

*INTEREST ON THE OFFERED BONDS IS NOT EXCLUDABLE FROM THE GROSS INCOME OF THE OWNERS THEREOF FOR FEDERAL INCOME TAX PURPOSES. In the opinion of Bond Counsel, under existing law, interest on the Offered Bonds and any profit made on the sale thereof are exempt from Massachusetts personal income taxes, and the Offered Bonds are exempt from Massachusetts personal property taxes. The Offered Bonds and the income therefrom may also be subject to taxation under the laws of states other than The Commonwealth of Massachusetts. See “TAX MATTERS” herein.*



**\$76,000,000**

**MASSACHUSETTS EDUCATIONAL  
FINANCING AUTHORITY**

**Education Loan Revenue Bonds, Issue I, Series 2015B (Federally Taxable)**

**\$21,000,000 Series 2015B-1 Bonds  
(Floating Rate PAC Bonds)**

**\$55,000,000 Series 2015B-2 Bonds  
(Fixed Rate Serial and Term and  
Fixed Rate PAC Bonds)**

**Dated: Date of Delivery**

**Due: as shown on the inside front cover**

The Massachusetts Educational Financing Authority (the “Authority”) is offering \$76,000,000 of its Education Loan Revenue Bonds, Issue I, Series 2015B (the “Series 2015B Bonds” or the “Offered Bonds”). The Offered Bonds will be issued under the Authority’s Issue I General Bond Resolution adopted on June 30, 2009 (as amended and restated as of March 26, 2015 in connection with the issuance of the Offered Bonds, the “Issue I General Resolution”).

The Offered Bonds are being issued for the principal purpose of funding loans to refinance higher education expenses (“MEFA Refinancing Loans”) under a new component of the Authority’s MEFA Financing Program, as defined herein. The Authority expects to apply approximately \$21,000,000 of the Series 2015B-1 Bond proceeds to fund newly originated floating rate MEFA Refinancing Loans, and approximately \$55,000,000 of the Series 2015B-2 Bond proceeds to fund newly originated fixed rate MEFA Refinancing Loans. Such MEFA Refinancing Loans, along with certain other education loans originated under the MEFA Financing Program (“MEFA Education Loans”), will constitute Issue I Loans, as defined herein, and will secure all bonds issued by the Authority under the Issue I General Resolution, including the Series 2015B Bonds (collectively, the Issue I Bonds”). All such Issue I Loans have been, or are expected to be, originated on the basis of borrower and, if applicable, co-borrower credit evaluation and no such Issue I Loan is, or is expected to be, guaranteed by the Authority or any other entity. See “PLAN OF FINANCING,” “ESTIMATED SOURCES AND USES OF FUNDS,” “INVESTMENT CONSIDERATIONS” and “ISSUE I LOAN PORTFOLIO.”

The Authority’s obligation to provide funds to pay the principal of and interest on Issue I Bonds issued under the Issue I General Resolution is limited to the education loans that are funded with Issue I Bond proceeds, the revenues received from those education loans and the other assets pledged for this purpose under the Issue I General Resolution. Currently, only MEFA Education Loans may be made or acquired with proceeds of Issue I Bonds. The Issue I General Resolution permits the Authority to issue additional Issue I Bonds that will be payable from these assets. See “THE SERIES 2015B-1 BONDS — Redemption Provisions,” “THE SERIES 2015B-2 BONDS — Redemption Provisions,” “PLAN OF FINANCING,” “SECURITY FOR THE ISSUE I BONDS AND SOURCES OF PAYMENT,” “INVESTMENT CONSIDERATIONS,” and “THE MEFA FINANCING PROGRAM.”

The Offered Bonds will bear interest from their date of delivery as set forth on the inside front cover, payable on January 1, 2016 and semiannually thereafter on each July 1 and January 1 and will mature on January 1 or July 1 in the years and in the principal amounts set forth on the inside front cover. The Offered Bonds are subject to redemption prior to maturity, at par, as described herein. See “THE SERIES 2015B-1 BONDS — Redemption Provisions” and “THE SERIES 2015B-2 BONDS — Redemption Provisions.”

The Offered Bonds will be issued only as fully registered bonds under a book-entry method, registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”). Interest on and principal of the Offered Bonds will be paid to DTC by U.S. Bank National Association, Boston, Massachusetts, as Trustee. So long as DTC or its nominee is the Bondholder, disbursement of such payments to DTC Participants is the responsibility of DTC, and disbursement of such payments to the ultimate purchasers (“Beneficial Owners”) is the responsibility of DTC Participants or other nominees of the Beneficial Owners; there will be no distribution of Offered Bond certificates to the Beneficial Owners thereof. See “BOOK-ENTRY ONLY SYSTEM.”

**The Offered Bonds are special obligations of the Authority, which has no taxing power. Neither The Commonwealth of Massachusetts nor any political subdivision thereof is or shall be obligated to pay the principal of or interest on the Offered Bonds, and neither the full faith and credit nor the taxing power of The Commonwealth of Massachusetts or any political subdivision thereof is pledged to such payment.**

*The Offered Bonds are offered when, as and if issued and received by the Underwriter, subject to approval of legality by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Bond Counsel, and certain other conditions. Certain legal matters are subject to the approval of Hawkins Delafield & Wood LLP, New York, New York, Counsel to the Underwriter. It is expected that the Offered Bonds will be available for delivery to DTC in New York, New York on or about November 30, 2015.*

**Morgan Stanley**

**\$76,000,000**  
**MASSACHUSETTS EDUCATIONAL FINANCING AUTHORITY**  
**EDUCATION LOAN REVENUE BONDS, ISSUE I, SERIES 2015B (FEDERALLY TAXABLE)**

**\$21,000,000 Series 2015B-1 Bonds**  
**(Floating Rate PAC Bonds)**

**\$55,000,000 Series 2015B-2 Bonds**  
**(Fixed Rate Serial and Term**  
**and Fixed Rate PAC Bonds)**

**SERIES 2015B-1 MATURITY SCHEDULE**

\$6,000,000 PAC Bonds One-Month LIBOR Plus 1.75% Price: 100.000% CUSIP<sup>†</sup> 57563RML0  
Maturity January 1, 2031

\$15,000,000 PAC Bonds One-Month LIBOR Plus 2.05% Price: 92.648% CUSIP<sup>†</sup> 57563RMM8  
Maturity January 1, 2032

**SERIES 2015B-2 MATURITY SCHEDULE**

**\$21,600,000 Fixed Rate Serial Bonds**

<b><u>Maturity</u></b>	<b><u>Principal Amount</u></b>	<b><u>Interest Rate</u></b>	<b><u>Yield<sup>1</sup></u></b>	<b><u>Price<sup>2</sup></u></b>	<b><u>CUSIP<sup>†</sup></u></b>
July 1, 2017	\$1,700,000	2.000%	2.180%	99.720%	57563RNA3
January 1, 2018	1,600,000	2.450	2.615	99.665	57563RNB1
July 1, 2018	1,600,000	2.500	2.715	99.465	57563RNC9
January 1, 2019	1,700,000	2.750	2.981	99.322	57563RND7
July 1, 2019	1,700,000	3.000	3.081	99.725	57563RMY2
January 1, 2020	2,000,000	3.000	3.181	99.309	57563RMZ9
July 1, 2020	1,600,000	3.100	3.281	99.233	57563RMN6
January 1, 2021	1,500,000	3.400	3.587	99.135	57563RMP1
July 1, 2021	1,500,000	3.500	3.687	99.061	57563RMQ9
January 1, 2022	1,500,000	3.750	3.837	99.529	57563RMR7
July 1, 2022	1,800,000	3.750	3.987	98.636	57563RMS5
January 1, 2023	1,800,000	3.875	4.023	99.092	57563RMT3
July 1, 2023	1,600,000	3.875	4.073	98.716	57563RMU0

**Term Bonds**

\$6,300,000 Fixed Rate Term Bonds 4.000% Yield<sup>1</sup>: 4.373% Price<sup>2</sup>: 97.101% CUSIP<sup>†</sup> 57563RMV8  
Maturity July 1, 2025

\$15,900,000 Fixed Rate Term Bonds 4.700% Yield<sup>1</sup>: 4.898% Price<sup>2</sup>: 97.998% CUSIP<sup>†</sup> 57563RMX4  
Maturity January 1, 2030

\$11,200,000 Fixed Rate PAC Bonds 4.000% Yield<sup>1</sup>: 3.681% Price<sup>2</sup>: 101.037% CUSIP<sup>†</sup> 57563RMW6  
Maturity January 1, 2032

<sup>1</sup> To maturity

<sup>2</sup> Approximate

<sup>†</sup> CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed on behalf of the American Bankers Association by S&P Capital IQ. The CUSIP numbers are included solely for the convenience of the owners of Series 2015B Bonds, and the Authority is not responsible for the selection or the correctness of the CUSIP numbers printed herein. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors, including, but not limited to, the refunding or defeasance of such securities or the use of secondary market financing products.

The information set forth herein has been furnished by the Authority and by other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of said Authority or other matters described herein since the date hereof.

No dealer, broker, salesperson or other person has been authorized by the Authority or by the Underwriter listed upon the front cover of this Official Statement (the "Underwriter") to give any information or to make any representations other than as contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. 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 Offered Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. This Official Statement is not to be construed as a contract with purchasers or Holders of the Offered Bonds.

The Underwriter has provided the following statement for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applicable to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The information in this Official Statement concerning The Depository Trust Company, New York, New York ("DTC"), and DTC's book-entry-only system has been obtained from DTC. None of the Authority, any of its advisors or the Underwriter has independently verified, make any representation regarding or accepts any responsibility for the accuracy, completeness or adequacy of such information.

The Offered Bonds will not be registered under the Securities Act of 1933, as amended, and will not be listed on any stock or other securities exchange, nor has the Resolution (as defined herein) been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon certain exemptions contained in such federal laws. In making an investment decision, investors must rely upon their own examination of the Offered Bonds and the security therefor, including an analysis of the risks involved. The Offered Bonds have not been recommended by any federal or state securities commission or regulatory authority. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity has passed upon the accuracy, completeness or adequacy of this Official Statement or approved the Offered Bonds for sale.

**THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE OFFERED BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.**

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This Official Statement contains statements which, to the extent they are not recitations of historical fact, constitute “forward-looking statements.” In this respect, the words “estimate,” “project,” “anticipate,” “expect,” “intend,” “believe” and similar expressions are intended to identify forward-looking statements. A number of important factors affecting the Authority’s business and financial results could cause actual results to differ materially from those stated in the forward-looking statements. See “SECURITY FOR THE ISSUE I BONDS AND SOURCES OF PAYMENT” and “INVESTMENT CONSIDERATIONS.”

In connection with this offering, the Underwriter may overallocate or effect transactions which stabilize or maintain the market price of the Offered Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriter may offer and sell the Offered Bonds to certain dealers (including dealers depositing the Offered Bonds into investment trusts) and certain dealer banks and banks acting as agents at prices lower than the public offering prices or yields stated on the inside front cover page hereof and said offering prices or yields may be changed from time to time by the Underwriter.

## TABLE OF CONTENTS

	<u>Page</u>
SUMMARY STATEMENT .....	i
INTRODUCTORY STATEMENT .....	2
THE AUTHORITY .....	5
General .....	5
Members and Staff .....	6
THE SERIES 2015B-1 BONDS .....	8
General .....	8
LIBOR Based Interest Rate Determination .....	8
Redemption Provisions .....	9
THE SERIES 2015B-2 BONDS .....	16
General .....	16
Redemption Provisions .....	16
PLAN OF FINANCING .....	24
ESTIMATED SOURCES AND USES OF FUNDS .....	24
SECURITY FOR THE ISSUE I BONDS AND SOURCES OF PAYMENT .....	25
Revenues .....	25
Issue I Loans .....	26
Funds and Accounts .....	27
Certain Resolution Requirements .....	28
Capitalized Interest Account .....	29
Reserve Fund .....	29
Additional Bonds .....	30
Release of Excess Trust Assets .....	30
INVESTMENT CONSIDERATIONS .....	31
Redemption of Bonds .....	31
Certain Actions May Be Permitted Without Bondholder Approval .....	32
Bonds Are Limited Authority Obligations Without Third-Party Credit or Liquidity Support .....	33
Effect of Ratings .....	33
Investment and Interest Rate Exchange Agreements of the Authority .....	34
Uncertainty as to Available Remedies .....	34
Future Performance of the Issue I Loan Portfolio May Differ From Historical MEFA Education	
Loan Performance .....	35
Certain Factors Could Potentially Affect Timing and Receipt of Revenues .....	35
Composition and Characteristics of the Issue I Loan Portfolio Are Expected To Change .....	38
General Economic Conditions .....	39
Certain Military and National Emergency Events Could Delay Borrower Payments .....	39

Prepayment of Issue I Loans is Subject to Uncertainty .....	39
Dependence Upon Third-Party Servicers and Originators .....	40
Competition May Reduce Demand for or Increase Prepayments on Issue I Loans .....	41
Dodd-Frank Act.....	42
Consumer Protection Lending Laws Could Change .....	42
Changes in Relevant Laws .....	43
THE MEFA FINANCING PROGRAM.....	43
General .....	43
MEFA Refinancing Loans.....	45
MEFA Loans .....	50
MEFA EDUCATION LOAN ORIGINATION AND SERVICING.....	53
The Servicer .....	53
MEFA Education Loan Origination .....	54
MEFA Education Loan Servicing .....	57
MEFA EDUCATION LOAN PORTFOLIO.....	58
General .....	58
The Authority's Fixed Rate MEFA Loan Portfolio.....	60
ISSUE I LOAN PORTFOLIO.....	67
BOOK-ENTRY ONLY SYSTEM.....	75
Certificated Offered Bonds.....	77
LEGALITY OF BONDS FOR INVESTMENT.....	78
BONDS AS SECURITY FOR DEPOSIT .....	78
LITIGATION AND OTHER MATTERS .....	78
CERTAIN LEGAL MATTERS .....	79
TAX MATTERS .....	79
Federal Tax Matters.....	79
Massachusetts Tax Matters.....	81
Bond Counsel Opinion as to Tax Matters .....	81
UNDERWRITING .....	82
RATINGS .....	82
NEGOTIABLE INSTRUMENTS .....	83
COMMONWEALTH NOT LIABLE ON BONDS .....	83
CONTINUING DISCLOSURE.....	83
INDEPENDENT ACCOUNTANTS.....	83
AVAILABILITY OF FINANCIAL AND OTHER AUTHORITY INFORMATION .....	84
MUNICIPAL ADVISOR .....	84
MISCELLANEOUS .....	85
APPENDIX A — AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY.....	A-1
APPENDIX B — DEFINITIONS OF CERTAIN TERMS.....	B-1
APPENDIX C — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION .....	C-1
APPENDIX D — PROPOSED FORM OF OPINION OF BOND COUNSEL .....	D-1
APPENDIX E — PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT .....	E-1
APPENDIX F — PREPAYMENTS, EXTENSIONS, WEIGHTED AVERAGE LIVES AND EXPECTED MATURITIES OF THE SERIES 2015B-1 PAC BONDS AND OF THE SERIES 2015B-2 PAC BONDS .....	F-1

## SUMMARY STATEMENT

*This Summary Statement, being part of this Official Statement, is subject in all respects to more detailed information appearing herein. The offering of the Offered Bonds to potential investors is made only by means of this entire Official Statement, including the cover page and the Appendices attached hereto. Reference must be made to this entire Official Statement to evaluate the Offered Bonds. No person is authorized to detach this Summary Statement from this Official Statement or to otherwise use it without this entire Official Statement. All capitalized terms used in this Official Statement and not otherwise defined herein shall have the meanings specified in APPENDIX B hereto.*

<b>Issuer</b> .....	The Massachusetts Educational Financing Authority, a body politic and corporate constituting a public instrumentality of The Commonwealth of Massachusetts (the “Commonwealth”) established pursuant to the Act (as defined below) to assist in the financing and refinancing of the costs of post-secondary education (“we” or the “Authority”). See “INTRODUCTORY STATEMENT” and “THE AUTHORITY.”
<b>Offered Bonds</b> .....	\$76,000,000 aggregate principal amount of Education Loan Revenue Bonds, Issue I, Series 2015B (Federally Taxable) (the “Series 2015B Bonds” or the “Offered Bonds”), consisting of \$21,000,000 Series 2015B-1 Bonds offered as floating rate PAC bonds, and of \$55,000,000 Series 2015B-2 Bonds, offered as fixed rate serial and term and fixed rate PAC bonds. The Offered Bonds shall be dated, have stated maturities, bear interest and be priced as set forth on the inside cover page hereof. We expect to issue the Offered Bonds under a resolution adopted on June 30, 2009 (as amended and restated as of March 26, 2015 in connection with the issuance of the Offered Bonds, the “Issue I General Resolution”) and a Fifth Issue I Series Resolution dated as of March 26, 2015 (the “Series Resolution” and, together with the Issue I General Resolution, the “Resolution”). <b>Certain provisions of the Issue I General Resolution will be amended, effective upon the initial issuance of the Offered Bonds, and all descriptions and summaries of provisions of the Resolution contained in this Official Statement describe such provisions as so amended.</b> Such statements should not be relied upon with respect to Outstanding Issue I Bonds prior to the initial issuance of the Offered Bonds. The Offered Bonds are being issued for the principal purpose of funding loans to refinance higher education expenses (“MEFA Refinancing Loans”) under a new component of the Authority’s higher education loan program (as described herein, the “MEFA Financing Program” and “MEFA Education Loans”). To date, all MEFA Education Loans have been originated to finance the higher education expenses of current students, rather than for refinancing purposes. MEFA Education Loans that are originated for such purpose are referred to herein as “MEFA Loans.”

“Issue I Loans” are MEFA Education Loans that are funded through application of the proceeds of, or other funds allocated to, Bonds issued under the Issue I General Resolution (“Issue I Bonds”), including the Offered Bonds. The Issue I Loans, as described below, along with revenues and other assets that we expressly pledge under the Resolution, are the only security for payment of the Offered Bonds, and we are not obligated to provide payment for the Offered Bonds from any other source.

The Offered Bonds will be the fifth series of Issue I Bonds under the Issue I General Resolution. We previously issued \$289,005,000 of Education Loan Revenue Bonds, Issue I, Series 2009, \$405,000,000 of Education Loan Revenue Bonds, Issue I, Series 2010, \$185,700,000 of Education Loan Revenue Bonds, Issue I, Series 2014 and \$184,760,000 Education Loan Revenue Bonds, Issue I, Series 2015A (AMT) (the “Series 2015A Bonds” and, collectively, the “Prior Issue I Bonds”) for the principal purpose of financing MEFA Loans that bear interest at fixed rates (“Fixed Rate MEFA Loans”). As of the date hereof, approximately \$738,485,000 of Prior Issue I Bonds remain Outstanding, all of which will be secured under the Issue I General Resolution on a basis of parity with the Offered Bonds. See “THE SERIES 2015B-1 BONDS — Redemption Provisions,” “THE SERIES 2015B-2 BONDS — Redemption Provisions,” “INVESTMENT CONSIDERATIONS — Future Performance of the Issue I Loan Portfolio May Differ From Historical MEFA Education Loan Performance” and “— Composition and Characteristics of the Issue I Loan Portfolio Are Expected To Change,” “THE MEFA FINANCING PROGRAM” and “ISSUE I LOAN PORTFOLIO.”

The Issue I General Resolution permits the issuance of additional Issue I Bonds, including Issue I Bonds that may be secured on a parity basis with or on a basis subordinate to the Offered Bonds. We have previously issued numerous series of bonds that were, or that are, separately secured under resolutions other than the Issue I General Resolution. In addition, we may issue additional separately secured series of bonds under existing or new resolutions. The Offered Bonds are not payable from any of the education loans or other assets that are pledged under other resolutions to secure such separately secured series of bonds, and the Issue I Loans and other assets that are pledged to secure the payment of the Issue I Bonds are not available to pay any such separately secured series. We reserve the right to fund MEFA Education Loans from sources other than Issue I Bond proceeds. See “SECURITY FOR THE ISSUE I BONDS AND SOURCES OF PAYMENT—Additional Bonds.”

We project that the initial Parity Ratio for the Issue I General Resolution will be approximately 110% immediately following the issuance of the Offered Bonds, taking such issuance into account. The Resolution does not require us to maintain this initial Parity



Ratio and we expect that it will change over time as a result of a number of factors, including Issue I Loan origination and payment experience, the issuance of additional Issue I Bonds and, potentially, the release of Trust Assets. The Parity Ratio required under the Resolution for releases of Trust Assets is expected to be 109.00%. See “PLAN OF FINANCING” and “ESTIMATED SOURCES AND USES OF FUNDS” and “SECURITY FOR THE ISSUE I BONDS AND SOURCES OF PAYMENT — Release of Excess Trust Assets.”

**Interest Payments on Offered Bonds.....**

Interest on the Offered Bonds will accrue from their date of initial delivery and be payable on each January 1 and July 1, commencing January 1, 2016 or, if any such day is not a Business Day, the next Business Day. Interest on the Series 2015B-1 Bonds will be calculated on the basis of the actual number of days elapsed during the applicable interest period divided by 360 (and rounding to the fifth decimal place the resultant figure). Interest on the Series 2015B-2 Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months. See “THE SERIES 2015B-1 BONDS — General” and “— LIBOR Based Interest Rate Determination” and “THE SERIES 2015B-2 BONDS — General.”

**Redemption or Acceleration .....**

We may redeem all or a portion of the Offered Bonds prior to their scheduled maturity without payment of a premium in certain circumstances as described herein. The timing of any such redemption and amount of Offered Bonds that may be affected by any such redemption cannot be determined at this time. Such redemption may result from factors reflecting the application of proceeds of the Offered Bonds to originate MEFA Refinancing Loans, the performance and prepayment of Issue I Loans and the degree to which the Authority’s actual experience with respect to such factors conforms to certain cash flow assumptions that were reviewed by the Authority in connection with the structuring of the Offered Bonds. Principal payment of the Offered Bonds may also be accelerated under the circumstances described herein. See “THE SERIES 2015B-1 BONDS — Redemption Provisions” and “THE SERIES 2015B-2 BONDS — Redemption Provisions,” “INVESTMENT CONSIDERATIONS — Redemption of Bonds.”

**Special Obligations.....**

The Offered Bonds are special obligations of the Authority and are payable solely from the Revenues and certain funds and accounts established and pledged under the Resolution. No revenues or other assets are available to fund payment of the Offered Bonds except as expressly provided by the Resolution. The Authority has no taxing power. Neither the Commonwealth nor any political subdivision thereof is or shall be obligated to pay the principal of or interest on the Offered Bonds, and neither the full faith and credit nor the taxing power of the Commonwealth or any political subdivision thereof is pledged to such payment. See “SECURITY FOR THE ISSUE I BONDS AND SOURCES OF PAYMENT.”

**Sources of Payments for the Offered Bonds.....**

The Offered Bonds are secured by and payable under the Resolution from the following sources (the “Trust Assets”):

- (1) All Revenues.
- (2) All Education Loan Notes evidencing Issue I Loans and any other Revenue-producing contracts and all of our rights and interests in such contracts, except for certain reserved rights of the Authority with respect to any such other Revenue-producing contracts.
- (3) All moneys and securities on deposit in all funds and accounts created by or pursuant to the Resolution as described herein (except for the Rebate Fund), including without limitation any Reserve Fund Facilities, any funds drawn on Reserve Fund Facilities and any Investment Obligations in which such moneys are invested.
- (4) All general intangibles (including payment intangibles) comprising or relating to any of the foregoing.
- (5) The proceeds of any of the foregoing whether any of the foregoing is now existing or is hereafter acquired.

See “SECURITY FOR THE ISSUE I BONDS AND SOURCES OF PAYMENT.”

**Reserve Fund.....**

A Reserve Fund for the Issue I Bonds has been established under the Resolution. The Resolution requires that the Reserve Fund be funded upon issuance of a Series of Issue I Bonds and maintained in an amount at least equal to the most recently established Reserve Fund Requirement. Upon initial issuance of the Offered Bonds, the Reserve Fund Requirement will be 1.00% of the outstanding amount of the Issue I Bonds, subject to a minimum balance requirement of \$8,000,000. The Reserve Fund Requirement is subject to change upon compliance with certain requirements of the Issue I General Resolution. The Reserve Fund Requirement is expected to be initially satisfied by cash and Investment Obligations that are currently on deposit in the Reserve Fund. See “ESTIMATED SOURCES AND USES OF FUNDS” and “SECURITY FOR THE ISSUE I BONDS AND SOURCES OF PAYMENT — Reserve Fund.”

**Use of Bond Proceeds.....**

We expect to use the proceeds of the Offered Bonds to fund the acquisition of MEFA Refinancing Loans as Issue I Loans and may use such proceeds to pay some or all of the costs of issuance of, or capitalized interest on, the Offered Bonds. See “SECURITY FOR THE ISSUE I BONDS AND SOURCES OF PAYMENT — Issue I Loans,” “PLAN OF FINANCING” and “ESTIMATED SOURCES AND USES OF FUNDS.”

**Issue I Loans.....**

All Issue I Loans are pledged as security for the payment of Issue I Bonds, and no other MEFA Education Loans, or other assets except Trust Assets, are pledged for this purpose. As of July 31, 2015, approximately \$565,341,000 of Issue I Loans were held under the Issue I General Resolution, all of which were Fixed Rate MEFA Loans. On July 9, 2015, the date of issuance of the Series 2015A Bonds, \$185,000,000 was deposited into the Series 2015A Purchase Account to fund Fixed Rate MEFA Loans, of which approximately \$31,000,000 remained uncommitted as of August 31, 2015. As of the date of this Official Statement, there are no other material uncommitted Issue I proceeds and there are no material uncommitted proceeds under any other Authority bond resolution.

We currently expect that all Issue I Loans to be funded through application of proceeds of the Offered Bonds will be newly originated MEFA Refinancing Loans bearing interest on a floating rate or on a fixed rate basis. All such MEFA Refinancing Loans will be credit-based loans with terms and conditions that are similar to the applicable terms and conditions described herein. We reserve the right, however, to apply proceeds of the Offered Bonds and of any subsequently issued Issue I Bonds and Revenues to finance MEFA Education Loans with terms and conditions that vary from those described herein, upon compliance with certain requirements of the Issue I General Resolution. See “PLAN OF FINANCING,” “INVESTMENT CONSIDERATIONS,” “THE MEFA FINANCING PROGRAM” and “ISSUE I LOAN PORTFOLIO.”

Substantially all Issue I Loans have been, and future Issue I Loans are currently expected to be, originated, solely on the basis of borrower and, if applicable, co-borrower credit evaluation, will be payable solely by the borrower and any applicable co-borrower and will not be guaranteed by the Authority or by any other person, other than any such co-borrower.

**MEFA Financing Program .....**

We have established a number of proprietary, unsecured consumer loan programs for higher education expenses of undergraduate and graduate students, including loans that are credit-based and need-based loans and that bear interest on a fixed rate or floating rate basis and we have previously issued numerous series of bonds that were, or that are, secured under resolutions other than the Issue I General Resolution to fund education loans under the MEFA Financing Program. In addition, we may issue additional separately secured series of bonds for this purpose in the future. MEFA Education Loans that were originated, or that in the future may be originated, from funds that we obtain from the issuance of such separately secured series of bonds may have terms and conditions that are similar to, or that are different from, the terms and conditions of

Issue I Loans. See “INTRODUCTORY STATEMENT,” “ESTIMATED SOURCES AND USES OF FUNDS,” “THE MEFA FINANCING PROGRAM” and “INVESTMENT CONSIDERATIONS — Redemption of Bonds” and “— Composition and Characteristics of the Issue I Loan Portfolio Are Expected To Change.”

The description of the MEFA Financing Program included in this Official Statement does not address every type of MEFA Education Loan, but it does describe the types of MEFA Education Loans that currently are, or are expected to become, material components of the Issue I Loans. Certain additional information included in this Official Statement concerning MEFA Education Loans generally is included for general reference purposes only and is not intended to suggest that the characteristics or performance of Issue I Loans that bear interest at a fixed rate or, if applicable, at a floating rate necessarily will be at any time similar to that which would be expected from a representative sample of all MEFA Education Loans or of all MEFA Education Loans that bear interest on a similar basis. See “ESTIMATED SOURCES AND USES OF FUNDS” and “INVESTMENT CONSIDERATIONS — Future Performance of the Issue I Loan Portfolio May Differ From Historical MEFA Education Loan Performance.”

We are currently implementing the credit-based MEFA Refinance Loan program, as described herein, and we currently expect to apply substantially all proceeds of the Offered Bonds to fund MEFA Refinancing Loans that bear interest at fixed rates or at floating rates as Issue I Loans. We regularly review the terms and conditions of the MEFA Financing Program and reserve the right to alter such terms and conditions with respect to Issue I Loans, or with respect to other MEFA Education Loans, at any time. See “PLAN OF FINANCING,” “SECURITY FOR THE ISSUE I BONDS AND SOURCES OF PAYMENT,” “INVESTMENT CONSIDERATIONS — Future Performance of the Issue I Loan Portfolio May Differ From Historical MEFA Education Loan Performance,” “— Composition and Characteristics of the Issue I Loan Portfolio Are Expected To Change” and “— Changes in Relevant Laws” and “THE MEFA FINANCING PROGRAM.”

**Servicing** .....

Xerox Education Services, LLC, a Delaware limited liability company doing business as ACS Education Services, currently acts as servicer for the MEFA Financing Program and as originator for all MEFA Education Loans. The Resolution permits additional or successor servicers and originators to be appointed. See “MEFA EDUCATION LOAN ORIGATION AND SERVICING” and “APPENDIX C — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — Program Covenants.”

**Additional Bonds**.....

The Offered Bonds constitute the fifth series of Issue I Bonds to be issued under the Resolution. The Resolution provides for the issuance of additional Issue I Bonds secured under the Resolution on a parity basis with or on a basis subordinate to the Offered Bonds from time to time. See “PLAN OF FINANCING,” “SECURITY FOR THE ISSUE I BONDS AND SOURCES OF PAYMENT — Additional Bonds.”

**Investment Considerations**.....

Certain factors that you should consider prior to making any investment decision concerning the Offered Bonds are identified herein under the caption “INVESTMENT CONSIDERATIONS.” These factors do not constitute the only factors that you should consider and do not address the only risks of ownership of the Offered Bonds. The descriptions included under that caption of these factors are intended only to indicate the nature of the factors identified and not as exhaustive discussions of the potential effects of such factors. See “INVESTMENT CONSIDERATIONS.”

**Ratings** .....

The Offered Bonds are expected to be rated “AA(sf)” by Standard & Poor’s Credit Ratings Services, a division of McGraw-Hill Financial Incorporated (“S&P”), and “Asf” by Fitch Ratings, Inc. (“Fitch”). Assignment of such ratings is a precondition to issuance of the Offered Bonds. Neither we nor the Underwriter has undertaken any responsibility either to directly notify you of any proposed change in or withdrawal of such ratings or to oppose any such proposed revision, although certain rating changes are reportable under the proposed Continuing Disclosure Agreement for the Offered Bonds. See “INVESTMENT CONSIDERATIONS — Certain Actions May Be Permitted Without Bondholder Approval” and “— Effect of Ratings,” “RATINGS” and “CONTINUING DISCLOSURE.”

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**MASSACHUSETTS EDUCATIONAL FINANCING AUTHORITY**

Members of the Authority

160 Federal Street  
Boston, Massachusetts 02110

Thomas M. Graf,  
Executive Director

Keith C. Shaughnessy, *Chair*  
Philip N. Shapiro, *Vice Chair*

Gary Bailey  
Dennis D. Berkey  
Matthew J. Gorzkowicz

Ramón A. Rivera  
Secretary of the Executive Office  
for Administration and Finance, *ex officio*  
Secretary of the Executive Office  
of Housing and Economic Development, *ex officio*

**OFFICIAL STATEMENT**

**Relating to  
\$76,000,000**

**MASSACHUSETTS EDUCATIONAL FINANCING AUTHORITY  
EDUCATION LOAN REVENUE BONDS, ISSUE I, SERIES 2015B (FEDERALLY TAXABLE)**

The purpose of this Official Statement is to set forth information in connection with the sale by the Massachusetts Educational Financing Authority (“we” or the “Authority”) of \$76,000,000 aggregate principal amount of Education Loan Revenue Bonds, Issue I, Series 2015B (the “Series 2015B Bonds” or the “Offered Bonds”) pursuant to Chapter 15C of the General Laws of The Commonwealth of Massachusetts (the “Commonwealth”), as amended (the “Act”), and a resolution adopted on June 30, 2009 (as amended and restated as of March 26, 2015 in connection with the issuance of the Offered Bonds, the “Issue I General Resolution”), as supplemented and amended by a Fifth Issue I Series Resolution dated as of March 26, 2015 (the “Series Resolution,” and, together with the Issue I General Resolution, the “Resolution”). Certain provisions of the Issue I General Resolution will be amended, effective upon the initial issuance of the Offered Bonds, and all descriptions and summaries of provisions of the Resolution contained in this Official Statement describe such provisions as so amended. Such statements should not be relied upon with respect to Outstanding Issue I Bonds prior to the initial issuance of the Offered Bonds.

The Resolution constitutes a contract among the Authority, U.S. Bank National Association, Boston, Massachusetts, as trustee (the “Trustee”), and the holders from time to time of the Issue I Bonds issued thereunder. The Authority has previously issued its Education Loan Revenue Bonds under the Issue I General Resolution in an aggregate originally issued principal amount of \$1,064,465,000, of which \$738,485,000 in aggregate principal amount currently remain outstanding. Additional Series of Issue I Bonds, either secured on a parity basis with the Offered Bonds or secured on a subordinate basis to the Offered Bonds, may be issued under the Issue I General Resolution. The Offered Bonds, and any other bonds which may be issued in the future under the Issue I General Resolution are referred to herein as the “Issue I Bonds.” Certain capitalized terms used in this Official Statement have the meanings set forth in APPENDIX B hereto. See “PLAN OF FINANCING.”

The Authority has previously issued numerous series of bonds and notes, also identified as “Education Loan Revenue Bonds,” and may in the future issue additional series of such bonds and notes, under Authority bond resolutions creating trust estates that are separate and apart from the Resolution.

There follows in this Official Statement certain information concerning the Authority and certain other participants in the MEFA Financing Program, as defined below, descriptions of the terms of the Offered Bonds and of the MEFA Financing Program and descriptions of the Act, the Resolution and certain other documents related to the security for the Offered Bonds and of certain applicable laws. All references herein to laws and documents are qualified in their entirety by reference to such laws and to such documents, as in effect on the date of issuance of the Offered Bonds, and all references to the Offered Bonds are qualified in their entirety by reference to the respective definitive form thereof and to the Resolution. This Official Statement is intended for use in connection with the sale of the Offered Bonds and may not be reproduced or used, in whole or in part, for any other purpose.

## **INTRODUCTORY STATEMENT**

The Authority is a body politic and corporate, constituting a public instrumentality of the Commonwealth. The Authority was established pursuant to the Act to assist students, their parents and others responsible for paying the costs of education as well as institutions of higher education in the Commonwealth in the financing and refinancing of the costs of education. The Authority is issuing the Offered Bonds for the principal purpose of funding loans to refinance higher education expenses (“MEFA Refinancing Loans”) under a new component of the Authority’s program of education loans to borrowers who, as undergraduate or graduate students attended post-secondary educational institutions within and outside of the Commonwealth that participate in MEFA’s educational loan programs for current students. Such MEFA Refinancing Loans and other education loans funded with the proceeds of Issue I Bonds and the Revenues received by the Authority from such education loans are the primary expected source of debt service for the Offered Bonds. The Authority expects that all education loans funded with the proceeds of Offered Bonds will be credit-based MEFA Refinancing Loans bearing interest on a floating rate (“Floating Rate MEFA Refinancing Loans”) or on a fixed rate basis (“Fixed Rate MEFA Refinancing Loans”), as described herein. The Authority has previously established a number of proprietary, unsecured consumer loan programs for this purpose, including fixed rate and floating rate, undergraduate and graduate, and credit-based and need-based loans to current students who are Massachusetts residents or who attend Participating Institutions within the Commonwealth, and to others borrowing for the benefit of such students. Such loans provide supplemental assistance for students receiving other forms of financial aid and primary assistance for students not eligible for other forms of financial aid. All MEFA loans and all MEFA loan programs are referred to as a whole herein, respectively, as “MEFA Education Loans” and as the “MEFA Financing Program.” To date all MEFA Education Loans have been originated to finance the higher education expenses of current students, rather than for refinancing purposes. MEFA Education Loans that are originated for such purpose are referred to herein as “MEFA Loans.” The Authority administers the MEFA Financing Program, along with its U. Fund College Investing Plan and U. Plan Prepaid Tuition Program and certain public service initiatives, as a full service higher education financing organization providing solutions to families and colleges.

The principal components of the MEFA Financing Program include: (i) the Fixed Rate Undergraduate MEFA Financing Program; (ii) the Variable Rate Undergraduate MEFA Financing Program; (iii) the MEFA Loans for Graduate Education Program, which currently is offered as fixed rate, but previously was also offered as floating rate, education loans; and (iv) the MEFA Refinance Loan Program, which will be offered as fixed rate and as floating rate refinance loans.

MEFA Education Loans that bear interest at fixed rates, including Fixed Rate MEFA Refinancing Loans as well as fixed rate MEFA Loans (“Fixed Rate MEFA Loans”), are referred to, collectively, herein as “Fixed Rate MEFA Education Loans.” MEFA Education Loans bearing interest at a floating rate of interest, including Floating Rate MEFA Refinancing Loans as well as floating rate MEFA Loans (“Floating Rate MEFA Loans”), are referred to, collectively, herein as “Floating Rate MEFA Education



Loans.” “Issue I Loans” are MEFA Education Loans that are funded through application of proceeds of, or other funds allocable to, Issue I Bonds, or are pledged as security under the Resolution, and the subset of the MEFA Financing Program so funded or pledged is referred to herein as the “Issue I Loan Program.” Currently, substantially all existing Issue I Loans are credit-based Fixed Rate MEFA Loans, as described herein. All Issue I Loans to be funded through application of proceeds of the Offered Bonds are expected to be credit-based Floating Rate MEFA Refinancing Loans or credit-based Fixed Rate MEFA Refinancing Loans, as described herein. The Resolution permits the Authority to apply Issue I Bond proceeds to finance Issue I Loans with terms and conditions that vary from those described herein upon compliance with certain Resolution requirements. The Authority also reserves the right to fund MEFA Education Loans from other sources. See “THE MEFA FINANCING PROGRAM,” “MEFA EDUCATION LOAN PORTFOLIO,” “INVESTMENT CONSIDERATIONS — Composition and Characteristics of the Issue I Loan Portfolio Are Expected To Change” and “ISSUE I LOAN PORTFOLIO.”

