal Consolidation Loan lending restrictions are revised to allow lenders who do not hold one of the borrower's underlying Guaranteed Student Loans to issue a Federal Consolidation Loan to a borrower whose underlying Guaranteed Student Loans are held by multiple owners.

(o) Inducement restrictions were revised to permit guaranty agencies and lenders to provide assistance to schools comparable to that provided to schools by the Secretary under the Federal Direct Student Loan Program.

(p) The Secretary is now required to pay off Guaranteed Student Loan amounts owed by borrowers due to failure of the borrower's school to make a tuition refund allocable to the Guaranteed Student Loan.

(q) Discharge of FFELP and certain other Guaranteed Student Loans in bankruptcy is now limited to cases of undue hardship regardless of whether the Guaranteed Student Loan has been due for more than seven years prior to the bankruptcy filing.

The new recall of reserves and reduced reinsurance for guaranty agencies increases the risk that resources available to the guaranty agencies to meet their guaranty obligations will be significantly reduced.

***Credit Reform.*** The 1990 Reconciliation Act included the Credit Reform Act of 1990. Under this legislation, beginning in fiscal year 1992, the budgeted cost of the FFEL Program included the present value of the long-term cost to the government of loans reinsured during the fiscal year (excluding administrative costs and certain incidental costs), regardless of how far into the future the costs will be incurred. The costs resulting from loan reinsurance commitments made prior to fiscal year 1992 will also be reflected in future budgets based on the years in which they are paid.

***Eligibility Requirements for Educational Institutions.*** The 1990 Reconciliation Act made major changes in the provisions granting eligibility to educational institutions to participate in the FFEL Program. The 1990 Reconciliation Act eliminated eligibility for any institution with a default rate over 35%, with the exception of historically black colleges, certain tribally-controlled community colleges and other schools that can demonstrate "exceptional mitigating circumstances" to the satisfaction of the Secretary. Both of these changes have eliminated from the FFELP many new loans with a high probability of default. In addition, the 1992 Reauthorization Law lowered the default rate trigger for disqualifying schools to 25% beginning in fiscal year 1994, further reducing the risk of default in the program.

***Financial Status of Federal Guarantors.*** The 1992 Reauthorization Law amended and reauthorized the Higher Education Act effective through October 1, 1998. The 1998 Reauthorization Law amended and reauthorized the Higher Education Act effective through June 30, 2003. Pursuant to the 1992 Reauthorization Law and additional changes made in 1997 and 1998, each guaranty agency is required to maintain a current minimum reserve level of at least .25% of the aggregate principal amount of all outstanding Guaranteed Student Loans guaranteed by the federal guarantor. For purposes of the .25% determination, the total attributable amount of all outstanding Guaranteed Student Loans guaranteed by the guaranty agency will not include amounts of outstanding loans transferred to the guaranty agency by the Secretary due to the insolvency of another federal guarantor. Annually, the Secretary will collect information from each guaranty agency to determine the amount of such federal guarantor's reserve and other information regarding its solvency. If

(a) the federal guarantor's current reserve level falls below the required minimum for any two consecutive years, (b) the federal guarantor's annual claims rate exceeds 5%, or (c) the Secretary determines that the administrative or financial condition of a guaranty agency jeopardizes such federal guarantor's continued ability to perform its responsibilities, then the guaranty agency must submit and implement a management plan acceptable to the Secretary. The 1992 Reauthorization Law also provides that under certain circumstances, the Secretary may, on terms and conditions satisfactory to the Secretary, but is not obligated to, terminate the federal guarantor's reimbursement contract with the Secretary. In that event, however, the Secretary is required to assume the functions of such guaranty agency and in connection therewith is authorized to do one or more of the following: to assume the guarantee obligations of, to assign to other guarantors the guarantee obligations of, or to make advances to, another guaranty agency in order to assist such guaranty agency in meeting its immediate cash needs and to ensure uninterrupted payment of default claims to lenders or to take any other action the Secretary deems necessary to ensure the continued availability of student loans and the full honoring of guarantee claims thereunder. If the Secretary has determined that a guaranty agency is unable to meet its insurance obligations, the holder of Guaranteed Student Loans insured by the guaranty agency may submit insurance claims directly to the Secretary and the Secretary will pay to the holder the full insurance obligation of the federal guarantor, in accordance with insurance requirements no more stringent than those of the federal guarantor. Such arrangements will continue until the Secretary is satisfied that the insurance obligations have been transferred to another guaranty agency who can meet those obligations or until a successor guaranty agency will assume the outstanding insurance obligations. There can be no assurance, however, that the Secretary would, under any circumstances, assume such obligation to ensure satisfaction of a guarantee obligation by exercising its right to terminate a reimbursement agreement with a guaranty agency or by making a determination that such guaranty agency is unable to meet its guarantee obligations.