Xerox Education Services, LLC, a Delaware limited liability company doing business as ACS Education Services (“XEROX-ES”), currently acts as Servicer for the MEFA Financing Program and as originator of all MEFA Education Loans. The MEFA Education Loan origination and servicing process is a joint effort among the Authority, the Servicer and, with respect to MEFA Loans, Participating Institutions. MEFA Education Loan applications are submitted directly to the Servicer by the applicants for credit analysis. After approval of a borrower’s application, certification by the Participating Institution (except for MEFA Refinancing Loans) and execution by the borrower(s) and, if applicable, student of a promissory note, the promissory note is delivered to the Servicer to be held in custody. The Authority finances MEFA Education Loans by disbursing funds to the Servicer. The Servicer transfers such funds upon receipt to the Participating Institution for credit to the student’s account, except for MEFA Refinancing Loans. Applicants for MEFA Refinancing Loans must have attended a Participating Institution as defined by the Authority. MEFA Refinancing Loans are disbursed by the Servicer to the lender or servicer of the loans to be refinanced. See “THE MEFA FINANCING PROGRAM” and “MEFA EDUCATION LOAN ORIGINATION AND SERVICING.”

The Offered Bonds are expected to be issued on a parity basis with the currently outstanding Issue I Bonds. The Authority does not currently expect to offer Floating Rate MEFA Education Loans other than Floating Rate MEFA Refinancing Loans during the 2015-2016 academic year, but reserves the right to again offer such loans. See “THE MEFA FINANCING PROGRAM” and “MEFA EDUCATION LOAN ORIGINATION AND SERVICING — The Servicer.”

**The Authority regularly reviews the terms and conditions of its MEFA Financing Program and its administrative arrangements for the origination, servicing and collection of MEFA Education Loans and reserves the right to alter such terms and conditions, including all terms and conditions described herein as being applicable to Issue I Loans, and such administrative arrangements, at any time; subject, with respect to Issue I Loans, to compliance with certain requirements of the Issue I General Resolution. See “INVESTMENT CONSIDERATIONS — Certain Actions May Be Permitted Without Bondholder Approval,” “— Dependence Upon Third-Party Servicers and Originators” and “— Composition and Characteristics of the Issue I Loan Portfolio Are Expected To Change.”**

This Official Statement contains certain historical information relative to the origination and payment experience of the Authority in connection with its previously originated MEFA Education Loans and to the general terms of the MEFA Financing Program. Such information is included for general reference purposes only and is not intended as a representation that the origination and payment experience or composition of the Issue I Loan Portfolio necessarily will be similar to that of previously originated MEFA Education Loans during any period or over the respective lives of such MEFA

Education Loans. There can be no assurance that the performance of Issue I Loans will be consistent with that of previously originated MEFA Education Loans. See “ESTIMATED SOURCES AND USES OF FUNDS,” “INVESTMENT CONSIDERATIONS — Redemption of Bonds,” “— Future Performance of the Issue I Loan Portfolio May Differ From Historical MEFA Education Loan Performance,” “— Composition and Characteristics of the Issue I Loan Portfolio Are Expected To Change” and “— General Economic Conditions” and “THE MEFA FINANCING PROGRAM” and “ISSUE I LOAN PORTFOLIO.”

The Offered Bonds are being issued for one or more of the following purposes: (i) to fund MEFA Refinancing Loans; and (ii) to fund some or all of the costs of issuance of, or capitalized interest on, the Offered Bonds. All Issue I Loans are pledged as security for Issue I Bonds and no other MEFA Education Loans are pledged for this purpose. The Authority expects that approximately \$21,000,000 of Series 2015B-1 Bond proceeds will be available for application to finance Floating Rate MEFA Refinancing Loans and that approximately \$55,000,000 of Series 2015B-2 Bond proceeds will be available for application to finance Fixed Rate MEFA Refinancing Loans. See “PLAN OF FINANCING” and “ESTIMATED SOURCES AND USES OF FUNDS.”

As of July 31, 2015, approximately \$565,341,000 in aggregate outstanding principal amount of Fixed Rate MEFA Loans were held as Issue I Loans. On July 9, 2015, the date of issuance of the Series 2015A Bonds, \$185,000,000 was deposited into the Series 2015A Purchase Account to fund Fixed Rate MEFA Loans, of which approximately \$31,000,000 remained uncommitted as of August 31, 2015, and no material amount of previously issued Bond proceeds remained uncommitted under the Issue I General Resolution.

The Authority currently expects, based upon its projections of demand for MEFA Refinancing Loans, that it will be able to fully apply, or commit for application, all available proceeds of the Series 2015B-1 Bonds to fund Floating Rate MEFA Refinancing Loans and all available proceeds of the Series 2015B-2 Bonds to fund Fixed Rate MEFA Refinancing Loans on or prior to September 30, 2016. However, due to a variety of factors that may influence demand for MEFA Refinancing Loans, including, without limitation, general economic conditions and the current or potential availability of competing sources of refinancing for education loans offered by other parties, there can be no assurance that the actual demand for Floating Rate MEFA Refinancing Loans and for Fixed Rate MEFA Refinancing Loans that can be funded under the Issue I General Resolution during this period will be sufficient to fully expend the Series 2015B-1 Bond and Series 2015B-2 Bond proceeds that are available to the Authority to fund such loans. The Authority reserves the rights to apply some or all of the proceeds at the Offered Bonds to finance MEFA Education Loans, other than MEFA Refinancing Loans, and to implement actions, including but not limited to the issuance of bonds in addition to the Offered Bonds, to obtain additional funds to finance MEFA Education Loans, including MEFA Refinancing Loans, during this period. The Authority reserves the right to allocate funds from different sources that are available to it to finance MEFA Education Loans, including MEFA Refinancing Loans, in any manner that it deems appropriate. The Resolution does not require or prevent the application of Series 2015B Bond proceeds prior to the application of other funds that may become available to the Authority to make MEFA Refinancing Loans and permits the Authority to apply all funds available to the Authority to make Fixed Rate MEFA Refinancing Loans and Floating Rate MEFA Refinancing Loans in any order or other relationship. See “THE SERIES 2015B-1 BONDS — Redemption Provisions — *Mandatory Redemption Resulting From Non-Origination*,” “THE SERIES 2015B-2 BONDS — Redemption Provisions — *Mandatory Redemption Resulting From Non-Origination*” and “ESTIMATED SOURCES AND USES OF FUNDS.”

The Issue I Bonds are special obligations of the Authority, which has no taxing power, payable solely from the Revenues and certain funds and accounts established and pledged under the Resolution.

No revenues or other assets of the Authority are available to fund payment of the Issue I Bonds except as expressly provided by the Resolution. Neither the Commonwealth nor any political subdivision thereof is or shall be obligated to pay the principal of or interest on the Issue I Bonds, and neither the full faith and credit nor the taxing power of the Commonwealth or any political subdivision thereof is pledged to such payment. See “SECURITY FOR THE ISSUE I BONDS AND SOURCES OF PAYMENT.”

## THE AUTHORITY

### General

The Authority was created by the Act in recognition of the increasingly burdensome costs connected with post-secondary education. Declaring that “it is essential that this and future generations of youth be given the fullest opportunity to learn and to develop their intellectual capacity and skills,” the Legislature of the Commonwealth created the Authority for the purpose of assisting parents, students and institutions of higher education in financing and refinancing the costs of education. The Authority provides financial assistance to students attending post-secondary school through the financing of education loans.

In 1990, the Act was amended to add to the Authority’s functions that of developing and administering one or more savings programs designed to facilitate and encourage savings by or on behalf of students, future students and parents for the purposes of paying the costs of attendance at institutions of higher education. In connection with that amendment, the Authority’s name was changed from the Massachusetts Education Loan Authority to its current name, and the number of members of the Authority was increased from seven to nine. In 1994, the Authority established the “U. Plan Prepaid Tuition Program,” which is a prepaid tuition program that currently includes eighty (80) public and private Massachusetts colleges and universities. In 1999, the Authority established the Commonwealth’s Qualified 529 College Savings Program, the “U. Fund College Investing Plan,” which gives families an opportunity to save for qualified educational expenses through investments in mutual funds. Investments can be used at any accredited college in the country.

In 2002, the Authority initiated a program to fund Loans originated pursuant to the Federal Family Education Loan Program (“Authority FFELP Loans”). Authority FFELP Loans have been funded from the proceeds of Authority bonds issued pursuant to resolutions separate and apart from the Resolution. In April 2008, the Authority announced a suspension, effective July 1, 2008, of its funding of new Authority FFELP Loans in response to certain federal statutory changes and to capital market conditions.

In 2003, MEFA introduced services providing guidance to families and students about planning, saving and paying for college. Working through schools, libraries and community organizations, MEFA provides step-by-step assistance in achieving higher education through in-person seminars, one-on-one telephone counseling, and online, interactive resources for families at every stage of the college financing process. The technology available through *YourPlanForTheFuture.org*, introduced in 2010, offers a complete college and career planning resource for students, high school counselors, parents and mentors across the Commonwealth. The Commonwealth’s college and career web portal is provided free for all citizens of the Commonwealth.

The Authority solicits participation in its loan programs from qualifying independent and public educational institutions and eligible borrowers. The Authority monitors MEFA Education Loan origination and servicing, delinquencies and defaults, investment results and revenue projections. In addition to developing and operating its loan and savings programs, the Authority conducts an extensive

outreach program of seminars on student financial aid and financing higher education for educational personnel and for parents across the Commonwealth.

### **Members and Staff**

The Authority consists of nine members, seven of whom are appointed by the Governor of the Commonwealth. The two other members, *ex officio*, are the Secretary of the Executive Office for Administration and Finance and the Secretary of the Executive Office of Housing and Economic Development of the Commonwealth, or their designees. At least four of the members are required to be trustees, directors, officers or employees of institutions for higher education and three are required to be persons having a favorable reputation in the fields of state and municipal finance, banking, law or investment advice or management. The Executive Director and Assistant Executive Director are appointed by the Authority. There is currently one vacancy.

The members, the Executive Director and other staff of the Authority are listed below:

#### ***Members***

**KEITH C. SHAUGHNESSY**, Chair, term expires July 1, 2017.

Mr. Shaughnessy is the Chairman and Chief Executive Officer of Metapoint Partners, which he co-founded in 1988. He was previously Division Executive/Managing Director of the Acquisition Finance Division of Bank of Boston.

**PHILIP N. SHAPIRO**, Vice-Chair, term expires April 1, 2020.

Mr. Shapiro is the Chairman of ISO New England. He was previously the Vice President for Finance and Chief Financial Officer at Babson College, a Managing Director of Standard and Poor's Rating Group, CFO of the Massachusetts Water Resources Authority, a Director of Investor Relations for the Bank of New England, and a Deputy Director of the Massachusetts Energy Facilities Siting Council.

**GARY BAILEY, M.S.W.**, term expires July 1, 2019.

Mr. Bailey is an Associate Professor at Simmons College Graduate School of Social Work where he chairs the Dynamics of Racism and Oppression foundation sequence. He is a member of the Council on Social Work Education/Hartford Foundation Gero Education Initiative and serves as Chair of the Simmons College Black Administrators, Faculty and Staff Council.

**DENNIS D. BERKEY**, PhD. term expires July 1, 2017.

Dr. Berkey is the President and Chief Operating Officer of Biometric Identification and Security Systems, Inc. He is a distinguished higher education leader, most recently serving as Worcester Polytechnic Institute's fifteenth president. For over thirty years, he served as a tenured faculty member and senior administrator at Boston University. He is the author of several mathematics textbooks and his published research is in applied mathematics.

**MATTHEW J. GORZKOWICZ**, term expires July 1, 2018.

Mr. Gorzkowicz is the Assistant Vice President for Accounting and Planning at the University of Massachusetts President's Office. Previously, he held key finance and budget

related positions in Massachusetts government, most recently serving as the Undersecretary for the Executive Office for Administration and Finance.

**RAMÓN A. RIVERA, LL.M., CPA**, term expires June 30, 2021.

Mr. Rivera is the Chief Financial Officer of Fullbridge, Inc. Previously, he served as Vice President of Finance and Administration as well as the Secretary and Treasurer of the Board of Directors of Aereo, Inc., Director of International Finance at LoJack Corporation, Chief Financial Officer at CitySoft, Inc., and Senior Tax Manager with Pricewaterhouse Coopers, LLP.

**SECRETARY OF THE EXECUTIVE OFFICE FOR ADMINISTRATION AND FINANCE OF THE COMMONWEALTH, *ex-officio*.**

**SECRETARY OF THE EXECUTIVE OFFICE OF HOUSING AND ECONOMIC DEVELOPMENT OF THE COMMONWEALTH, *ex officio*.**

*Staff*

**THOMAS M. GRAF**, Executive Director.

Mr. Graf joined the Authority in December 1999. Prior to joining the Authority, he served as Budget Director for The Commonwealth of Massachusetts; Deputy Budget Director, Fiscal Affairs Division; and Director of Legislative Affairs/Fiscal Affairs for the Office of the Governor. Mr. Graf received his B.S. in Business Administration from Merrimack College.

**ELIZABETH K. FONTAINE**, Assistant Executive Director.

Ms. Fontaine joined the Authority in February 1993. Prior to joining the Authority, she served as Director of the Massachusetts State Scholarship Office and held several related college financing positions. Ms. Fontaine received a B.A. from Assumption College and completed graduate study at Clark University.

**JAMES S. LEIGHTON**, Chief Financial Officer and Chief Operating Officer.

Mr. Leighton joined the Authority in November 1997. Formerly, he was Portfolio Administrator for Mercantile Bank & Trust Company and a Financial Analyst for U.S. Trust and Fleet Management & Recovery Corporation. Mr. Leighton received his B.S. and his M.B.A. from Northeastern University.

**FRANCIS X. CAVANAUGH**, Director of Portfolio Origination and Funding.

Mr. Cavanaugh joined the Authority in December 2006. Prior to joining the Authority, he held various management positions in finance and operations in the manufacturing and distribution industry. Mr. Cavanaugh received his B.S. and M.B.A. from Babson College.

**SARAH R. CALLANDER**, Director of Financial Operations.

Ms. Callander joined the Authority in August 2000. Prior to joining the Authority, she was an Analyst at Citizens Power, LLC. Ms. Callander received her B.S. in Business Administration from the University of New Hampshire and her M.B.A. from Boston University.

**LAURA GROVES**, Finance Associate—Capital Markets.

Ms. Groves joined the Authority in July 2009. Prior to joining the Authority, she was a Financial Analyst at the San Diego County Regional Airport Authority. She has also served as a Financial Analyst and Finance Intern within the Authority from 2002-2007. Ms. Groves received her B.S. in Finance from Bentley University.

**SABRINA T. TRAN**, Director of Portfolio Servicing

Ms. Tran joined the Authority in February 2008. Prior to this role, she has served as a Finance Associate and Financial Analyst within the loan operations department at the Authority. Before joining the Authority, she was an Executive Assistant at Radius Financial Group, Inc. Ms. Tran received her B.S. in Finance and Insurance from Northeastern University.

**THE SERIES 2015B-1 BONDS**

**The statements described under this heading relate only to the Series 2015B-1 Bonds.**

**General**

The Series 2015B-1 Bonds will be issued as PAC Bonds under the Resolution in denominations of \$100,000 and of integral multiples of \$1,000 in excess thereof, will be dated the date of delivery, and will bear interest from their date, payable on January 1, 2016 and on each July 1 and January 1 thereafter, or if any such day is not a Business Day, the next Business Day. The Series 2015B-1 Bonds mature on January 1, 2031 and January 1, 2032 and bear interest at a floating rate that shall be determined for each successive period described below or for any portion thereof. See “—LIBOR Based Interest Rate Determination.”

So long as the Series 2015B-1 Bonds are registered in the name of Cede & Co. as nominee of DTC, interest on and principal of the Series 2015B-1 Bonds will be payable to Cede & Co., and will be redistributed by DTC and the DTC Participants as described herein under “BOOK-ENTRY ONLY SYSTEM.”

**LIBOR Based Interest Rate Determination**

Except for the period beginning on the date of initial issuance of the Series 2015B-1 Bonds and ending on the last calendar day of the month immediately following the month of such initial issuance (the “Initial Interest Period”), the Series 2015B-1 Bonds maturing on January 1, 2031 will bear interest at a rate equal to one-month LIBOR plus 1.75% per annum, and the Series 2015B-1 Bonds maturing on January 1, 2032 will bear interest at a rate equal to one-month LIBOR plus 2.05% per annum. For the Initial Interest Period, interest on the Series 2015B-1 Bonds maturing on January 1, 2031 will be 1.976% per annum, and interest on the Series 2015B-1 Bonds maturing on January 1, 2032 will be 2.276% per annum.

The Trustee will determine the rate of interest on the Series 2015B Bonds for each successive Interest Period on the second London Business Day immediately preceding the first calendar day of each calendar month. Interest on the Series 2015B-1 Bonds will be calculated on the basis of the actual number of days elapsed during the Interest Period divided by 360 (and rounding to the fifth decimal place the resultant figure).

One-month LIBOR means the London interbank offered rate for deposits in United States dollars for a period of one month, which rate appears on the Reuters Screen LIBOR01 Page (or any successor page for the purpose of displaying Intercontinental Exchange Interest Settlement Rates for U.S.) at approximately 11:00 a.m., London time, on the second London Business Day immediately preceding the first calendar day of the applicable month. If no such offered rate exists, such rate will be the rate of interest per annum, as determined by the Trustee at which deposits of United States dollars in immediately available funds are offered at 11:00 a.m. (London, England time) on the second London Business Day immediately preceding the first calendar day of the applicable month by major financial institutions reasonably satisfactory to the Trustee in the London interbank market for such one-month period for the applicable principal amount on such date of determination.

## **Redemption Provisions**

**General.** The Series 2015B-1 Bonds may be subject to optional redemption, mandatory PAC redemption, mandatory redemption resulting from non-origination, special optional redemption from Excess Revenues and special mandatory redemption from Excess Revenues, as described below. All such redemptions result in the payment to the holder of a Redemption Price equal to the principal amount of the Series 2015B-1 Bonds being redeemed, without premium, plus accrued interest, if any, to the redemption date. There are numerous factors that may affect the likelihood that the Series 2015B-1 Bonds may be called for redemption prior to maturity, including certain factors that may be related to financial market and economic conditions. See “SECURITY FOR THE ISSUE I BONDS AND SOURCES OF PAYMENT — Revenues” and “—Funds and Accounts,” “INVESTMENT CONSIDERATIONS — Redemption of Bonds” and “APPENDIX F — PREPAYMENTS, EXTENSIONS, WEIGHTED AVERAGE LIVES AND EXPECTED MATURITIES OF THE SERIES 2015B-1 PAC BONDS AND OF THE SERIES 2015B-2 PAC BONDS.”

**Optional Redemption.** The Series 2015B-1 Bonds will be subject to redemption prior to maturity, in whole or in part, on any date, at the option of the Authority, at a Redemption Price equal to the principal amount thereof being redeemed, without premium, plus accrued interest, if any, to the redemption date. Any such redemption of Series 2015B-1 Bonds is to be applied: *first*, to satisfy any Series 2015B-1 PAC Installments which were not made as initially scheduled and remain unpaid, in sequential order; and *second*, to pay any remaining Series 2015B-1 PAC Installments, pro-rated between applicable PAC Installments of the Series 2015B-1 Bonds maturing on January 1, 2031 and of the Series 2015B-1 Bonds maturing on January 31, 2032 and among such PAC Installments within each such maturity utilizing the relative unsatisfied amount of each applicable PAC Installment at the time of calculation as the basis of pro-ration.

**Mandatory PAC Redemption of Series 2015B-1 Bonds Maturing on January 1, 2031.** The Series 2015B-1 Bonds maturing on January 1, 2031 are subject to mandatory PAC redemption pursuant to the provisions of the Resolution in the respective amounts and on January 1 and July 1 in each of the respective years set forth in the following schedule of PAC Installments, to the extent that moneys are available therefor (except upon the scheduled maturity date), at a Redemption Price equal to the principal amount thereof being redeemed, without premium, plus accrued interest, if any, to the redemption date.

### Series 2015B-1 Bonds Due January 1, 2031

<u>Date</u>	<u>PAC Installment</u>
January 1, 2017	\$2,330,000
July 1, 2017	1,180,000
January 1, 2018	1,150,000
July 1, 2018	1,110,000
January 1, 2019	230,000

If, on the second to last Business Day of the second calendar month preceding the due date of any PAC Installment, the amounts available to make the PAC Installment are less than the scheduled PAC Installment, the amount of the insufficiency will be due on the next PAC Installment due date and, if not paid by the last such PAC Installment due date, on each successive Interest Payment Date thereafter, to the extent funds are available therefor, until paid in full. A failure to make a PAC Installment, prior to the scheduled maturity date of such Series 2015B-1 Bonds on January 1, 2031, that results from insufficient Revenues being available to fund such payment in accordance with the Resolution is not a default and will not give rise to an Event of Default under the Resolution. The amounts which would otherwise be available for such a PAC Installment may be applied, prior to notice of mandatory PAC redemption, to the purchase for cancellation of such Series 2015B-1 Bonds at prices not exceeding par plus accrued interest to the date of purchase, in which event the principal amount of such Series 2015B-1 Bonds scheduled to be redeemed on the immediately succeeding PAC Installment due date will be reduced by the principal amount of such Series 2015B-1 Bonds so purchased.

Any redemption of Series 2015B-1 Bonds maturing on January 1, 2031, other than by operation of optional redemption or of mandatory redemption resulting from non-origination, and any delivery by the Authority to the Trustee for cancellation of such Series 2015B-1 Bonds purchased by the Authority (except as described in the last sentence of the immediately preceding paragraph), shall result in the reduction of the remaining PAC Installments of such Series 2015B-1 Bonds in sequential order. No such reduction, however, shall cause any PAC Installment to be in an amount other than an Authorized Denomination and reductions shall be increased or decreased as directed by the Authority to avoid such a result.

The Resolution provides that the amount of moneys available to fund PAC Installments with respect to the Series 2015B-1 Bonds maturing on January 1, 2031 on the due date of any PAC Installment on or prior to the final one on January 1, 2019 or, if necessary, on any Interest Payment Date thereafter prior to the maturity thereof, shall be equivalent to the full amount of Revenues allocable to the Series 2015B-1 Bonds or to any other Series or Subseries of Issue I Bonds that may be subsequently issued and that bear interest on a federally taxable floating rate basis (together with the Series 2015B-1 Bonds, the “Taxable Floating Rate Bonds”), to the extent that such Revenues remain available on the second to last Business Day of the second calendar month preceding such PAC Installment due date after interest and Principal Installments then due on all Taxable Floating Rate Bonds (excluding PAC Installments and potentially either including or excluding certain Cumulative Sinking Fund Installments with respect to Taxable Floating Rate Bonds that may be issued in the future, but including, in each case, any such Principal Installments that have become due on their scheduled maturity date) and certain budgeted Program Expenses have been fully funded. The Resolution further provides that all PAC Installments on the Series 2015B-1 Bonds maturing on January 1, 2031 are to be paid before any PAC Installments on the Series 2015B-1 Bonds maturing on January 1, 2032, except as may result from redemption described under “—*Optional Redemption*” and “—*Mandatory Redemption From Non-Origination*.” See “APPENDIX C — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — Semi-Annual Transfers From the Revenue Fund.”



***Mandatory PAC Redemption of Series 2015B-1 Bonds Maturing on January 1, 2032.*** The Series 2015B-1 Bonds maturing on January 1, 2032 are subject to mandatory PAC redemption pursuant to the provisions of the Resolution in the respective amounts and on January 1 and July 1 in each of the respective years set forth in the following schedule of PAC Installments, to the extent that moneys are available therefor (except upon the scheduled maturity date), at a Redemption Price equal to the principal amount thereof being redeemed, without premium, plus accrued interest, if any, to the redemption date.

**Series 2015B-1 Bonds Due January 1, 2032**

<u>Date</u>	<u>PAC Installment</u>
January 1, 2019	\$ 860,000
July 1, 2019	1,000,000
January 1, 2020	980,000
July 1, 2020	960,000
January 1, 2021	940,000
July 1, 2021	910,000
January 1, 2022	880,000
July 1, 2022	850,000
January 1, 2023	830,000
July 1, 2023	830,000
January 1, 2024	780,000
July 1, 2024	750,000
January 1, 2025	730,000
July 1, 2025	280,000
January 1, 2026	680,000
July 1, 2026	660,000
January 1, 2027	640,000
July 1, 2027	620,000
January 1, 2028	680,000
July 1, 2028	140,000

If, on the second to last Business Day of the second calendar month preceding the due date of any PAC Installment, the amounts available to make the PAC Installment are less than the scheduled PAC Installment, the amount of the insufficiency will be due on the next PAC Installment due date and, if not paid by the last such PAC Installment due date, on each successive Interest Payment Date thereafter, to the extent funds are available therefor, until paid in full. A failure to make a PAC Installment, prior to the scheduled maturity date of such Series 2015B-1 Bonds on January 1, 2032, that results from insufficient Revenues being available to fund such payment in accordance with the Resolution is not a default and will not give rise to an Event of Default under the Resolution. The amounts which would otherwise be available for such a PAC Installment may be applied, prior to notice of mandatory PAC redemption, to the purchase for cancellation of such Series 2015B-1 Bonds at prices not exceeding par plus accrued interest to the date of purchase, in which event the principal amount of such Series 2015B-1 Bonds scheduled to be redeemed on the immediately succeeding PAC Installment due date will be reduced by the principal amount of such Series 2015B-1 Bonds so purchased.

Any redemption of Series 2015B-1 Bonds maturing on January 1, 2032, other than by operation of optional redemption or of mandatory redemption resulting from non-origination, and any delivery by the Authority to the Trustee for cancellation of such Series 2015B-1 Bonds purchased by the Authority (except as described in the last sentence of the immediately preceding paragraph), shall result in the reduction of the remaining PAC Installments of such Series 2015B-1 Bonds in sequential order. No such reduction, however, shall cause any PAC Installment to be in an amount other than an Authorized

Denomination and reductions shall be increased or decreased as directed by the Authority to avoid such a result.

The Resolution provides that the amount of moneys available to fund PAC Installments with respect to the Series 2015B-1 Bonds maturing on January 1, 2032 on the due date of any PAC Installment prior to the final one on July 1, 2028 or, if necessary, on any Interest Payment Date thereafter prior to the maturity thereof, shall be equivalent to the full amount of Revenues allocable to the Series 2015B-1 Bonds or to any other Series or Subseries of Issue I Bonds that may be subsequently issued and that bear interest on a federally taxable floating rate basis, to the extent that such Revenues remain available on the second to last Business Day of the second calendar month preceding such PAC Installment due date after interest and Principal Installments then due on all Taxable Floating Rate Bonds (excluding PAC Installments and potentially either including or excluding certain Cumulative Sinking Fund Installments with respect to Taxable Floating Rate Bonds that may be issued in the future, but including, in each case, any such Principal Installments that have become due on their scheduled maturity date) and certain budgeted Program Expenses have been fully funded. The Resolution further provides that PAC Installments on the Series 2015B-1 Bonds maturing on January 1, 2032 are to be paid only after all PAC Installments on the Series 2015B-1 Bonds maturing on January 1, 2031, except as may result from redemption described under “—*Optional Redemption*” and “—*Mandatory Redemption From Non-Origination*.” See “APPENDIX C — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — Semi-Annual Transfers From the Revenue Fund.”

***Mandatory Redemption Resulting From Non-Origination.*** The Series 2015B-1 Bonds are subject to redemption prior to maturity, in whole or in part, on any date, from original proceeds of the Series 2015B-1 Bonds remaining in the Series 2015B-1 Purchase Account that are not expended (or committed to be expended) as of the end of the Series 2015B-1 Loan Origination Period. As of the date of delivery of the Series 2015B-1 Bonds, the Series 2015B-1 Loan Origination Period will end on September 30, 2016, unless extended upon compliance with certain requirements of the General Resolution. Unless the Series 2015B-1 Loan Origination Period is extended, any such redemption would take place by or on the next succeeding January 1 or July 1, as applicable, for which required notice can be given.

No such redemption, however, shall cause the Series 2015B-1 Bonds that remain Outstanding to be in an amount other than an Authorized Denomination and the amount to be so redeemed shall be increased or decreased as directed by the Authority to avoid such a result. Any such redemption of Series 2015B-1 Bonds is to be applied: *first*, to the principal payment of Outstanding Series 2015B-1 Bonds in the amount necessary to satisfy any Series 2015B-1 Bond PAC Installments which were not made as initially scheduled and remain unpaid, in sequential order; and *second*, to pay any remaining Series 2015B-1 PAC Installments, pro-rated between applicable PAC Installments of the Series 2015B-1 Bonds maturing on January 1, 2031 and of the Series 2015B-2 Bonds maturing on January 1, 2032 and among such PAC Installments within each such maturity utilizing the relative unsatisfied amount of each applicable PAC Installment at the time of calculation as the basis of pro-ration. See “INVESTMENT CONSIDERATIONS — Redemption of Bonds,” “— Certain Actions May Be Permitted Without Bondholder Approval” and “— Competition May Reduce Demand for or Increase Prepayments on Issue I Loans,” “ESTIMATED SOURCES AND USES OF FUNDS,” “THE MEFA FINANCING PROGRAM” and “MEFA EDUCATION LOAN PORTFOLIO.”

***Special Optional Redemption From Excess Revenues.*** The Series 2015B-1 Bonds are subject to special optional redemption prior to maturity, in whole or in part, on each Interest Payment Date on which: (i) the aggregate Outstanding principal amount of the Issue I Bonds equals or exceeds an amount equivalent, at the time of computation, to such amount as may be required by the then most recently adopted Series Resolution authorizing the issuance of then Outstanding Issue I Bonds (which amount, as

of the date of delivery of the Series 2015B-1 Bonds, shall be \$81,448,500); and (ii) either (a) such Interest Payment Date occurs during the Recycling Period or (b) the Parity Ratio exceeds the amount then required with respect to a Parity Ratio Certificate, which upon the date of delivery of the Offered Bonds will be 109.00% (each such Interest Payment Date being a “Potential Special Optional Excess Revenues Redemption Date”), at a Redemption Price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest, if any, to the redemption date, in such amounts as the Authority may direct, from certain Excess Revenues that are then allocable to the Series 2015B-1 Bonds on the second to last Business Day of the second calendar month prior to the Interest Payment Date. Excess Revenues will be allocated to the redemption of the Series 2015B-1 Bonds and any such redemption will be applied in the manner described under “— *Availability and Application of Excess Revenues.*” As of the date of delivery of the Offered Bonds, the Recycling Period for all the Outstanding Bonds under the Issue I General Resolution will end on December 31, 2016, unless extended with respect to one or more Series of Bonds in compliance with certain requirements of the General Resolution. See “— *Availability and Application of Excess Revenues*” and “— *Issuance of Additional Bonds and Amortization of Bonds May Affect Redemption.*” “INVESTMENT CONSIDERATIONS — Redemption of Bonds,” “APPENDIX B — DEFINITIONS OF CERTAIN TERMS” and “APPENDIX C — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — Establishment of Funds and Accounts,” “— Monthly Transfers from Revenue Fund,” and “— Semi-Annual Transfers from Revenue Fund” and “— Application of Excess Revenues to Redemption of Bonds.”

***Special Mandatory Redemption From Excess Revenues.*** The Series 2015B-1 Bonds are subject to special mandatory redemption prior to maturity, in whole or in part, on each Interest Payment Date that is not a Potential Special Optional Excess Revenues Redemption Date, at a Redemption Price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest, if any, to the redemption date, from certain Excess Revenues that are then allocable to the Series 2015B-1 Bonds on the second to last Business Day of the second calendar month prior to the Interest Payment Date. Excess Revenues will be allocated to the redemption of the Series 2015B-1 Bonds and any such redemption will be applied in the manner described under “— *Availability and Application of Excess Revenues.*” See “— *Availability and Application of Excess Revenues*” and “— *Issuance of Additional Bonds and Amortization of Bonds May Affect Redemption.*”

***Availability and Application of Excess Revenues.*** The Resolution defines Excess Revenues generally to include all Revenues that are available in the Revenue Fund upon a monthly or semi-annual transfer date and that are not required by the Resolution, or by a permitted determination by the Authority, to be applied to a purpose other than funding Excess Revenue redemption of Bonds. The Resolution also distinguishes between Taxable Floating Rate Excess Revenues, Taxable Fixed Rate Excess Revenues and Tax-Exempt Excess Revenues on the basis of whether the Trust Assets from which such Excess Revenues were derived are attributable to Taxable Floating Rate Bonds (such as the Series 2015B-1 Bonds), to Taxable Fixed Rate Bonds or to Tax-Exempt Bonds, respectively. In addition, the Resolution provides that: (i) Taxable Floating Rate Excess Revenues will only be applied to the Excess Revenue redemption of Taxable Floating Rate Bonds that are then subject to such redemption, so long as any such Bonds remain Outstanding; (ii) Taxable Fixed Rate Excess Revenues will only be applied to the Excess Revenue redemption of Taxable Fixed Rate Bonds that are then subject to such redemption, so long as any such Bonds remain Outstanding; (iii) Tax-Exempt Excess Revenues will only be applied to the Excess Revenue redemption of Tax-Exempt Bonds that are then subject to such redemption, so long as any such Bonds remain Outstanding; and (iv) in each case, Excess Revenues from the source described in clause (i), (ii) or (iii), as applicable, that are not so applied shall be applied either to the redemption, other than Excess Revenue redemption, or the purchase for cancellation of Bonds that are subject to redemption from Excess Revenue described in such clause so long as any such Bonds remain Outstanding. See “APPENDIX B—DEFINITION OF CERTAIN TERMS” and “APPENDIX C — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — Establishment of Funds and

Accounts,” “— Monthly Transfers from Revenue Fund,” “— Semi-Annual Transfers from Revenue Fund” and “— Application of Excess Revenues to Redemption of Bonds.”

The Resolution further provides that the Excess Revenues that are applicable at any time to Special Optional Redemption From Excess Revenues or to Special Mandatory Redemption From Excess Revenues of the Series 2015B-1 Bonds, and to such redemption of any other Series of Taxable Floating Rate Bonds that may hereafter be issued as Bonds Subject to Redemption From Taxable Floating Rate Excess Revenues, are to be applied generally: *first*, with respect to all such Bonds that are then also subject to Mandatory PAC Redemption, to the extent necessary to satisfy PAC Installments which were not made as initially scheduled in the applicable Series Resolution and remain unpaid, sequentially by date of initial issuance of such Bonds, and in the case of such Bonds that have the same date of initial issuance, sequentially by final stated maturity date of such Bonds; *second*, with respect to all such Bonds that are not then also subject to Mandatory PAC Redemption, on a pro-rata basis, utilizing the relative Outstanding principal amounts of each maturity within each Series or Subseries of such Bonds then subject to such redemption at the time of calculation as the basis of pro-ration; and *third*, with respect to all such Bonds that are then both subject to such redemption and subject to Mandatory PAC Redemption, sequentially in order of their initial dates of issuance; provided, that all PAC Installments on the Series 2015B-1 Bonds maturing on January 1, 2031 are to be paid before any PAC Installments on the Series 2015B-1 Bonds maturing on January 1, 2032. The Resolution further provides for application of Excess Revenues derived from assets that were allocable to Bonds having common interest rate characteristics to the redemption of Bonds with different interest rate characteristics after no Bonds to which the assets had originally been allocable remain Outstanding; provided, however, that such application is subject to allocation among Bond Series and maturities having different interest rate characteristics in the sequence and with the priority provided in the Resolution. See “— *Issuance of Additional Bonds and Amortization of Bonds May Affect Redemption*,” “INVESTMENT CONSIDERATIONS — Redemption of Bonds,” and “APPENDIX B—DEFINITION OF CERTAIN TERMS” and “APPENDIX C — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — Establishment of Funds and Accounts,” “— Monthly Transfers from Revenue Fund,” “— Semi-Annual Transfers from Revenue Fund” and “— Application of Excess Revenues to Redemption of Bonds.”

The Resolution permits the Authority to sell or to otherwise dispose of MEFA Education Loans at its discretion, subject to compliance with certain requirements. With respect to disposition of MEFA Education Loans, other than Defaulted Loans, the Resolution requires delivery to the Trustee of a Favorable Projection of Revenues and a certificate that such Favorable Projection of Revenues also shows that there will be no adverse effect on then current expectations as to payment of remaining scheduled PAC Installments. It also generally provides that resulting proceeds are to be deposited to the applicable Redemption Account for application to fund optional redemption, other than optional special redemption from Excess Revenues, the purchase for cancellation or the defeasance of Bonds of the applicable Series. The Resolution permits the Authority to direct the transfer, from time to time during a Recycling Period, to the applicable Purchase Account of any such amounts that are allocable to a specific Series of the Offered Bonds, or of any subsequently issued Issue I Bonds, that then remain uncommitted to the optional redemption, purchase or defeasance of, such Series and that then exceed any unsatisfied amount of any PAC Installments that are applicable to Bonds with the same interest rate characteristics as such Series, subject to delivery to the Trustee of a Favorable Projection of Revenues and a certificate as to the absence of adverse effect as described above in this paragraph. The Resolution further provides that any such uncommitted amounts shall be transferred to the applicable PAC Installment Accounts to cure any shortfalls in Revenue Account funding of any PAC Installments applicable to Bonds with the same interest rate characteristics as such Series prior to the application of any amounts in the applicable Redemption Account to other purposes. The Resolution further provides that, to the extent that any amount so transferred to the Purchase Account cannot be applied to Purchase Issue I Loans, the Authority shall direct their redeposit to the applicable Redemption Account for application as described above. The

Authority does not have any present intention to sell or otherwise dispose of MEFA Education Loans, but reserves the right to do so. See “APPENDIX B — DEFINITION OF TERMS” and “APPENDIX C — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — Covenants as to Education Loans” and “—Priority of Payments After Default” and “— Application of Excess Revenues to Redemption of Bonds.”

***Selection of Series 2015B-1 Bonds to be Redeemed.*** If less than all of the Series 2015B-1 Bonds of the same maturity shall be redeemed, the particular Series 2015B-1 Bonds to be redeemed shall be selected on a pro-rata basis; provided, that so long as DTC or its nominee is the Bondholder, if less than all of the Series 2015B-1 Bonds of the same maturity are redeemed, the particular Series 2015B-1 Bonds or portions of such Series 2015B-1 Bonds to be redeemed shall be selected by DTC in such customary manner as DTC may determine.

***Notice of Redemption of Series 2015B-1 Bonds.*** At least 10 days prior to the date fixed for the redemption of the Series 2015B-1 Bonds, notice of redemption shall be mailed by first-class mail to the Registered Owner (which initially will be DTC or its nominee) of the Series 2015B-1 Bonds, or portions thereof, to be redeemed at its last address as it appears on the books of registry, stating the Series 2015B-1 Bonds to be redeemed, the redemption date, the place or places where the amounts due upon such redemption will be paid and the redemption price of the Series 2015B-1 Bonds to be redeemed and, if less than all of the Series 2015B-1 Bonds are to be redeemed, the letters and numbers or other distinguishing marks of such Series 2015B-1 Bonds to be redeemed, and, in the case of Series 2015B-1 Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that on the redemption date the Series 2015B-1 Bonds, or portion thereof, to be redeemed shall be due and payable at the applicable redemption price, plus accrued interest to the redemption date, and that interest on the Series 2015B-1 Bonds to be redeemed shall cease to accrue from and after the redemption date.

Notice having been given as provided above, the Series 2015B-1 Bonds or portions thereof designated in the notice shall become due and payable at the applicable redemption price, plus interest accrued thereon to the redemption date, and, upon surrender in accordance with the notice, shall be paid, together with interest accrued thereon to the date fixed for redemption; provided, however, that failure to provide such notice to any one or more owners of the Series 2015B-1 Bonds designated for redemption will not affect the sufficiency of the proceedings for redemption of Series 2015B-1 Bonds with respect to owners to whom such notice was made.

***Issuance of Additional Bonds and Amortization of Bonds May Affect Redemption.*** The Authority reserves the right to issue additional Series of Issue I Bonds that are subject to redemption from Excess Revenues that are allocable to the Issue I Loans funded from proceeds of such Issue I Bonds, or from Excess Revenues generally, on a basis that is different from that described herein with respect to the Offered Bonds as well as Additional Bonds that are not subject to such redemption at all. Issuance of such Issue I Bonds may affect the amount of Revenues that would be available as Excess Revenues to redeem other Issue I Bonds, including the Series 2015B-1 Bonds, if not applied to other purposes that are permitted under the Resolution. In addition, the amortization of Series 2015B-1 Bonds, and of other Issue I Bonds, may also affect the amount of Revenues that would be so available. See “INVESTMENT CONSIDERATIONS — Redemption of Bonds.”

## THE SERIES 2015B-2 BONDS

The statements described under this heading relate only to the Series 2015B-2 Bonds.

### General

The Series 2015B-2 Bonds will be issued in denominations of \$5,000 and of integral multiples thereof, will be dated the date of delivery, and will bear interest from their date, payable on January 1, 2016 and on each July 1 and January 1 thereafter, or if any such day is not a Business Day, the next Business Day. The Series 2015B-2 Bonds bear interest at the rates and mature on the dates set forth on the front inside cover of this Official Statement.

So long as the Offered Bonds are registered in the name of Cede & Co. as nominee of DTC, interest on and principal of the Series 2015B Bonds will be payable to Cede & Co., and will be redistributed by DTC and the DTC Participants as described herein under “BOOK-ENTRY ONLY SYSTEM.”

### Redemption Provisions

**General.** The Series 2015B-2 Bonds of various maturities may be subject to optional redemption, cumulative mandatory sinking fund redemption, mandatory PAC redemption, mandatory redemption resulting from non-origination, special optional redemption from excess revenues and special mandatory redemption from excess revenues, as described below. All such redemptions result in the payment to the holder of a Redemption Price equal to the principal amount of the Series 2015B-2 Bonds being redeemed, without premium, plus accrued interest, if any, to the redemption date except as described under “— *Mandatory Redemption From Non-Origination*” with respect to Series 2015B-2 Bonds. There are numerous factors that may affect the likelihood that any Series 2015B-2 Bond may be called for redemption prior to maturity, including certain factors that may be related to financial market and economic conditions. See “INVESTMENT CONSIDERATIONS — Redemption of Bonds” and “APPENDIX F — PREPAYMENTS, EXTENSIONS, WEIGHTED AVERAGE LIVES AND EXPECTED MATURITIES OF THE SERIES 2015B-1 PAC BONDS AND OF THE SERIES 2015B-2 PAC BONDS.”

**Optional Redemption.** The Series 2015B-2 Bonds maturing on or after July 1, 2026 will be subject to redemption prior to maturity, in whole or in part, on any date on or after January 1, 2026 the option of the Authority, at a Redemption Price equal to the principal amount thereof being redeemed, without premium, plus accrued interest, if any, to the redemption date. Any such redemption of Series 2015B-2 Bonds is to be applied: *first*, to satisfy any Series 2015B-2 PAC Installments which were not made as initially scheduled and remain unpaid, in sequential order; and *second*, to pay Series 2015B-2 Bonds maturing on January 1, 2030.

***Cumulative Mandatory Sinking Fund Redemption.*** The Series 2015B-2 Bonds maturing on July 1, 2025 (the “2025 2015B-2 Term Bonds”) are subject to cumulative mandatory sinking fund redemption, to the extent that moneys are available therefor, pursuant to the provisions of the Resolution, in the respective amounts and on January 1 and July 1 in each of the respective years set forth in the following schedules of Sinking Fund Installments, at a Redemption Price equal to the principal amount thereof being redeemed, without premium, plus accrued interest, if any, to the redemption date.

**Series 2015B-2 Term Bonds Due July 1, 2025**

<u>Date</u>	<u>Sinking Fund Installment</u>
January 1, 2024	\$2,000,000
July 1, 2024	2,000,000
January 1, 2025	1,300,000
July 1, 2025 <sup>†</sup>	1,000,000

<sup>†</sup> Final maturity.

If, on the second to last Business Day of the second calendar month preceding the due date of any Sinking Fund Installment, prior to the scheduled maturity of the 2025 2015B-2 Term Bonds subject to such Sinking Fund Installment, the amounts available to make the Sinking Fund Installment are less than the scheduled Sinking Fund Installment, the amount of the insufficiency will be due on the next Sinking Fund Installment due date, to the extent funds are available therefor, until paid in full. A failure to make a Sinking Fund Installment, prior to the scheduled maturity of the 2025 2015B-2 Term Bonds to which such Sinking Fund Installment applies that results from insufficient Revenues being available to fund such payment in accordance with the Resolution is not a default and will not give rise to an Event of Default under the Resolution. The amounts which would otherwise be available for a Sinking Fund Installment may be applied, prior to notice of cumulative mandatory sinking fund redemption, to the purchase, for cancellation, of the 2025 2015B-2 Term Bonds to which such Sinking Fund Installment applies at prices not exceeding par, plus accrued interest to the date of purchase, in which event the principal amount of 2025 2015B-2 Term Bonds scheduled to be redeemed on the immediately succeeding Sinking Fund Installment due date will be reduced by the principal amount of 2025 2015B-2 Term Bonds so purchased.

The Series 2015B-2 Bonds maturing on January 1, 2030 (the “2030 2015B-2 Term Bonds”) are subject to cumulative mandatory sinking fund redemption, to the extent that moneys are available therefor, pursuant to the provisions of the Resolution, in the respective amounts and on January 1 and July 1 in each of the respective years set forth in the following schedules of Sinking Fund Installments, at a Redemption Price equal to the principal amount thereof being redeemed, without premium, plus accrued interest, if any, to the redemption date.

**Series 2015B-2 Term Bonds Due January 1, 2030**

<u>Date</u>	<u>Sinking Fund Installment</u>
January 1, 2026	\$2,000,000
July 1, 2026	2,000,000
January 1, 2027	2,000,000
July 1, 2027	2,000,000
January 1, 2028	2,000,000
July 1, 2028	2,000,000
January 1, 2029	1,700,000
July 1, 2029	1,300,000
January 1, 2030 <sup>†</sup>	900,000

<sup>†</sup> Final maturity.

If, on the second to last Business Day of the second calendar month preceding the due date of any Sinking Fund Installment, prior to the scheduled maturity of the 2030 2015B-2 Term Bonds subject to such Sinking Fund Installment, the amounts available to make the Sinking Fund Installment are less than the scheduled Sinking Fund Installment, the amount of the insufficiency will be due on the next Sinking Fund Installment due date, to the extent funds are available therefor, until paid in full. A failure to make a Sinking Fund Installment, prior to the scheduled maturity of the 2030 2015B-2 Term Bonds to which such Sinking Fund Installment applies that results from insufficient Revenues being available to fund such payment in accordance with the Resolution is not a default and will not give rise to an Event of Default under the Resolution. The amounts which would otherwise be available for a Sinking Fund Installment may be applied, prior to notice of cumulative mandatory sinking fund redemption, to the purchase, for cancellation, of the 2030 2015B-2 Term Bonds to which such Sinking Fund Installment applies at prices not exceeding par, plus accrued interest to the date of purchase, in which event the principal amount of 2030 2015B-2 Term Bonds scheduled to be redeemed on the immediately succeeding Sinking Fund Installment due date will be reduced by the principal amount of 2030 2015B-2 Term Bonds so purchased.

Any redemption of 2025 2015B-2 Term Bonds or of 2030 Series 2015B-2 Term Bonds, other than by operation of cumulative mandatory sinking fund redemption, and any delivery by the Authority to the Trustee for cancellation of 2025 2015B-2 Term Bonds or of 2030 Series 2015B-2 Term Bonds purchased by the Authority, shall result in the reduction of the remaining Sinking Fund Installments applicable to Series 2015B-2 Bonds of such maturity on a pro-rata basis. No such reduction, however, shall cause any Sinking Fund Installment to be in an amount other than an Authorized Denomination and reductions shall be increased or decreased as directed by the Authority to avoid such a result. See “INVESTMENT CONSIDERATIONS — Certain Actions May be Permitted Without Bondholder Approval.”

The Resolution provides that the amount of moneys available to make Cumulative Sinking Fund Installments with respect to the 2025 2015B-2 Term Bonds and with respect to the 2030 2015B-2 Term Bonds on the due date of any applicable Cumulative Sinking Fund Installment, prior to the respective maturities thereof, shall be equivalent to the full amount of Revenues allocable to the Series 2015B-2 Bonds or to any other Series or Subseries of Issue I Bonds that may be subsequently issued and that bear interest on a federally taxable fixed rate basis (together with the Series 2015B-2 Bonds, the “Taxable Fixed Rate Bonds”), to the extent that such Revenues remain available on the second to last Business Day of the second calendar month preceding such Cumulative Sinking Fund Installment due date after interest and Principal Installments then due with respect to all Taxable Fixed Rate Bonds (including PAC



Installments, potentially either including or excluding Cumulative Sinking Fund Installments with respect to certain Taxable Fixed Rate Bonds that may be issued in the future, but including, in each case, any such Principal Installments that have become due on their scheduled maturity date) and certain budgeted Program Expenses have been fully funded. See “APPENDIX C — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — Monthly Transfers From the Revenue Fund” and “—Semi-Annual Transfers From the Revenue Fund”

***Mandatory PAC Redemption of Series 2015B-2 Bonds Maturing on January 1, 2032.*** The Series 2015B-2 Bonds maturing on January 1, 2032 (the “2032 Series 2015B-2 PAC Bonds”) are subject to mandatory PAC redemption pursuant to the provisions of the Resolution in the respective amounts and on January 1 and July 1 in each of the respective years set forth in the following schedule of PAC Installments, to the extent that moneys are available therefor (except upon the schedule maturity date), at a Redemption Price equal to the principal amount thereof being redeemed, without premium, plus accrued interest, if any, to the redemption date.

**2032 Series 2015B-2 PAC Bonds**

<u>Date</u>	<u>PAC Installment</u>
January 1, 2017	\$2,000,000
July 1, 2017	1,510,000
January 1, 2018	1,000,000
July 1, 2018	950,000
January 1, 2019	660,000
July 1, 2019	470,000
January 1, 2020	440,000
July 1, 2020	580,000
January 1, 2021	840,000
July 1, 2021	690,000
January 1, 2022	750,000
July 1, 2022	210,000
January 1, 2023	260,000
July 1, 2023	10,000
January 1, 2024	770,000
July 1, 2024	60,000

If, on the second to last Business Day of the second calendar month preceding the due date of any PAC Installment, the amounts available to make the PAC Installment are less than the scheduled PAC Installment, the amount of the insufficiency will be due on the next PAC Installment due date and, if not paid by the last such PAC Installment due date, on each successive Interest Payment Date thereafter, to the extent funds are available therefor, until paid in full. A failure to make a PAC Installment, prior to January 1, 2032, that results from insufficient Revenues being available to fund such payment in accordance with the Resolution is not a default and will not give rise to an Event of Default under the Resolution. The amounts which would otherwise be available for such PAC Installment may be applied, prior to notice of mandatory PAC redemption, to the purchase for cancellation of the 2032 Series 2015B-2 PAC Bonds at prices not exceeding par plus accrued interest to the date of purchase, in which event the principal amount of 2032 Series 2015B-2 PAC Bonds scheduled to be redeemed on the immediately succeeding PAC Installment due date will be reduced by the principal amount of 2032 Series 2015B-2 PAC Bonds so purchased.

Any redemption of 2032 Series 2015B-2 PAC Bonds, other than by operation of mandatory redemption resulting from non-origination and any delivery by the Authority to the Trustee for

cancellation of 2032 Series 2015B-2 PAC Bonds purchased by the Authority, (except as described in the last sentence of the immediately preceding paragraph), shall result in the reduction of the remaining PAC Installments of the 2032 Series 2015B-2 PAC Bonds in sequential order. No such reduction, however, shall cause any PAC Installment to be in an amount other than an Authorized Denomination and reductions shall be increased or decreased as directed by the Authority to avoid such a result.

The Resolution provides that the amount of moneys available to make PAC Installments with respect to the 2032 Series 2015B-2 PAC Bonds on the due date of any PAC Installment on or prior to the final one on July 1, 2024 or, if necessary, on any Interest Payment Date thereafter, prior to the maturity thereof, shall be equivalent to the full amount of Revenues allocable to the Taxable Fixed Rate Bonds, to the extent that such Revenues remain available on the second to last Business Day of the second calendar month preceding such PAC Installment due date after interest and Principal Installments then due on all Taxable Fixed Rate Bonds, (excluding PAC Installments, excluding Cumulative Sinking Fund Installments with respect to the 2025 2015B-2 Bonds and with respect to the 2030 2015B-2 Bonds and potentially including or excluding Cumulative Sinking Fund Installments with respect to certain Taxable Fixed Rate Bonds that may be issued in the future, but including, in each case, any such Principal Installments that have become due on their scheduled maturity date) and certain budgeted Program Expenses have been fully funded. See “APPENDIX C — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — Monthly Transfer From the Revenue Fund” and “—Semi-Annual Transfers From the Revenue Fund.”

***Mandatory Redemption Resulting From Non-Origination.*** The Series 2015B-2 Bonds are subject to redemption prior to maturity, in whole or in part, on any date, from original proceeds of the Series 2015B-2 Bonds remaining in the Series 2015B-2 Purchase Account that are not expended (or committed to be expended) as of the end of the Series 2015B-2 Loan Origination Period. As of the date of delivery of the Series 2015B-2 Bonds, the Series 2015B-2 Loan Origination Period will end on September 30, 2016, unless extended, upon compliance with certain requirements of the General Resolution. Unless the Series 2015B-2 Loan Origination Period is extended, any such redemption would take place by or on the next succeeding January 1 or July 1, as applicable, for which required notice can be given.

No such redemption, however, shall cause the Series 2015B-2 Bonds of any maturity and of like tenor that remain Outstanding to be in an amount other than an Authorized Denomination and the amount to be so redeemed shall be increased or decreased as directed by the Authority to avoid such a result. Any such redemption of Series 2015B-2 Bonds is to be applied: *first*, to the principal payment of Outstanding 2032 Series 2015B-2 PAC Bonds in the amount necessary to satisfy any 2032 Series 2015B-2 PAC Bond PAC Installments which were not made as initially scheduled and remain unpaid, in sequential order; and *second*, to pay all remaining maturities of the Series 2015B-2 Bonds on a pro-rata basis, utilizing the relative Outstanding principal amount of each such maturity (and, with respect to each of the Series 2015B-2 Bonds maturing July 1, 2025, the Series 2015B-2 Bonds maturing January 1, 2030 and the 2032 Series 2015B-2 PAC Bonds, utilizing the unsatisfied amount of each Sinking Fund Installment or PAC Installment, as applicable) at the time of calculation as the basis of pro-ration. See “INVESTMENT CONSIDERATIONS — Redemption of Bonds,” “— Certain Actions May Be Permitted Without Bondholder Approval” and “— Competition May Reduce Demand for or Increase Prepayments on Issue I Loans,” “ESTIMATED SOURCES AND USES OF FUNDS,” “THE MEFA FINANCING PROGRAM” and “MEFA EDUCATION LOAN PORTFOLIO.”

With respect to the Series 2015B-2 Bonds maturing on January 1, 2032, the Redemption Price applicable to such redemption resulting from non-origination will be equal to the sum of: (i) the principal amount thereof to be redeemed, plus accrued interest to the date of redemption; and (ii) the unamortized portion of the amount by which the applicable offering price exceeded 100%. The methodology to

calculate the unamortized portion of such amount for a maturity will use the yield of such Series 2015B-2 Bonds stated on the inside cover of this Official Statement to calculate a price based on the redemption date, semi-annual compounding and a 360-day year consisting of twelve 30-day months. The excess of the calculated price over 100% will be the unamortized portion. With respect to all other Series 2015B-2 Bonds, the Redemption Price will be equal to the principal amount thereof to be redeemed, without premium, plus accrued interest to the date of redemption.

***Special Optional Redemption From Excess Revenue.*** The Series 2015B-2 Bonds are subject to special optional redemption prior to maturity, in whole or in part, on each Interest Payment Date on which: (i) the aggregate Outstanding principal amount of the Issue I Bonds equals or exceeds an amount equivalent, at the time of computation, to such amount as may be required by the then most recently adopted Series Resolution authorizing the issuance of then Outstanding Issue I Bonds or such other amount as the Authority may direct, subject to Prior Rating Agency Notice (which amount, as of the date of delivery of the Series 2015B-2 Bonds, shall be \$81,448,500); and (ii) either (a) such Interest Payment Date occurs during the Recycling Period or (b) the Parity Ratio exceeds the amount then required with respect to a Parity Ratio Certificate, which upon the date of delivery of the Offered Bonds will be 109.00% (each such Interest Payment Date being a “Potential Special Optional Excess Revenues Redemption Date”), at a Redemption Price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest, if any, to the redemption date, in such amounts as the Authority may direct, from certain Excess Revenues that are then allocable to the Series 2015B-2 Bonds on the second to last Business Day of the second calendar month prior to the Interest Payment Date. Excess Revenues will be allocated to the redemption of the Series 2015B-2 Bonds and any such redemption will be applied in the manner described under “— *Availability and Application of Excess Revenues.*” As of the date of delivery of the Offered Bonds, the Recycling Period for all the Outstanding Bonds under the Issue I General Resolution will end on December 30, 2016, unless extended with respect to one or more Series of Bonds in compliance with certain requirements of the General Resolution. See “— *Availability and Application of Excess Revenues*” and “— *Issuance of Additional Bonds and Amortization of Bonds May Affect Redemption,*” “INVESTMENT CONSIDERATIONS — Redemption of Bonds,” and “APPENDIX B—DEFINITION OF CERTAIN TERMS” and “APPENDIX C — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — Establishment of Funds and Accounts,” “— Monthly Transfers from Revenue Fund,” “— Semi-Annual Transfers from Revenue Fund” and “— Application of Excess Revenues to Redemption of Bonds.”

***Special Mandatory Redemption From Excess Revenues.*** The Series 2015B-2 Bonds are subject to special mandatory redemption prior to maturity, in whole or in part, on each Interest Payment Date that is not a Potential Special Optional Excess Revenues Redemption Date, at a Redemption Price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest, if any, to the redemption date, from certain Excess Revenues that are then allocable to the Series 2015B-2 Bonds on the second to last Business Day of the second calendar month prior to the Interest Payment Date. Excess Revenues will be allocated to the redemption of the Series 2015B-2 Bonds and any such redemption will be applied in the manner described under “— *Availability and Application of Excess Revenues.*” See “— *Availability and Application of Excess Revenues*” and “— *Issuance of Additional Bonds and Amortization of Bonds May Affect Redemption.*”

Any such redemption of the 2025 2015B-2 Term Bonds or the 2030 2015B-2 Term Bonds is to be credited against Sinking Fund Installments applicable to such 2025 2015B-2 Bonds or such 2030 2015B-2 Term Bonds as described in the last paragraph under “— *Cumulative Mandatory Sinking Fund Redemption.*” No such redemption shall cause the Series 2015B-2 Bonds of any maturity and of like tenor that remain Outstanding to be in an amount other than an Authorized Denomination and the amount to be so redeemed shall be increased or decreased as directed by the Authority to avoid such a result.

***Availability and Application of Excess Revenues.*** The Resolution defines Excess Revenues generally to include all Revenues that are available in the Revenue Fund upon a monthly or semi-annual

transfer date and that are not required by the Resolution, or by a permitted determination by the Authority, to be applied to a purpose other than funding Excess Revenue redemption of Bonds. The Resolution also distinguishes between Taxable Floating Rate Excess Revenues, Taxable Fixed Rate Excess Revenues and Tax-Exempt Excess Revenues on the basis of whether the Trust Assets from which such Excess Revenues were derived are attributable to Taxable Floating Rate Bonds, to Taxable Fixed Rate Bonds (such as the Series 2015B-2 Bonds) or to Tax-Exempt Bonds, respectively. In addition, the Resolution provides that: (i) Taxable Floating Rate Excess Revenues will only be applied to the Excess Revenue redemption of Taxable Floating Rate Bonds that are then subject to such redemption, so long as any such Bonds remain Outstanding; (ii) Taxable Fixed Rate Excess Revenues will only be applied to the Excess Revenue redemption of Taxable Fixed Rate Bonds that are then subject to such redemption, so long as any such Bonds remain Outstanding; (iii) Tax-Exempt Excess Revenues will only be applied to the Excess Revenue redemption of Tax-Exempt Bonds that are then subject to such redemption, so long as any such Bonds remain Outstanding; and (iv) in each case, Excess Revenues from the source described in clause (i), (ii) or (iii), as applicable, that are not so applied shall be applied either to the redemption, other than Excess Revenue redemption, or the purchase for cancellation of Bonds that are subject to redemption from Excess Revenue described in such clause so long as any such Bonds remain Outstanding. See “APPENDIX B—DEFINITION OF CERTAIN TERMS” and “APPENDIX C — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION— Covenants as to Education Loans,” “—Priority of Payments After Default” and “—Application of Excess Revenues to Redemption of Bonds.”

The Resolution further provides that the Excess Revenues that are applicable at any time to Special Optional Redemption From Excess Revenues or to Special Mandatory Redemption From Excess Revenues of the Series 2015B-2 Bonds, and to such redemption of any other Series of Taxable Fixed Rate Bonds that may hereafter be issued as Bonds Subject to Redemption From Taxable Fixed Rate Excess Revenues, are to be applied generally: *first*, with respect to all such Bonds that are then also subject to Mandatory PAC Redemption, to the extent necessary to satisfy PAC Installments which were not made as initially scheduled in the applicable Series Resolution and remain unpaid, sequentially by date of initial issuance of such Bonds, and in the case of such Bonds that have the same date of initial issuance, sequentially by final stated maturity date of such Bonds; *second*, to pay Series 2015B-2 Bonds maturing on January 1, 2030, on a pro-rata basis, utilizing the relative Outstanding principal amount of each remaining Sinking Fund Installment at the time of calculation as the basis of pro-ration; *third*, to pay Series 2015B-2 Bonds maturing on July 1, 2025, on a pro-rata basis utilizing the relative Outstanding principal amount of each remaining Sinking Fund Installment at the time of calculation as the basis of pro-ration; *fourth*, to pay all remaining maturities of the Series 2015B-2 Bonds, other than the January 1, 2032 maturity, on a pro-rata basis, utilizing the relative Outstanding principal amount of each such other maturity at the time of calculation as the basis of pro-ration; and *fifth*, to pay any remaining Series 2015B-2 Bonds maturing on January 1, 2032 and any other such Bonds that are then both subject to such redemption and subject to Mandatory PAC Redemption, sequentially in order of their initial dates of issuance and in the case of multiple such Bonds of the same date of issuance, sequentially by final stated maturity date of such Bonds. The Resolution further provides for application of Excess Revenues derived from assets that were allocable to Bonds having common interest rate characteristics to the redemption of Bonds with different interest rate characteristics after no Bonds to which the assets had originally been allocable remain Outstanding; provided, however, that such application is subject to sequential allocation among Bond Series and maturities having different interest rate characteristics in the sequence and with the priority provided in the Resolution. See “—*Issuance of Additional Bonds and Amortization of Bonds May Affect Redemption*” and “APPENDIX B—DEFINITION OF CERTAIN TERMS” and “APPENDIX C — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION— Covenants as to Education Loans,” “—Priority of Payments After Default” and “—Application of Excess Revenues to Redemption of Bonds.”

The Resolution permits the Authority to sell or to otherwise dispose of MEFA Education Loans at its discretion, subject to compliance with certain requirements. With respect to disposition of MEFA Education Loans, other than Defaulted Loans, the Resolution requires delivery to the Trustee of a Favorable Projection of Revenues and a certificate that such Favorable Projection of Revenues also shows that there will be no adverse effect on then current expectations as to payment of remaining scheduled PAC Installments. It also generally provides that resulting proceeds are to be deposited to the applicable Redemption Account for application to fund optional redemption, other than optional special redemption from Excess Revenues, the purchase for cancellation or the defeasance of Bonds of the applicable Series. The Resolution permits the Authority to direct the transfer, from time to time during a Recycling Period, to the applicable Purchase Account of any such amounts that are allocable to a specific Series of the Offered Bonds, or of any subsequently issued Issue I Bonds, that then remain uncommitted to the optional redemption, purchase or defeasance of such Series and that then exceed any unsatisfied amount of any PAC Installments that are applicable to Bonds with the same interest rate characteristics as such Series, subject to delivery to the Trustee of a Favorable Projection of Revenues and a certificate as to the absence of adverse effect as described above in this paragraph. The Resolution further provides that any such uncommitted amounts shall be transferred to the applicable PAC Installment Account to cure any shortfalls in Revenue Account funding of any PAC Installments applicable to such Series prior to the application of any amounts in the applicable Redemption Account or in other Accounts. The Resolution further provides that, to the extent that any amount so transferred to the Purchase Account cannot be applied to Purchase Issue I Loans, the Authority shall direct their redeposit to the applicable Redemption Account for application as described above. The Authority does not have any present intention to sell or otherwise dispose of MEFA Education Loans, but reserves the right to do so. See “APPENDIX B — DEFINITION OF TERMS” and “APPENDIX C — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — Covenants as to Education Loans,” “—Priority of Payments After Default” and “—Application of Excess Revenues to Redemption of Bonds.”

***Selection of Series 2015B-2 Bonds to be Redeemed.*** If less than all of the Series 2015B-2 Bonds of a particular maturity and of like tenor (including applicable redemption provisions) shall be redeemed, the particular Series 2015B-2 Bonds of such maturity and tenor to be redeemed shall be selected on a pro-rata basis provided, that so long as DTC or its nominee is the Bondholder, if less than all of the Series 2015B-2 Bonds of such maturity and tenor are redeemed, the particular Series 2015B-2 Bonds or portions of such Series 2015B-2 Bonds to be redeemed shall be selected by DTC in such customary manner as DTC may determine.

***Notice of Redemption of Series 2015B-2 Bonds.*** At least 10 days prior to the date fixed for the redemption of any Series 2015B-2 Bonds, notice of redemption shall be mailed by first-class mail to the Registered Owner (which initially will be DTC or its nominee) of such Series 2015B-2 Bonds, or portions thereof, to be redeemed at its last address as it appears on the books of registry, stating the Series 2015B-2 Bonds to be redeemed, the redemption date, the place or places where the amounts due upon such redemption will be paid and the redemption price of such Series 2015B-2 Bonds to be redeemed and, if less than all of the Series 2015B-2 Bonds are to be redeemed, the letters and numbers or other distinguishing marks of such Series 2015B-2 Bonds to be redeemed, and in the case of Series 2015B-2 Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that on the redemption date each affected Series 2015B-2 Bond, or portion thereof, to be redeemed shall be due and payable at the applicable redemption price, plus accrued interest to the redemption date, and that interest on such Series 2015B-2 Bonds to be redeemed shall cease to accrue from and after the redemption date.

Notice having been given as provided above, the Series 2015B-2 Bonds or portions thereof designated in the notice shall become due and payable at the applicable redemption price, plus interest accrued thereon to the redemption date, and, upon surrender in accordance with the notice, shall be paid,

together with interest accrued thereon to the date fixed for redemption; provided, however, that failure so to provide such notice to any one or more owners of any Series 2015B-2 Bonds designated for redemption will not affect the sufficiency of the proceedings for redemption of Series 2015B-2 Bonds with respect to owners to whom such notice was made.

***Issuance of Additional Bonds and Amortization of Bonds May Affect Redemption.*** The Authority reserves the right to issue additional Series of Issue I Bonds that are subject to redemption from Excess Revenues that are allocable to the Issue I Loans funded from proceeds of such Issue I Bonds, or from Excess Revenues generally, on a basis that is different from that described herein with respect to the Offered Bonds as well as Additional Bonds that are not subject to such redemption at all. Issuance of such Issue I Bonds may affect the amount of Revenues that would be available as Excess Revenues to redeem other Issue I Bonds, including the Series 2015B-2 Bonds, if not applied to other purposes that are permitted under the Resolution. In addition, the amortization of Series 2015B-2 Bonds, and of other Issue I Bonds, may also affect the amount of Revenues that would be so available. See “INVESTMENT CONSIDERATIONS — Redemption of Bonds.”

### **PLAN OF FINANCING**

The Authority currently expects to deposit \$1,418,667 to the Taxable Floating Rate Capitalized Interest Account and \$2,837,333 to the Taxable Fixed Rate Capitalized Interest Account from funds that are expected to be available under the Issue I Resolution from sources other than Offered Bond proceeds, and to pay the costs of issuing the Offered Bonds from such available funds or from the Offered Bond proceeds.

The Authority currently expects that, immediately following the issuance of the Series 2015B Bonds: (i) approximately \$21,000,000 of the proceeds of the Series 2015B-1 Bonds will be available to finance Floating Rate MEFA Refinancing Loans, \$55,000,000 of the proceeds of the Series 2015B-2 Bonds will be available to finance Fixed Rate MEFA Refinancing Loans and such amounts will be the only uncommitted funds then available to the Authority to finance MEFA Refinancing Loans; (ii) the Parity Ratio under the Resolution will be approximately 110%; and (iii) the Issue I Loans will be substantially as described herein. The Authority also currently projects that all proceeds of the Series 2015B Bonds available to finance MEFA Refinancing Loans will be applied, or committed for application, on or prior to September 30, 2016. See “SECURITY FOR THE ISSUE I BONDS AND SOURCES OF PAYMENT — Revenues” and “— Release of Excess Trust Assets,” “INVESTMENT CONSIDERATIONS — Redemption of Bonds” and “— Composition and Characteristics of the Issue I Loan Portfolio Are Expected To Change,” “THE MEFA FINANCING PROGRAM” and “ISSUE I LOAN PORTFOLIO.”

### **ESTIMATED SOURCES AND USES OF FUNDS**

Sources of Funds:

Principal Amount of Offered Bonds.....	\$76,000,000.00
Other Available Issue I Resolution Funds.....	4,256,000.00
Net Original Issue Discount on Offered Bonds.....	(1,644,149.00)
Contribution from Authority	<u>2,574,149.00</u>
Total.....	<u>\$81,186,000.00</u>

Uses of Funds:

Initial Deposit to Series 2015B-1 Purchase Account.....	\$21,000,000.00
Initial Deposit to Series 2015B-2 Purchase Account.....	55,000,000.00
Deposit to Series 2015B Capitalized Interest Accounts .....	4,256,000.00
Other Uses <sup>(1)</sup> .....	<u>930,000.00</u>
Total.....	<u>\$81,186,000.00</u>

<sup>(1)</sup> Includes costs of issuance and the Underwriter's discount for the Offered Bonds.

## SECURITY FOR THE ISSUE I BONDS AND SOURCES OF PAYMENT

The Offered Bonds are special obligations of the Authority payable from and secured solely by a pledge and grant of a security interest in: (i) all Revenues; (ii) all Issue I Loans and promissory notes or other documentation evidencing the Authority's interest in Issue I Loans, and any other Revenue-producing contracts and all rights and interests of the Authority incident thereto, excluding certain indemnifications payable to the Authority; (iii) all moneys and securities on deposit in the funds and accounts established pursuant to the Resolution, except the Rebate Fund; (iv) all general intangibles (including payment intangibles) comprising or relating to any of the foregoing; and (v) proceeds of any of the foregoing (collectively, the "Trust Assets"), subject to the application of such amounts for the purposes permitted under the Resolution.

### Revenues

Revenues include: (i) all amounts paid or required to be paid with respect to principal of or interest on Issue I Loans including, without limitation, Issue I Loan Payments, Late Charges, if any, amounts received upon the sale or other disposition of Issue I Loans, and including any amounts held by persons collecting such amounts on behalf of the Authority; and (ii) all interest, investment gains and other income received on moneys or securities held in the funds and accounts established pursuant to the Resolution, except the Rebate Fund.

The Resolution provides that the Revenues shall be deposited in the various funds and accounts established for the particular Series of Issue I Bonds to which such Revenues are allocable to facilitate tracing for tax purposes, and the expected application of Revenues derived from particular Issue I Loans and other assets to particular Series of Issue I Bonds, but further provides that such Revenues may, if necessary, be used for the purposes set forth in the Resolution without regard to the particular Series of Issue I Bonds to which they are allocable; subject, however, to any preferential application of Revenues that are allocable to a specific Series or Subseries to the redemption prior to maturity of such Series or Subseries. Revenues allocable to each Series of Issue I Bonds may be used to pay Program Expenses, to pay interest on and Principal Installments of the Issue I Bonds, and to make up any deficiencies in funds or accounts established under the Resolution, including the Reserve Fund and, in the case of Tax-Exempt Revenues, the Rebate Fund. Any Revenues allocable to a Series of Issue I Bonds that are available after such payments and transfers may be applied to finance additional Issue I Loans (but only until the end of the Recycling Period for the applicable Series of Issue I Bonds as may be established by the Authority upon compliance with certain requirements of the Issue I General Resolution) or, otherwise, transferred to the Redemption Fund account for the applicable Series to be used either to purchase or to redeem Bonds. Certain procedures, priorities and limitations with respect to redemption of Issue I Bonds are established by Series Resolution on a Series by Series basis. Upon initial delivery of the Offered Bonds, the end of the Recycling Period for all the Outstanding Bonds under the Issue I General Resolution will be December 31, 2016. In lieu of a transfer to the Redemption Fund, the Authority may direct the Trustee, subject to certain Resolution requirements, including that the Parity Ratio would be 109.00% or higher upon completion of such transfer, to transfer all or part of such balance to the Authority free and clear of

the lien of the Resolution. The Authority projects that the initial Parity Ratio will be approximately 110% immediately following the issuance of the Offered Bonds. The Resolution does not require that this initial Parity Ratio be maintained and it is expected to change over time as a result of a number of factors, including Issue I Loan origination and payment experience, the issuance of additional Issue I Bonds, and, potentially, the release of Trust Assets. See “PLAN OF FINANCING” and “— Release of Excess Trust Assets.”

The Authority expects that Revenues and other available moneys held in the funds and accounts under the Resolution will be sufficient to pay when due the Principal Installments of and interest on all Bonds, including the Offered Bonds, and Program Expenses. This expectation is based upon a number of assumptions that have been utilized by the Authority in connection with the issuance of the Offered Bonds. These include assumptions concerning the terms and the origination experience of the Issue I Loans to be financed through application of the proceeds of the Offered Bonds and of other moneys that are currently available to the Authority for this purpose, or that the Authority projects will become available for this purpose during the origination period and Recycling Period that will be initially applicable upon issuance of the Offered Bonds, and concerning the future payment performance of Issue I Loans. The Authority believes these assumptions to be consistent with the information contained in “THE MEFA FINANCING PROGRAM—MEFA Refinancing Loans” and the assumptions set forth in “APPENDIX F—PREPAYMENTS, EXTENSIONS, WEIGHTED AVERAGE LIVES AND EXPECTED MATURITIES OF THE SERIES 2015B-1 PAC BONDS AND OF THE SERIES 2015B-2 PAC BONDS,” as respectively applicable to Floating Rate MEFA Refinancing Loans and to Fixed Rate MEFA Refinancing Loans and to be consistent with the information set forth in “THE MEFA FINANCING PROGRAM—MEFA Loans” and “ISSUE I LOAN PORTFOLIO” with respect to Fixed Rate MEFA Loans. The Authority has also assumed that moneys in the various funds and accounts established under the Resolution will be invested prior to application, in accordance with Issue I General Resolution requirements, at rates that the Authority currently believes to be reasonable based upon current market conditions. The Authority has made additional assumptions with respect to the amount of Program Expenses to be due in each year. The Resolution limits the amounts of Program Expenses that may be paid annually. The assumptions relating to Issue I Loans described in this paragraph relate solely to Issue I Loans financed by the Authority with moneys allocable to currently Outstanding Issue I Bonds and to the Offered Bonds. See “THE MEFA FINANCING PROGRAM.”

There can be no assurance that the actual experience of the Issue I Loans and of other Trust Assets will in fact conform to these assumptions. However, the Authority believes that these assumptions are reasonable. The Authority has prepared projections of revenues testing a range of assumptions in order to determine the effect of variation of these assumptions on the sufficiency of Revenues to be generated under the Loan Program to pay Principal Installments of and interest on the Issue I Bonds and Program Expenses as part of the process of obtaining the assignment of initial credit ratings to the Offered Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS,” “INVESTMENT CONSIDERATIONS — Redemption of Bonds,” “— Effect of Ratings,” “— Future Performance of the Issue I Loan Portfolio May Differ From Historical MEFA Education Loan Performance,” “— Certain Factors Could Potentially Affect Timing and Receipt of Revenues,” “— Composition and Characteristics of the Issue I Loan Portfolio Are Expected To Change” and “— General Economic Conditions,” “THE MEFA FINANCING PROGRAM — General,” “— MEFA Refinancing Loans” and “— MEFA Loans,” “MEFA EDUCATION LOAN PORTFOLIO” and “ISSUE I LOAN PORTFOLIO.”