***Federal Direct Student Loan Program.*** Commencing in academic year 1994-1995, the 1993 Amendments initiated a Federal Direct Student Loan Program ("*FDSLP*"). The Secretary set goals for participation agreements with institutions of higher education and student loan volume as a percentage of loan volume under both the *FDSLP* and the *FFELP*. Loans made under the *FDSLP* accounted for approximately 7% of the total volume under both the *FDSLP* and the *FFELP* for the academic year beginning in 1994, approximately 30% for the academic year beginning in 1995, approximately 36% for the academic year beginning in 1996, and approximately 35% for the academic year beginning in 1998, which percentages are below the goals set by the Secretary for each of these years. In early 1997, there were approximately 1,576 schools participating in the *FDSLP*, which is approximately 25% of all schools participating in the *FDSLP* and *FFELP*. The Secretary may exceed the goals established for academic years commencing after 1999-2000 if the Secretary determines that a higher percentage is warranted by the number of institutions of higher education that desire to participate in the *FDSLP* and meet the eligibility requirements. Generally, student loans made under the *FDSLP* have parallel terms and conditions, benefits and amounts as the Stafford Loans, PLUS Loans and Unsubsidized Stafford Loans described below. The *FDSLP* provides a variety of flexible repayment plans, including extended, graduated and income contingent plans, forbearance of payments during periods of national service and consolidation of *FDSLP* loans with *FFELP* loans.

***Prepayment in Connection with Federal Direct Consolidation Loan.*** The 1993 Amendments also initiated a Federal Direct Consolidation Loan Program to allow the Secretary to provide borrowers with a consolidation loan at interest rates below those which would be offered by FFELP lenders and under income contingent repayment terms that are not available from FFELP lenders. The availability of such loans may increase the likelihood that a Guaranteed Student Loan will be prepaid through the issuance of such a loan. The volume of existing student loans that may be prepaid in this fashion is not determinable at this time.

***Risk Sharing Provisions.*** Under the 1993 Amendments, effective for FFELP loans disbursed after October 1, 1993, (a) the federal reinsurance paid to guaranty agencies were reduced from 100%, 90% and 80% for claims rates of 0%-5%, 5%-9% and greater than 9%, respectively, to 98%, 88% and 78%, respectively, and (b) guaranty payments to guaranty agencies were reduced from 100% to 98%. Under the 1998 Reauthorization Law, effective for FFELP loans disbursed on or after October 1, 1998, the federal reinsurance paid to guaranty agencies was further reduced from 98% to 95% for claims rates of 0% to 5%, from 88% to 85% for claims rates between 5% and 9%, and from 78% to 75% for claims rates greater than 9%.

***Guaranty Agency and Lender Provisions.*** In addition to the changes discussed under “Risk Sharing Provisions” above, the 1993 Amendments and the 1998 Reauthorization Law include certain other amendments affecting guaranty agencies and lenders. Most notably, the Secretary was granted authority to recover and restrict the use of reserve funds of any guaranty agency as well as any assets purchased with such reserve funds if the Secretary determines that it is in the best interests of the FFELP or an orderly transition to complete reliance on the FDSLPL to do so. These and other amendments could adversely affect the ability of a guaranty agency to remain solvent. Such other amendments include reducing the guaranty agency default collection retention rate from 30% to 27% (and reduced further to 24% under the 1998 Reauthorization Law, or 23% beginning October 1, 2003), reducing the maximum insurance premium charged by a guaranty agency from 3% to 1% and authorizing the Secretary to terminate a guaranty agency’s reinsurance agreement if the Secretary determines such action is necessary to protect federal fiscal interests. The Administrative Cost Allowance (“ACA”) was eliminated and the Department was given discretion to reduce such payments below the level previously mandated. In the 1998 Reauthorization Law, the ACA was replaced by two new payments, a Guaranteed Student Loan processing fee of 65 basis points for loans originated on or after October 1, 1998 and before October 1, 2003 (40 basis points for loans made on or after October 1, 2003) paid on a quarterly basis, and an account maintenance fee of 12 basis points (10 basis points for fiscal years 2001-2003) paid annually on outstanding Guaranteed Student Loans. For Stafford Loans disbursed on or after July 1, 1995 and prior to July 1, 1998, the Lender yield on Guaranteed Student Loans during in-school, grace and deferment periods was reduced from the 91-day Treasury Bill rate plus 3.1% to 91-day Treasury Bill rate plus 2.5% (not to exceed 8.25%). Stafford Loans disbursed on or after July 1, 1998 bear interest at a variable rate equal to the bond equivalent of 91-day Treasury Bill plus 1.7% while borrowers are in-school, grace or deferment status, and at a rate of 91-day Treasury Bill plus 2.3% during repayment periods, with a cap of 8.25%. Holders of consolidated loans also pay a 1.05% annual interest payment rebate fee to the Secretary on the principal plus accrued but unpaid interest of all Consolidation Loans made on or after October 1, 1993. However, the 1998 Amendments and the 1998 Reauthorization Law established a reduction in the 1.05% per annum fee to .62% per annum for loans on which

applications are received between October 1, 1998 and January 31, 1999. On February 1, 1999, the annual rebate fee returned to 1.05% per annum. Interest rates on Consolidation Loans disbursed on or after July 1, 1998 are equal to the weighted average of the loans consolidated rounded up to the nearest one-eighth of 1%, capped at 8.25%. Also effective for Guaranteed Student Loans (including Consolidation Loans) first disbursed on or after October 1, 1993, Lenders are assessed an up-front, user/origination fee equal to .5% of the principal amount of the Guaranteed Student Loan.

In the 1998 Budget and the 1998 Reauthorization Law, Congress mandated the recall of additional reserves from guarantors through fiscal year 2000. There can be no assurance that these reductions will not adversely affect the financial status of the guaranty agencies, or that future legislation to reduce spending in the FFELP will not be enacted.