### **Issue I Loans**

The Issue I Bonds are secured by a pledge of and lien upon all Issue I Loans, as evidenced by Issue I Loan Notes or by other appropriate documentation, which are financed with proceeds of the Issue I Bonds or other moneys available therefor under the Resolution. The Authority has covenanted in the



Issue I General Resolution that it will use and apply funds made available in connection with the issuance of the Issue I Bonds, to the extent not reasonably required for other Program purposes of the Authority, to finance Issue I Loans, in a manner consistent with the Act and with the provisions of the Resolution. In addition, in order to receive and collect Revenues, the Authority has covenanted to do all such acts and things necessary and to take all steps, actions and proceedings necessary in the judgment of the Authority to enforce all terms, covenants and conditions of Issue I Loans in a manner consistent with the Act and with the provisions of the Resolution. The Issue I General Resolution requires that all Issue I Loans financed by the Authority have terms of repayment which, together with other moneys available therefor, shall be at least sufficient to pay Principal Installments of and interest on the Issue I Bonds when due and all reasonably anticipated Program Expenses.

The Authority projects that, upon completion of the initial application of proceeds of the Offered Bonds to fund MEFA Refinancing Loans and of proceeds of the Series 2015A Bonds to fund Fixed Rate MEFA Loans, Issue I Loans will include approximately 9.00% MEFA Refinancing Loans, measured by unpaid principal amount, and that the balance will consist of Fixed Rate MEFA Loans. See “INVESTMENT CONSIDERATIONS — Future Performance of the Issue I Loan Portfolio May Differ From Historical MEFA Education Loans Performance,” “— Certain Factors Could Potentially Affect Timing and Receipt of Revenues,” “— Composition and Characteristics of the Issue I Loan Portfolio Are Expected To Change,” “— Prepayments of Issue I Loans is Subject to Uncertainty,” and “— Competition May Reduce Demand for or Increase Prepayments on Issue I Loans.” For a further description of the currently anticipated Issue I Loans, see “THE MEFA FINANCING PROGRAM,” “MEFA EDUCATION LOAN PORTFOLIO” and “ISSUE I LOAN PORTFOLIO.”

The Authority anticipates, in part based on its experience with the MEFA Financing Program, that a portion of the Issue I Loans, including those allocable to the Offered Bonds, will be partially or completely prepaid prior to their respective final maturity dates as a result of borrower prepayment. However, the Authority cannot predict the actual average life of the portfolio of Issue I Loans, including those allocable to the Offered Bonds. All or a portion of the Series 2015B-1 Bonds and all or a portion of the Series 2015B-2 Bonds are likely to be redeemed prior to maturity pursuant to the special optional redemption or special mandatory redemption provisions of the Resolution. See “THE SERIES 2015B-1 BONDS — Redemption Provisions,” “THE SERIES 2015B-2 BONDS — Redemption Provisions,” “MEFA EDUCATION LOAN PORTFOLIO” and “INVESTMENT CONSIDERATIONS — Redemption of Bonds,” “— General Economic Conditions” and “— Prepayment of Issue I Loans is Subject to Uncertainty.”

## **Funds and Accounts**

The Resolution creates separate sets of funds and accounts to provide for the application of Revenues and other assets that are allocable to Taxable Fixed Rate Bonds, to Taxable Floating Rate Bonds or to Tax-Exempt Bonds to fund Debt Service and Program Expenses that are respectively payable on and allocable to each such type of Bonds. See “APPENDIX B—DEFINITIONS OF CERTAIN TERMS” and “APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION— Establishment of Funds and Accounts,” “—Monthly Transfers from Revenue Fund,” “—Semi-Annual Transfers from Revenue Fund” and “— Application of Excess Revenues to Redemption of Bonds.”

The Resolution generally provides that Revenues and other assets shall be applied, except during the continuance of an Event of Default as provided by the Resolution, within each such set of funds and accounts to fund Debt Service that is payable on and Program Expenses that are allocable to the type of Bonds to which such set of funds and accounts relate without differentiation between individual Series of such Bonds, except as may be expressly provided by a Series Resolution with respect to any Series of Subordinate Bonds. If Revenues that are allocable to a type of Bonds and deposited in the applicable

accounts within the Revenue Fund that are established under the Resolution for such type of Bonds are not sufficient to pay Required Debt Service (which does not include PAC Installments other than the final PAC Installment of a scheduled maturity) that is payable on all Bonds of such type and Program Expenses that are allocable to such Bonds as required for any semi-annual period, moneys will be applied from other funds and accounts that are established for Bonds of the same type to make up such deficiency in the first instance from, in the following order: (i) the Redemption Account (other than amounts within a PAC Installment Account and other than amounts then committed to the redemption of specific Issue I Bonds as to which notice has been given); and (ii) the Capitalized Interest Account. Thereafter other funds and accounts may be utilized as described in the next paragraph. See “APPENDIX B—DEFINITIONS OF CERTAIN TERMS” and “APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION—Establishment of Funds and Accounts,” “—Monthly Transfers from Revenue Fund” and “—Semi-Annual Transfers from Revenue Fund.”

In the event that a deficiency remains with respect to the funding of Required Debt Service that is payable on, or with respect to Program Expenses that are allocable to, any of the Taxable Fixed Rate Bonds, the Taxable Floating Rate Bonds or the Tax-Exempt Bonds upon completion of the applications described in the immediately preceding paragraph, the Resolution provides, except during the continuance of an Event of Default as provided by the Resolution, for certain additional transfers between sets of funds and accounts established for these types of Bonds, subject, with respect to transfers from certain funds and accounts that are allocable to the Tax-Exempt Bonds, to receipt of Bond Counsel’s Opinion with respect to such transfer. See “APPENDIX C—SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION—Revenues and Revenue Fund,” “—Monthly Transfers from Revenue Fund,” “—Semi-Annual Transfers from Revenue Fund,” “—Priority of Unscheduled Draws to Meet Required Debt Service and Program Expenses for Tax-Exempt Bonds,” “—Priority of Unscheduled Draws for Required Debt Service and Program Expenses for Taxable Bonds,” “—Events of Default” and “—Priority of Payments After Default.”

### **Certain Resolution Requirements**

The Resolution requires that the Authority satisfy certain conditions prior to undertaking certain actions. With respect to specific actions, these requirements may include the satisfaction of one or more of the following: (i) the Rating Agency Condition as to each applicable Nationally Recognized Statistical Rating Organization (each, a “Nationally Recognized Rating Agency”) prior to the issuance of Additional Bonds; (ii) Prior Rating Agency Notice, and of satisfaction of the Rating Agency Condition as to S&P, prior to any change in the level at which assets may be released from the Issue I General Resolution, certain derivative transactions, certain changes to the Capitalized Interest Account Requirements or to the Reserve Fund Requirement, any sale or transfer of Issue I Loans from the Issue I General Resolution for a price that is less than par plus accrued interest or if the aggregate outstanding principal amount to be sold or transferred, along with all previous sales or transfers, exceeds ten percent of the aggregate original principal amount or, if applicable, accreted value of all Issue I Loans originated prior to that date, certain changes to the terms and conditions of Issue I Loans and changes in the Servicer; (iii) Prior Rating Agency Notice prior to any substitution or replacement of the Trustee, certain amendments to the Resolution, extension of a period during which sale proceeds of Issue I Bonds or during which otherwise available Revenues may be applied to finance Issue I Loans, and any reduction of the amount of sale proceeds to be applied to finance Issue I Loans during a particular period. The Resolution requirements applicable to certain permitted actions may also include delivery to the Trustee of a Projection of Revenues in accordance with applicable Resolution requirements. Such actions include: (i) issuance of Additional Bonds; (ii) disposition of Issue I Loans, other than Defaulted Education Loans, and any transfer of proceeds thereof to the applicable Purchase Account; (iii) certain changes to the terms and conditions of Issue I Loans; (iv) certain redemption elections; and (v) change in the Parity Ratio level required for releases of Excess Revenues to the Authority. The Resolution further requires that the

Authority make any such Rating Agency Notice publicly available in the manner applicable to post-issuance disclosures under Rule 15c2-12 as promulgated by the Securities and Exchange Commission (the “SEC”). See “INVESTMENT CONSIDERATIONS — Redemption of Bonds,” “— Certain Actions May Be Permitted Without Bondholder Approval” and “— Effect of Ratings,” “APPENDIX B — DEFINITIONS OF CERTAIN TERMS” and “APPENDIX C — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — Issuance of Additional Bonds,” “— Rating Agency Condition and Prior Rating Agency Notice” and “— Projection of Revenues,” and “APPENDIX E — PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT.”

### **Capitalized Interest Account**

The Resolution establishes a Series 2015B-1 Capitalized Interest Account and a Series 2015B-2 Capitalized Interest Account, which are expected to be funded in the amounts of \$1,418,667 and \$2,837,333, respectively, upon issuance of the Offered Bonds from funds available to the Authority from sources other than Offered Bonds proceeds. See “ESTIMATED SOURCES AND USES OF FUNDS.”

Moneys on deposit in the Series 2015B Capitalized Interest Accounts shall be used to pay interest on the Offered Bonds, and under certain circumstances other Issue I Bonds, if amounts in the accounts established under the Resolution with respect to such Issue I Bonds in the Debt Service Fund and the Revenue Fund are insufficient therefor, and, upon direction of the Authority, Program Expenses, if amounts in the accounts established under the Resolution with respect to Issue I Bonds in the Program Expense Fund and the Revenue Fund are insufficient therefor. See “— Revenues.” The Series Resolution provides that the Series 2015B Capitalized Interest Account Requirements under the Issue I General Resolution will be less than each such expected initial deposit, and will be reduced to zero, subsequent to completion of all required transfers from the Series 2015B Capitalized Interest Accounts to pay interest or Program Expenses, upon November 1, 2016.

The respective Series 2015B Capitalized Interest Account Requirements are subject to change upon compliance with certain requirements of the Issue I General Resolution. Except as set forth above, amounts in the Series 2015B Capitalized Interest Accounts in excess of either of the then applicable Series 2015B Capitalized Interest Account Requirements on each Interest Payment Date shall be transferred to the Revenue Fund. See “SECURITY FOR THE ISSUE I BONDS AND SOURCES OF PAYMENT — Certain Resolution Requirements,” “APPENDIX B — DEFINITIONS OF CERTAIN TERMS” and “APPENDIX C — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — Program Fund— *Capitalized Interest Accounts.*”

### **Reserve Fund**

The Issue I General Resolution requires that a Reserve Fund be established and provides for its funding and maintenance in an amount at least equal to the Reserve Fund Requirement. Moneys on deposit in the Reserve Fund, including the proceeds of drawings upon Reserve Fund Facilities, shall be used to pay: (i) principal of and interest on the Issue I Bonds, if amounts in the Debt Service Fund, the Revenue Fund, the Capitalized Interest Account, if then applicable (with respect to interest), the Purchase Account (other than amounts then contractually committed to the origination or acquisition of specific MEFA Education Loans and without liquidating Issue I Loans) and the Redemption Fund (other than amounts that have been committed to the redemption of specific Issue I Bonds as to which notice has been given) are insufficient therefor; and (ii) Program Expenses, if amounts in the Program Expense Fund, Revenue Fund, Capitalized Interest Account, if then applicable, and the Purchase Account (other than amounts then contractually committed to the origination or acquisition of specific MEFA Education Loans and without liquidating Issue I Loans) are insufficient therefor. Under the Issue I General Resolution, the Reserve Fund Requirement means, as of any date of calculation on and after the date of

initial delivery of the Offered Bonds, the amount specified in the most recently adopted Series Resolution authorizing Outstanding Issue I Bonds or Supplemental Resolution.

The Series Resolution provides that the Reserve Fund Requirement under the Issue I General Resolution will be equal at all times to 1.00% of the Issue I Bonds secured thereby, subject to a minimum balance requirement of \$8,000,000. The Reserve Fund Requirement is subject to change upon compliance with certain requirements of the Issue I General Resolution. Upon issuance of the Offered Bonds, it is expected that the Reserve Fund Requirement will be initially satisfied by cash and Investment Obligations that are currently on deposit therein. See “— Certain Resolution Requirements.”

The Authority reserves the right to substitute one or more Reserve Fund Facilities for cash or Investment Obligations on deposit in the Reserve Fund or to substitute cash or Investment Obligations for some or all of the Reserve Fund Facilities at any time. Investments allocable to the Reserve Fund are valued at amortized cost. Whenever the balance in the Reserve Fund is less than the Reserve Fund Requirement, available moneys in the Revenue Fund are required to be deposited in the Reserve Fund to the extent necessary to eliminate the deficiency. The Issue I General Resolution provides that amounts in the Reserve Fund in excess of the Reserve Fund Requirement shall be transferred in accordance with whether those amounts are attributed to sale proceeds of Issue I Bonds and that excess monies shall be attributed for this purpose first to moneys other than the sale proceeds of Issue I Bonds. The Issue I General Resolution further provides that excess monies other than sale proceeds of Issue I Bonds shall be transferred to the Revenue Fund or, at the direction of the Authority, to the Redemption Fund, but that excess monies attributable to sale proceeds of Issue I Bonds shall be transferred to the Redemption Fund, in each case subject to the reserved right of the Authority, during a Recycling Period and upon compliance with certain provisions of the Resolution, to direct the transfer of such excess monies to one or more applicable Purchase Accounts. See “ESTIMATED SOURCES AND USES OF FUNDS,” “PLAN OF FINANCING” and “APPENDIX C — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — Reserve Fund.”

### **Additional Bonds**

The Issue I General Resolution permits the issuance of Additional Bonds thereunder (including Parity Bonds and Subordinated Bonds) for the purpose of providing funds for the Program and, in addition, to refund Outstanding Bonds issued under the Issue I General Resolution or other bonds or notes of the Authority issued to finance MEFA Education Loans then qualifying under the Resolution. Any Additional Bonds issued under the Issue I General Resolution (other than Subordinated Bonds) will be on a parity basis with the Outstanding Bonds and will be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Issue I General Resolution. The Issue I General Resolution provides that upon the issuance of any such Additional Bonds there is to be deposited in the Reserve Fund, if necessary, an amount sufficient to increase the amount therein to be equal to the Reserve Fund Requirement, calculated after such issuance. In addition, the Authority is required to satisfy certain other conditions contained in the Issue I General Resolution prior to the delivery of any Additional Bonds to the initial purchasers thereof. The Resolution provides that the Authority shall not create or permit the creation of any obligations or additional indebtedness secured by a lien on the revenues and assets pledged as security for the Offered Bonds under the Resolution except for Additional Bonds. See “— Certain Resolution Requirements” and “APPENDIX C — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — Issuance of Additional Bonds.”

### **Release of Excess Trust Assets**

The Resolution provides that the Trustee shall transfer to the Authority from time to time, at the direction of the Authority, free and clear of the lien of the Resolution, amounts held in the Revenue Fund

on each Interest Payment Date, after all payments and transfers required by the Resolution to be made prior thereto on such date have been made; provided, that the Parity Ratio after completion of such transfer is at least 109.00% and at least \$81,448,500 in principal amount of Issue I Bonds are Outstanding, as such principal amount may be adjusted from time to time as a result of the issuance of Issue I Bonds. The Resolution permits the Authority to change this minimum required Parity Ratio and the threshold amount for Issue I Bonds Outstanding upon satisfaction of certain conditions contained in the Issue I General Resolution, including delivery to the Trustee of a Favorable Projection of Revenues and the satisfaction of certain Rating Agency Conditions. See “— Certain Resolution Requirements” and “APPENDIX C — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — Semi-Annual Transfers from Revenue Fund.”

## INVESTMENT CONSIDERATIONS

Attention should be given to the investment considerations identified below, which, among others, could adversely affect the sufficiency of Revenues and other Trust Assets held under the Resolution to fund the timely payment of Principal Installments of and interest on Bonds, including the Offered Bonds, and Program Expenses or could adversely affect the market value of, or the existence of a secondary market for, the Offered Bonds. See “SECURITY FOR THE ISSUE I BONDS AND SOURCES OF PAYMENT.” **This section of this Official Statement does not include all investment considerations and does not constitute a comprehensive description of the investment considerations addressed, but is an attempt to describe in summary fashion certain such investment considerations. Investors should read this Official Statement in its entirety, including the Appendices hereto.**

### Redemption of Bonds

Each of the Series 2015B-1 Bonds and the Series 2015B-2 Bonds are subject to redemption prior to maturity as a result of certain Excess Revenues, as provided in the Resolution, and as a result of any moneys in the applicable Purchase Account that remain uncommitted to fund MEFA Refinancing Loans at the end of the applicable Origination Period. Excess Revenues are expected to become available to redeem Series 2015B-1 Bonds if the origination and payment performance of Variable Rate MEFA Refinancing Loans or the investment performance of other Trust Assets that are allocable to Taxable Floating Rate Bonds is more favorable than was assumed by the Authority for purposes of structuring the maturity and PAC Installments of the Series 2015B-1 Bonds. Excess Revenues are expected to become available to redeem Series 2015B-2 Bonds if the origination and payment performance of Fixed Rate MEFA Refinancing Loans or if the investment performance of other Trust Assets that are allocable to Taxable Fixed Rate Bonds is more favorable than was assumed by the Authority for purposes of structuring the maturities and PAC Installments of the Series 2015B-2 Bonds. In addition, the Resolution provides that Excess Revenues may, under certain circumstances, become available to redeem either Series 2015B-1 Bonds or Series 2015B-2 Bonds as a result of the reallocation of Revenues from Trust Assets that were not initially allocable to the Series 2015B-1 Bonds or to other Taxable Floating Rate Bonds or to the Series 2015B-2 Bonds or to other Taxable Fixed Rate Bonds, respectively. Issue I Loans are subject to prepayment, without penalty. Numerous sources of such prepayment, including loans from lenders other than the Authority, are available to Issue I Loan borrowers.

In addition, the Series 2015B-1 Bonds and the Series 2015B-2 Bonds are subject to redemption if, and to the extent that, the Authority does not apply the full amount of Series 2015B-1 Bond proceeds or Series 2015B-2 Bond proceeds, respectively, that are available to finance MEFA Education Loans during the applicable Origination Period. The Authority expects that MEFA Education Loans to be financed by the Authority with the proceeds of the Offered Bonds will be Floating Rate MEFA Refinancing Loans

and Fixed Rate MEFA Refinancing Loans and will bear effective interest rates, and will offer other terms and conditions, that are competitive with loans that are currently made available by other lenders to borrowers meeting MEFA Financing Program credit criteria for the purpose of refinancing the costs of post-secondary education. However, interest rates and other terms applicable to other loans that are available to potential MEFA Refinancing Loan borrowers may change significantly during the applicable Origination Period. In addition, numerous factors may affect the demand for MEFA Refinancing Loans during the Origination Period. Accordingly, there can be no assurance that the Authority will, in fact, apply the full amount of funds that will be available to it during the Origination Period to finance Floating Rate MEFA Refinancing Loans or Fixed Rate MEFA Refinancing Loans. The Authority reserves the right to allocate funds from different sources that are available to it to finance MEFA Education Loans in any manner that it deems appropriate. The Origination Period as of the date of issuance of the Offered Bonds will expire on September 30, 2016, subject to continued disbursement of Issue I Loans to borrowers to whom funding commitments have been made prior to the end of the Origination Period, unless extended upon compliance with certain requirements of the Issue I General Resolution, which expiration may result in partial redemption of Offered Bonds prior to maturity. There can be no assurance that the Origination Period would, in fact, be modified if the Authority did not apply, or commit for application, all amounts available in the Series 2015B-1 Purchase Account or in the Series 2015B-2 Purchase Account to finance Issue I Loans prior to the end of the then applicable Origination Period. In this event, unexpended moneys in the Series 2015B-1 Purchase Account or in the Series 2015B-2 Purchase Account, as applicable, would be transferred to the Redemption Fund and used to redeem, or to purchase and retire, Series 2015B-1 Bonds or Series 2015B-2 Bonds, as applicable. See “THE SERIES 2015B-1 BONDS — Redemption Provisions,” “THE SERIES 2015B-2 BONDS — Redemption Provisions,” “ESTIMATED SOURCES AND USES OF FUNDS,” “SECURITY FOR THE ISSUE I BONDS AND SOURCES OF PAYMENT,” “INVESTMENT CONSIDERATIONS — Certain Actions May Be Permitted Without Bondholder Approval,” “— Certain Factors Could Potentially Affect Timing and Receipt of Revenues,” “— General Economic Conditions,” “— Prepayment of Issue I Loans is Subject to Uncertainty” and “— Competition May Reduce Demand for or Increase Prepayments on Issue I Loans,” “THE MEFA FINANCING PROGRAM,” “MEFA EDUCATION LOAN PORTFOLIO” and “ISSUE I LOAN PORTFOLIO.”

### **Certain Actions May Be Permitted Without Bondholder Approval**

The Resolution provides that the Authority and the Trustee may take, or refrain from taking, various actions that may materially affect the interests of Bondholders without Bondholder approval upon compliance with certain requirements that may include, for specific actions, one or more of the following: (i) satisfying the Rating Agency Condition with respect to one or more applicable Nationally Recognized Rating Agencies; (ii) satisfying the requirement for Prior Rating Agency Notice with respect to one or more applicable Nationally Recognized Rating Agencies; and (iii) delivering to the Trustee a Projection of Revenues in accordance with applicable Resolution requirements. Such actions include, but are not limited to, the issuance of Additional Bonds, release of assets from the Resolution, changes to required levels of reserves, changes to periods for applying Bond sale proceeds or Revenues to originate Issue I Loans, sale or other disposition of Issue I Loans, changes to the terms and conditions of Issue I Loans, approval of Projections of Revenues that are required under the Resolution in connection with the selection of Bond Series and maturities for redemption in certain circumstances or of Sinking Fund Installments to be credited with respect to certain redemptions and certain other actions. To the extent such actions are taken, investors in the Offered Bonds will be relying on the evaluation by the Authority and, if applicable, by one or more Nationally Recognized Rating Agency (excluding Fitch) of the potential impact of such actions upon the ability of the Trust Assets to provide for the full and timely payment of Debt Service on the Issue I Bonds and of Program Expenses. To the extent that such Authority actions are taken solely on the basis of Authority delivery of a Projection of Revenues or in part on the basis of satisfying the requirement for Prior Rating Agency Notice with respect to one or more

Nationally Recognized Rating Agency, rather than of satisfying the Rating Agency Condition with respect to such Nationally Recognized Rating Agency, a subsequent adverse rating action by such Rating Agency in response to such Authority action could materially decrease the market value of or existence of a secondary market for the Issue I Bonds. Moreover, the market price or marketability of the Offered Bonds could be adversely affected by such actions even in the absence of such an adverse rating action. See “SECURITY FOR THE ISSUE I BONDS AND SOURCES OF PAYMENT — Certain Resolution Requirements,” “INVESTMENT CONSIDERATIONS — Redemption of Bonds,” “— Bonds Are Limited Authority Obligations Without Third-Party Credit or Liquidity Support” and “— Effect of Ratings,” “APPENDIX C — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION,” and “APPENDIX E — PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT.”

### **Bonds Are Limited Authority Obligations Without Third-Party Credit or Liquidity Support**

The Offered Bonds are special obligations of the Authority and are payable solely from the Revenues and certain funds and accounts established and pledged under the Resolution. No revenues or other assets are available to fund payment of the Offered Bonds except as expressly provided by the Resolution. The Authority has no taxing power. Neither the Commonwealth nor any political subdivision thereof is or shall be obligated to pay the principal of or interest on the Offered Bonds, and neither the full faith and credit nor the taxing power of the Commonwealth or any political subdivision thereof is pledged to such payment. The Authority does not currently expect to contract with any financial institution to provide third-party credit or liquidity support for the Offered Bonds or to provide third-party credit support for the Issue I Loans. It is currently expected that all Issue I Loans will be originated solely on the basis of borrower and, if applicable, co-borrower credit evaluation, will be payable solely by the borrower and any applicable co-borrower and will not be guaranteed by the Authority or by any other person, other than by any such co-borrower. Accordingly, Bondholders’ receipt of full and timely payment of principal of and interest upon the Offered Bonds will be primarily dependent upon the material conformance of the Authority’s actual experience in originating Issue I Loans, and of the actual portfolio performance of the Issue I Loans, to the Authority’s current expectations. A material disparity between such actual origination or portfolio performance and the Authority’s current expectations might result in a delay in the scheduled receipt by Bondholders of interest upon the Offered Bonds, of Offered Bond principal or of both interest and principal or might result in Bondholders receiving less than the full scheduled amount of interest and principal. There can be no assurance of the marketability or market value of the Issue I Loans if it should, at any time, prove necessary to sell all or a portion of the Issue I Loans to fund the payment of interest upon and principal of the Offered Bonds. In addition, factors affecting, or potentially affecting, actual Issue I Loan origination and portfolio performance, other factors affecting, or potential affecting, the marketability and market value of Issue I Loans, and the perceptions of market participants of such factors, are among a variety of factors that may affect the marketability and market value of the Offered Bonds. See “SECURITY FOR THE ISSUE I BONDS AND SOURCES OF PAYMENT,” “INVESTMENT CONSIDERATIONS — Certain Actions May Be Permitted Without Bondholder Approval” and “— Effect of Ratings.”

### **Effect of Ratings**

It is a condition to the issuance of the Offered Bonds that the Offered Bonds be rated as indicated on the cover hereof. Ratings are based on the assigning nationally recognized statistical rating organization’s assessment of the creditworthiness of the Trust Estate, which will be primarily dependent upon its assessment of the creditworthiness of the Issue I Loans that are expected to be included therein, the inclusion of certain other assets therein and the legal structure of the transaction. References to ratings in this Official Statement are not included herein, and should not be relied upon, as recommendations by the assigning rating organization to investors to purchase, hold or sell the Offered Bonds as such ratings do not take into account either the suitability of such actions for any specific

investor or the market price of the Offered Bonds at any time. One or more additional nationally recognized statistical rating organizations may assign ratings to the Offered Bonds, either in response to a request by the Authority or otherwise, and any such rating may or may not be equivalent to the initial ratings described in this Official Statement. Any rating may be increased, lowered, suspended or withdrawn at any time by the rating organization assigning such rating if, in the assigning rating organization's judgment, circumstances so warrant. A lowering, suspension or withdrawal with respect to any rating assigned to the Offered Bonds might adversely affect the Authority's ability to fund its student loan finance program or the market value or marketability of the Offered Bonds. In addition, a rating action that is, by its terms, limited to Additional Bonds that may be issued by the Authority or to obligations other than Bonds that have been issued, or that may be issued, by the Authority, or potentially by other issuers, might also adversely affect the Authority's ability to fund its student loan finance program or the market value or marketability of the Offered Bonds. Rating actions may take place at any time. The Authority cannot predict the timing or nature of rating actions. See "INVESTMENT CONSIDERATIONS — Certain Actions May Be Permitted Without Bondholder Approval" and "— Bonds Are Limited Authority Obligations Without Third-Party Credit or Liquidity Support."

### **Investment and Interest Rate Exchange Agreements of the Authority**

The Offered Bonds include both fixed rate and floating rate securities. No interest rate exchange agreements have been entered into by the Authority with respect to Issue I Bonds. The Authority may enter into interest rate exchange agreements with respect to Issue I Bonds upon compliance with certain requirements of the Issue I General Resolution. The Authority expects to issue the Series 2015B-1 Bonds as floating rate bonds and reserves the right to issue additional floating or other variable rate Issue I Bonds in the future. The Authority does not currently plan to enter into interest rate agreements with respect to such Bonds, but reserves the right to do so in the future. See "APPENDIX C — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — Hedging Transactions."

The Authority has entered into investment agreements with various financial institution counterparties with respect to certain series of its bonds that are not Issue I Bonds and may enter into one or more such agreements with respect to the Offered Bonds or with respect to other Series of Issue I Bonds. A default under one or more such investment agreements could result in a loss to the trust estate securing the affected series of bonds that could adversely affect the security for such series or one or more ratings currently assigned to such series. See "APPENDIX A — AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY — Note 7 — *Bonds Payable*."

### **Uncertainty as to Available Remedies**

In the event that Revenues to be received under the Resolution are insufficient to pay when due the Principal Installments of and interest on the Issue I Bonds, the Resolution authorizes, and under certain circumstances requires, the Trustee, to declare an Event of Default and accelerate the payment of the Issue I Bonds, including the Offered Bonds.

If an Event of Default occurs under the Resolution, subject to the rights of Bondholders, the Trustee is authorized to sell the Issue I Loans pledged thereunder. There can be no assurance, however, that the Trustee would be able to find a purchaser for such Issue I Loans in a timely manner or that the proceeds of any such sale, together with amounts then available in the Debt Service Fund, would be sufficient to pay Principal Installments of and interest on the Outstanding Bonds and accrued interest thereon and to pay Program Expenses. There is currently no established public market for alternative education loans and there can be no assurance that one will develop in the future. See "APPENDIX C — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — Events of Default" and "— Other Remedies."



The remedies available to owners of the Issue I Bonds upon an Event of Default under the Resolution are dependent upon regulatory and judicial actions which often are subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, the remedies specified by the Resolution and such other documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the issuance of the Offered Bonds will be qualified, as to the enforceability of the various legal instruments and by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

### **Future Performance of the Issue I Loan Portfolio May Differ From Historical MEFA Education Loan Performance**

This Official Statement contains certain information relative to the origination and payment experience of the Authority in connection with its previously originated MEFA Education Loans. Such information is included for general reference purposes only and is not intended as a representation that the future origination and payment experience of the Issue I Loan portfolio necessarily will be similar to that of the previously originated MEFA Education Loan portfolio during any period or over the respective lives of such portfolios.

All MEFA Education Loans that have been financed by the Authority to date, other than certain FFELP Loans, have been MEFA Loans and all Issue I Loans to date have been Fixed Rate MEFA Loans. There can be no assurance that the performance of Issue I Loans that are currently outstanding or to be originated in the future will in fact be consistent with that of previously originated MEFA Education Loans as a whole. Previously originated MEFA Education Loans bore or bear a variety of interest rates and were repaid by borrowers in a variety of interest rate and economic environments. In addition, the Authority has from time to time modified the credit criteria and certain other origination and repayment terms applicable to MEFA Education Loans. As a result, certain previously originated MEFA Education Loans were originated on the basis of credit criteria that differ, or bore terms that differ, in certain respects from those that are applicable to existing Issue I Loans and that are expected to be applicable to MEFA Refinancing Loans that are currently expected to be financed through application of proceeds of the Offered Bonds. Although the Authority believes that such differences have proven to not have a material effect on the overall performance to date of MEFA Education Loans that have been originated during different periods, there can be no assurance that no such effect will result in the future. There can be no assurance that the ability of borrowers of Issue I Loans to repay such loans, or their propensity to prepay such loans, may not differ materially from that of borrowers of previously originated MEFA Education Loans. In addition, the Resolution permits MEFA to apply proceeds of the Offered Bonds and Revenues to purchase MEFA Education Loans with terms and conditions that vary from those described herein, upon compliance with certain requirements of the Resolution. See “SECURITY FOR THE ISSUE I BONDS AND SOURCES OF PAYMENT — Issue I Loans,” “INVESTMENT CONSIDERATIONS — Certain Actions May Be Permitted Without Bondholder Approval,” “— Effect of Ratings,” “— Certain Factors Could Potentially Affect Timing and Receipt of Revenues,” “— Prepayment of Issue I Loans is Subject to Uncertainty,” “— Composition and Characteristics of the Issue I Loan Portfolio Are Expected To Change,” “— Competition May Reduce Demand for or Increase Prepayments on Issue I Loans” and “— General Economic Conditions,” “THE MEFA FINANCING PROGRAM,” “THE MEFA FINANCING PROGRAM — MEFA Refinancing Loans,” “MEFA EDUCATION LOAN PORTFOLIO” and “ISSUE I LOAN PORTFOLIO.”

### **Certain Factors Could Potentially Affect Timing and Receipt of Revenues**

The Authority expects that the Revenues and other moneys held in certain funds and accounts under the Resolution will be sufficient to pay when due the Principal Installments of and interest on the Issue I Bonds and the Program Expenses. This expectation is based upon projections and cash flow

assumptions, which the Authority believes are reasonable, regarding the financing and repayment performance of Issue I Loans, and the occurrence of certain future events and conditions.

There can be no assurance, however, that interest and principal payments from the Issue I Loans will be received as anticipated, that the projected yield on the Issue I Loans will be realized, that the reinvestment rates assumed with respect to the investment of various funds and accounts will be realized, or that Program Expenses will be incurred in the amounts and on the schedule anticipated. Such projections are based, in part, upon assumptions adopted by the Authority on the basis of its prior experience with Floating Rate MEFA Loan and Fixed Rate MEFA Loan origination and repayment performance and, with respect to newly originated MEFA Loans, upon assumptions, which the Authority believes to be reasonable, as to the selection by borrowers of 10-year and 15-year repayment periods and of repayment deferral options. There can be no assurance, however, that the origination and performance experience of Issue I Loans will conform to prior MEFA Financing Program experience or to the future performance of other existing MEFA portfolios. Furthermore, future events over which the Authority has no control, such as general economic conditions, military and national emergencies and regulatory changes among others, may adversely affect the Authority's actual receipt of Revenues pursuant to the Resolution. See "INVESTMENT CONSIDERATIONS — Future Performance of the Issue I Loan Portfolio May Differ From Historical MEFA Education Loan Performance," "— General Economic Conditions," "— Certain Military and National Emergency Events Could Delay Borrower Payments," "— Prepayment of Issue I Loans is Subject to Uncertainty" and "— Changes in Relevant Laws," "THE MEFA FINANCING PROGRAM," "MEFA EDUCATION LOAN PORTFOLIO" and "ISSUE I LOAN PORTFOLIO."

Receipt of principal and interest on Issue I Loans may be accelerated, causing an unanticipated redemption of Issue I Bonds, due to various factors, including, without limitation: (i) faster than anticipated Issue I Loan origination; (ii) Issue I Loans being in forbearance, modified payment or delinquency status less frequently or for shorter periods than anticipated; (iii) economic considerations that induce borrowers to refinance or repay their Issue I Loans, in whole or in part, prior to scheduled payment dates; and (iv) a lesser incidence of Issue I Loan default than anticipated. With respect to MEFA Loans, such factors may also include, without limitation: (i) greater than anticipated borrower selection of 10-year repayment options; (ii) fewer borrowers electing initial Interest-Only Payment Options than anticipated for shorter than anticipated option duration; (iii) less than anticipated Issue I Loan repayment deferral; and (iv) the commencement of principal repayment by Issue I borrowers on earlier dates than are anticipated. See "INVESTMENT CONSIDERATIONS — Redemption of Bonds" and "— Prepayment of Issue I Loans is Subject to Uncertainty" and "THE MEFA FINANCING PROGRAM— MEFA Refinancing Loans" and "— MEFA Loans" and MEFA EDUCATION LOAN PORTFOLIO."

Delay in the receipt of principal of and interest on Issue I Loans may adversely affect the availability of Revenues to fund payment when due of the Principal Installments of and interest on the Issue I Bonds and Program Expenses. Principal of and interest on Issue I Loans may be delayed due to numerous factors, including, without limitation: (i) slower than anticipated Issue I Loan origination; (ii) less than anticipated total Issue I Loan origination; (iii) Issue I Loan being in forbearance, modified payment or delinquency status more frequently or for longer periods than anticipated; and (iv) a greater incidence of Issue I Loan default than anticipated. With respect to MEFA Loans, such factors may also include, without limitation: (i) less than anticipated borrower selection of 10-year repayment options; (ii) more borrowers electing initial Interest-Only Payment Options than anticipated, or longer than anticipated option duration; (iii) greater than anticipated Issue I Loan repayment deferral; and (iv) the commencement of principal repayment by Issue I borrowers on later dates than are anticipated. Additional factors which may have a material effect on the sufficiency of Revenues include, but are not limited to, Program Expenses or Fund investment results which vary materially from those projected by the Authority.

The origination period applicable to the Offered Bonds currently permits the application of proceeds of the Offered Bonds to originate MEFA Education Loans through September 30, 2016 and the recycling period applicable under the Resolution currently permits the application of certain Revenues to originate MEFA Education Loans through December 31, 2016. The Authority currently expects to fully apply all original proceeds of the Offered Bonds that are to be initially deposited to the Series 2015B-1 Purchase Account and the Series 2015B-2 Purchase Account to the financing of MEFA Refinancing Loans during such period, and to apply all currently committed proceeds of the Series 2015A Bonds, the approximately \$31,000,000 of remaining uncommitted proceeds of the Series 2015A Bonds, as of August 31, 2015, and any additional amounts that may become available as result of receipts upon Issue I Loans and other assets pledged under the Resolution to the financing of Fixed Rate MEFA Loans during such period. The Issue I General Resolution does not require the application of amounts credited to the Series 2015B-1 Purchase Account and the Series 2015B-2 Purchase Account prior to the application of funds available to the Authority from other sources and the Authority reserves the right to fund MEFA Education Loans, including MEFA Refinancing Loans, from any source available to it at any time. There is no assurance that the Authority will be able to apply the full amount of Offered Bond proceeds and allocable Revenues which are currently expected to be made available therefor to the financing of MEFA Refinancing Loans. MEFA Refinancing Loans to be financed by the Authority with the proceeds of the Offered Bonds are expected to bear effective interest rates and to offer other terms and conditions that are competitive with loans that are currently made available by other lenders to refinance education loans. However, interest rates applicable to other loans available to borrowers for this purpose may decline significantly during the loan origination period or other material changes may occur in competing education loan refinancing programs. The demand for loans to refinance education loans is affected by a number of factors, including general economic conditions, the availability of favorable terms and lender programs facilitating the repayment of existing education loans, the terms and conditions and availability of other governmental, as well as private, refinancing programs and the ability of borrowers and cosigners to satisfy credit criteria. The demand for education loans to finance current higher education costs may be also affected by student perceptions of the value of post-secondary education and their ability to participate in post-secondary education programs on at least a half-time basis, factors affecting the costs of post-secondary education and the availability of other forms of financial assistance and the schedule upon which students and their families must pay post-secondary education costs, which is generally based upon an academic year commencing in September, or upon semesters commencing in September and January. The Authority reserves the right to apply moneys in the Series 2015B-1 Purchase Account or the Series 2015B-2 Purchase Account and other moneys available to it to originate MEFA Education Loans in the manner it deems most advantageous to MEFA Financing Program borrowers and the Authority. The ability of the Trust Assets to produce Revenues sufficient to fund the timely payment of principal and interest of the Issue I Bonds and other Issue I General Resolution requirements might be adversely affected by certain actions that the Authority might take in response to lower than anticipated origination of MEFA Refinancing Loans consistent with the Issue I General Resolution.