***Servicer Provisions.*** The 1992 Reauthorization Law authorized the Secretary to regulate servicers, including the regulation of their financial responsibility. On April 29, 1994, the Secretary of the Department of Education published interim final regulations regarding the Student Assistance General Provisions and FFELP regulations. These regulations (which were published in final form on November 29, 1994), among other things, establish requirements governing contracts between institutions and third-party servicers, strengthen sanctions against institutions for violations of the program requirements of the Higher Education Act, establish similar sanctions for third-party servicers and establish standards of administrative and financial responsibility for third-party servicers that administer any aspect of a guaranty agency's or lender's participation in the FFELP. Under these regulations, third-party servicers such as the Servicers are jointly and severally liable with their client lenders for liabilities to the Secretary arising from the servicer's violation of applicable requirements. In addition, if a servicer fails to meet standards of financial responsibility or administrative capability included in the new regulations, or violates other FFELP requirements, the new regulations authorize the Secretary to fine the servicer and/or limit, suspend or terminate the servicer's eligibility to contract to service FFELP loans. The effect of such a limitation or termination on the servicer's eligibility to service loans already on the system or new loans for servicing under existing contracts is unclear.

### **Eligibility Requirements for Stafford Loans**

The Higher Education Act provides for federal (a) insurance or reinsurance of eligible Stafford Loans (described below), (b) interest subsidy payments ("*Interest Subsidy Payments*") to eligible lenders with respect to certain eligible Stafford Loans, and (c) special allowance payments ("*Special Allowance Payments*") representing an additional subsidy paid by the Secretary to such holders of eligible Guaranteed Student Loans.

Stafford Loans are eligible for reinsurance under the Higher Education Act if the eligible student to whom the loans are made has been accepted or is enrolled in good standing at an eligible institution of higher education or vocational school and is carrying at least one-half the normal full-time workload at that institution. In connection with eligible Stafford Loans there are limits as to the maximum amount which may be borrowed for an academic year and in the aggregate for both undergraduate and graduate/professional study. Both aggregate limitations exclude loans made

under the PLUS Program. The Secretary has authorized higher limits to accommodate students undertaking specialized training requiring exceptionally high costs of education.

Subject to these limits, Stafford Loans are available to eligible borrowers in amounts not exceeding their unmet need for financing as determined as provided in the Higher Education Act. Provisions addressing the implementation of needs analysis and the relationship between unmet need for financing and the availability of Stafford Loan program funding have been the subject of frequent and extensive amendments in recent years. There can be no assurance that further amendment to such provisions will not materially affect the availability of Stafford Loan funding to borrowers or the availability of Stafford Loans for secondary market acquisition. As used in this summary, a new borrower is an individual who has no outstanding balance due upon prior loans under the FFELP.

***Qualified Student.*** Generally, a loan may be made only to a United States citizen or national or otherwise eligible individual under federal regulations who (a) has been accepted for enrollment or is enrolled and is maintaining satisfactory progress at an eligible institution, (b) is carrying at least one-half of the normal full-time academic workload for the course of study the student is pursuing, as determined by such institution, (c) has agreed to notify promptly the holder of the loan of any address change, (d) meets the applicable “needs” requirements and (e) if they are an undergraduate enrolled in an institution participating in the Pell Grant Program, then their eligibility or ineligibility for the Pell Grant Program has been determined. Eligible institutions include higher educational institutions and vocational schools that comply with certain federal regulations. Each loan is to be evidenced by an unsecured note.

***Principal and Interest.*** Stafford Loans bear interest at a rate not in excess of 7% per annum if made to a borrower prior to January 1, 1981 or, subsequent to such date, if made to a borrower who, upon entering into a note for a loan, has outstanding Guaranteed Student Loans under the FFELP for which the interest rate does not exceed 7%. Stafford Loans made between January 1, 1981 and July 13, 1983 bear interest at a rate of 9% per annum and, for Stafford Loans made beginning on or after July 13, 1983, the rate is 8% per annum. Further, loans to first time borrowers made on or after July 1, 1988, bear interest at the rate of 8% per annum from disbursement through four years after repayment commences and at a variable rate reset each July 1 equal to the 91-day Treasury Bill rate plus 3.25%, or for loans made after July 23, 1992, 3.10%, not to exceed 10% per annum thereafter. However, pursuant to the Higher Education Technical Amendments of 1993, which was signed into law by the President on December 20, 1993, lenders converted all loans subject to this provision to a variable rate equal to the 91-day Treasury Bill rate plus 3.25% or, in the case of a loan made to a borrower with outstanding Guaranteed Student Loans under the FFELP after October 1, 1993, the 91-day Treasury Bill rate plus 3.1%, such conversion having taken place on or about January 1, 1995.

Stafford Loans to new borrowers made on or after October 1, 1992 but prior to October 1, 1994 bear interest at a variable rate adjusted annually based on 91-day Treasury Bill plus 3.1%, or 9%, whichever is less. Stafford Loans disbursed on or after October 1, 1992 to borrowers with outstanding Guaranteed Student Loans bear interest at a variable rate equal to 91-day Treasury Bill plus 3.10%, with a maximum ranging from 7% to 10% based upon the borrower’s outstanding loans and how long the new Stafford Loan has been in repayment. The annual interest rate on Stafford

Loans first disbursed to all borrowers on and after July 1, 1994 is determined in the same manner but may not exceed 8.25%. Stafford Loans first disbursed on or after July 1, 1995 and prior to July 1, 1998 bear interest at a rate equal to 91-day Treasury Bill plus 2.5% while the borrowers are in-school, grace or deferment status and at a rate equal to 91-day Treasury Bill not to exceed 8.25% and at a rate equal to 91-day Treasury Bill plus 3.1% while borrowers are in repayment status. Stafford Loans disbursed on or after July 1, 1998 and prior to July 1, 2003 bear interest at a variable rate equal to the bond equivalent yield of 91-day Treasury Bill plus 1.7% while borrowers are in-school, grace, or deferment status, and at a rate equal to the bond equivalent rate of 91-day Treasury Bill plus 2.3% while borrowers are in repayment with a cap of 8.25%.

***Disbursement Requirements and Maximum Loan Amounts.*** The Higher Education Act now requires that virtually all Stafford Loans, PLUS Loans and SLS Loans be disbursed by eligible lenders in at least two separate installments. The proceeds of a loan made to any undergraduate first-year student borrowing for the first time under the program must be delivered to the student no earlier than 30 days after the enrollment period begins. However, a school is exempt from the 30-day delayed delivery requirement for first-year students if the institution's cohort default rate is less than 10% for the three most recent fiscal years. The annual Stafford limits for first year students is \$2,625 (except that lower limits apply to certain short-term courses of study) but increase to \$3,500 for second-year students, \$5,500 for third and fourth-year students, and \$8,500 for graduate and professional students. The aggregate limit is at \$23,000 for undergraduates and \$65,500 for graduate and professional students.

***Repayment.*** Repayment of principal on a Stafford Loan does not commence while a student remains a qualified student but generally begins upon expiration of the applicable Grace Period, as described below. Such Grace Periods may be waived by borrowers. In general, each such loan must be scheduled for repayment over a period of not less than 5 nor more than 10 years (excluding any Deferment Period or Forbearance Period as defined in the Higher Education Act) after the commencement of repayment. An extended repayment plan, not to exceed 25 years, is also available to new borrowers of loans disbursed on or after July 1, 1998 with loans totaling more than \$30,000. A student borrower may agree, with concurrence of the lender, to repay the Subsidized Stafford Loan in less than 5 years with the right to subsequently extend his minimum repayment period to 5 years. Student borrowers are entitled to accelerate, without penalty, the repayment of all or any part of a Guaranteed Loan.

The Higher Education Act currently requires minimum annual payments of \$600 including principal and interest (but in no event less than the accrued interest), unless the borrower and the lender agree to lesser payments; in instances in which a borrower and spouse both have such loans outstanding, the total of combined payments for such a couple may not be less than \$600 per year. For Stafford Loans first disbursed on or after July 1, 1993 to a borrower who has no outstanding Guaranteed Student Loans on the date such loan is made, the borrower must be offered the opportunity to repay the loan according to a graduated or income-sensitive repayment schedule established in accordance with Department of Education regulations. For Stafford Loans entering repayment on or after October 1, 1995, borrowers may choose among several repayment options, including the option to make interest only payments for limited periods.

***Grace Period, Deferment Periods and Forbearance.*** Repayment of principal of an insured student loan must generally commence following a period of (a) not less than nine months or more than 12 months (with respect to loans for which the applicable interest rate is 7% per annum) and (b) not more than six months (with respect to loans for which the applicable interest rate is other than 7%) after the student borrower ceases to pursue at least a half-time course of study (a “*Grace Period*”). However, during certain other periods and subject to certain conditions, no principal repayments need to be made but interest continues to accrue (“*Deferment Periods*”). For Subsidized Stafford Loans first disbursed prior to July 1, 1993, Deferment Periods include periods when the borrower (i) has returned to an eligible educational institution on a half-time basis and has received a new loan for the same period or is pursuing studies pursuant to an approved graduate fellowship program or a rehabilitation program for individuals with disabilities, (ii) is a member of the Armed Forces or a volunteer under the Peace Corps Act or the Domestic Volunteer Service Act of 1973, or (iii) is temporarily totally disabled or is unable to secure employment by reason of the care required by a dependent who is so disabled. Other Deferment Periods include periods of unemployment and qualified internships. For Subsidized Stafford Loans to new borrowers disbursed on or after July 1, 1993, repayment of principal may be deferred while the borrower is at least a half-time student or is pursuing a course of study pursuant to an approved graduate fellowship program or an approved rehabilitation training program. A maximum three year deferment is available to such borrowers when the borrower is seeking but unable to find full-time employment, or when for any reason the lender determines that payment of principal will cause the borrower economic hardship. The Higher Education Act also requires mandatory forbearance of a loan for 12-month intervals for a period not to exceed three years by a lender at the request of a borrower if the borrower’s student loan debt burden equals or exceeds 20% of the borrower’s gross income.

***Master Promissory Note.*** Since July of 2000, all lenders are required to use a master promissory note (the “MPN”) for new Stafford Loans. The MPN permits a borrower to obtain future loans without the necessity of executing a new promissory note. Borrowers are not, however, required to obtain all of their future loans from their original lender, but if a borrower obtains a loan from a lender which does not presently hold a MPN for that borrower, that borrower will be required to execute a new MPN. A single borrower may have several MPNs evidencing loans to multiple lenders. If multiple loans have been advanced pursuant to a single MPN, any or all of those loans may be individually sold by the holder of the MPN to one or more different secondary market purchasers, such as the Authority.