Revenues actually received with respect to Issue I Loans may vary greatly in both timing and amount from the initially scheduled or projected payments on such Issue I Loans as a result of a variety of economic, social and other factors, including both individual factors, such as loan defaults, consolidations or refundings, and general factors, such as a change in federal law that may affect the demand for non-federal loans such as the Issue I Loans or a general economic downturn which could increase the amount of delinquent or defaulted Issue I Loans. The effect of these factors, including the effect on the timing and amount of available Revenues and the payment of Principal Installments of and interest on the Offered Bonds and Program Expenses, is impossible to predict with certainty. See “INVESTMENT CONSIDERATIONS —Redemption of Bonds,” “— Composition and Characteristics of the Issue I Loan Portfolio Are Expected To Change,” “— General Economic Conditions,” “Certain Military and National Emergency Events Could Delay Borrower Payments,” “Prepayment of Issue I Loans is Subject to

Uncertainty,” “Competition May Reduce Demand for or Increase Prepayment on Issue I Loans,” “— Changes in Relevant Laws,” and “— Uncertainty as to Available Remedies.”

### **Composition and Characteristics of the Issue I Loan Portfolio Are Expected To Change**

Certain portfolio information contained herein with respect to existing Issue I Loans is as of July 31, 2015. As of such date, the aggregate outstanding principal amount of existing Issue I Loans was approximately \$565,341,000 and all such Issue I Loans were Fixed Rate MEFA Loans. The Authority believes such information to be reasonably representative of the existing Issue I Loans as of the date hereof. The Issue I Loans that the Authority currently intends to finance with the proceeds of the Offered Bonds are described in this Official Statement. The Authority currently expects to apply approximately \$21,000,000 of the proceeds of the Series 2015B-1 Bonds to fund Floating Rate MEFA Refinancing Loans and approximately \$55,000,000 of the proceeds of the Series 2015B-2 Bonds to fund Fixed Rate MEFA Refinancing Loans during the period ending September 30, 2016. In addition, Authority currently expects to apply all of the approximately \$31,000,000 of uncommitted proceeds of the Series 2015A Bonds, as of August 31, 2015, to fund the additional Fixed Rate MEFA Loans during this period. In recent years, approximately one-half of such Fixed Rate MEFA Loan borrowers by original principal amount have chosen to defer repayment during the in-school period in whole or in part. See “SECURITY FOR THE ISSUE I BONDS AND SOURCES OF PAYMENT — Issue I Loans,” “THE MEFA FINANCING PROGRAM” and “ISSUE I LOAN PORTFOLIO.”

Although the projections that were reviewed by the Authority in connection with the structuring of the Offered Bonds were based upon cash flow projections that were intended to reflect these expectations, there can be no assurance that actual Issue I Loan Portfolio acquisition and performance will conform to such expectations. See “INVESTMENT CONSIDERATIONS — Future Performance of the Issue I Loan Portfolio May Differ From Historical MEFA Education Loan Performance,” “— Certain Factors Could Potentially Affect Timing and Receipt of Revenues,” “THE MEFA FINANCING PROGRAM,” “MEFA EDUCATION LOAN PORTFOLIO” and “ISSUE I LOAN PORTFOLIO.”

Certain amounts received with respect to the Issue I Loans may be recycled and proceeds of Additional Bonds may be used to finance additional Issue I Loans in the future, including, without limitation, Floating Rate MEFA Loans. Generally, the characteristics of the Issue I Loan Portfolio may be expected to change as new Issue I Loans are financed with Issue I Bond proceeds and as Issue I Loans are repaid, and may also change as a result of changes in the MEFA Financing Program. The Authority reserves the right to sell or otherwise dispose of Issue I Loans, and under certain circumstances to apply all or a portion of the proceeds thereof to finance additional Issue I Loans, subject to compliance with applicable Resolution requirements. The Authority regularly reviews the terms and conditions of its MEFA Financing Program and reserves the right to alter such terms and conditions at any time subject, with respect to Issue I Loans, to compliance with certain requirements of the Issue I General Resolution. See “SECURITY FOR THE ISSUE I BONDS AND SOURCES OF PAYMENT — Issue I Loans,” “INVESTMENT CONSIDERATIONS — Certain Actions May Be Permitted Without Bondholder Approval,” “— Effect of Ratings,” “— Future Performance of the Issue I Loan Portfolio May Differ From Historical MEFA Education Loan Performance,” “— Certain Factors Could Potentially Affect Timing and Receipt of Revenues,” “— Prepayment of Issue I Loans is Subject to Uncertainty,” “— Competition May Reduce Demand for or Increase Prepayments on Issue I Loans” and “— Changes in Relevant Laws,” “THE MEFA FINANCING PROGRAM,” “MEFA EDUCATION LOAN PORTFOLIO,” “ISSUE I LOAN PORTFOLIO,” and “APPENDIX C — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — Recycling of Revenues” and “— Covenants as to Education Loans.”

## **General Economic Conditions**

The Authority's current projections of the performance of Issue I Loans are based upon historical MEFA Loan performance. The MEFA Financing Program was established in 1983. Regional and national recessionary conditions during the 2008-2010 period resulted in a substantial reduction in household wealth and in the availability of civilian employment. Such developments also resulted in a reduction in the availability of consumer credit and of general financial market liquidity. It is impossible to predict with certainty how long such recessionary periods may continue or whether, and for how long, some or all of the effects of such a recessionary period may have upon the economic condition of existing and potential Issue I Loan borrowers, the demand for Issue I Loans or Issue I Loan performance may persist during subsequent economic cycle periods. Future performance of Issue I Loans may be adversely affected by the recent economic recession or by subsequent economic and other events affecting the employment prospects of borrowers or otherwise affecting their ability and willingness to incur and to repay Issue I Loans. High levels of unemployment, either regionally or nationally, may result in increased borrower delinquency and default. Failures by borrowers to pay the principal of and interest on the Issue I Loans in a timely fashion or an increase in deferments or forbearances or in utilization of modified repayment provisions could affect the timing and amount of available funds for any collection period. The effect of these factors on the timing and amount of available funds for any collection period, the ability of the Authority to pay the Principal Installments of and interest on the Offered Bonds and Program Expenses and the incidence of redemption of the Offered Bonds prior to their maturity, is impossible to predict with certainty. See "INVESTMENT CONSIDERATIONS— Redemption of Bonds," "— Certain Factors Could Potentially Affect Timing and Receipt of Revenues," "Certain Military and National Emergency Events Could Delay Borrower Payments" and "— Changes in Relevant Law."

## **Certain Military and National Emergency Events Could Delay Borrower Payments**

The Servicemembers Civil Relief Act of 2003 (the "Civil Relief Act"), which replaced and clarified certain benefits extended to military persons under the Soldiers' and Sailors' Civil Relief Act of 1940, 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 education loans. The Civil Relief Act provides that persons on active duty in military service who have incurred education loans prior to their period of active duty may request to have the interest on their loans in excess of 6% per year forgiven under certain circumstances. Congress has periodically adopted similar legislation, and may consider additional legislation, that provides for, among other things, interest rate caps and additional periods of deferment with respect to education loans made to members of the military, including reservists, and others affected by national emergencies, as well as to other categories of borrowers. There can be no assurance that additional legislation of this type will not be adopted in the future and will not affect payments received by the Authority on Issue I Loans. There is no basis for predicting the number and aggregate principal balances of Issue I Loans that may be affected by the application of such legislation, the period of time over which such Issue I Loans may be so affected and the resulting affect upon the sufficiency of Revenues and other amounts available under the Issue I General Resolution to pay when due the Principal Installments of and interest on the Outstanding Bonds and to pay Program Expenses. See "SECURITY FOR THE ISSUE I BONDS AND SOURCES OF PAYMENT" and "INVESTMENT CONSIDERATIONS — Changes in Relevant Laws."

## **Prepayment of Issue I Loans is Subject to Uncertainty**

Issue I Loans may be prepaid by borrowers at any time prior to their respective final maturity dates. For this purpose the term "prepayments" includes repayments in full or in part. The rate of prepayments on the Issue I Loans may be influenced by a variety of economic, social and other factors

affecting borrowers, including interest rates, the availability of alternative financing and the general job market for graduates of institutions of higher education.

The Issue I Loan Portfolio is expected to include Fixed Rate MEFA Education Loans with a range of interest rates, principal balances and other characteristics, as well as Floating Rate MEFA Refinancing Loans and any other Floating Rate MEFA Education Loans that may be originated in the future. The Authority cannot predict with certainty the actual average life of the Issue I Loans. In addition, the availability of education loan financing may materially increase the rate of prepayment actually experienced by the Authority with respect to Issue I Loans. Potential sources of alternative financing that might be utilized by borrowers to pay or prepay Issue I Loans might include loans for refinancing purposes that are currently, or that may become, available from federal, state and private sources, as well as MEFA Refinancing Loans. An increase in the rate of Issue I Loan repayment actually experienced by the Authority could result in increased redemption of Bonds prior to maturity and could have a material and adverse effect upon the sufficiency of Revenues and other moneys held under the Resolution to pay when due the Principal Installments of and interest on the Issue I Bonds and Program Expenses. See “THE SERIES 2015B-1 BONDS — Redemption Provisions,” “THE SERIES 2015B-2 BONDS — Redemption Provisions,” “INVESTMENT CONSIDERATIONS — Redemption of Bonds,” “— General Economic Conditions,” “— Competition May Reduce Demand for or Increase Prepayments on Issue I Loans” and “— Changes in Relevant Laws,” “THE MEFA FINANCING PROGRAM,” “MEFA EDUCATION LOAN PORTFOLIO” and “ISSUE I LOAN PORTFOLIO.”

Although the Authority is not implementing its MEFA Refinancing Loan Program for the principal purpose of providing for the prepayment of MEFA Loans, the Authority expects that some MEFA Refinancing Loans will be used, in whole or in part, to refinance MEFA Loans, including Issue I Loans. The Authority cannot predict with certainty the effect of availability of MEFA Refinancing Loans upon the incidence of prepayment of existing or other future Issue I Loans. See “THE MEFA FINANCING PROGRAM — MEFA Refinancing Loans.”

The Authority reserves the right to finance MEFA Refinancing Loans or other MEFA Education Loans, the proceeds of which are to be applied, in whole or in part, to fund the prepayment of Issue I Loans. The Authority further reserves the right to fund such MEFA Education Loans through the issuance of Bonds or other obligations. See “SECURITY FOR THE ISSUE I BONDS AND SOURCES OF PAYMENT” and “INVESTMENT CONSIDERATIONS — Redemption of Bonds,” “— Composition and Characteristics of the Issue I Loan Portfolio Are Expected To Change” and “— Competition May Reduce Demand for or Increase Prepayments on Issue I Loans.”

To the extent that Issue I Loans are prepaid, the proceeds of such prepayments may be used to redeem Bonds prior to maturity pursuant to the special optional redemption, special mandatory redemption or optional redemption provisions of the Resolution. With respect to the Series 2015B-1 Bonds, see “THE SERIES 2015B-1 BONDS — Redemption Provisions” and “APPENDIX F — PREPAYMENTS, EXTENSIONS, WEIGHTED AVERAGE LIVES AND EXPECTED MATURITIES OF THE SERIES 2015B-1 PAC BONDS AND OF THE SERIES 2015B-2 PAC BONDS.” With respect to the Series 2015B-2 Bonds, see “THE SERIES 2015B-2 BONDS — Redemption Provisions” and, with respect to the Series 2015B-2 PAC Bonds, see “APPENDIX F — PREPAYMENTS, EXTENSIONS, WEIGHTED AVERAGE LIVES AND EXPECTED MATURITIES OF THE SERIES 2015B-1 PAC BONDS AND OF THE SERIES 2015B-2 PAC BONDS.”

### **Dependence Upon Third-Party Servicers and Originators**

The Authority is currently dependent upon third parties to originate and service MEFA Education Loans. As of the date of this Official Statement, XEROX-ES, a wholly-owned subsidiary of Xerox

Corporation, is acting as originator, servicer and custodian with respect to MEFA Education Loans pursuant to an agreement that is currently scheduled to expire on November 30, 2015, subject to automatic renewal for successive twelve-month periods in the absence of written notice of intention not to so renew by either party delivered to the other party at least ninety days prior to the then scheduled expiration date. The Authority reserves the right, however, to establish different Issue I Loan origination and servicing arrangements in accordance with the Resolution. Appointment of a successor or additional Servicer is subject to satisfaction of certain requirements of the Issue I General Resolution. The cash flow projections relied upon by the Authority in structuring the bond issue were based upon assumptions with respect to servicing costs which the Authority based upon these existing agreements. No assurance can be given that the Authority will be able to extend the term of the agreement, or to enter into agreements with other acceptable Servicers at the assumed level of servicing cost upon scheduled expiration of the current agreements. Although XEROX-ES is obligated to cause the Issue I Loans to be originated and serviced in accordance with the terms of the respective servicing agreements, the timing of payments to be actually received with respect to Issue I Loans will be dependent upon the ability of XEROX-ES, to adequately originate and service the Issue I Loans. In addition, investors and the Authority will be relying on XEROX-ES' compliance with applicable federal and state laws and regulations. See "APPENDIX C — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — Program Covenants."

In the event of default by XEROX-ES resulting solely from certain events of insolvency or bankruptcy, a court, conservator, receiver or liquidator may have the power to prevent the appointment of either a successor Servicer or originator, as the case may be, and delays in origination or collections in respect of the Issue I Loans may occur. Delays in the receipts of payments with respect to Issue I Loans in excess of the delinquency and default assumptions adopted by the Authority for purposes of preparing cash flow projections as a basis for structuring the issue may delay the timely payment of scheduled principal of and interest on the Offered Bonds and of Program Expenses. See "INVESTMENT CONSIDERATIONS — Changes in Relevant Laws" and "MEFA EDUCATION LOAN ORIGINATION AND SERVICING — The Servicer."

### **Competition May Reduce Demand for or Increase Prepayments on Issue I Loans**

In addition to the MEFA Financing Program, there are a number of other sources available to students and/or their parents to finance or refinance the costs of higher education. Such other sources include, but are not limited to, loans offered pursuant to the Federal Direct Student Loan Program and by other education lenders generally. The availability of certain federal, state and institutional financial aid, including loans, reduces the amount of MEFA Loans for which many otherwise qualified borrowers might be eligible. Fixed Rate MEFA Loans compete with PLUS Loans originated under the Federal Direct Student Loan Program, which bear interest payable by the borrower at a fixed rate that is determined annually each May for the following academic year. The terms and conditions of such PLUS Loans differ from those applicable to such Fixed Rate MEFA Loans. The terms and availability of education loan financing, and of education loan refinancing, from sources other than the Authority vary and are subject to change from time to time. Although the Authority believes that MEFA Refinancing Loans and MEFA Loans will be competitive in the currently prevailing market for education loans for current higher education costs, and for loans to refinance such education loans, the availability of such other lending sources in general and of the federal programs in particular may impact adversely the number and amount of loans which may be financed under the MEFA Financing Program. There can be no assurance as to the availability to students and other education borrowers of loans or of other forms of financial assistance that may reduce demand for MEFA Refinancing Loans or for MEFA Loans. Potential sources of loans to refinance education loans may include federal and state lending programs established for this purpose as well as targeted and general private lending programs. Potential sources of other financial assistance include the Commonwealth, other states and the federal government, as well as

public and private educational institutions. See “INVESTMENT CONSIDERATIONS— Redemption of Bonds,” “— Certain Factors Could Potentially Affect Timing and Receipt of Revenues,” “— Prepayment of Issue I Loans is Subject to Uncertainty” and “— Changes in Relevant Laws,” and “THE MEFA FINANCING PROGRAM.”

### **Dodd-Frank Act**

On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) to reform and strengthen supervision of the U.S. financial services industry. The Dodd-Frank Act required the creation of new federal regulatory agencies, and granted additional authorities and responsibilities to existing regulatory agencies to identify and address emerging systemic risks posed by financial services activities. The Dodd-Frank Act has resulted in comprehensive changes to the regulation of most financial institutions operating in the United States. It has, and may be expected to continue to, result in new regulation in the business and the markets in which the Authority operates. Specifically, significant new regulation is anticipated in many areas of consumer financial products and services, including private education loans. Under the Dodd-Frank Act, entities such as the Authority are subject to regulations developed by the Consumer Financial Protection Bureau (the “CFPB”). The CFPB is an independent agency that is housed within the Federal Reserve Board, but is not subject to Federal Reserve Board jurisdiction or to the Congressional appropriations process. It has broad rulemaking, supervisory and enforcement powers to regulate financial products and services received by consumers from both banks and non-bank lenders including rulemaking authority in enumerated areas of federal law traditionally applicable to consumer lending such as truth in lending, fair credit reporting and fair debt collection. In addition, the Dodd-Frank Act provides for significant new enforcement authority, including authorization of state attorneys general to bring lawsuits under federal consumer protection laws with the consent of the CFPB.

The effects of the Dodd-Frank Act will depend significantly upon the content and implementation of the rules and regulations issued pursuant to its provisions and to the administration and enforcement of such requirements. It is unclear what the operational impact of these developments will be on the Authority, but it is possible that the Authority’s operational expenses may be materially increased. No assurance can be given that these developments will not have an adverse effect on the security, market value or liquidity of the Issue I Bonds. See “— Certain Factors Could Potentially Affect Timing and Receipt of Revenues,” “— Dependence Upon Third-Party Servicers and Originators,” and “— Consumer Protection Lending Laws Could Change.”

### **Consumer Protection Lending Laws Could Change**

MEFA Education Loans are subject to applicable laws regulating loans to consumers. Numerous federal and state consumer protection laws and related regulations impose substantial requirements upon lenders and servicers involved in consumer finance. Changes in such requirements may result in unanticipated additional marketing, origination, servicing, collection and other administrative costs that must be paid from Resolution sources and may reduce the number of entities that are qualified and available to perform such services as Authority contractors, may increase the costs of such services or both. Some state and federal laws impose finance charge restrictions and other restrictions on certain consumer transactions and require certain disclosures of legal rights and obligations. Furthermore, to the extent applicable, these laws can impose specific statutory liabilities upon creditors who fail to comply with their provisions and may affect the enforceability of the loan. In addition, the remedies available to the Trustee or the Bondholders upon an Event of Default under the Resolution may not be readily available or may be limited by applicable state and federal laws. If the application of consumer protection laws were to cause the Issue I Loans, or any of the terms of the Issue I Loans, to be unenforceable against the borrowers or co-borrowers, the Authority’s ability to pay when due the Principal Installments of and



interest on the Issue I Bonds, including the Offered Bonds, and Program Expenses could be adversely affected. See “— Changes in Relevant Laws.”

### **Changes in Relevant Laws**

The Authority believes that it has taken the currently foreseeable effects of the provisions of the Dodd-Frank Act that are applicable to consumer lending and currently applicable federal higher education funding authorization into account in projecting demand for MEFA Education Loans during the period described herein and in determining the terms of MEFA Education Loans that it currently expects to offer during such period. No assurance can be given, however, as to the long-term effects of the provisions of these or other existing or future federal legislative actions, or of implementing regulations and regulatory actions thereunder, upon borrower demand for, the cost of servicing and administering of, the performance of or the market value of MEFA Education Loans.

A number of bankruptcy reform proposals that would alter the treatment of loans similar to MEFA Education Loans have been discussed and/or introduced in the Congress of the United States in recent years, including proposals to liberalize the current general non-dischargeability of such student loans in bankruptcy. No assurance can be given as to whether bankruptcy reform legislative proposals will be enacted at the federal level in a manner that might affect the Authority’s ability to enforce collection of MEFA Education Loans.

Federal and state laws providing financial assistance to individuals with respect to the costs of higher education, or otherwise affecting loans made to individuals for such purpose, have been subject to frequent change. There can be no assurance that changes to relevant federal or state laws will not prospectively or retroactively affect the terms and conditions under which MEFA Education Loans are made, affect Issue I Loan performance, affect Issue I Loan prepayment, affect the costs of servicing and administering Issue I Loans or affect demand for MEFA Education Loans.

## **THE MEFA FINANCING PROGRAM**

### **General**

Under the MEFA Financing Program, the Authority finances MEFA Education Loans in cooperation with the Participating Institutions. Any non-profit, post-secondary, degree granting educational institution may participate in the MEFA Financing Program. Educational institutions located outside of the Commonwealth may participate in the MEFA Financing Program with respect to MEFA Loans for their students who are Commonwealth residents and their former students are eligible to apply for MEFA Refinancing Loans. The ninety-eight (98) Massachusetts institutions currently participating in the MEFA Financing Program represent in excess of 90% of the total enrollment of post-secondary students in the Commonwealth. This group of Participating Institutions has remained generally stable over time. Approximately 1,000 educational institutions located outside of the Commonwealth have historically participated in any given year in the MEFA Financing Program. The MEFA Financing Program has been implemented in accordance with the provisions of the Servicing Agreement and the provisions of certain other related documents (collectively, the “MEFA Financing Program Documents”). The MEFA Financing Program has in recent years offered borrowers only Fixed Rate MEFA Loans. From the 1994-1995 through the 2007-2008 academic years, the MEFA Financing Program also offered borrowers Floating Rate MEFA Loans. All Issue I Loans to date have been Fixed Rate MEFA Loans. Although the Authority does not currently plan to offer Floating Rate MEFA Loans, it reserves the right to do so if it deems borrower demand and other conditions so warrant. The Authority is currently implementing the MEFA Refinancing Loan Program, which is expected to include both Floating Rate MEFA Refinancing Loans and Fixed Rate MEFA Refinancing Loans. Borrowers are free to choose

between MEFA Refinancing Loans for which they qualify based on credit criteria. The Offered Bonds are being issued for the principal purpose of funding Floating Rate MEFA Refinancing Loans and Fixed Rate MEFA Refinancing Loans. See “— MEFA Refinancing Loans” and “— MEFA Loans.”

This Official Statement contains certain historical information relative to the origination and payment experience of the Authority in connection with its previously originated MEFA Education Loans that includes, but is not limited to, information relative to Issue I Loans. Such information is included for general reference purposes only and is not intended as a representation that the future origination and payment experience of the Issue I Loan portfolio necessarily will be similar to the historical experience of the MEFA Education Loan portfolio as a whole during any period or over the respective lives of such portfolios. See “SECURITY FOR THE ISSUE I BONDS AND SOURCES OF PAYMENT — Issue I Loans,” “THE MEFA FINANCING PROGRAM — MEFA Refinancing Loans” and “— MEFA Loans” and “ISSUE I LOAN PORTFOLIO.”

Borrowers in the MEFA Financing Program have generally been individuals meeting the credit standards established by the Authority for this program. The Authority does not require a co-borrower on MEFA Education Loans if the principal borrower meets the Authority’s credit standards, but borrowers may choose to rely on a co-borrower who meets certain credit standards established by the Authority. The Authority has established credit guidelines for applicants for specific types of MEFA Education Loans under the MEFA Financing Program. See “THE MEFA FINANCING PROGRAM — MEFA Refinancing Loans” and “—MEFA Loans.” There can be no assurance that Issue I borrowers will not be subject to different economic conditions than have affected MEFA Education Loan borrowers during prior periods or than may in the future affect other MEFA Education Loan borrowers. The actual future performance of Issue I Loans may not, in fact, conform to projections based on their past performances and the actual performance of MEFA Education Loans that are originated as Issue I Loans may, in fact, be different from that of other MEFA Education Loans. The Authority reserves the right to vary the terms and conditions of Issue I Loans upon satisfaction of certain requirements of the Resolution. Any Issue I Loans so funded would secure the Issue I Bonds. Any such Issue I Loans may have credit and repayment characteristics which differ substantially from the MEFA Education Loans described herein. See “SECURITY FOR THE ISSUE I BONDS AND SOURCES OF PAYMENT — Issue I Loans,” “ESTIMATED SOURCES AND USES OF FUNDS,” “INVESTMENT CONSIDERATIONS — Future Performance of the Issue I Loan Portfolio May Differ From Historical MEFA Education Loan Performance,” “— Composition and Characteristics of the Issue I Loan Portfolio Are Expected To Change” and “— General Economic Conditions,” “THE MEFA FINANCING PROGRAM — MEFA Refinancing Loans” and “—MEFA Loans,” “MEFA EDUCATION LOAN PORTFOLIO” and “ISSUE I LOAN PORTFOLIO.”

Additional Issue I Loans are expected to be financed by the Authority under the MEFA Financing Program from moneys in the Series 2015A Purchase Account and other Accounts established, or that may be established, under the Issue I General Resolution in connection with the issuance of the Series 2015A Bonds and of Additional Bonds during the respective loan origination periods applicable thereto and from other funds available therefor under the Issue I General Resolution, including revenues that are currently expected to or that may become available by the repayment or prepayment of Issue I Loans that have been financed under the Authority’s Issue I General Resolution. MEFA Education Loans may also be financed by the Authority from other moneys available to the Authority therefor. The Authority has implemented the MEFA Financing Program as described herein with the assistance of Participating Institutions and the MEFA Servicer, which will perform credit evaluations during the origination process of and will thereafter service MEFA Education Loans financed by the Authority.

The Authority has covenanted in the Resolution that Issue I Loans will have scheduled payments of principal and interest or other legally enforceable payment requirements which, together with other

money available therefor under the Resolution, will be at least sufficient to pay when due the Principal Installments or redemption price of and interest on the Issue I Bonds and Program Expenses. The Authority's policy is to set the interest rate and other terms on certain categories or on all newly originated MEFA Loans on an annual basis for MEFA Loans to be originated during the next academic year, although the Authority reserves the right to vary the interest rate or other terms offered on certain categories or on all newly originated MEFA Loans during an academic year, and the Authority expects to review and, as it deems appropriate, to adjust the interest rate and terms of some or all newly originated MEFA Refinancing Loans from time to time. The Authority reserves the right to apply amounts available therefor under the Resolution, including proceeds of additional Bonds, to finance MEFA Education Loans with interest rate or other terms which vary from those described herein upon compliance with certain requirements of the Resolution.

The Authority believes that Fixed Rate MEFA Loans will continue to be an attractive source of financial assistance to parents, students and others responsible for paying the costs of education and that the Authority will be able to finance additional Fixed Rate MEFA Loans under the MEFA Financing Program notwithstanding the availability of education financing from other sources. There are several sources of competition to MEFA Loans, including, but not limited to, the federal Higher Education Act student assistance programs. In addition, there are, or may in the future be, other Authority loan programs offering assistance to finance education costs of students attending school in the Commonwealth. The Authority also believes that both Fixed Rate MEFA Refinancing Loans and Floating Rate MEFA Refinancing Loans will be an attractive source of funding to refinance educational loans and that the Authority will be able to finance such loans under the MEFA Financing Program notwithstanding the availability to borrowers of loans from other sources that may be used for refinancing purposes. See "SECURITY FOR THE ISSUE I BONDS AND SOURCES OF PAYMENT" and "INVESTMENT CONSIDERATIONS — Competition May Reduce Demand for or Increase Prepayments on Issue I Loans."

It is the Authority's usual practice to treat a MEFA Education Loan as Defaulted when such loan becomes over 180 days past due. However, in certain limited circumstances, the Authority will not treat a MEFA Education Loan as Defaulted during a period of up to two years following the date it becomes over 180 days past due if: (i) the borrower has agreed to, and is complying with, a modified payment plan that is acceptable to the Authority and has agreed to bring the MEFA Education Loan current by the end of such two year period; or (ii) the Authority has reason to believe the delinquency is due to temporary circumstances and that the delinquency is likely to be cured during such two year period. It is also the Authority's practice, in certain circumstances, not to treat a MEFA Education Loan as Defaulted while a bankruptcy proceeding involving the borrower is pending. Such MEFA Education Loans are generally classified as delinquent. However, because MEFA Education Loans generally are non-dischargeable in bankruptcy, payments on MEFA Education Loans of some borrowers in bankruptcy proceedings are kept current, and in such cases it is the Authority's practice not to treat such MEFA Education Loans as Defaulted or delinquent. When a MEFA Education Loan becomes Defaulted it is the Authority's usual practice to refer the default to a collection agent or an attorney. In recent years, the Authority has more frequently directed collection agents or attorneys to initiate litigation to collect Defaulted MEFA Education Loans than it had previously done. The Authority retains continuous oversight and responsibility for enforcement and settlement decisions related to defaulted and delinquent accounts.

### **MEFA Refinancing Loans**

The Authority expects to apply the net proceeds of the Offered Bonds for the principal purpose of financing MEFA Refinancing Loans. All MEFA Refinancing Loans that are financed through application of proceeds of the Offered Bonds will be Issue I Loans. Although the Authority doesn't expect, on the basis of the marketing plan and credit underwriting criteria that it currently expects to employ, that the

availability of MEFA Refinancing Loans will materially affect the incidence of prepayment of other Issue I Loans, there can be no assurance that this will, in fact, be the case.

The Authority expects that MEFA Refinancing Loans to be Purchased through application of the Offered Bonds will be originated on both a fixed rate and a floating rate basis and that such origination will be on the basis of underwriting criteria that it considers to be generally similar to the criteria that it applies to the origination of other MEFA Education Loans, but that will include additional monthly free cash flow and minimum income tests. Certain MEFA Refinance Loan terms are expected to vary from those of certain other MEFA Education Loans. MEFA Refinancing Loans will be subject initially to a \$10,000 minimum initial principal amount requirement and will be disbursed in one installment. All MEFA Refinancing Loans will be repayable initially over a 15-year term commencing on the 28<sup>th</sup> day of the month following the month in which the disbursement occurs. Applicable tiered interest rates are expected to be dependent upon credit underwriting with a minimum FICO Score of 670 for the qualified borrower. The tier representing the lowest FICO scores shall not exceed 25% of the aggregate initial Purchase Account deposits, made from the proceeds of the Offered Bonds. In addition, it may be expected that the population of MEFA Refinance Loan borrowers or co-signers may differ from that of MEFA Education Loans generally in terms of age, geographic distribution, ability and propensity to prepay debt and other characteristics. Although the Authority doesn't expect these differences to result in MEFA Refinancing Loan portfolio performance that is less favorable than the historical performance of MEFA Education Loans generally or the future performance of other Issue I Loans, there can be no assurance that this will, in fact, be the case. See "SECURITY FOR THE ISSUE I BONDS AND SOURCES OF PAYMENT — Issue I Loans," "THE MEFA FINANCING PROGRAM — General," and "— MEFA Loans" and "ISSUE I LOAN PORTFOLIO." See "INVESTMENT CONSIDERATIONS — Redemption of Bonds," "— Future Performance of the Issue I Loan Portfolio May Differ From Historical MEFA Education Loan Performance," "— Certain Factors Could Potentially Affect Timing and Receipt of Revenues," "Competition May Reduce Demand For and Increase Prepayments on Issue I Loans" and "— Composition and Characteristics of the Issue I Portfolio Are Expected To Change."

**MEFA Refinancing Loan Programs<sup>(1)</sup>**

<b>Name</b>	<b>Currently expected to be included in Issue I Trust Assets</b>	<b>Interest Rate</b>	<b>Origination Fee</b>	<b>Repayment Terms</b>
Floating Rate MEFA Refinancing Loan	Yes	1 month LIBOR + 2.79% to 5.69% (reset monthly)	None	Interest payment and principal repayment begins on the 28 <sup>th</sup> day of the month following the month in which the disbursement occurs. The loan must be fully repaid within 15 years of disbursement.
Fixed Rate MEFA Refinancing Loan	Yes	4.95% to 6.85%	None	Interest payment and principal repayment begins on the 28 <sup>th</sup> day of the month following the month in which the disbursement occurs. The loan must be fully repaid within 15 years of disbursement.

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<sup>(1)</sup> Includes only Floating Rate MEFA Refinancing Loans and Fixed Rate MEFA Refinancing Loans currently expected to be offered during the initial origination period scheduled to end on September 30, 2016.

The Authority expects that the cohort default experience of both Fixed Rate MEFA Refinancing Loans and Floating Rate MEFA Refinancing Loans will be materially consistent with the historical payment performance of Fixed Rate MEFA Loans to which both a 15-year repayment period and the immediate repayment option apply (“Immediate Repayment 15-year Fixed Rate MEFA Loans”). However, the historical information relative to the payment experience of the Authority with its previously originated Immediate Repayment 15-year Fixed Rate MEFA Loans included in this Official Statement is not intended as a representation that the future payment experience of Issue I Loans constituting MEFA Refinancing Loans necessarily will be similar to that of such Immediate Repayment 15-year Fixed Rate MEFA Loans during any period or over the respective lives of such portfolios. See “SECURITY FOR THE ISSUE I BONDS AND SOURCES OF PAYMENT — Issue I Loans,” “INVESTMENT CONSIDERATIONS — Future Performance of the Issue I Loan Portfolio May Differ From Historical MEFA Education Loan Performance,” “— Certain Factors Could Potentially Affect Timing and Receipt of Revenues” and “—Composition and Characteristics of the Issue I Loan Portfolio Are Expected To Change.”

**MASSACHUSETTS EDUCATIONAL FINANCING AUTHORITY**  
**Static Pool Cohort Default Analysis**

**Fixed Rate MEFA Loans Immediate Repayment 15 Year Term (670+)<sup>(1)</sup>**  
**(As of July 31, 2015)**

Repayment Year	Disbursed Principal Entering Repay (\$000,000)	Repayment Year of Default																Total
		0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
1997	\$ 37	0.00%	0.00%	0.00%	0.11%	0.05%	0.06%	0.06%	0.11%	0.06%	0.09%	0.03%	0.12%	0.06%	0.01%	0.01%	0.02%	0.77%
1998	76	0.00	0.00	0.00	0.04	0.14	0.14	0.18	0.13	0.19	0.06	0.10	0.07	0.06	0.04	0.02	0.02	1.19
1999	85	0.00	0.00	0.01	0.03	0.12	0.15	0.23	0.20	0.12	0.10	0.07	0.10	0.05	0.03	0.06	0.00	1.27
2000	89	0.00	0.00	0.01	0.05	0.21	0.27	0.23	0.14	0.17	0.12	0.13	0.11	0.04	0.03	0.01	0.01	1.53
2001	85	0.00	0.00	0.02	0.06	0.10	0.22	0.11	0.16	0.19	0.15	0.10	0.03	0.07	0.01	0.06	0.01	1.27
2002	59	0.00	0.01	0.03	0.07	0.26	0.18	0.42	0.22	0.30	0.28	0.06	0.11	0.04	0.10	0.03		2.11
2003	36	0.00	0.00	0.11	0.40	0.32	0.39	0.46	0.36	0.19	0.11	0.08	0.10	0.09	0.03			2.65
2004	35	0.00	0.00	0.25	0.37	0.43	0.73	0.56	0.15	0.14	0.12	0.09	0.17	0.02				3.03
2005	9	0.00	0.00	0.27	0.51	0.42	0.70	0.71	0.15	0.50	0.07	0.05	0.00					3.38
2006	58	0.00	0.17	0.62	0.97	0.95	0.26	0.23	0.21	0.11	0.19	0.03						3.75
2007	102	0.00	0.25	0.62	0.87	0.80	0.43	0.29	0.19	0.12	0.04							3.60
2008	114	0.00	0.26	0.71	0.69	0.41	0.37	0.25	0.15	0.08								2.91
2009	22	0.00	0.13	0.61	0.55	0.29	0.32	0.15	0.16									2.20
2010	64	0.00	0.38	0.49	0.38	0.85	0.38	0.17										2.66
2011	36	0.00	0.21	0.70	0.65	0.43	0.37											2.36
2012	20	0.00	0.60	0.87	0.35	0.38												2.20
2013	23	0.00	0.39	0.59	0.49													1.47
2014	22	0.00	0.33	0.13														0.46
2015	21	0.00	0.00															0.00

- <sup>(1)</sup>
- FICO scores are based on the greater of the borrower or co-borrower score as of the original loan application date.
  - Includes undergraduate programs and both co-signed and non-co-signed loans.
  - Terms and calculations of the default statistics are defined as follows:
    - Repayment Year - The calendar year that the loans entered repayment.
    - Original Note Value Entering Repayment - The amount of principal entering repayment in a given year based on the disbursed principal including any interest capitalization at repayment.
    - Years in Repayment - Measured in years between repayment start date and default date with zero representing any defaults prior to the start of repayment.
    - Periodic Defaults - Defaulted principal in each Year of Repayment as a percentage of the Original Note Value Entering Repayment in each Repayment Year, includes any interest capitalization that occurred prior to default and is not reduced by any amount of recoveries after the loan defaulted.
    - Total - The sum of the Periodic Defaults across Years in Repayment for each Repayment Year.

Certain information concerning the distribution of currently outstanding Fixed Rate MEFA Loans, at the time of loan origination, between undergraduate and graduate students, between loans that were made to borrowers with and without co-borrowers and among students in Participating Institutions is contained under “MEFA EDUCATION LOAN PORTFOLIO.” Such information is based upon both Issue I Loans and other Fixed Rate MEFA Loans, is included herein for general informational purposes and is not intended as a representation that the distribution of MEFA Refinancing Loans or other Issue I Loans to be originated in the current and future years will resemble that of Fixed Rate MEFA Loans. See “MEFA EDUCATION LOAN ORIGINATION AND SERVICING — MEFA Education Loan Origination — *MEFA Loans - Credit Evaluation by the Servicer*,” “SECURITY FOR THE ISSUE I BONDS AND SOURCES OF PAYMENT,” “INVESTMENT CONSIDERATIONS — Composition and Characteristics of Issue I Loan Portfolio Are Expected To Change,” “THE MEFA FINANCING PROGRAM — MEFA Loans” and “ISSUE I LOAN PORTFOLIO.”

### **MEFA Loans**

The Authority disburses nearly all MEFA Loans in multiple segments. Typically, a parent or other credit-worthy individual will be the borrower and the student will be a co-borrower on a MEFA Loan. For any such MEFA Loan, the student must be enrolled or admitted to a degree program on at least a half time basis at a non-profit educational institution and be in good standing and making satisfactory academic progress, as defined by such institution. Students in the MEFA Loans for Graduate Education Program must be in a program of study leading to a post-baccalaureate degree or engaged in post-doctoral study at a non-profit educational institution. See “THE AUTHORITY,” “ESTIMATED SOURCES AND USES OF FUNDS,” “SECURITY FOR THE ISSUE I BONDS AND SOURCES OF PAYMENT — Issue I Loans,” “INVESTMENT CONSIDERATIONS —Future Performance of the Issue I Loan Portfolio May Differ From Historical MEFA Education Loan Performance,” “— Certain Factors Could Potentially Affect Timing and Receipt of Revenues,” “— Composition and Characteristics of Issue I Loan Portfolio Are Expected To Change” and “— Competition May Reduce Demand for or Increase Prepayments on Issue I Loans,” “THE MEFA FINANCING PROGRAM — MEFA Refinancing Loans,” “ISSUE I LOAN PORTFOLIO” and “APPENDIX C — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — Program Covenants.”