## **Interest Subsidy Payments**

Interest Subsidy Payments are interest payments paid during certain periods by the Secretary with respect to Guaranteed Stafford Loans which meet certain requirements. With respect to loans for which the eligible institution has completed its portion of the loan application after September 30, 1981, Interest Subsidy Payments are available only if certain income and need criteria are met by the borrower. Interest Subsidy Payments will be paid (a) during a period in which the borrower is enrolled at least half-time in an eligible institution, (b) during a six-month grace period pending commencement of repayment of the loans, (c) during certain deferment periods and (d) in the case of loans initially disbursed prior to October 1, 1981, during a six-month grace period following any authorized deferment period before repayment is required to resume.



The Secretary makes Interest Subsidy Payments quarterly on behalf of the borrower to the holder of the loan in an amount equal to the interest accruing on the unpaid principal amount of the loan during the applicable period. The Higher Education Act provides that the holder of a loan meeting the specified criteria has a contractual right, as against the United States, to receive Interest Subsidy Payments from the Secretary (including the right to receive interest on Interest Subsidy Payments not timely paid). Receipt of Interest Subsidy Payments is conditioned on compliance with the Higher Education Act, including continued eligibility of the loan for insurance or reinsurance benefits. Such eligibility may be lost if the requirements of the Higher Education Act or applicable guarantee agreements relating to the servicing and collection of the loans are not met. If Interest Subsidy Payments have not been paid within 30 days after the Secretary receives an accurate, timely and complete request therefor, the Secretary must pay interest on the amounts due beginning on the 31<sup>st</sup> day at the Special Allowance Payment rate plus the rate of interest applicable to the affected loans.

### **Special Allowance Payments**

The Higher Education Act provides, subject to certain conditions, for Special Allowance Payments to be made quarterly by the Secretary to holders of qualifying Guaranteed Loans.

The rate of Special Allowance Payments for a particular loan is dependent on a number of factors including when the loan was disbursed and for what period of enrollment the loan covers costs. Generally, the sum of the stated interest on the loan and the applicable Special Allowance Payment for a quarter will be between 3.1 and 3.5 percentage points above the average of bond equivalent rates of 91-day Treasury Bills auctioned for that quarter. Under the 1992 Reauthorization Law, the Special Allowance Payment is calculated based on the bond equivalent rate of the 91-day Treasury Bill plus 3.1% for loans made on or after October 1, 1992, except that under the 1993 Amendments, Stafford Loans made on or after July 1, 1995 qualify for Special Allowance Payments based on the 91-day Treasury Bill rate plus 2.5% while the borrower is in-school, grace or deferment status. In the case of certain loans made or purchased with funds obtained from the issuance of tax-exempt obligations originally issued prior to October 1, 1993, the Special Allowance Payments are reduced by approximately one-half, but not less than certain minimums provided in the Higher Education Act. The rate of Special Allowance Payments is subject to reduction by the amount of certain origination fees charged to borrowers and may be reduced as a result of certain federal budget deficit reduction measures. For Stafford Loans disbursed on or after July 1, 1998, but prior to January 1, 2000, Special Allowance Payments are based on the bond equivalent yield of 91-day Treasury Bills auctioned for such quarter plus 2.2% while borrowers are in-school, grace or deferment status, or 2.8% while borrowers are in repayment periods. For Stafford Loans first disbursed on or after January 1, 2000, Special Allowance Payments are based on the bond equivalent yield of the 3-month commercial paper rate reported by the Federal Reserve for such quarter plus 1.74% while borrowers are in-school, grace or deferment status, or 2.34% while borrowers are in repayment periods.

The Higher Education Act provides that a holder of a qualifying loan who is entitled to receive Special Allowance Payments has a contractual right against the United States, during the life of the loan, to receive those Special Allowance Payments. Receipt of Special Allowance Payments,

however, is conditioned on compliance with the Higher Education Act, including continued eligibility of the loan for federal insurance or reinsurance benefits. Such eligibility may be lost due to violations of the Higher Education Act or applicable guarantee agreements specifying servicing and collection of the loan in the event of delinquency. The Higher Education Act also provides that if Special Allowance Payments have not been made within 30 days after the Secretary of Education receives an accurate, timely and complete request therefor, the Secretary must pay interest on the amounts due beginning on the 31<sup>st</sup> day at the Special Allowance Payment rate plus the rate of interest applicable to the affected loans.

### **Unsubsidized Stafford Loan Program**

Under the 1992 Reauthorization Law, a new type of Stafford Loan was created for students who do not qualify for the full subsidized Stafford Loan after application of the need analysis methodology. Such students are entitled to borrow the difference between the Stafford Loan maximum and their Stafford eligibility through the new program. The new unsubsidized Stafford Loan is substantially identical to other Stafford Loans, except that the interest accruing on the loan while the student is in school or in grace or deferment is capitalized or paid by the student, rather than paid by the Secretary through the Interest Subsidy. On August 15, 1996, the Secretary authorized higher annual (but not aggregate) unsubsidized Stafford Loan limits for certain new health professions student borrowers to compensate for restrictions recently enacted by Congress on the ability of those students to borrow under other Guaranteed Student Loan programs.

### **PLUS and SLS Loans**

Under the 1980 amendments to the Higher Education Act, Congress established a program to provide loans to parents of dependent undergraduate students. Loans under this program were designated “PLUS Loans.” The 1981 amendments to the Higher Education Act revised and expanded the initial program to also provide loans to graduate and professional students and independent undergraduate students. Loans under this program are designated “Supplemental Loans to Students” or “SLS.” The basic provisions applicable to PLUS and SLS Loans are similar to those of Stafford Loans with respect to the involvement of guaranty agencies and the Secretary in providing federal insurance on the loans. However, PLUS and SLS Loans differ significantly from Stafford Loans, particularly because federal Interest Subsidy Payments are not available under the PLUS and SLS programs and Special Allowance Payments are more restricted.