**Fixed Rate MEFA Loan Financing Programs — Academic Year 2015-2016<sup>(1)</sup>**

<b>Name</b>	<b>Currently expected to be included in Issue I Trust Assets</b>	<b>Interest Rate</b>	<b>Origination Fee</b>	<b>Borrowing Limit</b>	<b>Repayment Terms</b>
Fixed Rate Undergraduate MEFA Financing Program (Immediate Repayment Option)	Yes	5.39% during the Anticipated In-School Period, and 6.24% thereafter	4.00% with co-applicant; 7.00% without a co-applicant	Cost of attendance less other financial aid	Interest payment and principal repayment begin approximately 45 days after final disbursement. The interest rate is fixed at a lower rate during the Anticipated In-School Period <sup>(2)</sup> with a step up to a higher fixed rate after the end of the Anticipated In-School Period. The loan must be fully repaid within 15 years of final disbursement.
Fixed Rate Undergraduate MEFA Financing Program (Immediate Repayment Option)	Yes	4.99% during the Anticipated In-School Period, and 5.84% thereafter	4.00% with co-applicant; 7.00% without a co-applicant	Cost of attendance less other financial aid	Interest payment and principal repayment begin approximately 45 days after final disbursement. The interest rate is fixed at a lower rate during the Anticipated In-School Period <sup>(2)</sup> with a step up to a higher fixed rate after the end of the Anticipated In-School Period. The loan must be fully repaid within 10 years of final disbursement.
Fixed Rate Undergraduate MEFA Financing Program (Deferment Option)	Yes	6.79%	4.00% with co-applicant; 7.00% without a co-applicant	Cost of attendance less other financial aid	Full in school payment deferment option <sup>(3)</sup> , with interest payment and principal repayment beginning 6 months after the student graduates, leaves the program or reduces his/her hours to less than half-time status while in school. The loan must be fully repaid within 15 years of final disbursement. <sup>(4)</sup>
Fixed Rate Undergraduate MEFA Financing Program (Interest-Only Payment Option)	Yes	6.39% during the Anticipated In-School Period; and 7.19% thereafter	4.00% with co-applicant; 7.00% without a co-applicant	Cost of attendance less other financial aid	Interest payment begins approximately 45 days after final disbursement in any academic year and principal repayment begins after the end of the undergraduate Anticipated In-School Period <sup>(3)</sup> ; interest accrues at a higher rate after the end of the undergraduate Anticipated In-School Period. The loan must be fully repaid within 15 years of final disbursement. <sup>(4)</sup>
Fixed Rate Student Alternative Loan Program (Deferment Option)	Yes	7.39%	4.00% with co-applicant; 7.00% without a co-applicant	Cost of attendance less other financial aid	Full in school payment deferment option <sup>(3)</sup> , with interest payment and principal repayment beginning 6 months after the student graduates, leaves the program or reduces his/her hours to less than half time status while in school. The loan must be fully repaid within 15 years of final disbursement. <sup>(4)</sup> The borrower may request co-applicant release after 48 consecutive on-time payments if meeting then current underwriting standards.

<sup>(1)</sup> Includes only Fixed Rate MEFA Loans pursuant to programs currently expected to be offered during the 2015-2016 academic year.

<sup>(2)</sup> The undergraduate Anticipated In-School Period begins on the initial disbursement date of the loan and ends on the date which is expected, at the time of origination, to be the first anniversary of the final disbursement date of the loan on which the student will have completed his or her current course of study (e.g. for a loan for a freshman, four years from the final disbursement date of the loan), but no later than the fourth anniversary.

<sup>(3)</sup> Subject to a maximum 5-year deferment period.

<sup>(4)</sup> The interest-only payment option and deferment option do not extend the overall repayment period.

**Fixed Rate MEFA Financing Programs — Academic Year 2015-2016<sup>(1)</sup>**

<b>Name</b>	<b>Currently expected to be included in Issue I Trust Assets</b>	<b>Interest Rate</b>	<b>Origination Fee</b>	<b>Borrowing Limit</b>	<b>Repayment Terms</b>
MEFA Loan for Graduate Education - Fixed Rate (Deferment Option)	Yes	6.79%	4.00% with co-applicant; 7.00% without a co-applicant	Cost of attendance less other financial aid	Full in school payment deferment option <sup>(5)</sup> , with interest payment and principal repayment beginning 6 months after the student graduates, leaves the program or reduces his/her hours to less than half-time status while in school. The loan must be fully repaid within 15 years of final disbursement. <sup>(4)</sup>
MEFA Loan for Graduate Education - Fixed Rate (Interest-Only Payment Option)	Yes	6.39%, during the Anticipated In-School Period; and 7.19% thereafter	4.00% with co-applicant; 7.00% without a co-applicant	Cost of attendance less other financial aid	Interest payment begins approximately 45 days after final disbursement in any academic year and principal repayment begins after the end of the graduate Anticipated In-School Period <sup>(6)</sup> ; interest accrues at a higher rate after the end of the graduate Anticipated In-School Period. The loan must be fully repaid within 15 years of final disbursement. <sup>(4)</sup>

<sup>(1)</sup> Includes only Fixed Rate MEFA Loans pursuant to programs currently expected to be offered during the 2015-2016 academic year.

<sup>(2)</sup> The undergraduate Anticipated In-School Period begins on the initial disbursement date of the loan and ends on the date which is expected, at the time of origination, to be the first anniversary of the final disbursement date of the loan on which the student will have completed his or her current course of study (e.g. for a loan for a freshman, four years from the final disbursement date of the loan), but no later than the fourth anniversary.

<sup>(3)</sup> Subject to a maximum 5-year deferment period.

<sup>(4)</sup> The interest-only payment option and deferment option do not extend the overall repayment period.

<sup>(5)</sup> Subject to a maximum 3-year deferment period.

<sup>(6)</sup> The graduate Anticipated In-School Period begins on the initial disbursement date of the loan and ends on the date which is expected, at the time of origination, to be the first anniversary of the final disbursement date of the loan on which the student will have completed his or her current course of study (e.g. for a loan for a first year graduate student, three years from the final disbursement date of the loan), but no later than the third anniversary.

Fixed Rate Undergraduate MEFA Loans and MEFA Loans for Graduate Education may be originated in amounts from a minimum of \$2,000 (\$1,500 at Public Participating Institutions) (or such lesser amounts as the Authority may determine from time to time) to a maximum of the cost of attendance for the academic year at the institution in which the student is enrolled, less other financial aid for the year and may be prepaid in full or in part at any time without penalty. Currently, borrowers are generally required to repay the principal of Undergraduate MEFA Loans and MEFA Loans for Graduate Education in level monthly installments sufficient to amortize the loan over a maximum of 15 years, commencing within approximately forty-five (45) days of the final loan disbursement. Certain existing Issue I Loans were originated with repayment terms that were based upon amortization over a maximum of 20 years. See “MEFA EDUCATION LOAN ORIGINATION AND SERVICING — MEFA Education Loan Origination — *MEFA Loans – Credit Evaluation by the Servicer*” and “ISSUE I LOAN PORTFOLIO.”

Step up rates will be available to borrowers of Fixed Rate MEFA Loans selecting the immediate repayment option or the Interest-Only Payment Option. If the Interest-Only Payment Option is elected, the borrower will be required to pay interest at a reduced initial rate, but not principal, during an initial period commencing approximately 45 days after final disbursement and ending with the first anniversary of the final disbursement date of the loan upon which the student is expected, on the initial disbursement date, to have completed his or her current course of study (the “Anticipated In-School Period”). If the immediate repayment option is elected, the borrower will be required to pay interest at a reduced initial fixed rate, along with principal, until the expiration of the Anticipated In-School Period. This Anticipated In-School Period is limited to four years for undergraduate, and three years for graduate students. After the Anticipated In-School Period, such borrowers will pay interest at a higher fixed rate, along with principal, on their Fixed Rate MEFA Loans. The Authority reserves the right, however, to originate such MEFA Loans with longer total repayment terms in the future, including MEFA Loans funded through application of proceeds of the Issue I Bonds and of Revenues, and to extend, in its discretion, the maximum total repayment term of individual outstanding MEFA Loans subject, in certain cases, to satisfaction of certain requirements of the Resolution.

## MEFA EDUCATION LOAN ORIGINATION AND SERVICING

### The Servicer

Xerox Education Services, LLC, a Delaware limited liability company doing business as ACS Education Services (“XEROX-ES”), currently acts as Servicer for the MEFA Financing Program pursuant to an agreement dated as of June 1, 2008 (the “XEROX-ES Servicing Agreement”) that is currently scheduled to expire on November 30, 2015, subject to automatic renewal for successive twelve-month periods in the absence of written notice of intention not to so renew by either party delivered to the other party at least ninety days prior to the then scheduled expiration date. In such capacity, XEROX-ES has been responsible for the origination processing, custody and servicing of MEFA Education Loans since January 1, 2003. The Resolution permits the appointment of other or additional Servicers, subject to compliance with certain requirements of the Issue I General Resolution and the Authority reserves the right to establish other MEFA Education Loan origination, custody and servicing arrangements in compliance with such requirements. See “APPENDIX C — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — Program Covenants.”

**The following information has been furnished by Xerox Corporation (“Xerox”) for use in this Official Statement. The Authority does not guarantee or make any representation as to the accuracy or completeness thereof or the absence of material adverse change in such information or in the condition of Xerox subsequent to the date hereof.**

Xerox Education Services, LLC (“XEROX-ES”) is a for-profit limited liability company and an indirect wholly-owned subsidiary of Xerox Corporation (“Xerox”). Headquartered in Norwalk, Connecticut, Xerox is a Fortune 500 company providing document technology, services, software and supplies for production and office environments, as well as business process and technology outsourcing solutions to world-class commercial and government clients. Xerox’s common stock trades on the New York Stock Exchange under the symbol “XRX.” XEROX-ES has its headquarters at 2277 E. 220th Street, Long Beach, CA 90810, and has domestic regional processing centers in various locations including Long Beach and Bakersfield, California, Utica, New York and Aberdeen, South Dakota.

The Guaranteed Loan Servicing Group is operated by XEROX-ES (formerly ACS Education Services, Inc.) as a third party education loan servicer with approximately 1,000 employees, providing loan origination and servicing for the Federal Stafford, PLUS and Consolidation education loan programs and many alternative/private loan programs, as well as post-origination conversion and private loan origination. As of August 2015, the Guaranteed Loan Servicing Group of XEROX-ES currently services approximately 2.0 million education loan accounts.

Origination services include receipt and validation of application data, underwriting (if required), school and borrower customer service and loan disbursement. A wide range of schools are supported, as well as a variety of different disbursement methods, including: check, master check, automated clearinghouse (ACH), and disbursement via national disbursing agents.

Conversion services include set-up of new accounts to the servicing platform from the origination system or a lender’s system. This area also supports transfer of existing education loan portfolios from other servicers’ systems, as well as loan sales and securitizations.

Loan servicing includes lender and borrower services, payment and transaction processing, due diligence activities as required by federal regulations or private/alternative loan program requirements, and communications with schools, guarantors, the National Student Loan Clearing House, and others. In the event of borrower default, among other things, XEROX-ES prepares and submits a claim package on the lender’s behalf to the appropriate guaranty agency for review and guarantee payment, if applicable.

The ultimate corporate parent of Xerox Education Services, LLC, the Xerox Corporation, is a public corporation that files periodic reports with the SEC as required by the Securities Exchange Act of 1934, as amended. Reports filed with the SEC are available for inspection without charge at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. Information as to the operation of the public reference facilities is available by calling the SEC at 1-800-SEC-0330. Information filed with the SEC can also be inspected at the SEC’s site on the World Wide Web at “<http://www.sec.gov>.” The Xerox Corporation also currently provides information through the Xerox website at “<http://www.xerox.com>.” Information filed by Xerox with the SEC or contained on the Xerox website is not intended to be incorporated as part of this Official Statement and information contained on Xerox website is not a part of the documents that Xerox files with the SEC.

### **MEFA Education Loan Origination**

Under the XEROX-ES Servicing Agreement, XEROX-ES is currently responsible as the Servicer for processing applications for MEFA Education Loans, reviewing required documentation prior to the Authority’s purchase of a MEFA Education Loan, and, after such purchase, tracking all information necessary to service the MEFA Education Loan.

Applications for MEFA Education Loans are submitted directly to the Servicer and are processed according to guidelines established by the Authority. The Servicer completes a credit evaluation for each

initial MEFA Education Loan application by a borrower. For any subsequent MEFA Education Loan, a previously eligible borrower is again subject to credit evaluation by the Servicer.

The Authority encourages Participating Institutions and prospective MEFA Education Loan borrowers to consider other forms of student assistance that it believes may be economically advantageous to prospective borrowers as alternative means of funding the costs of post-secondary education, both in the context of MEFA Education Loan marketing and as part of the application processes. The Authority has also established tuition savings and prepayment programs to permit families to reduce their need for loans and other student assistance to fund such costs.

MEFA utilizes FICO scores as part of the underwriting process for MEFA Education Loans. A FICO Score is any of several generally similar numeric measures of projected consumer credit risk, each of which was created by Fair Isaac Corporation for use by one of several consumer credit reporting agencies on the basis of information concerning an individual borrowing and repayment history that has been received by the respective consumer credit reporting agency from lenders. FICO Scores are based upon a number of time-weighted factors and range from 300-850, with higher scores reflecting more favorable projected credit risk. The use of FICO Scores, or of a particular FICO Score threshold in connection with credit analysis for loan origination purposes does not, however, guarantee any particular level of repayment performance for the resulting loan portfolio.

*MEFA Loans – Credit Evaluation by the Servicer.* The Servicer must review all MEFA Loan applications it receives. The Servicer’s primary responsibility during loan origination is to perform a credit analysis of the applicant. The Servicer’s review must be conducted as described below.

With respect to all MEFA Loan applications, the Servicer will request one or more credit bureau reports on the applicant and any co-applicant. The Servicer cannot base its credit analysis on any credit report dated more than ninety (90) days before the date of approval of the application by the Servicer.

In conducting its credit analysis, the Servicer will use a combination of credit scoring and a review of application data. For newly originated MEFA Loans, unless changed by the Authority upon compliance with certain Resolution requirements, the credit requirements include that each qualified borrower or a co-borrower must have a minimum FICO Score of 670 or, with respect to such MEFA Loans that are fully deferred as to repayment, a FICO Score of 710. The student or co-signer, if any, must also meet a minimum income requirement equal to the most recently published federal poverty guideline for a family of four.

MEFA reserves the right to increase or, upon compliance with certain requirements of the Resolution, to decrease the FICO Score threshold used in connection with MEFA Loan credit analysis, or to otherwise change the credit analysis procedures applicable to MEFA Loans, including Issue I Loans. Such information is included herein for general informational purposes and is not intended as a representation that the credit characteristics of Issue I Loans will resemble those of previously originated MEFA Loans. Certain existing Issue I Loans were originated on the basis of credit criteria that included lower FICO Score thresholds. See “ISSUE I LOAN PORTFOLIO.”

If any of the following circumstances exist without an explanation satisfactory to the Authority, the Authority may in its reasonable judgment reject the application: excessive payment delinquencies; garnishment; attachment; foreclosure; repossession; or legal proceedings against the applicant or co-applicant which may affect the borrower’s ability to repay or the Authority’s ability to collect a MEFA Loan. In addition, the absence of a credit history may be grounds for denial of a MEFA Loan. The Authority may reject an application for reasons other than failure to meet the specific credit requirements

outlined above, provided that the Authority's rejection is in accordance with applicable law. See "— MEFA Education Loan Servicing."

*MEFA Loans – Evaluation and Certification by the Participating Institution.* Participating Institutions are required to reject, or to cause the Servicer to reject, an application for a MEFA Loan, if the information contained in the application indicates that the applicant, co-applicant and/or student has ever defaulted on any educational assistance loans or failed to refund an educational grant required to be refunded or is currently in arrears to the Participating Institution in an amount in excess of \$100 for a previous academic year and the Participating Institution has demanded payment. The authorized representatives of the Participating Institutions certify certain information regarding the loans, including: (i) that the student is enrolled on at least a half-time basis, is making satisfactory academic progress as defined by Participating Institution and is not known to have defaulted on any other education loan; and (ii) that the loan applied for does not exceed the difference between the student's cost of attendance and other financial aid. After such certification, the loan is processed through the Servicer's origination system. Subsequent to such loan processing by the Servicer, the Authority will direct the Trustee to transfer funds to the Servicer. The Servicer will then transfer such funds received from the Authority to the Participating Institution for credit to the student's account. All promissory notes of borrowers are delivered by such borrowers directly to the Servicer which holds such promissory notes in its custody on behalf of the Trustee.

*MEFA Refinancing Loans – Credit Evaluation by the Servicer.* The Servicer must review all MEFA Refinancing Loan applications it receives. The Servicer's primary responsibility during loan origination is to perform a credit analysis of the applicant. The Servicer's review must be conducted as described below.

With respect to all MEFA Refinancing Loan applications, the Servicer will request one or more credit bureau reports on the applicant and any co applicant. The Servicer cannot base its credit analysis on any credit report dated more than seventy-five (75) days before an application is approved for disbursement by the Servicer.

In conducting its credit analysis, the Servicer will use a combination of credit scoring, income level, repayment history of debt, calculation of monthly free cash flow as determined by the Authority, and a full review of application data of applicant and co-borrower if applicable. The credit requirements include that each qualified borrower or a co borrower must have a minimum FICO Score of 670.

The Servicer will verify certain information regarding the MEFA Refinancing Loans, including: (i) the identity of the applicant and co-borrower if applicable; (ii) that the applicant is currently making on time payments on the loans to be refinanced; (iii) that the applicant is currently employed and meets the income requirements to qualify for the loan; (iv) that the monthly free cash flow of the applicant and co-borrower if applicable meets the minimum set by the Authority; and (v) that the loan information and payoff amount of the loans to be refinanced matches the statements received from the lender or servicer of the loans to be refinanced. After such verification, the loan is processed through the Authority's origination system. Subsequent to such loan processing by the Authority, the Authority will direct the Trustee to transfer funds to the Servicer. The Servicer will then transfer such funds received from the Authority to the lender or servicer of the loans to be refinanced for payoff. All promissory notes of borrowers are delivered by such borrowers directly to the Servicer which holds such promissory notes in its custody on behalf of the Trustee.

MEFA reserves the right to increase or, upon compliance with certain requirements of the Resolution, to decrease the FICO Score threshold used in connection with MEFA Refinancing Loan credit analysis, or to otherwise change the credit analysis procedures applicable to MEFA Refinancing

Loans, including Issue I Loans. Such information is included herein for general informational purposes and is not intended as a representation that the credit characteristics of MEFA Refinancing Loans will resemble those of previously originated MEFA Loans.

If any of the following circumstances exist without an explanation satisfactory to the Authority, the Authority may in its reasonable judgment reject the application: excessive payment delinquencies; garnishment; attachment; foreclosure; repossession; or legal proceedings against the applicant or co applicant which may affect the borrower's ability to repay or the Authority's ability to collect a MEFA Refinancing Loan. In addition, the absence of a credit history may be grounds for denial of a MEFA Refinancing Loan.

The Authority may reject an application for reasons other than failure to meet the specific credit requirements outlined above, provided that the Authority's rejection is in accordance with applicable law. See "— MEFA Education Loan Servicing."

### **MEFA Education Loan Servicing**

After purchase by the Authority, or disbursement, MEFA Education Loans will be serviced by the Authority with the assistance of the Servicer. Servicing activities of XEROX-ES under the XEROX-ES Servicing Agreement include maintaining all records of the origination and payment of MEFA Education Loans, mailing invoices to borrowers, preparing activity and status reports for the Authority and for Participating Institutions, if applicable, following procedures required under the Operations Manual including procedures for delinquent MEFA Education Loans and responding to inquiries and complaints pertaining to the MEFA Financing Programs from Participating Institutions, borrowers, the Trustee and the Authority.

*Role of the Servicer.* The Servicer plays a key role in the MEFA Financing Program and the performance of the Servicer is closely monitored at all times by the Authority. The XEROX-ES Servicing Agreement and the Operations Manual specify the duties, obligations and functions of the Servicer.

As described above under "— MEFA Education Loan Origination — *MEFA Loans – Credit Evaluation by the Servicer*" and "— *MEFA Refinancing Loans – Credit Evaluation by the Servicer*," the Servicer assists the Authority in the evaluation of applicants for MEFA Education Loans by performing a credit analysis of each applicant. After MEFA Education Loans have been purchased or disbursed by the Authority, the Servicer is required to hold promissory notes in its custody on behalf of the Trustees, prepare and deliver to each borrower a periodic billing invoice for the repayment of the MEFA Education Loans and to use its best efforts to collect all payments of principal of and interest on the MEFA Education Loans.

The Servicer is required to service delinquent MEFA Education Loans so as to enable, to the maximum extent possible, payment in full of such notes on their respective original repayment schedules. The Servicer must notify the borrower of the delinquency through a structure dunning cycle of communication, and, with respect to MEFA Loans, with copies of all servicer aging reports produced going to the applicable Participating Institution when and after any payment is thirty (30) to forty-five (45) days overdue, all as set forth in the Operations Manual.

The Servicer's duties include recording all payments and all adjustments including overpayments and prepayments of MEFA Education Loans and, if appropriate, forgiveness of MEFA Education Loans. The Servicer is also required to maintain files concerning each MEFA Education Loan, preparing and maintaining appropriate accounting records with respect to all transactions related to each MEFA

Education Loan, preparing various reports to the Authority of the status and activity of each application for a MEFA Education Loan, and updating weekly and maintaining an off-site duplicate of the computer file pertaining to each MEFA Education Loan.

*Collections and Defaults.* When a MEFA Education Loan is one hundred eighty (180) days past due (or such later date as the Authority may determine in compliance with applicable Resolution requirements), it is generally deemed to be “Defaulted” and the Servicer is required to cease contact with the borrower unless and until instructed otherwise by the Authority or the Trustee. The Authority and the Servicer continuously work with individual borrowers in order to bring MEFA Education Loans current prior to their being deemed Defaulted. See “INVESTMENT CONSIDERATIONS — Changes in Relevant Laws,” “MEFA EDUCATION LOAN PORTFOLIO” and “ISSUE I LOAN PORTFOLIO.”

## MEFA EDUCATION LOAN PORTFOLIO

**The historical information relative to the origination, distribution and payment experience of the Authority in connection with its previously originated MEFA Education Loans contained in this Official Statement is included for general reference purposes only and is not intended as a representation that the future origination, distribution or payment experience of the Issue I Loan portfolio necessarily will be similar to that of the portfolio of MEFA Education Loans as a whole during any period or over the respective lives of such portfolios. All Issue I Loans to date have been MEFA Fixed Rate Loans. See “INVESTMENT CONSIDERATIONS — Future Performance of the Issue I Loan Portfolio May Differ From Historical MEFA Education Loan Performance,” “— Certain Factors Could Potentially Affect Timing and Receipt of Revenues,” “— Composition and Characteristics of the Issue I Loan Portfolio Are Expected To Change,” “— General Economic Conditions,” and “—Competition May Reduce Demand for or Increase Prepayments on Issue I Loans,” “THE MEFA FINANCING PROGRAM” and “ISSUE I LOAN PORTFOLIO.”**

### General

Since the inception of the MEFA Financing Program in 1983, the volume, number of borrowers, number of Participating Institutions, and the types of MEFA Education Loans offered have expanded significantly. In 1983, thirteen (13) independent institutions participated in the program and 1,230 borrowers received MEFA Loans financed through the Authority. Public institutions began participating in 1984. In the same year, the Authority introduced the MEFA Loans for Graduate Education Program for independent institutions. Annual MEFA Loan volume is projected to be approximately \$190 million in loan purchases for the current academic year of 2015-2016.

The average size of MEFA Loans has grown steadily since 1983, reflecting rising education costs. The average initial principal amount of MEFA Loans financed during the 1983-84 academic year was \$6,120. The average initial principal amounts of Undergraduate MEFA Loans and of MEFA Loans for Graduate Education financed during the 2014-2015 academic year were approximately \$14,076 and \$13,040, respectively.



The following chart shows the dollar amount of applications received, disbursement volume and principal balance outstanding since the 2009-2010 academic year.

**Massachusetts Educational Financing Authority  
Historic Application and Disbursement Volume  
All MEFA Loans  
(\$ 000's)**

Year	Application Volume <sup>(1)</sup>	Disbursement Volume <sup>(2)</sup>	Total Outstanding Principal Balance <sup>(3)</sup>
2009-2010	\$270,000	\$151,000	\$1,135,000
2010-2011	339,000	177,000	1,205,000
2011-2012	277,000	170,000	1,247,000
2012-2013	271,000	168,000	1,276,000
2013-2014	296,000	181,000	1,314,000
2014-2015 <sup>(4)</sup>	297,000	189,000	1,332,000

- (1) Application volume occurred during the period from April 1 through March 31 for each year.  
(2) Disbursement volume occurred during the period from July 1 through June 30 for each year.  
(3) Outstanding principal balances are as of June 30 for each Fiscal Year.  
(4) As of July 31, 2015; projected disbursement volume for 2015-2016 is approximately \$190,000,000.

The following chart contains information regarding the historic distribution of all MEFA Loans disbursed by repayment option. The percentages represent the portion for each repayment option for all MEFA Loans disbursed for that disbursement year.

**Massachusetts Educational Financing Authority  
Historic MEFA Loan Disbursements by Repayment Option  
All MEFA Loans**

<u>Disbursement Years</u> <sup>(1)</sup>	<u>Immediate Repayment</u>	<u>Interest-Only Payment</u> <sup>(2)</sup>	<u>Total In-School Payment</u> <sup>(3)</sup>	<u>Deferment</u>	<u>Total</u>
2009-2010	43.9%	0.4%	44.3%	55.7%	100.0%
2010-2011	20.0	17.9	37.9	62.1	100.0
2011-2012	23.1	18.6	41.7	58.3	100.0
2012-2013	30.6	15.0	45.7	54.3	100.0
2013-2014	33.5	15.0	48.5	51.5	100.0
2014-2015	36.5	14.6	51.1	48.9	100.0
Weighted Average			<u>45.0%</u>	<u>55.0%</u>	<u>100.0%</u>

- (1) Disbursement years are from July 1 through June 30 for each year.  
(2) The Interest-Only Payment option was not available prior to April 2010.  
(3) Total In-School Payment includes Immediate Repayment and Interest-Only Payment options.

## **The Authority's Fixed Rate MEFA Loan Portfolio**

The Authority began purchasing Fixed Rate MEFA Loans in 1983 and since that time has issued numerous series of Prior Obligations to finance Fixed Rate MEFA Loan purchases. This section provides information relating to the historical results of the Fixed Rate MEFA Loan Portfolio. The distribution, default and delinquency information included relates to Fixed Rate MEFA Loans originated through application of proceeds of the Authority's Issue E Bonds, Issue G Bonds, Issue H Bonds, Issue I Bonds, Issue J Bonds and Issue K Bonds. The Authority believes that Fixed Rate MEFA Loans originated throughout the history of the MEFA Financing Program have experienced to date substantially similar patterns and rates of delinquency and gross default. Existing Issue I Loans were primarily originated and were acquired by the Authority after July 1, 2005. See "INVESTMENT CONSIDERATIONS — Future Performance of the Issue I Loan Portfolio May Differ From Historic MEFA Education Loan Performance," "Certain Factors Could Potentially Affect Timing and Receipt of Revenues," "— Composition and Characteristics of the Issue I Loan Portfolio Are Expected To Change" and "— General Economic Conditions" "THE MEFA FINANCING PROGRAM" and "ISSUE I LOAN PORTFOLIO."

As of the date of this Official Statement, substantially all of the other original lendable proceeds and recycled proceeds of the bonds that were previously issued by the Authority to fund MEFA Loans have been fully expended to purchase MEFA Loans or to redeem or retire bonds. The Authority reserves the right to allocate funds from different sources available to it to finance MEFA Loans in any manner that it deems appropriate.

The average FICO score that was applicable to approved Fixed Rate MEFA Loans, at the time of origination, was 757 for the 2009-2010 academic year, 757 for the 2010-2011 academic year, 756 for the 2011-2012 academic year, 753 for the 2012-2013 academic year, 752 for the 2013-2014 academic year and 750 for the 2014-2015 academic year. For MEFA Education Loans to be originated as Issue I Loans for the 2015-2016 academic year, the minimum FICO score will be 670 or, with respect to Fixed Rate MEFA Loans that are fully deferred as to repayment, 710 unless changed by the Authority upon compliance with certain requirements of the Resolution.

The following chart contains information regarding the recent historic application receipt and approval experience of the Authority with respect to Fixed Rate MEFA Loans.

	<b>Application Timing<sup>(1)</sup> (Academic Year 2013-2014)</b>	<b>Application Timing<sup>(1)</sup> (Academic Year 2014-2015)</b>	<b>Cumulative Approved Applications<sup>(2)</sup> (Academic Year 2014-2015)</b>
April	3.0%	2.4%	\$ 4,500,000
May	7.8	5.9	11,000,000
June	18.3	16.6	31,000,000
July	57.0	56.4	105,500,000
August	81.9	80.7	150,800,000
September	84.7	83.5	156,100,000
October	86.2	85.2	159,200,000
November	88.7	87.9	164,200,000
December	94.1	93.6	174,900,000
January	98.3	98.1	183,400,000
February	98.9	98.9	184,900,000
March	100.0	100.0	186,900,000

<sup>(1)</sup> Cumulative approved applications received by the Authority in the April through March application cycle for academic year 2013-2014 and for academic year 2014-2015; percentages reflect rounding.

<sup>(2)</sup> Cumulative approved applications represents the timing of approved applications for the Authority in the most recent application cycle.

**MASSACHUSETTS EDUCATIONAL FINANCING AUTHORITY**  
**Delinquency Experience (Fixed Rate MEFA Loans with a FICO Score of 670 or Greater)<sup>(1), (2)</sup>**  
**(As of July 31, 2015)**  
**(\$ 000's)**

<i>Delinquency Status</i>	<b>2015</b>		<b>2014</b>		<b>2013</b>		<b>2012</b>		<b>2011</b>	
	<i>Principal Balance Outstanding</i>	<i>% to Total in Repayment</i>	<i>Principal Balance Outstanding</i>	<i>% to Total in Repayment</i>	<i>Principal Balance Outstanding</i>	<i>% to Total in Repayment</i>	<i>Principal Balance Outstanding</i>	<i>% to Total in Repayment</i>	<i>Principal Balance Outstanding</i>	<i>% to Total in Repayment</i>
Current	\$876,588	96.5%	\$814,505	95.8%	\$764,469	96.4%	\$710,409	95.7%	\$640,440	96.3%
31-60	14,899	1.6	16,324	1.9	14,641	1.8	15,579	2.1	10,907	1.6
61-90	5,823	0.6	5,618	0.7	4,880	0.6	5,248	0.7	3,512	0.5
91-120	3,175	0.3	4,232	0.5	2,786	0.4	3,264	0.4	3,155	0.5
121-150	3,128	0.3	2,709	0.3	1,668	0.2	2,761	0.4	2,292	0.3
Greater Than 150	<u>5,229</u>	<u>0.6</u>	<u>6,879</u>	<u>0.8</u>	<u>4,228</u>	<u>0.5</u>	<u>5,257</u>	<u>0.7</u>	<u>4,459</u>	<u>0.7</u>
	<u>\$908,842</u>	<u>100.0%</u>	<u>\$850,267</u>	<u>100.0%</u>	<u>\$792,672</u>	<u>100.0%</u>	<u>\$742,519</u>	<u>100.0%</u>	<u>\$664,765</u>	<u>100.0%</u>

(1) Reflects Fixed Rate MEFA Loans funded from Education Loan Revenue Bonds, Issue E, Issue G, Issue H, Issue I, Issue J and Issue K.

(2) Included in Delinquent > 150 days are approximately: (i) \$2,403 as of July 31, 2015; (ii) \$2,686 as of July 31, 2014; (iii) \$2,165 as of July 31, 2013; (iv) \$2,187 as of July 31, 2012 and (v) \$1,882 as of July 31, 2011 that represent loans in bankruptcy proceedings.

**Massachusetts Educational Financing Authority**  
**Default Experience (Fixed Rate MEFA Loans with FICO Scores of 670 or Greater)<sup>(1), (2)</sup>**  
**(As of July 31, 2015)**  
**(\$000's)**

	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Gross Loan Defaults	\$10,557	\$9,104	\$11,729	\$12,647	\$9,025
Recoveries	\$3,071	\$2,418	\$2,391	\$1,867	\$805
Net Loan Defaults	\$7,486	\$6,686	\$9,338	\$10,780	\$8,220
Net Loan Defaults as a percentage of average loans in repayment	0.82%	0.80%	1.19%	1.49%	1.31%
Average Loans in Repayment	\$907,911	\$840,611	\$783,358	\$725,870	\$628,355

<sup>(1)</sup> Defaults, Recoveries and Loans in Repayment for Fixed Rate MEFA Loans funded from Education Loan Revenue Bonds, Issue E, Issue G, Issue H, Issue I, Issue J and Issue K.

<sup>(2)</sup> Twelve (12) months as of July 31.

**MASSACHUSETTS EDUCATIONAL FINANCING AUTHORITY**  
**Static Pool Cohort Default Analysis**  
**Fixed Rate MEFA Loans Immediate Repayment (670+) and Deferred Repayment (710+)<sup>(1)</sup>**  
**(As of July 31, 2015)**

Repayment Year	Disbursed Principal Entering Repay (\$000,000)	Repayment Year of Default															Total	
		0	1	2	3	4	5	6	7	8	9	10	11	12	13	14		15
1997	\$37	0.00%	0.00%	0.00%	0.11%	0.05%	0.06%	0.06%	0.11%	0.06%	0.09%	0.03%	0.12%	0.06%	0.01%	0.01%	0.02%	0.77%
1998	79	0.00	0.00	0.00	0.04	0.13	0.13	0.19	0.13	0.18	0.06	0.09	0.07	0.06	0.05	0.02	0.01	1.17
1999	95	0.00	0.00	0.01	0.03	0.11	0.22	0.21	0.19	0.11	0.09	0.06	0.10	0.05	0.03	0.05	0.00	1.26
2000	105	0.00	0.00	0.02	0.10	0.22	0.24	0.20	0.12	0.15	0.13	0.13	0.11	0.03	0.03	0.01	0.00	1.49
2001	109	0.00	0.00	0.06	0.17	0.15	0.17	0.19	0.16	0.15	0.16	0.18	0.03	0.07	0.00	0.05	0.01	1.57
2002	82	0.00	0.01	0.16	0.09	0.23	0.19	0.35	0.19	0.22	0.25	0.07	0.08	0.03	0.08	0.02		1.98
2003	58	0.00	0.04	0.18	0.31	0.24	0.25	0.31	0.36	0.24	0.07	0.05	0.06	0.12	0.05			2.28
2004	53	0.00	0.00	0.34	0.24	0.35	0.56	0.50	0.32	0.15	0.11	0.16	0.11	0.02				2.86
2005	22	0.00	0.14	0.16	0.36	0.58	0.51	0.30	0.19	0.23	0.05	0.33	0.07					2.90
2006	70	0.00	0.16	0.86	0.80	0.94	0.34	0.21	0.20	0.09	0.16	0.03						3.80
2007	125	0.00	0.32	0.70	0.87	0.78	0.41	0.31	0.27	0.15	0.03							3.85
2008	167	0.00	0.20	1.16	0.81	0.45	0.45	0.35	0.13	0.10								3.64
2009	94	0.00	0.27	1.85	1.32	0.55	0.27	0.24	0.20									4.70
2010	172	0.00	0.24	1.54	0.90	0.75	0.47	0.14										4.03
2011	196	0.00	0.58	2.66	0.92	0.95	0.21											5.32
2012	170	0.00	0.56	1.84	1.00	0.41												3.81
2013	187	0.00	0.35	1.88	0.45													2.67
2014	220	0.00	0.35	1.07														1.42
2015	116	0.00	0.00															0.00

- (1)
- FICO scores are based on the greater of the borrower or co-borrower score as of the original loan application date.
  - Includes both undergraduate and graduate programs and both co-signed and non-co-signed Fixed Rate MEFA Loans funded from Education Loan Revenue Bonds, Issue E, Issue G, Issue H, Issue I, Issue J and Issue K.
  - Terms and calculations of the default statistics are defined as follows:
    - Repayment Year - The calendar year that the loans entered repayment.
    - Original Note Value Entering Repayment - The amount of principal entering repayment in a given year based on the disbursed principal including any interest capitalization at repayment.
    - Years in Repayment - Measured in years between repayment start date and default date with zero representing any defaults prior to the start of repayment.
    - Periodic Defaults - Defaulted principal in each Year of Repayment as a percentage of the Original Note Value Entering Repayment in each Repayment Year, includes any interest capitalization that occurred prior to default and is not reduced by any amount of recoveries after the loan defaulted.
    - Total - The sum of the Periodic Defaults across Years in Repayment for each Repayment Year.

**Fixed Rate MEFA Loans Immediate Repayment (670+)<sup>(1)</sup>**  
**(As of July 31, 2015)**

Repayment Year	Disbursed Principal Entering Repay (\$000,000)	Repayment Year of Default																Total
		0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
1997	\$ 37	0.00%	0.00%	0.00%	0.11%	0.05%	0.06%	0.06%	0.11%	0.06%	0.09%	0.03%	0.12%	0.06%	0.01%	0.01%	0.02%	0.77%
1998	76	0.00	0.00	0.00	0.04	0.14	0.14	0.18	0.13	0.19	0.06	0.10	0.07	0.06	0.04	0.02	0.02	1.19
1999	85	0.00	0.00	0.01	0.03	0.12	0.15	0.23	0.20	0.12	0.10	0.07	0.10	0.05	0.03	0.06	0.00	1.27
2000	89	0.00	0.00	0.01	0.05	0.21	0.27	0.23	0.14	0.17	0.12	0.13	0.11	0.04	0.03	0.01	0.01	1.53
2001	85	0.00	0.00	0.02	0.06	0.10	0.22	0.11	0.16	0.19	0.15	0.10	0.03	0.07	0.01	0.06	0.01	1.27
2002	59	0.00	0.01	0.03	0.07	0.26	0.18	0.42	0.22	0.30	0.28	0.06	0.11	0.04	0.10	0.03		2.11
2003	36	0.00	0.00	0.11	0.40	0.32	0.39	0.46	0.36	0.19	0.11	0.08	0.10	0.09	0.03			2.65
2004	35	0.00	0.00	0.25	0.37	0.43	0.73	0.56	0.15	0.14	0.12	0.09	0.17	0.02				3.03
2005	9	0.00	0.00	0.27	0.51	0.42	0.70	0.71	0.15	0.50	0.07	0.05	0.00					3.38
2006	58	0.00	0.17	0.62	0.97	0.95	0.26	0.23	0.21	0.11	0.19	0.03						3.75
2007	102	0.00	0.25	0.62	0.87	0.80	0.43	0.29	0.19	0.12	0.04							3.60
2008	114	0.00	0.26	0.71	0.69	0.41	0.37	0.25	0.15	0.08								2.91
2009	22	0.00	0.13	0.61	0.55	0.29	0.32	0.15	0.16									2.20
2010	69	0.00	0.35	0.78	0.68	0.85	0.63	0.21										3.50
2011	74	0.00	0.36	1.02	0.92	0.85	0.28											3.43
2012	74	0.00	0.58	1.23	0.83	0.45												3.08
2013	83	0.00	0.38	0.92	0.67													1.98
2014	94	0.00	0.38	0.49														0.87
2015	86	0.00	0.00															0.00

- (1)
- FICO scores are based on the greater of the borrower or co-borrower score as of the original loan application date.
  - Includes both undergraduate and graduate programs and both co-signed and non-co-signed Fixed Rate MEFA Loans funded from Education Loan Revenue Bonds, Issue E, Issue G, Issue H, Issue I, Issue J and Issue K.
  - Terms and calculations of the default statistics are defined as follows:
    - Repayment Year - The calendar year that the loans entered repayment.
    - Original Note Value Entering Repayment - The amount of principal entering repayment in a given year based on the disbursed principal including any interest capitalization at repayment.
    - Years in Repayment - Measured in years between repayment start date and default date with zero representing any defaults prior to the start of repayment.
    - Periodic Defaults - Defaulted principal in each Year of Repayment as a percentage of the Original Note Value Entering Repayment in each Repayment Year, includes any interest capitalization that occurred prior to default and is not reduced by any amount of recoveries after the loan defaulted.
    - Total - The sum of the Periodic Defaults across Years in Repayment for each Repayment Year.

**Fixed Rate MEFA Loans Deferred Repayment (710+)<sup>(1)</sup>**  
**(As of July 31, 2015)**

Repayment Year	Disbursed Principal Entering Repay (\$000,000)	Repayment Year of Default															Total	
		0	1	2	3	4	5	6	7	8	9	10	11	12	13	14		15
1998	\$ 3	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.39%	0.17%	0.00%	0.00%	0.00%	0.00%	0.00%	0.17%	0.00%	0.00%	0.74%
1999	10	0.00	0.00	0.00	0.00	0.00	0.77	0.06	0.10	0.00	0.00	0.00	0.14	0.09	0.00	0.00	0.00	1.17
2000	17	0.00	0.00	0.10	0.39	0.29	0.09	0.02	0.00	0.04	0.15	0.08	0.07	0.00	0.00	0.02	0.00	1.25
2001	24	0.00	0.00	0.22	0.58	0.33	0.02	0.47	0.18	0.00	0.20	0.48	0.05	0.08	0.00	0.02	0.00	2.64
2002	22	0.00	0.00	0.51	0.15	0.17	0.22	0.17	0.10	0.00	0.18	0.10	0.00	0.00	0.03	0.00		1.62
2003	23	0.00	0.09	0.28	0.19	0.11	0.03	0.08	0.37	0.32	0.00	0.00	0.00	0.16	0.08			1.70
2004	19	0.00	0.00	0.51	0.00	0.21	0.25	0.38	0.64	0.17	0.10	0.29	0.00	0.00				2.55
2005	13	0.00	0.25	0.08	0.25	0.69	0.36	0.00	0.22	0.02	0.03	0.53	0.12					2.54
2006	13	0.00	0.14	2.00	0.00	0.90	0.75	0.12	0.14	0.00	0.00	0.00						4.05
2007	23	0.00	0.65	1.04	0.89	0.69	0.32	0.44	0.63	0.30	0.00							4.97
2008	54	0.00	0.09	2.10	1.07	0.52	0.62	0.55	0.10	0.14								5.19
2009	71	0.00	0.31	2.24	1.56	0.63	0.26	0.27	0.21									5.48
2010	104	0.00	0.16	2.04	1.06	0.67	0.36	0.10										4.39
2011	122	0.00	0.72	3.65	0.92	1.01	0.17											6.47
2012	96	0.00	0.54	2.31	1.14	0.38												4.37
2013	104	0.00	0.32	2.64	0.27													3.23
2014	126	0.00	0.32	1.51														1.83
2015	30	0.00	0.00															0.00

- (1)
- FICO scores are based on the greater of the borrower or co-borrower score as of the original loan application date.
  - Includes both undergraduate and graduate programs and both co-signed and non-co-signed Fixed Rate MEFA Loans funded from Education Loan Revenue Bonds, Issue E, Issue G, Issue H, Issue I, Issue J and Issue K.
  - Terms and calculations of the default statistics are defined as follows:
    - Repayment Year - The calendar year that the loans entered repayment.
    - Original Note Value Entering Repayment - The amount of principal entering repayment in a given year based on the disbursed principal including any interest capitalization at repayment.
    - Years in Repayment - Measured in years between repayment start date and default date with zero representing any defaults prior to the start of repayment.
    - Periodic Defaults - Defaulted principal in each Year of Repayment as a percentage of the Original Note Value Entering Repayment in each Repayment Year, includes any interest capitalization that occurred prior to default and is not reduced by any amount of recoveries after the loan defaulted.
    - Total - The sum of the Periodic Defaults across Years in Repayment for each Repayment Year.



## ISSUE I LOAN PORTFOLIO

The Authority expects that, upon the date of issuance of the Offered Bonds, the Issue I Loan Portfolio will be substantially as described under this heading, subject to the origination and payment performance of the Issue I Loans described herein during the period from and including July 31, 2015 through and including such date of issuance. The information included under this heading reflects the disbursement of only an immaterial portion of the Fixed Rate MEFA Loans that have been approved for disbursement for costs of academic year 2015-2016 attendance. See “PLAN OF FINANCING,” “INVESTMENT CONSIDERATIONS — Composition and Characteristics of the Issue I Loan Portfolio Are Expected To Change” and “THE MEFA FINANCING PROGRAM — MEFA Refinancing Loans.”

The Authority has covenanted in the Issue I General Resolution to make periodic Issue I Loan Portfolio information publicly available no less frequently than quarterly. Such information will include operating data substantially of the type indicated under this caption. The Authority reserves the rights, however: (i) to alter the format in which such periodic information is presented; and (ii) to make such periodic information available either by posting as part of, or in the same manner as, annual reports filed pursuant to the Continuing Disclosure Agreement described in APPENDIX E to this Official Statement or, subject to compliance with such Continuing Disclosure Agreement, by posting on a publicly accessible website. See “CONTINUING DISCLOSURE” and “AVAILABILITY OF FINANCIAL AND OTHER AUTHORITY INFORMATION.”

### Composition of the Issue I Loan Portfolio (As of July 31, 2015)

Total Accrued Interest <sup>(1)</sup> .....	\$11,827,896.50
Aggregate Outstanding Principal Balance .....	\$565,341,124.64
Outstanding Balance <sup>(2)</sup> .....	\$577,169,021.14
Number of Borrowers .....	32,081
Average Outstanding Principal Balance per Borrower .....	\$17,622.30
Number of Loans .....	46,484
Average Outstanding Principal Balance per Loan .....	\$12,162.06
Weighted Average Annual Interest Rate .....	7.19%
Weighted Average Remaining Term (Months) .....	134.76

<sup>(1)</sup> Includes \$9,806,027.69 of accrued interest to be capitalized.

<sup>(2)</sup> Includes unpaid principal, interest to be capitalized and other accrued interest.

**Distribution of the Issue I Loan Portfolio by FICO Score Upon Origination  
(As of July 31, 2015)**

<b>FICO Score (Inclusive)</b>	<b>Number of Loans</b>	<b>Approximate Outstanding Principal Balance</b>	<b>Percent by Outstanding Principal Balance</b>
Less than 630 <sup>(1)</sup>	673	\$ 6,822,592.94	1.21%
630 through 649	551	5,294,099.20	0.94
650 through 669	1,037	9,933,298.12	1.76
670 through 689	3,793	43,973,942.34	7.78
690 through 709	4,465	51,992,473.03	9.20
710 through 729	5,919	73,728,456.14	13.04
730 through 749	6,517	79,858,567.06	14.13
750 through 769	7,317	89,321,408.75	15.80
770 through 789	7,589	92,844,435.91	16.42
790+	<u>8,623</u>	<u>111,571,851.15</u>	<u>19.74</u>
Total	<u>46,484</u>	<u>\$565,341,124.64</u>	<u>100.00%</u>

<sup>(1)</sup> Includes 90 Loans, with an aggregate outstanding balance of approximately \$1,144,737.32, for which no FICO score can currently be verified.

**Distribution of the Issue I Loan Portfolio by Interest Rate  
(As of July 31, 2015)**

<b>Interest Rate</b>	<b>Number of Loans</b>	<b>Approximate Outstanding Principal Balance</b>	<b>Percent by Outstanding Principal Balance</b>
4.500% through 4.999%	21	\$ 111,161.24	0.02%
5.000% through 5.499%	3,512	41,532,849.25	7.35
5.500% through 5.999%	1,367	22,574,278.71	3.99
6.000% through 6.499%	7,560	58,260,818.51	10.31
6.500% through 6.999%	11,964	142,296,987.63	25.17
7.000% through 7.499%	4,941	71,810,406.60	12.70
7.500% through 7.999%	9,413	121,201,221.16	21.44
8.000% through 8.999%	7,693	107,547,492.03	19.02
9.000% through 9.999%	<u>13</u>	<u>5,909.51</u>	<u>0.00</u>
Total	<u>46,484</u>	<u>\$565,341,124.64</u>	<u>100.00%</u>

**Distribution of the Issue I Loan Portfolio by Borrower Payment Status  
(As of July 31, 2015)**

<u>Loan Payment Status</u>	<u>Number of Loans</u>	<u>Approximate Outstanding Principal Balance</u>	<u>Percent by Outstanding Principal Balance</u>
In School	5,455	\$ 78,662,642.79	13.91%
In Grace	2,069	32,174,131.46	5.69
Repayment	38,953	454,406,005.71	80.38
Deferment	0	0.00	0.00
Forbearance	<u>7</u>	<u>98,344.68</u>	<u>0.02</u>
Total	<u>46,484</u>	<u>\$565,341,124.64</u>	<u>100.00%</u>

**Distribution of the Issue I Loan Portfolio by Loan Program Type  
(As of July 31, 2015)**

<u>Program Type</u>	<u>Number of Loans</u>	<u>Approximate Outstanding Principal Balance</u>	<u>Percent by Outstanding Principal Balance</u>
Undergraduate	42,320	\$516,404,028.03	91.34%
Graduate	<u>4,164</u>	<u>48,937,096.61</u>	<u>8.66</u>
Total	<u>46,484</u>	<u>\$565,341,124.64</u>	<u>100.00%</u>

**Distribution of the Issue I Loan Portfolio by Co-Borrower Status  
(As of July 31, 2015)**

<u>Co-Borrower Status</u>	<u>Number of Loans</u>	<u>Approximate Outstanding Principal Balance</u>	<u>Percent by Outstanding Principal Balance</u>
<u>Co-Borrower</u>			
Graduate	2,857	\$ 33,212,204.25	5.87%
Undergraduate	<u>42,158</u>	<u>514,486,193.24</u>	<u>91.01</u>
Subtotal	45,015	\$547,698,397.49	96.88%
<u>Non Co-Borrower</u>			
Graduate	1,307	\$15,724,892.36	2.78%
Undergraduate	<u>162</u>	<u>1,917,834.79</u>	<u>0.34</u>
Subtotal	<u>1,469</u>	<u>\$17,642,727.15</u>	<u>3.12%</u>
Total	<u>46,484</u>	<u>\$565,341,124.64</u>	<u>100.00%</u>

**Distribution of the Issue I Loan Portfolio by School Type  
(As of July 31, 2015)**

<b>School Type</b>	<b>Number of Loans</b>	<b>Approximate Outstanding Principal Balance</b>	<b>Percent by Outstanding Principal Balance</b>
Four Year	45,238	\$553,807,678.35	97.96%
Community/2 Year	<u>1,246</u>	<u>11,533,446.29</u>	<u>2.04</u>
Total	<u>46,484</u>	<u>\$565,341,124.64</u>	<u>100.00%</u>

**Distribution of the Issue I Loan Portfolio by Number of Days Delinquent<sup>1</sup>  
(As of July 31, 2015)**

<b>Days Delinquent</b>	<b>Number of Loans</b>	<b>Approximate Outstanding Principal Balance<sup>(1)</sup></b>	<b>Percent by Outstanding Principal Balance</b>
0 through 30	37,726	\$437,615,138.58	96.30%
31 through 60	586	7,580,965.50	1.67
61 through 90	241	3,467,537.63	0.76
91 through 120	120	1,836,379.67	0.40
121 through 150	87	1,231,838.09	0.27
151 through 180	63	895,999.60	0.20
181 through 210	25	439,333.42	0.10
211 through 240	6	183,314.17	0.04
241 through 270	5	116,247.87	0.03
271 through 300	4	51,678.25	0.01
Greater than 300	<u>90</u>	<u>987,572.93</u>	<u>0.22</u>
Total	<u>38,953</u>	<u>\$454,406,005.71</u>	<u>100.00%</u>

<sup>(1)</sup> For Financed Eligible Loan in Repayment Status Only.

**Distribution of the Issue I Loan Portfolio by Date of Disbursement  
(As of July 31, 2015)**

<b>Disbursement Date</b>	<b>Number of Loans</b>	<b>Approximate Outstanding Principal Balance</b>	<b>Percent by Outstanding Principal Balance</b>
Pre-July 1, 2001	1,276	\$ 2,396,826.58	0.42%
July 1, 2001 through June 30, 2002	520	1,234,785.37	0.22
July 1, 2002 through June 30, 2003	269	962,354.06	0.17
July 1, 2003 through June 30, 2004	58	431,190.47	0.08
July 1, 2004 through June 30, 2005	1,748	10,974,315.22	1.94
July 1, 2005 through June 30, 2006	3,148	26,911,337.11	4.76
July 1, 2006 through June 30, 2007	7,638	81,026,362.88	14.33
July 1, 2007 through June 30, 2008	3,640	46,999,364.08	8.31
July 1, 2008 through June 30, 2009	35	250,345.22	0.04
July 1, 2009 through June 30, 2010	1,234	10,997,856.82	1.95
July 1, 2010 through June 30, 2011	9,382	126,589,350.94	22.39
July 1, 2011 through June 30, 2012	4,145	69,105,832.83	12.22
July 1, 2013 through June 30, 2014	47	519,648.98	0.09
July 1, 2014 through June 30, 2015	13,258	186,434,426.92	32.98
July 1, 2015 through July 31, 2015	86	507,127.16	0.09
Total	<u>46,484</u>	<u>\$565,341,124.64</u>	<u>100.00%</u>

**Distribution of the Issue I Loan Portfolio by Range of Outstanding Principal Balance  
(As of July 31, 2015)**

<b>Principal Balance</b>	<b>Number of Loans</b>	<b>Approximate Outstanding Principal Balance</b>	<b>Percent by Outstanding Principal Balance</b>
Less than \$5,000.00	11,672	\$ 31,200,401.75	5.52%
\$5,000-\$9,999.99	12,181	89,772,908.92	15.88
\$10,000-\$19,999.99	14,321	203,703,830.34	36.03
\$20,000-\$29,999.99	5,589	134,057,012.94	23.71
\$30,000-\$39,999.99	1,827	61,991,415.07	10.97
\$40,000-\$49,999.99	577	25,272,855.38	4.47
\$50,000-\$59,999.99	208	11,146,034.47	1.97
\$60,000-\$69,999.99	58	3,676,832.28	0.65
\$70,000-\$79,999.99	16	1,175,116.67	0.21
More than \$79,999.99	35	3,344,716.82	0.59
Total	<u>46,484</u>	<u>\$565,341,124.64</u>	<u>100.00%</u>

**Distribution of the Issue I Loan Portfolio by  
Number of Months Remaining Until Scheduled Maturity  
(As of July 31, 2015)**

<u>Number of Months</u>	<u>Number of Loans</u>	<u>Approximate Outstanding Principal Balance</u>	<u>Percent by Outstanding Principal Balance</u>
Less than 73	6,381	\$ 25,915,490.40	4.58%
73 to 84	4,081	31,093,032.37	5.50
85 to 96	1,348	12,296,106.99	2.17
97 to 108	2,005	20,425,679.42	3.61
109 to 120	5,122	64,743,149.38	11.45
121 to 132	9,462	136,526,784.33	24.15
133 to 144	4,814	81,376,016.67	14.39
145 to 156	1,651	17,653,966.83	3.12
157 to 168	1,437	16,229,384.06	2.87
169 to 180	8,937	139,007,494.50	24.59
181 to 192	545	7,851,769.47	1.39
193 to 204	511	8,679,519.76	1.54
205 to 216	180	3,393,377.52	0.60
217 to 228	10	149,352.94	0.03
229 to 240	0	0.00	0.00
241 to 252	0	0.00	0.00
253 to 264	0	0.00	0.00
265 to 276	0	0.00	0.00
277 to 288	0	0.00	0.00
289 to 300	0	0.00	0.00
Greater Than 300	<u>0</u>	<u>0.00</u>	<u>0.00</u>
Total	<u>46,484</u>	<u>\$565,341,124.64</u>	<u>100.00%</u>

**Distribution of the Issue I Loan Portfolio by Servicer  
(As of July 31, 2015)**

<u>Location</u>	<u>Number of Loans</u>	<u>Outstanding Principal Balance</u>	<u>Percent by Outstanding Principal Balance</u>
ACS Education Services, Inc.	46,484	\$565,341,124.64	100.00%

The following chart shows the geographic distribution of the Issue I Loan Portfolio based on the permanent billing addresses of the borrowers as shown on the Servicer's records:

**Distribution of the Issue I Loan Portfolio by Geographic Location<sup>(1)</sup>**  
**(As of July 31, 2015)**

Location	Number of Loans	Approximate Outstanding Principal Balance	Percent by Outstanding Principal Balance
AK	8	\$ 95,176.08	0.02%
AL	28	328,891.64	0.06
AR	10	104,754.58	0.02
AZ	104	1,353,023.41	0.24
CA	962	14,707,725.70	2.60
CO	130	1,605,212.80	0.28
CT	1,680	21,659,807.44	3.83
DC	95	1,310,174.57	0.23
DE	28	318,058.84	0.06
FL	622	7,926,082.77	1.40
GA	141	1,868,458.17	0.33
HI	46	670,159.29	0.12
IA	18	170,525.82	0.03
ID	23	371,934.90	0.07
IL	213	3,303,387.46	0.58
IN	51	563,928.08	0.10
KS	31	468,376.44	0.08
KY	27	312,577.93	0.06
LA	44	643,637.55	0.11
MA	34,095	400,636,143.37	70.87
MD	284	4,115,132.34	0.73
ME	537	6,056,561.24	1.07
MI	106	1,252,973.28	0.22
MN	113	1,361,974.24	0.24
MO	62	893,210.39	0.16
MS	8	115,777.39	0.02
MT	15	172,095.35	0.03
NC	194	2,106,116.25	0.37
ND	8	98,667.48	0.02
NE	14	200,178.32	0.04
NH	1,184	14,901,250.76	2.64
NJ	768	11,375,911.63	2.01
NM	30	344,065.95	0.06
NV	46	788,896.36	0.14
NY	2,137	28,844,439.91	5.10
OH	131	1,835,476.43	0.32
OK	20	378,196.91	0.07
OR	79	800,498.98	0.14
PA	406	5,497,262.55	0.97
RI	578	6,956,253.10	1.23
SC	84	804,609.52	0.14
SD	7	48,519.54	0.01
TN	73	1,084,699.00	0.19
TX	366	5,254,793.38	0.93
UT	30	361,853.89	0.06
VA	291	3,873,613.98	0.69
VT	169	1,834,946.25	0.32
WA	154	2,276,637.15	0.40
WI	67	694,732.95	0.12
WV	14	146,249.20	0.03
WY	4	47,818.29	0.01
Other	149	2,399,675.79	0.42
Total	<u>46,484</u>	<u>\$565,341,124.64</u>	<u>100.00%</u>

<sup>(1)</sup> Based on billing addresses of borrowers shown on Servicer's Records.

**Distribution of the Issue I Loan Portfolio by School  
(As of July 31, 2015)**

School Name <sup>(1)</sup>	Number of Loans	Approximate Outstanding Principal Balance	Percent by Outstanding Principal Balance
Boston University	2,906	\$ 37,429,975.54	6.62%
University of Massachusetts Amherst	3,799	32,233,839.55	5.70
Northeastern University	1,788	23,272,447.52	4.12
Boston College	1,435	21,026,432.28	3.72
Suffolk University	1,274	15,534,754.74	2.75
College of The Holy Cross	840	12,906,188.22	2.28
Massachusetts College of Pharmacy & Health Science	744	12,398,275.65	2.19
Wentworth Institute of Technology	881	11,729,093.99	2.07
University of Massachusetts Dartmouth	1,324	10,718,981.01	1.90
Bentley University	765	10,495,239.59	1.86
University of New Hampshire	679	9,990,032.84	1.77
Curry College	645	9,784,869.44	1.73
Bridgewater State University	1,195	9,591,392.97	1.70
Assumption College	766	9,153,365.04	1.62
Western New England College	670	8,968,297.60	1.59
Merrimack College	621	8,637,173.06	1.53
University of Massachusetts Lowell	1,053	8,347,738.64	1.48
Emmanuel College	577	8,227,246.50	1.46
Worcester Polytechnic Institute	505	7,655,490.02	1.35
Tufts University	430	7,105,827.13	1.26
Emerson College	501	6,774,707.46	1.20
Berklee College of Music	389	6,769,726.43	1.20
Harvard University	576	6,625,736.03	1.17
Westfield State University	866	6,308,102.95	1.12
Hult International Business School	162	5,880,540.06	1.04
Salem State University	744	5,794,317.41	1.02
Simmons College	446	5,597,917.81	0.99
Framingham State University	766	5,447,937.67	0.96
Babson College	414	5,407,277.65	0.96
Stonehill College	385	5,302,471.21	0.94
Other	<u>18,338</u>	<u>230,225,728.63</u>	<u>40.72</u>
Total	<u>46,484</u>	<u>\$565,341,124.64</u>	<u>100.00%</u>

<sup>(1)</sup> Listed schools represent approximately 59% of total loan balance outstanding.



## BOOK-ENTRY ONLY SYSTEM

**The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but neither the Authority nor the Underwriter takes any responsibility for the accuracy or completeness thereof.**

**The Authority and the Underwriter cannot and do not give any assurances that DTC, Participants or others will properly distribute: (i) payments of debt service on the Offered Bonds paid to DTC, or its nominee owner, as the registered owners; or (ii) any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis or that DTC will serve and act in the manner described in this Official Statement.**

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Offered Bonds. The Offered 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 Offered Bond certificate will be issued for each Subseries of the Offered Bonds and, if applicable, for each maturity and interest rate of each such Subseries in the aggregate principal amount thereof, as set forth on the inside cover page hereof, and will be deposited with DTC.

DTC, the world's largest securities depository, 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 and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has an S&P rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at "[www.dtcc.com](http://www.dtcc.com)".

Purchases of Offered Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Offered Bonds on DTC's records. The ownership interest of each actual purchaser of each Offered Bond ("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. Beneficial Owners are, however, 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 Offered 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 Offered Bonds, except in the event that use of the book-entry system for the Offered Bonds is discontinued.

To facilitate subsequent transfers, all Offered 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 Offered Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Offered Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Offered Bonds 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 Offered Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Offered Bonds, such as redemption, defaults, and proposed amendment to the Resolution. For example, Beneficial Owners of Offered Bonds may wish to ascertain that the nominee holding the Offered Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

Redemption notices shall be sent to DTC. If less than all of the Offered Bonds within a Subseries or, if applicable, maturity or interest rate, are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to Offered Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee 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 Offered Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and any other redemption payments on the Offered 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 the payment 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, interest and any other redemption payments 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 will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Offered 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, Offered Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository) with respect to the Offered Bonds. In that event, Offered Bond certificates will be printed and delivered. See “— Certificated Offered Bonds.”

*Direct Participants and Indirect Participants may impose service charges on book-entry interest owners in certain cases. Purchasers of book-entry interests should discuss that possibility with their brokers.*

NEITHER THE AUTHORITY NOR THE TRUSTEE HAS ANY RESPONSIBILITY OR OBLIGATION TO ANY PARTICIPANT OR THE PERSONS TO WHOM THEY ACT AS NOMINEES WITH RESPECT TO: THE ACCURACY OF THE RECORDS MAINTAINED BY DTC, CEDE & CO. OR ANY PARTICIPANT; PAYMENTS TO, OR THE PROVIDING OF NOTICE FOR, ANY PARTICIPANT OR ANY INDIRECT PARTICIPANT OR BENEFICIAL OWNER; THE SELECTION BY DTC OR ANY PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE OFFERED BONDS; OR ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED OWNER OF OFFERED BONDS.

The Authority and the Trustee have no role in the purchases, transfers or sales of book-entry interests. The rights of book-entry interest owners to transfer or pledge their interests, and the manner of transferring or pledging those interests, may be subject to applicable state law. Book-entry interest owners may want to discuss with their legal advisers the manner of transferring or pledging their book-entry interests.

The Authority and Trustee have no responsibility or liability for any aspects of the records or notices relating to, or payments made on account of, book-entry interest ownership, or for maintaining, supervising or reviewing any records relating to that ownership.

For ease of reference in this and other discussions, reference to “DTC” includes when applicable any successor securities depository and the nominee of the depository.

For all purposes under the Resolution, DTC will be and will be, considered by the Authority and the Trustee to be, the owner or holder of the Offered Bonds.

Owners of book-entry interests in the Offered Bonds (book-entry interest owners) will not receive or have the right under the Resolution to receive physical delivery of the Offered Bonds.

### **Certificated Offered Bonds**

In addition, the Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository) with respect to the Offered Bonds. If for any reason the book-entry only system is discontinued, the Offered Bond certificates will be delivered as described in the Resolution and the Beneficial Owner, upon registration of certificates held in the Beneficial Owner’s name, will become the Bondholder. Thereafter Offered Bonds may be exchanged for an equal aggregate principal amount of Offered Bonds in other authorized denominations, upon surrender thereof at the principal corporate trust office of the Trustee. The transfer of any Offered Bond may be registered on the books maintained by the Trustee for such purpose only upon the surrender thereof to the Trustee with a duly executed assignment in form satisfactory to the Trustee. For every exchange or registration of transfer of Offered Bonds, the Authority and the Trustee may make a charge sufficient to reimburse them for any tax or other governmental charge required to be paid with respect to such exchange or registration

of transfer, but no other charge may be made to the owner for any exchange or registration of transfer of the Offered Bonds.

### **LEGALITY OF BONDS FOR INVESTMENT**

Under the provisions of the Act, bonds of the Authority are securities in which all public officers and public bodies of the Commonwealth and its political subdivisions, and all Massachusetts insurance companies, trust companies, savings banks, co-operative banks, banking associates, investment companies, executors, administrators, trustees and other fiduciaries, may properly and legally invest funds, including capital in their control or belonging to them.

### **BONDS AS SECURITY FOR DEPOSIT**

Under the provisions of the Act, bonds of the Authority are securities which may properly and legally be deposited with and received by any Commonwealth or municipal officer or any agency or political subdivision of the Commonwealth for any purpose for which the deposit of bonds or other obligations of the Commonwealth is now or may hereafter be authorized by law.

### **LITIGATION AND OTHER MATTERS**

At the time of delivery of and payment for the Offered Bonds, the Authority's general counsel will deliver an opinion to the effect that there is no litigation, inquiry or investigation before or by any court, public board or body known to be pending or, to the best of such counsel's knowledge, threatened against the Authority affecting the creation, organization or corporate existence of the Authority or the title of its present members or officers to their respective offices; seeking to prohibit, restrain or enjoin the issuance or delivery of the Offered Bonds or the collection of Revenues of the Authority or the pledge of assets and Revenues under the Resolution; in any way contesting or affecting the validity or enforceability of the Offered Bonds, the Resolution, the Servicing Agreement, or the Operations Manual; or contesting in any material respect the completeness or accuracy of this Official Statement.

Such opinion shall also be to the effect that the Authority is not unreasonable in its opinion that any litigation which is pending against the Authority is routine litigation incidental to the operations of the Authority unlikely to have a material effect on its power or authority to satisfy its obligations with respect to the Offered Bonds.

From time to time, bills may be introduced into the Commonwealth legislature affecting government operations generally or that could seek to impose financial and other obligations on the Authority, which might include requiring the transfer of funds or assets from the Authority to the Commonwealth or other agencies of the Commonwealth. Furthermore, measures and legislation may be considered by the federal government, or the Commonwealth legislature, which measures may affect the Authority's programs. While some of these measures may benefit the programs, no assurance can be given that the programs will not be adversely affected by such measures. In addition, the Congress or the Commonwealth legislature could enact legislation that would affect the demand for or the repayment performance of MEFA Education Loans in a manner that might adversely affect the availability of amounts for the payment of debt service on Issue I Bonds or that might result in the redemption prior to scheduled amortization of Issue I Bonds. The Authority cannot predict whether any such legislation will be enacted or, if it is enacted, what effect it would have on the timing or amount of revenues received by the Authority from MEFA Education Loans, the timing of such receipt or the demand for MEFA Education Loans. There can be no assurance that any such legislation will not be enacted or that such

legislation, if enacted, will not have an adverse impact on the operations of the Authority, its financial condition or any of its contractual obligations.

## **CERTAIN LEGAL MATTERS**

All legal matters related to the authorization, issuance, sale and delivery of the Offered Bonds are subject to the approval of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Bond Counsel and general counsel to the Authority. The unqualified approving opinion of such Bond Counsel, substantially in the form set forth in APPENDIX D hereto, will be delivered upon the issuance of the Offered Bonds. Certain legal matters will be passed upon for the Underwriter by its counsel, Hawkins Delafield & Wood LLP, New York, New York.

## **TAX MATTERS**

### **Federal Tax Matters**

The following discussion briefly summarizes the principal U.S. federal tax consequences of the acquisition, ownership, and disposition of the Offered Bonds for holders who acquire any Offered Bonds in the initial offering and hold such Series B Bonds as “capital assets.” It does not discuss all aspects of U.S. federal income taxation which may apply to a particular holder, nor does it discuss U.S. federal income tax provisions which may apply to particular categories of holders, such as partnerships, insurance companies, financial institutions, regulated investment companies, real estate investment trusts, employee benefit plans, tax-exempt organizations, dealers in securities or foreign currencies, persons holding Offered Bonds as a position in a “hedge” or “straddle,” an integrated conversion transaction, or holders whose functional currency is not the U.S. dollar. It is based upon provisions of existing law which are subject to change at any time, possibly with retroactive effect. No rulings have been or are expected to be sought from the U.S. Internal Revenue Service (the “IRS”) with respect to any of the U.S. federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions.

Except as otherwise explicitly noted below, this summary addresses only “U.S. Holders,” that is, individual citizens or residents of the United States, corporations or other business entities organized under the laws of the United States, any state, or the District of Columbia, estates with income subject to United States federal income tax, trusts subject to primary supervision by a United States court and for which United States persons control all substantial decisions, and certain other trusts that elect to be treated as United States persons. Except as otherwise explicitly noted in the discussion of Massachusetts taxes below, this discussion relates only to U.S. federal income taxes and not to any state, local or foreign taxes or U.S. federal taxes other than income taxes.

Interest on the Offered Bonds that is “qualified stated interest” generally will be taxable to a U.S. Holder as ordinary interest income at the time such payments are accrued or are received (in accordance with the U.S. Holder’s regular method of tax accounting). Generally, “qualified stated interest” means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate and includes the monthly interest payments as set forth on the inside cover hereof.

Interest on the Offered Bonds includes any accrued original issue discount. Original issue discount with respect to an Offered Bond is equal to the excess, if any, of the stated redemption price at maturity of an Offered Bond over the initial offering price thereof, excluding underwriters and other intermediaries, at which price a substantial amount of all Bonds with the same maturity were sold,

provided that such excess equals or exceeds a de minimis amount (generally 1/4% of the stated redemption price at maturity multiplied by the number of complete years from its issue date to its maturity). The stated redemption price at maturity of an Offered Bond is the sum of all scheduled amounts payable on the Offered Bond (other than qualified stated interest). A U.S. Holder of an Offered Bond with original issue discount must include the discount in income as ordinary interest for federal income tax purposes as it accrues in advance of receipt of the cash payments attributable to such income, regardless of the U.S. Holder's regular method of tax accounting. Original issue discount accrues based on a constant yield method over the term of an Offered Bond and results in a corresponding increase in the holder's tax basis in such Offered Bond. Holders should consult their own tax advisors with respect to the computation of original issue discount during the period in which any such Bond is held.

An amount equal to the excess, if any, of the purchase price of an Offered Bond over the principal amount payable at maturity generally constitutes amortizable bond premium. A holder of an Offered Bond may elect to amortize such premium during the term of such Offered Bond by claiming an offset to interest otherwise required to be included in income during any taxable year by the amortizable amount of such premium for the taxable year. Such amortization will result in a corresponding reduction of the holder's tax basis in such Bond. Any election to amortize bond premium applies to all taxable debt instruments held by the holder at the beginning of the first taxable year to which the election applies and to all taxable debt instruments acquired on or after such date and may be revoked only with the consent of the Internal Revenue Service. Holders of Offered Bonds purchased at a premium should consult their own tax advisors with respect to the determination and treatment of amortizable bond premium.

Unless a non-recognition provision of the Code applies, upon the sale, exchange, redemption, or other disposition (including a legal defeasance) of an Offered Bond, a U.S. Holder will recognize taxable gain or loss in an amount equal to the difference between the amount realized (other than amounts representing accrued but unpaid interest) and such holder's adjusted tax basis in such Offered Bond. Such gain or loss generally will be long-term capital gain or loss if the Offered Bond was held for more than one year. If the U.S. Holder is an individual, long-term gains will be subject to reduced rates of taxation. The deductibility of losses is subject to limitations.

A non-U.S. Holder of Offered Bonds whose income from such Offered Bonds is effectively connected with the conduct of a U.S. trade or business generally will be taxed as if the holder were a U.S. Holder. Otherwise: (i) a non-U.S. Holder who is an individual or corporation (or an entity treated as a corporation for federal income tax purposes) holding Offered Bonds on its own behalf (other than a bank which acquires the Offered Bonds in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business) generally will not be subject to federal income taxes on payments of principal, premium, interest or original issue discount on an Offered Bond, as long as the non-U.S. Holder makes an appropriate filing with a U.S. withholding agent; and (ii) a non-U.S. Holder will not be subject to federal income taxes on any amount which constitutes capital gain upon retirement or disposition of an Offered Bond unless such non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of the disposition and such gain is derived from sources within the United States.

An Offered Bond held by an individual non-U.S. Holder who at the time of death is not a citizen or resident of the United States will not be subject to U.S. federal estate tax as a result of such individual's death, provided that at the time of such individual's death, payments of interest with respect to the Offered Bond would not have been effectively connected with the conduct by such individual of a trade or business within the United States.

Information as to interest on or proceeds from the sale or other disposition of Offered Bonds is required to be reported by payors to the IRS and to recipients. In addition, backup withholding may apply

unless the holder of an Offered Bond provides to a withholding agent its taxpayer identification number and certain other information or certification of foreign or other exempt status. Any amount withheld under the backup withholding rules is allowable as a refund or credit against the holder's actual U.S. federal income tax liability.

Certain U.S. Holders are subject to a 3.8% tax (the so-called "Medicare Tax") on net investment income or on the undistributed net investment income of certain estates and trusts. Net investment income generally includes, among other items, interest and certain net gain from the sale, redemption, exchange, retirement or other taxable disposition of an Offered Bond, less certain deductions. Holders should consult their own tax advisors with respect to the tax consequences of the Medicare Tax.

Under the Foreign Account Tax Compliance Act ("FATCA") foreign financial institutions must comply with information reporting rules with respect to their U.S. account holders and investors or be required to withhold tax on U.S. source payments made to them.

Bond Counsel is not rendering an opinion as to the foregoing federal tax consequences of ownership of the Offered Bonds. Offered Bondholders should seek advice based on their particular circumstances relating to the tax consequences of purchasing or holding the federally taxable bonds from an independent tax advisor.

### **Massachusetts Tax Matters**

In the opinion of Bond Counsel, under existing law, interest, including any original issue discount, on the Offered Bonds and any profit made on the sale thereof are exempt from Massachusetts personal income taxes, and the Offered Bonds are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to the other Massachusetts tax consequences arising with respect to the Offered Bonds. Prospective purchasers should be aware, however, that the Offered Bonds are included in the measure of Massachusetts estate and inheritance taxes, and the Offered Bonds and the interest thereon are included in the measure of Massachusetts corporate excise and franchise taxes. Bond Counsel has not opined as to the taxability of the Offered Bonds, their transfer and the income therefrom, including any profit made on the sale thereof, under the laws of any state other than The Commonwealth of Massachusetts.

### **Bond Counsel Opinion as to Tax Matters**

On the date of delivery of the Offered Bonds the original purchasers will be furnished with the opinion of Bond Counsel substantially in the form included in APPENDIX D.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Offered Bonds, including legislation, court decisions, or administrative actions, whether at the federal or state level, may affect the tax-exempt status of interest on the Offered Bonds or the tax consequences of ownership of the Offered Bonds. No assurance can be given that future legislation, if enacted into law, will not contain provisions which could directly or indirectly reduce the benefit of the exclusion of the interest on the Offered Bonds from gross income for federal income tax purposes or any state tax benefit. Deficit reduction measures, including the limitation of federal tax expenditures, will be under ongoing consideration by the United States Congress, as will tax reform proposals. These efforts to date have included proposals to reduce the benefit of the interest exclusion from income for certain holders of tax-exempt bonds, including bonds issued prior to the proposed effective date of the applicable legislation. Future proposed changes could affect the market value or marketability of the Offered Bonds, and, if enacted into law, could also affect the tax treatment of all or a portion of the interest on the Offered

Bonds for some or all holders. Holders should consult their own tax advisors with respect to any of the foregoing tax consequences.