Under the 1980 amendments, PLUS and SLS Loans are limited to \$4,000 per academic year (or \$10,000 for loans first disbursed on or after July 1, 1993) (except for SLS Loans for attendance at certain specified short-term courses of study in which case the limit is lower) with a maximum aggregate amount of \$20,000 (or \$73,000 for loans first disbursed on or after July 1, 1993). PLUS and SLS Loans are also limited, generally, to the cost of attendance minus other financial aid for which the student is eligible. A determination of a student’s eligibility for the Pell Grant and the Stafford Loan Program is a condition of the student’s receipt of a SLS Loan. Under the 1992 Reauthorization Law, there are no annual or aggregate limits applicable to PLUS loans, except that parents continue to be prohibited from borrowing amounts in excess of the student’s cost of attendance. SLS loan limits remain constant for first-year and second-year students, but increase to

\$5,000 for third-year and fourth-year students, and to \$10,000 for graduate and professional students. Aggregate limits increase to \$23,000 for undergraduate students and \$73,000 for graduate and professional students.

Interest rates on PLUS and SLS Loans are higher than those on Stafford Loans. The applicable interest rate depends upon the date of issuance of the loan and the period of enrollment for which the loan is to apply. For PLUS Loans issued on or after October 1, 1981, but for periods of educational enrollment beginning prior to July 1, 1987, the applicable rate of interest is either 12% or 14% per annum. A variable interest rate applies to PLUS and SLS Loans made and disbursed on or after July 1, 1987 or made to refinance PLUS Loans pursuant to the Higher Education Act. This rate is determined on the basis of any 12-month period beginning on July 1 and ending on the following June 30, such that the rate will be equal to the sum of the bond equivalent rate of 52-week Treasury Bills auctioned at the final auction held prior to the June 1 preceding the applicable 12-month period, plus 3.25% (3.10% for loans first disbursed on and after October 1, 1992 but prior to July 1, 1998), with a maximum rate of 12% per annum (11% for SLS Loans first disbursed on or after October 1, 1992 and 10% for PLUS Loans first disbursed on or after October 1, 1992 but before July 1, 1994). For PLUS Loans first disbursed on or after July 1, 1994, the cap has been further reduced to 9%. For PLUS Loans made on or after July 1, 1998 and before July 1, 2003, the interest rate is based on 91-day Treasury Bills plus 3.1% not to exceed 9%. Special Allowance Payments are available on variable rate PLUS and SLS Loans only if the rate determined by the formula above exceeds the applicable maximum borrower interest rate. Special Allowance Payments are available if the interest rate calculated under the new formula would exceed the applicable cap. Commencing July 1, 1994, however, the SLS Loan program was merged into the unsubsidized Stafford Loan program with annual loan limits in the merged program equal to the combined limits of the two programs prior to the merger.

Repayment of principal of PLUS and SLS Loans is required to commence no later than 60 days after the date of the last disbursement of such loan, subject to certain deferral provisions. The deferral provisions which apply are more limited than those which apply to Stafford Loans.

Whereas federal Interest Subsidy Payments are not available for such deferments, the Higher Education Act provides an opportunity for the capitalization of interest during such periods upon agreement of the lender and borrower. The applicable annual loan limit is not violated by any decision to capitalize interest.

A borrower may refinance all outstanding PLUS Loans under a single repayment schedule for principal and interest, with a new repayment period calculated from the date of repayment of the most recent included loan. The interest rate of such a combined PLUS Loan is the weighted average of the rates of all loans being refinanced. A second type of refinancing enables an eligible lender to reissue a PLUS Loan which was initially originated at a fixed rate prior to July 1, 1987 in order to permit the borrower to obtain the variable interest rate available on PLUS Loans on and after July 1, 1987. If a lender is unwilling to reissue the original PLUS Loan, the borrower may obtain a loan from another lender for the purpose of discharging the loan and obtaining a variable interest rate. Substantially identical combined repayment and refinancing options are also available for SLS Loans.

## **Consolidation Loans**

Under the 1986 amendments to the Higher Education Act, Congress established a program to provide loans to eligible borrowers for consolidating their Guaranteed Student Loans. The 1992 Reauthorization Law, the 1993 Amendments and the 1998 Reauthorization Law amended certain provisions of the Consolidation Loan program. Under the program, an eligible borrower means a borrower with an outstanding indebtedness of at least \$7,500, who is in repayment status or in a grace period preceding repayment, or is a delinquent or defaulted borrower who will reenter repayment through loan consolidation. The \$7,500 threshold is eliminated for loans consolidated on or after July 1, 1994. The loans under this program are designated "Consolidation Loans." Under this program, a lender may make a Consolidation Loan to an eligible borrower at the request of the borrower if the lender holds an outstanding Guaranteed Student Loan of the borrower or the borrower certifies that he has been unable to obtain a Consolidation Loan from any of the holders of the outstanding loans of the borrower.

Consolidation Loans bear an interest rate equal to the weighted average of the interest rates on the loans consolidated, rounded to the nearest whole percent; for loans consolidated prior to July 1, 1994, such rate may not be less than 9% per annum. However, Consolidation Loans made on or after November 13, 1997 through September 30, 1998 bear interest at the annual variable rate applicable to Stafford Loans. Consolidation Loans for which the application is received on or after October 1, 1998 and before July 1, 2003 bear interest at a rate equal to the weighted average interest rate of the loans consolidated, rounded up to the nearest one-eighth percent and capped at 8.25%. Lenders of Consolidation Loans made on or after July 1, 1994 are required to offer borrowers income-sensitive repayment schedules. Effective July 1, 1994, Consolidation Loans for less than \$7,500 have a repayment schedule of not more than 10 years. Repayment must commence within 60 days after all holders have discharged the liability of the borrower on the loans selected for consolidation. Effective for Consolidation Loan applications received by lenders on or after August 10, 1993, the Secretary will not make federal Interest Subsidy Payments on Consolidation Loans other than those loans which consolidate only subsidized Stafford Loans. Special Allowance Payments are made on Consolidation Loans whenever the rate charged the borrower is limited by the 9% cap. However, for applications received on or after October 1, 1998, and before January 1, 2000, Special Allowance Payments are paid in order to afford the lender a yield equal to the 91-day Treasury Bill plus 3.1% whenever the formula exceeds the borrower's interest rate, and for applications received on or after January 1, 2000, and before July 1, 2003, Special Allowance Payments are paid in order to afford the lender a yield equal to the 3-month commercial paper rate reported by the Federal Reserve plus 2.64% whenever the formula exceeds the borrower's interest rate.

The 1998 Reauthorization Law made various changes to Consolidation Loans. These changes included, among other things, a reduction in the 1.05% per annum Consolidation Loan Rebate to .62% per annum for loans for which applications are received between October 1, 1998 and January 31, 1999.

## **FISL Loans**

(Note: Few, if any, loans under the Federal Insured Student Loan Program (“*FISL Loans*”) are or are expected to be included in the Trust Estate due to the fact that the federal government discontinued insuring new FISL Loans in the late 1970s.)

**General.** FISL Loans are eligible for insurance by the Secretary under the Higher Education Act only if the beneficiary of the loan has been accepted for enrollment or is enrolled in good standing at an eligible institution of higher education or vocational school and is carrying at least one-half the normal full-time workload as determined by the institution. Interest Subsidy Payments are made to holders of FISL Loans on basically the same terms as holders of Guaranteed Loans which are described above.

**Terms and Conditions of FISL Loans.** FISL Loans have basically the same terms as described under the caption “Legislative and Administrative Matters—Guaranty Agency and Lender Provisions” above.

**Insurance Benefits.** A FISL Loan is considered in default for purposes of the Higher Education Act upon the failure of the borrower to make an installment payment when due, or to comply with other terms of the FISL Loan under circumstances where the Secretary finds it reasonable to conclude that the borrower no longer intends to honor his obligation to repay, which failure persists, in the case of a FISL Loan repayable in monthly installments, for 180 days or, in the case of a FISL Loan repayable in less frequent installments, for 240 days.

The Secretary will honor claims for insurance if (a) the FISL Loan is determined to be in default or the borrower has died or become permanently disabled or the borrower has been relieved of his obligation to repay the FISL Loan through a discharge in bankruptcy; (b) the lender has used due diligence in attempting to effect collection of a defaulted FISL Loan; (c) written demand for payment has been made on the student and any endorser on a defaulted note not less than 30 days nor more than 60 days prior to the filing of the claim for loss; and (d) the claim is supported by such documents as are required by the Secretary.

Upon determination that a claim is to be honored, the amount of loss reimbursed by the Secretary with respect to a FISL Loan purchased by the Authority would equal 100% of the unpaid balance of the principal amount of the FISL Loan plus accrued and unpaid interest, except that payment of interest, or any other charges which may have been added to and become part of the principal amount of the FISL Loan, is insured only as to loans for which the application for insurance commitment was received by the Secretary between July 1 and August 18, 1972 or after February 28, 1973. Section 425(b)(1)(A) of the Higher Education Act provides that student loans made by an eligible lender that is the single agency designated by a state approximately five years after it begins to carry on a loan program may receive less than 100% (but at least 80%) insurance coverage in certain circumstances based on the number of claims submitted for payment to the Secretary in a given fiscal year. The Department has stated that this provision would not be applicable to loans which are acquired by such a lender from another eligible lender, and thus a lender of this type

functioning as a secondary market for commercial lenders (rather than a loan originator) would be assured that the federal guarantee would be, without regard to the lender's default experience, 100% of the unpaid principal balance of the loan plus interest.

### **Education Loans Generally Not Subject to Discharge in Bankruptcy**

Under the U.S. Bankruptcy Code, educational loans are not generally dischargeable. Title 11 of the United States Code at Section 523(a)(8) provides as follows:

A discharge under Section 727, 1141, 1228(a), 1228(b), or 1328(b) of this title does not discharge an individual debtor from any debt.

(8) for an educational benefit overpayment or loan made, insured, or guaranteed by a governmental unit or made under any program funded in whole or in part by a governmental unit or a nonprofit institution, or for an obligation to repay funds received as an educational benefit, scholarship or stipend unless excepting such debt from discharge under this paragraph will impose an undue hardship on the debtor and the debtor's dependents.

### **Soldiers' and Sailors' Civil Relief Act of 1940**

The Soldiers' and Sailors' Civil Relief Act of 1940 (the "*Relief Act*"), provides relief to borrowers who enter active military service and to borrowers in reserve status who are called to active duty after the origination of their student loan. The Relief Act provides generally that a borrower who is covered by the Relief Act may not be charged interest on an Alternative Loan in excess of 6% per annum during the period of the borrower's active duty. These shortfalls are not required to be paid by the borrower at any future time. This limitation does not apply to FFELP Loans.

The Relief Act also limits the ability of a lender of FFELP and Alternative Loans to take legal action against a borrower during the borrower's period of active duty and, in some cases, during an additional three month period thereafter.

The Department has issued guidelines recently that would extend the in-school status, in-school deferment status, grace period status or forbearance status of certain borrowers ordered to active duty. Further, if a borrower is in default on a FFELP Loan, the applicable guaranty agency must, upon being notified that the borrower has been called to active duty, cease all collection activities for the expected period of the borrower's military service, through September 14, 2002, unless the Department provides guidance extending this period.

## APPENDIX G

### OKLAHOMA STUDENT LOAN AUTHORITY OKLAHOMA STUDENT LOAN BONDS AND NOTES, SERIES 2002A

#### CONTINUING DISCLOSURE UNDERTAKING

The following is a brief summary of certain provisions of the Continuing Disclosure Undertaking of the Authority and does not purport to be complete. The statements made under this caption are subject to the detailed provisions of the Continuing Disclosure Agreement, dated as of January 1, 2002 (the “*Undertaking*”), between the Authority and the Trustee, a copy of which is available upon request to the Authority or the Trustee.

#### **Annual Financial Information Disclosure**

The Authority covenants that it will disseminate its Financial and Operating Information and its Audited Financial Statements, (as described below) to each Nationally Recognized Municipal Securities Information Repository (a “*NRMSIR*”). Should the State of Oklahoma establish a state information depository recognized by the Securities and Exchange Commission for purposes of the Rule, the Authority will also deliver such information to the state information depository. The Authority is required to deliver such information so that such entities receive the information by the dates specified in the Undertaking.

“*Audited Financial Statements*” means annual financial statements of the Authority prepared in accordance with generally accepted accounting principles as promulgated by the Financial Accounting Standards Board, the Governmental Accounting Standards Board, and Government Auditing Standards issued by the Comptroller General of the United States, as in effect from time to time, which financial statements have been audited by a firm of independent certified public accountants.

“*Financial and Operating Information*” means the Audited Financial Statements and financial and operating data regarding the Authority and its student loan lending program (the “*Program*”) of the type set forth in Appendix C — GENERAL DESCRIPTION OF THE OKLAHOMA STUDENT LOAN AUTHORITY and Appendix D — LOAN PORTFOLIO COMPOSITION.

#### **Material Events Disclosure**

The Authority covenants that it will disseminate to each NRMSIR or to the Municipal Securities Rulemaking Board (the “*MSRB*”) in a timely manner the disclosure of the occurrence of an Event (as described below) with respect to the Series 2002A Bonds that is material. The “*Events*” are:

- Principal and interest payment delinquencies

- Non-payment related defaults
- Unscheduled draws on debt service reserves reflecting financial difficulties
- Unscheduled draws on credit enhancements reflecting financial difficulties
- Substitution of credit or liquidity providers, or their failure to perform
- Adverse tax opinions or events affecting the tax-exempt status of the security
- Modifications to the rights of security holders
- Bond calls
- Defeasances
- Release, substitution or sale of property securing repayment of the securities
- Rating changes

### **Consequences of Failure of the Authority to Provide Information**

The Authority will give notice in a timely manner to each NRMSIR or to the MSRB and to the SID, if any, of any failure to provide disclosure of Financial and Operating Information and Audited Financial Statements when the same are due under the Undertaking.

In the event of a failure of the Authority to comply with any provision of the Undertaking, the Beneficial Owner of any Series 2002A Bond may seek mandamus or specific performance by court order, to cause the Authority to comply with its obligations under the Undertaking. A default under the Undertaking will not be deemed an Event of Default under the Bond Resolution or Series 2002A Trust Agreement. The sole remedy under the Undertaking in the event of any failure of the Authority to comply with the Undertaking will be an action to compel performance.

### **Amendment; Waiver**

Notwithstanding any other provision of the Undertaking, the Authority may amend the Undertaking, and any provision of the Undertaking may be waived, if:

- A. The amendment or the waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Authority, or type of business conducted;
- B. The Undertaking, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- C. The amendment or waiver does not materially impair the interests of the beneficial owners of the Series 2002A Bonds, as determined either by parties unaffiliated with the Authority (such as the Trustee) or by an approving vote of the Owners of the Series 2002A Bonds pursuant to the terms of the at the time of the amendment.



## **Termination of Undertaking**

The Undertaking will be terminated if the Authority no longer has any legal liability for any obligation on or relating to repayment of the Series 2002A Bonds under the Bond Resolution. The Authority will give notice to each NRMSIR or to the MSRB in a timely manner if this paragraph is applicable.

## **Additional Information**

Nothing in the Undertaking will be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in the Undertaking or any other means of communication, or including any other information in any Financial and Operating Information or Audited Financial Statements or notice of occurrence of a material Event, in addition to that which is required by the Undertaking. If the Authority chooses to include any information from any document or notice of occurrence of a material Event in addition to that which is specifically required by the Undertaking, the Authority will have no obligation under the Undertaking to update such information or include it in any future disclosure or notice of occurrence of a material Event.

## **Dissemination Agent**

The Authority may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Undertaking, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

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