## **UNDERWRITING**

The Offered Bonds are being purchased by Morgan Stanley & Co. LLC (the “Underwriter”). The Underwriter has agreed, subject to certain conditions, to purchase all of the Offered Bonds at an aggregate Underwriter’s discount (including reimbursable expenses) equal to \$579,812.84. The initial public offering prices of the Offered Bonds set forth on the inside front cover page hereof may be changed without notice by the Underwriter. The Underwriter may offer and sell the Offered Bonds to certain dealers (including dealers depositing the Offered Bonds into investment trusts, certain of which may be sponsored or managed by the Underwriter) and others at prices lower than or yields higher than the offering prices or yields set forth on the inside front cover page hereof.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. The Underwriter may have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Authority, for which the Underwriter received or will receive customary fees and expenses. In the ordinary course of its various business activities, the Underwriter may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own accounts and/or the accounts of its customers and may at any time hold long and short positions in such securities and instruments. Such investments and securities may involve securities and instruments of the Authority. The Underwriter may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities, or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

## **RATINGS**

At the time of issuance, the Offered Bonds are expected to be rated “AA(sf)” by S&P and “Asf” by Fitch. Assignment of such ratings and underlying ratings to the Offered Bonds is a precondition to delivery of the Offered Bonds. See “INVESTMENT CONSIDERATIONS — Effect of Ratings.”

Such ratings reflect only the views of the applicable nationally recognized statistical rating organization at the time such ratings were given and the Authority makes no representation as to the appropriateness of the ratings. An explanation of the significance of such ratings can only be obtained from the rating organization furnishing the same. There is no assurance that a particular rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating organization if, in the judgment of Fitch or S&P, as the case may be, circumstances so warrant. Any such downward revision or withdrawal of any such rating may have an adverse effect on the market price of the Offered Bonds or on the existence of a secondary market for the Offered Bonds. The ratings are not a recommendation to buy or sell the Offered Bonds, and are not a comment as to the suitability of the Offered Bonds for any investor.



## NEGOTIABLE INSTRUMENTS

Pursuant to the Act, the Offered Bonds are negotiable instruments, subject only to the provisions for registration of the Issue I Bonds.

## COMMONWEALTH NOT LIABLE ON BONDS

The Issue I Bonds shall not be deemed to constitute a debt or liability of the Commonwealth or any political subdivision thereof or a pledge of the faith and credit of the Commonwealth or any such political subdivision, but shall be payable solely from the Revenues and other moneys derived by the Authority under the Resolution. Neither the faith and credit nor the taxing power of the Commonwealth or of any political subdivision thereof is pledged to the payment of the principal of or the interest on the Issue I Bonds. The Act does not in any way create a so-called moral obligation of the Commonwealth or of any political subdivision thereof to pay debt service in the event of a default. The Authority does not have taxing power.

## CONTINUING DISCLOSURE

In order to assist the Underwriter in complying with Rule 15c2-12(b)(5) promulgated by the SEC (the “Rule”), the Authority will enter into a continuing disclosure agreement, with respect to the Series of the Offered Bonds (a “Continuing Disclosure Agreement”) with U.S. Bank National Association, as dissemination agent, for the benefit of owners of such Series of the Offered Bonds setting forth the undertaking of the Authority regarding continuing disclosure with respect to such Bonds. The proposed form of the Continuing Disclosure Agreement is set forth in APPENDIX E.

The Authority has not failed to comply in any material respects with all previous undertakings to provide annual reports or notices of material events in accordance with the Rule during the last five years. The Authority had not filed, on a timely basis, certain notices, which were subsequently filed, of rating downgrades for the bond insurers backing the Issue E Bonds and the Issue H Bonds.

## INDEPENDENT ACCOUNTANTS

The financial statements of the Authority as of and for the years ended June 30, 2014 and June 30, 2013 included in APPENDIX A of this Official Statement have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report appearing in APPENDIX A of this Official Statement.

***Such financial statements include information with respect to the Authority Loan Program generally, and with respect to Authority programs which are unrelated to education lending, as well as with respect to the Loan Program. Since the Offered Bonds are special obligations of the Authority, payable only from the Revenues and other Loan Program assets pledged under the Issue I General Resolution, the overall financial status of the Authority, or that of the Authority Loan Program, does not indicate and does not necessarily affect whether the Revenues and other assets so pledged will be sufficient to fund the timely payment of principal installments, premium, if any, and interest on the Offered Bonds. See “SECURITY FOR THE ISSUE I BONDS AND SOURCES OF PAYMENT.”***

## **AVAILABILITY OF FINANCIAL AND OTHER AUTHORITY INFORMATION**

Under the Resolution, the Authority is required to prepare an annual report with respect to each Fiscal Year ending June 30. Each annual report will include information relating to Authority operations and financial statements for the Fiscal Year ending June 30. Copies of the most recent report may be obtained at the offices of the Authority at 160 Federal Street, Boston, Massachusetts 02110.

The Authority has covenanted in the Issue I General Resolution to make periodic Issue I Loan Portfolio information publicly available no less frequently than quarterly. Such information will include operating data substantially of the type described under “ISSUE I LOAN PORTFOLIO” as applicable to the MEFA Education Loans then included in the Issue I Loan Portfolio. The Authority reserves the rights, however: (i) to alter the format in which such periodic information is presented; and (ii) to make such periodic information available either by posting as part of, or in the same manner as, annual reports filed pursuant to the Continuing Disclosure Agreement described in APPENDIX E to this Official Statement or, subject to compliance with such Continuing Disclosure Agreement, by posting on a publicly accessible website. See “CONTINUING DISCLOSURE” and “ISSUE I LOAN PORTFOLIO.”

The Authority currently follows a practice of regularly releasing certain information concerning the portfolios of education loans included in certain of its trust estates, including the Issue I trust estate, and concerning its overall education loan financing program, by posting such information on a publicly accessible Internet web site maintained by or on behalf of the Authority for such purpose. Such information is currently posted to “www.mefa.org”. Such information may include some or all of the information described under “ISSUE I LOAN PORTFOLIO,” as applicable to the MEFA Education Loans then included in the Issue I Portfolio, and may include other factual information concerning the Authority’s education loans or the Authority’s education loan financing program that the Authority believes to be appropriate. The Authority reserves the rights: (i) to alter or discontinue this policy at any time without notice; and (ii) to satisfy contractual secondary market disclosure obligations with respect to the Issue I Bonds in part by reference to information that is posted in this manner without thereby becoming contractually obligated to continue releasing such information in this manner. See “CONTINUING DISCLOSURE.”

## **MUNICIPAL ADVISOR**

Samuel A. Ramirez and Company, Inc. (“Ramirez”) has acted as an independent municipal advisor to the Authority with respect to certain aspects of the transactions described herein. Ramirez is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for, the accuracy, completeness, or adequacy of the information contained in this Official Statement and the appendices hereto. Ramirez is a registered municipal broker-dealer but is not an underwriter of, or a member of any underwriting syndicate or selling group with respect to, the Offered Bonds.

## MISCELLANEOUS

The references to the Act, the Resolution, the Servicing Agreement, the MEFA Financing Program and the MEFA Program Documents are brief summaries of certain provisions thereof. Such summaries do not purport to be complete, and reference is made thereto for full and complete statements of such and all provisions. The agreements of the Authority with the holders of the Offered Bonds are fully set forth in the Resolution, and neither any advertisement of the Offered Bonds nor this Official Statement is to be construed as constituting an agreement with the purchasers of the Offered Bonds. So far as any statements are made in this Official Statement involving matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact. Copies of the documents mentioned in this paragraph are on file at the offices of the Authority.

The execution and delivery of this Official Statement have been duly authorized by the Authority.

### MASSACHUSETTS EDUCATIONAL FINANCING AUTHORITY

By: /s/ Thomas M. Graf  
Thomas M. Graf  
Executive Director

Dated: November 18, 2015

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**APPENDIX A**

**AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY**

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# **Massachusetts Educational Financing Authority**

**Financial Statements with Management's  
Discussion and Analysis  
June 30, 2014 and 2013**

**Massachusetts Educational Financing Authority**  
**Index**  
**June 30, 2014 and 2013**

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	<b>Page(s)</b>
<b>Management's Discussion and Analysis</b> .....	1-10
<b>Report of Independent Auditors</b> .....	11-12
<b>Financial Statements</b>	
Statements of Net Position .....	13
Statements of Revenues, Expenses and Changes in Net Position .....	14
Statements of Cash Flows .....	15-16
Notes to Financial Statements .....	17-37
<b>Supplemental Schedules</b> .....	38-45



## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### INTRODUCTION

This discussion and analysis of the financial position and performance of the Massachusetts Educational Financing Authority (the "Authority") is intended to provide an introduction and analytical overview of the basic financial statements of the Authority on a comparative basis for the fiscal years ended June 30, 2014 (FY2014), 2013 (FY2013) and 2012 (FY2012). This unaudited management's discussion and analysis should be read in conjunction with the attached audited financial statements and the notes thereto in its entirety.

The Authority is a body politic and corporate, constituting a public instrumentality of the Commonwealth of Massachusetts (the "Commonwealth"), which was established pursuant to Chapter 803 of the Acts of 1982, as amended, to assist the Commonwealth's institutions of higher education, students and families in the financing and refinancing of the costs of higher education, and through this process to support the economic development of the Commonwealth. The Authority has established a number of proprietary, unsecured consumer loan programs for this purpose, including fixed and variable rate, undergraduate, graduate, credit-worthy and need-based loans.

Since inception, the Authority has originated loans in cooperation with participating non-profit independent and public colleges and universities and other sponsors, if any, designated from time to time by the Authority, in accordance with common criteria and procedures. The programs are funded using proceeds from Educational Loan Revenue Bonds issued by the Authority (the "Bonds"). The primary goal of these programs is to provide education loans to eligible students and families which will assist them with the cost of attendance at eligible higher education institutions within the Commonwealth and beyond.

In addition to the proprietary, unsecured consumer loan programs, the Authority began participating in the Federal Family Education Loan Program (the "FFELP") in July 2002. The FFELP is a federal program that allows undergraduate and graduate borrowers at eligible postsecondary schools to obtain low cost education loans. Effective July 1, 2010, new legislation eliminated the ability to provide new loans under FFELP and requires that all new federal loans are to be made through the Direct Loan Program, which is administered by the Federal Government. The new law did not affect the terms and conditions of existing FFELP loans originated by the Authority. As part of the FFELP, the U.S. Department of Education (the "ED") makes special allowance payments based upon the type of loan and regulations in effect at the time of origination and could result in the loan yield to the lender being higher than the rate charged to borrowers. Beginning with disbursements on or after April 1, 2006, the ED requires lenders to make payment on their individual FFELP portfolios to the ED for the difference when the rate to the borrower is in excess of the stated lender yield for that particular FFELP program. The lender yield is variable and not dependent on whether the underlying loan to the borrower is fixed or variable.

The Bonds, which are issued under various resolutions, are special obligations of the Authority, which has no taxing power, payable solely from the revenues and the funds and accounts established and pledged under the Resolution. No revenues or other assets of the Authority are available to fund payment of the Bonds except as expressly provided by the Resolution. Neither the Commonwealth of Massachusetts nor any political subdivision thereof is or shall be obligated to pay the principal or redemption or purchase price of and interest on the Bonds, and neither the full faith and credit, nor the taxing power of the Commonwealth or any political subdivision thereof is pledged to such payment. The Authority has the same exemption as the Commonwealth (under I.R.S. Code, Section 115) from filing and/or paying federal income taxes.

In addition to the loan programs, the Authority offers two college savings programs: The U.Plan: The Massachusetts Tuition Prepayment Program (the "U.Plan") and the U.Fund College Investing Plan (the "U.Fund"). The U.Plan, launched in February 1995, is a pre-paid tuition program that permits saving for a named beneficiary's undergraduate tuition and mandatory fees at participating Massachusetts colleges and universities in a manner designed to preserve the purchasing power of savings. The U.Fund, launched in March 1999, is a tax-advantaged method of saving for higher education costs (under I.R.S. Code, Section 529) generally through investment vehicles such as stock, bond and money market mutual funds. These funds are professionally administered and managed by Fidelity Investments (an unrelated party) on behalf of the account owners and are accordingly not a component of these financial statements. Proceeds earned by program participants through investing in the U.Fund are available to pay for costs of higher education nationwide.

## **USING THE FINANCIAL STATEMENTS**

The key to understanding the financial position and changes in the Authority's finances from year to year are presented in the Statement of Net Position, Statement of Revenue, Expenses, and Changes in Net Position and the Statement of Cash Flows. These statements present financial information in a form similar to that used by other not-for-profit organizations and private corporations.

The Statement of Net Position includes all assets, deferred outflows, liabilities and deferred inflows of the Authority. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when earned or in certain instances received, and expenses and liabilities are recognized when incurred, regardless of when cash is exchanged.

The Statement of Revenue, Expenses, and Changes in Net Position presents the revenues earned and the expenses incurred during the year. All activities of the Authority are reported as either operating or non-operating. Operating activities are those that support the mission and purpose of the Authority. Non-operating activities represent transactions that are primarily investing, legislative or regulated in nature.

The Statement of Cash Flows presents the information related to cash inflows and outflows summarized by operating, capital and non-capital financing and investing activities. Cash flow information is an important factor to consider when evaluating financial viability and the Authority's ability to meet financial obligations.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

The Authority maintains its accounts and prepares its financial statements in accordance with the accounting principles generally accepted in the United States of America, as set forth by the Governmental Accounting Standards Board ("GASB"). The financial records of the Authority are maintained on an accrual basis of accounting, whereby all revenues are recorded when earned and all expenses are recorded when they have been incurred. The notes to the financial statements explain the financial statements and the accounting principles applied. The Authority's financial statements have been audited by PricewaterhouseCoopers LLP, as independent auditors.

## **RECLASSIFICATION**

Certain prior period amounts have been reclassified to conform to current period presentation.

## **CHANGES TO THE FINANCIAL STATEMENTS**

### *GASB Statement No. 65*

In March, 2012, the GASB issued Statement No. 65 ("GASB 65"), *Items Previously Reported as Assets and Liabilities*, which was effective for the Authority in FY2013. GASB 65 impacted accounting for loan origination fees, debt issuance costs and the classification of deferred gains/losses on bond refunding. The provisions of this statement have been applied retroactively to the summarized financial statements as required for FY2012.

## **FISCAL YEAR DEVELOPMENTS**

In May, 2014, Standard & Poor's Ratings Services assigned its AA- issuer credit rating (ICR) to the Authority. An issuer credit rating is a current opinion of an obligor's overall financial capacity to pay its financial obligations and a rating of AA- indicates an obligor has a very strong capacity to meet these financial obligations. The AA- rating assigned is due to the Authority's asset quality, growing profitability, liquidity, overall management and strength of its bond portfolio.

Adopted in July 2010, the Finance Advisory Board ("FAB") was established to further transparency, accountability and best practices among state entities with respect to investments, borrowing or other financial transactions involving public funds made or entered into by state entities. These regulations apply to the management of debt and derivative financial products by state entities authorized to issue debt (of which the Authority is one). As part of the State budget process in 2012, the governing laws of the FAB were amended to include provisions establishing the State Finance and Governance Oversight Trust that the Secretary of Administration and Finance may fund, after consulting with the FAB, from assessing fees to state entities for their new debt issuance and their assets under management. As of June 30, 2014, no fees had been proposed or assessed to the Authority through this process.

## **FINANCIAL HIGHLIGHTS**

In the financial operations of the Authority, there are principal operating and non-operating components that make up a significant portion of the overall activities. Under the loan programs, the Authority disbursed \$177M in private loans in FY2014 compared to \$165M in FY2013. In the U.Fund, net assets continued to grow, increasing 15% in FY2014 and 12% in FY2013. Contributions to the U.Fund increased by 7% in FY2014, compared to an increase of 15% in FY2013. For the U.Plan program, the Authority had \$14.1M of matured tuition certificates on its financial statements as a liability to program participants at the end of FY2014 and \$7M of deposits for the purchase of tuition certificates effective August 1, 2014. The principal operating revenues for the Authority continue to be interest on education loans. Non-operating revenues are primarily composed of gains of bond redemptions, investment income and arbitrage rebate income. The principal operating expenses are bond interest expense and general and administrative costs. Non-operating expenses are primarily composed of loan program features and state program contributions.

Total net position was \$172.1M at the end of FY2014, which represents an increase of \$10M or 6% from the beginning of the fiscal year. This increase was the result of the following principal operating and non-operating activities at the Authority. Interest income on education loans was \$90.8M and represents 86% of total revenues in an improving consumer credit environment. Interest expense on bonds outstanding, was \$66.3M, or 70% of total expenses. The Authority's general and administrative expenses increased by 1% to \$17.6M and represented 19% of total operating expenses. The Authority purchased in lieu of redemption approximately \$3.5M in outstanding auction rate bonds during FY2014 resulting in a gain of \$489K. Non-operating revenues include investment interest and dividend income of \$291K as assets continue to be invested in a portfolio of vehicles providing short-term flexibility and principal protection. Non-operating expenses decreased to \$1.6M mostly due to a decrease in loan program related expenses in FY2014.

## OPERATING AND NON-OPERATING RESULTS

The following illustrates the comparative results of total revenues from fiscal years ended June 30, 2014, 2013 and 2012, respectively:

(in thousands)

	2014	2013	2012
<b>Operating revenues</b>			
Interest on educational loan notes receivable	\$ 90,799	\$ 87,601	\$ 84,788
Non-interest revenues	13,466	13,103	12,566
Total operating revenues	104,265	100,704	97,354
<b>Non-operating revenues</b>	792	15,940	1,166
<b>Total revenues</b>	<u>\$ 105,057</u>	<u>\$ 116,644</u>	<u>\$ 98,520</u>

Total operating revenues for the Authority were \$104M in FY2014; an increase of 4% compared to the prior fiscal year and represents a third consecutive year of total operating revenue growth.

Interest income on education loan notes receivable increased by 4% from FY2013 due to an increase in education loan originations and represented 87% of total operating revenues. The Authority disbursed \$177M in new loans in FY2014 compared to \$165M in FY2013. Non-interest revenues, which were comprised of loan origination fees, college savings plan revenues and other income, were \$13.5M in FY2014, an increase of 3% from the prior fiscal year. Loan origination fees increased 8% to \$7.5M in FY2014 due to increased loan originations and represented 55% of non-interest revenues. College savings plan revenues increased by 6% to \$4.7M in 2014 as a result of an increase in assets under management in the U.Fund and represented approximately 35% of non-interest revenues. Other non-interest operating revenues were \$1.3M in FY2014 and represented 10% on non-interest revenues, which is consistent with prior fiscal years.

Total non-operating revenues for the Authority were \$792K in FY2014, a decrease of \$15M compared to the prior fiscal year which included a significant gain on bond redemptions of \$13.9M.

Non-operating revenues included a \$489K gain on bond redemptions resulting from \$3.5M of outstanding auction rate bonds purchased in lieu of redemption in FY2014, compared to a \$13.9M gain on bond redemptions resulting from \$223M of outstanding auction rate bonds redeemed in FY2013. As the Federal Reserve maintained its interest rate policies related to the macro-economic environment, interest rate levels remained suppressed in FY2014 and the investment portfolio reacted accordingly by producing \$291K of interest and dividend income. Interest and dividend income included \$228K from Trustee investments, a 23% decrease from FY2013 and \$63K from college savings and Authority investments, which were flat, compared to the prior fiscal year. In FY2013, the Authority also recognized non-operating revenue of \$961K relating to the change in fair value of non-hedging derivatives and \$739K of arbitrage rebate income.

As a result of these activities, total revenues decreased by \$11.6M or 10% compared to the prior fiscal year, which included a significant gain on bond redemption of \$13.9M.

The following illustrates the comparative results of total expenses from fiscal years ended June 30, 2014, 2013 and 2012, respectively:

(in thousands)

	2014	2013	2012
<b>Operating expenses</b>			
Interest expense on bonds outstanding	\$ 66,325	\$ 64,554	\$ 61,143
Non-interest expenses	27,457	28,451	24,889
Total operating expenses	93,782	93,005	86,032
<b>Non-operating expenses</b>	1,554	2,437	3,333
<b>Total expenses</b>	<u>\$ 95,336</u>	<u>\$ 95,442</u>	<u>\$ 89,365</u>

Total operating expenses for the Authority were \$94M in FY2014, an increase of less than 1% compared to the prior fiscal year.

Interest expense for bonds outstanding increased by 3% from FY2013 and represented 71% of operating expenses in FY2014, which is consistent with prior years. The increase in bond interest expense is primarily due to a full year of interest expense in the current fiscal year for bonds issued at the end of FY2013 and was partially offset by a decrease in interest expense resulting from auction rate bonds purchased in lieu of redemption at the end of FY2013.

Non-interest operating expense decreased by \$1M or 4% in FY2014. The provision for doubtful educational loan notes increased to \$6.4M in FY2014 as compared to \$6.1M in FY2013 and represented 23%, 21% and 14% of total non-interest operating expenses for each year presented. General and administrative expenses were \$17.6M in FY2014, an increase of 1% from FY2013 and represented 64%, 61%, and 68% of total non-interest operating expenses for each year presented. Bond issuance costs were \$1.8M in FY2014 compared to \$3M in FY2013.

Non-operating expenses for the Authority were \$1.6M in FY2014, a decrease of \$883K or 36% compared to the prior fiscal year.

FY2014 non-operating expenses included a \$554K fair value adjustment related to non-hedging interest rate cap derivatives. All fiscal years presented include a \$1M payment to the Commonwealth for program and administrative expenditures for higher educational services to Massachusetts students that began in FY2009. The Authority also recorded commitment fee reimbursements of \$1.4M and \$1.9M in FY2013 and FY2012, respectively, related to historical originations that incorporated this program feature.

As a result of these activities, total expenses decreased by \$106K or less than 1% compared to the prior fiscal year.

## CHANGE IN NET POSITION

The following illustrates the comparative results of increases in net position from fiscal years ended June 30, 2014, 2013 and 2012, respectively:

(in thousands)

	2014	2013	2012
Operating revenues	\$ 104,265	\$ 100,704	\$ 97,354
Operating expenses	93,782	93,005	86,032
<b>Operating income</b>	10,483	7,699	11,322
Non-operating revenues	792	15,940	1,166
Non-operating expenses	1,554	2,437	3,333
<b>Non-operating (loss) income</b>	(762)	13,503	(2,167)
<b>Increase in net position</b>	<u>\$ 9,721</u>	<u>\$ 21,202</u>	<u>\$ 9,155</u>

The Authority had operating income of \$10.5M in FY2014, which was an increase of \$2.8M from FY2013 operating income. FY2014 operating income reflects a 4% increase in operating revenues mostly driven by a \$3.2M increase in education loan notes interest income. Operating expense increased by less than 1% as increased bond interest expense was partially offset by a decrease in cost of issuance expense. FY2013 operating income decreased by \$3.6M, or 32%, to \$7.7M. FY2013 operating revenues increased 4% as interest on education loan notes increased by \$2.8M and operating expense increased 8% due to increased bond interest expense and an increase in the provision for education loan loss expense.

The Authority had a non-operating loss in FY2014 of \$762K representing a \$14.3M decrease from non-operating income in FY2013. Non-operating revenue decreased by \$15.1M compared to the prior fiscal year which included a \$13.9M gain from the purchase in lieu of redemption of \$223M of outstanding auction rate debt. FY2013 non-operating revenues also included a \$962K fair value adjustment related to non-hedging interest rate cap derivatives as well as arbitrage rebate income of \$739K. FY2014 non-operating expense decreased by \$883K and included a \$554K fair value adjustment related to non-hedging interest rate cap derivatives. The Authority continued payments to the Commonwealth of \$1M in all fiscal years presented for program and administrative expenditures related to higher educational services to Massachusetts students that began in FY2009.

As a result of these activities, net position increased \$9.7M during FY2014.

## FINANCIAL POSITION

The following table reflects the condensed Statement of Net Position at June 30, 2014 compared to the prior fiscal years ended 2013 and 2012. The Statement of Net Position presents the financial position and financial strength of the Authority at the end of the fiscal year and includes all of the assets, liabilities and deferred inflows of the Authority with the residual being classified as net position.

(in thousands)

	2014	2013	2012
<b>Assets</b>			
Cash and investments	\$ 402,091	\$ 366,981	\$ 459,570
Education loan notes receivable	1,472,148	1,458,096	1,456,659
Other assets	37,893	36,135	35,933
<b>Total assets</b>	<b>1,912,132</b>	<b>1,861,212</b>	<b>1,952,162</b>
<b>Liabilities</b>			
Bonds payable	1,661,365	1,619,467	1,740,290
Bond interest payable	33,648	31,394	29,939
Other liabilities	26,990	27,094	25,117
<b>Total liabilities</b>	<b>1,722,003</b>	<b>1,677,955</b>	<b>1,795,346</b>
<b>Deferred Inflows</b>			
Gain on bond refunding	17,965	20,752	13,867
Hedging instruments	89	151	1,797
<b>Total deferred inflows</b>	<b>18,054</b>	<b>20,903</b>	<b>15,664</b>
<b>Net Position</b>			
Invested in capital assets	884	1,314	1,738
Restricted	162,904	150,593	123,040
Unrestricted	8,287	10,447	16,374
<b>Total net position</b>	<b>\$ 172,075</b>	<b>\$ 162,354</b>	<b>\$ 141,152</b>

Total net position was \$172.1M at June 30, 2014, an increase of \$9.7M, or 6%.

The 10% increase in cash and investments was the net result of \$62M of net cash provided by loan and college savings program operating activities and \$27M of net cash used in debt service and bond financing activities. Education loan notes receivable remained consistent year over year. The three-year ratio trend of education loan note receivables to total assets was 77%, 78% and 75% at June 30, 2014, 2013 and 2012, respectively. Other assets increased by 5% mostly due to an increase in interest receivable on education loan notes resulting from new loan originations.

Bonds payable increased 3% in FY2014 as the Authority recognized the net impact of new transaction issuance of \$201M and bond retirements of \$158M. Accrued bond interest payable increased by 7.2% as Issue K 2013's accrual represented a full term of interest at the end of FY2014 (versus a partial term at the end of FY2013). Other liabilities were flat compared to the prior fiscal year.

Gain on bond refunding decreased \$3M or 13% in FY2014 due to the current year amortization of gains deferred in previous fiscal years. Hedging instruments decreased by 42% due to a fair value adjustment relating to interest rate cap derivatives.

Within net position, 95% is comprised of invested in capital assets and those assets that are restricted through bond resolutions and program specific regulations. Restricted assets in FY2014 increased by 8.2% over the prior year and unrestricted net assets decreased by 21% reflecting the continued investment in the loan programs by the Authority.

## STATEMENT OF CASH FLOWS

The Statement of Cash Flows presents information showing how the Authority's cash and cash equivalents position changed during the fiscal year. The Statement of Cash Flows classifies cash receipts and cash payments as resulting from operating activities, capital and related financing activities, and investing activities. Cash and cash equivalents were \$365.1M, \$328.8M, and \$408.3M at June 30, 2014, 2013 and 2012, respectively. This cash ending balance reflects the net activity of raising proceeds in the capital markets, disbursing that cash into education loans and collecting the loan payments over the assets' life to pay debt service and operating expenses.

## EDUCATIONAL LOAN NOTES ALLOWANCE ANALYSIS

As of and for the years ending June 30, 2014, 2013 and 2012, respectively, the activity for the Authority's Education Loan Notes Allowance for Doubtful Accounts was as follows:

(in thousands)

### **Education Loan Note Defaulted Loans Provision**

	<u>FY2014</u>	<u>FY2013</u>	<u>FY2012</u>
Allowance at beginning of period	\$39,867	\$33,778	\$30,193
Provision for Education Loan Losses	<u>\$6,406</u>	<u>\$6,089</u>	<u>\$3,585</u>
Allowance at end of period	<u>\$46,273</u>	<u>\$39,867</u>	<u>\$33,778</u>
Gross Loan Defaults	\$16,161	\$22,948	\$24,268
Recoveries	\$9,983	\$10,261	\$9,078
Net Loan Defaults	<u>\$6,178</u>	<u>\$12,687</u>	<u>\$15,190</u>
Net Loan Defaults as a percentage of average loans in repayment	0.52%	1.07%	1.30%
Allowance multiple of Average Non-Current Loans in Repayment (90+ days)	2.13	1.65	1.34
Allowance as a percentage of the ending total loan balance	3.23%	2.81%	2.37%
Allowance as a percent of ending loans in repayment	3.88%	3.36%	2.84%
Ending total loans, gross	\$1,432,072	\$1,418,044	\$1,423,891
12 Month Average in repayment	\$1,192,776	\$1,186,646	\$1,172,081
Ending loans in repayment	\$1,193,371	\$1,185,723	\$1,189,571
12 Month Average 90+ Days delinquent	\$21,683	\$24,165	\$25,298
90+ Days delinquent % of Avg. Repayment	1.82%	2.04%	2.16%

The Authority purchases proprietary, unsecured consumer loans from participating institutions at the original principal amount of the note less the applicable origination fee for the loan based on the program from which the loan was issued. The Authority historically originated FFELP loans at the principal amount of the note plus any benefit offered to borrowers impacting the origination fee due to the federal government but did not originate new loans in fiscal years 2014, 2013 and 2012.

The Authority uses loan modifications to assist private loan borrowers demonstrating a need for temporary payment relief during difficult economic times. The loan modification plans in place temporarily reduces the borrower's monthly payment for up to a two year period without changing the original loan term or interest rate. As of June 30, 2014, the total principal balance outstanding of loans in a modification status was \$57M, or 5% of all loans in



repayment. At June 30, 2014, these modified loans were 93% current, defined as less than 30 days past due, in regard to monthly payments received under the modified terms.

During FY2014, the Authority continued its methodology for estimating the allowance for doubtful accounts. The FY14 provision for education loan losses was \$6.4M and increased the allowance for doubtful accounts to \$46M. The FY13 provision for education loan losses was \$6.1M. The amount of loans in repayment increased by \$8M, or 1%, in FY2014 and decreased \$4M, or less than 1% in FY2013. The amount of loans in deferment at June 30, 2014 increased by 3% to \$238M or 17% of gross education loan receivables. The amount of loans in deferment at June 30, 2013 decreased by 1% to \$231M or 16% of gross education loan receivables. Approximately \$4M of the defaulted loan provision allowance is allocated to education loans in deferment in FY2014. For the prior years, approximately \$3.3M in FY2013 and \$2.8M in FY2012 of the defaulted loan provision allowance is allocated to education loans in deferment. The methodology for the defaulted loan allowance is derived from historical information based on the loan portfolios performance to achieve the current estimated net realizable value of the outstanding education loan notes.

## **DEBT ADMINISTRATION**

As of June 30, 2014, the Authority had \$1.7B of principal debt outstanding which represented a 3% increase from FY2013. All of the Authority's outstanding debt is rated by the nationally recognized rating agencies. The Issue E indenture is insured by Ambac Assurance Corporation and has published ratings without credit to the insurer of AA by S&P, AA by Fitch and Aa3 by Moody's. The FRN indenture is not insured and is rated AA+ by S&P, Aaa by Moody's, and AAA by Fitch. The Issue H indenture is insured by Assured Guaranty and has published ratings without credit to the insurer of AA by S&P and A1 by Moody's. The Issue I, Issue J and Issue K indenture are not insured and have published ratings of AA by S&P and A by Fitch. The following is the segmentation of the bonds' outstanding portfolio:

- Fixed rate tax-exempt revenue bonds that were issued to fund fixed rate loans represent 90% of the outstanding bond portfolio (increase from 88% in FY2013 and 74% in FY2012)
- Annual tax-exempt auction rate bonds that were issued to fund the annual variable rate loans accounted for 0.7% of the outstanding bond portfolio (no change from 0.7% in FY 2013 and a decrease from 4% in FY 2012)
- 35 day tax-exempt auction rate bonds that were issued to fund FFELP loan products and variable rate private loans were 1% of the outstanding bond portfolio (no change from 1% in FY2013 and a decrease from 3% in FY2012)
- 28 day taxable auction rate bonds that were issued to fund variable rate private loans were 1% of the outstanding bond portfolio (no change from 1% in FY2013 and a decrease from 8% in FY2012)
- 7 day taxable auction rate bonds that were issued to fund variable rate private loans were 0.3% of the outstanding bond portfolio (no change from 0.3% in FY2013 and a decrease from 1% in FY2012)
- Floating Rate Notes indexed to Libor that were issued in 2008 to fund existing FFELP loan products represent 7% of the outstanding bond portfolio (decrease from 9% in FY2013 and 10% in FY2012)

The Authority uses interest rate exchange agreements to provide a cap on the variable rate bonds interest rate. The use of derivatives has multiple risks inherent in their overall structure. Such risks include credit risk, basis risk, termination risk, origination risk, tax risk and prepayment risk. To mitigate some of the risks, the Authority implemented credit support annexes and limited the option of termination by the counterparties to defined events in the International Swap Dealers Association ("ISDA") agreements. At June 30, 2014, the Authority had outstanding \$180M in notional derivative products, a decrease of \$13M from FY2013, composed of tax-exempt and taxable bonds with a cap on the variable interest rate.

## CAPITAL ASSETS

For the year ended June 30, 2014, the Authority had \$884K invested in capital assets. This amount represents a net decrease (additions, disposals and depreciation) of \$430K in such assets. The following reconciliation summarizes the change in capital assets. The Authority purchased \$150K of new capital assets during FY2014 which were primarily related to computer hardware & software purchases.

(in thousands)

	2014	2013	2012
Beginning balance, net	\$ 1,314	\$ 1,739	\$ 2,164
Additions	150	365	453
Depreciation	(580)	(790)	(878)
Ending balance, net	\$ 884	\$ 1,314	\$ 1,739

## FINANCIAL CONTACT

The Authority's financial statements are designed to present readers with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the funds it receives and expends. If you have any questions regarding the report or need additional financial information, please contact MEFA at 160 Federal Street, 4<sup>th</sup> Floor, Boston, Massachusetts 02110.



## **Independent Auditor's Report**

To the Members of the Massachusetts Educational Financing Authority:

We have audited the accompanying financial statements of Massachusetts Educational Financing Authority (the "Authority"), which comprise the statements of net position as of June 30, 2014 and June 30, 2013, and the related statements of revenues, expenses, and changes in net position and the statements of cash flows for the years then ended.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Massachusetts Educational Financing Authority at June 30, 2014 and June 30, 2013, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

The accompanying Management's Discussion and Analysis ("MD&A") for the years ended June 30, 2014, 2013 and 2012 on pages 1 through 10 is required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in the appropriate operational, economic, or historical context. We have applied certain limited procedures to the MD&A and required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial



statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The supplemental information on pages 38 through 45 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplemental information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*PricewaterhouseCoopers LLP*

December 19, 2014

**Massachusetts Educational Financing Authority**  
**Statements of Net Position**  
As of June 30, 2014 and 2013  
(in thousands)

	2014	2013
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents (Notes 3 and 4)	\$ 138,478	\$ 125,143
Investments, at fair value (Notes 3 and 4)	24,131	24,634
Education loan notes receivable, net (Notes 5 and 10)	193,677	183,536
Interest receivable on educational loan notes	33,934	30,942
Prepaid expenses and other assets	2,134	2,320
Interest receivable for cash, cash equivalents and investments	-	2
<b>Total current assets</b>	<u>392,354</u>	<u>366,577</u>
<b>Non-current assets</b>		
Cash and cash equivalents (Notes 3 and 4)	226,644	203,618
Investments, at fair value (Notes 3 and 4)	12,838	13,586
Derivative instruments – caps (Notes 3 and 7)	941	1,557
Education loan notes receivable, net (Notes 5 and 10)	1,278,471	1,274,560
Capital equipment, net of accumulated depreciation (Note 13)	884	1,314
<b>Total assets</b>	<u>\$ 1,912,132</u>	<u>\$ 1,861,212</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 16,443	\$ 16,504
Bonds payable – current portion (Note 6)	27,253	30,642
Certificates payable (Note 9)	7,030	6,870
Accrued bond interest payable	33,648	31,394
<b>Total current liabilities</b>	<u>84,374</u>	<u>85,410</u>
<b>Non-current liabilities</b>		
Bonds payable – net of current portion (Note 6)	1,634,112	1,588,825
Other liabilities (Note 8)	3,517	3,720
<b>Total liabilities</b>	<u>1,722,003</u>	<u>1,677,955</u>
<b>Deferred inflows of resources</b>		
Net gain on bond refunding (Notes 6 and 15)	17,965	20,752
Hedging instruments (Notes 3 and 7)	89	151
<b>Total deferred inflows of resources</b>	<u>18,054</u>	<u>20,903</u>
<b>Total liabilities and deferred inflows of resources</b>	<u>1,740,057</u>	<u>1,698,858</u>
<b>Net position</b>		
Invested in capital assets	884	1,314
Restricted	162,904	150,593
Unrestricted	8,287	10,447
<b>Total net position</b>	<u>172,075</u>	<u>162,354</u>
<b>Total liabilities, deferred inflows of resources and net position</b>	<u>\$ 1,912,132</u>	<u>\$ 1,861,212</u>

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

**Massachusetts Educational Financing Authority**  
**Statements of Revenues, Expenses and Changes in Net Position**  
For the years ended June 30, 2014 and 2013  
(in thousands)

	2014	2013
<b>Operating revenues</b>		
Interest on education loan notes receivable (Note 3)	\$ 90,799	\$ 87,601
Loan origination fees	7,449	6,921
College savings plan interest and fees	4,722	4,468
Other revenue	1,295	1,714
<b>Total operating revenues</b>	<u>104,265</u>	<u>100,704</u>
<b>Operating expenses</b>		
Bond interest expense	66,325	64,554
Bond insurance	397	625
Costs of bond issuance	1,780	2,960
Provision for doubtful education loan notes receivable	6,406	6,089
Credit decision fees	843	797
General and administrative (Notes 3, 11, 12, and 13)	17,612	17,401
Other expense	419	579
<b>Total operating expenses</b>	<u>93,782</u>	<u>93,005</u>
<b>Operating income</b>	10,483	7,699
<b>Non-operating (expenses) revenues</b>		
Gain on bond redemption (Note 15)	489	13,885
Interest and dividends	291	355
Arbitrage rebate income (Note 3)	12	739
(Decrease) increase in fair value of derivative instruments	(554)	961
Commitment fees to participating schools (Note 8)	-	(1,437)
Contributions to the Commonwealth (Note 14)	(1,000)	(1,000)
<b>Net non-operating (expenses) revenues</b>	<u>(762)</u>	<u>13,503</u>
<b>Total increase in net position</b>	9,721	21,202
<b>Net position, beginning of year</b>	162,354	141,152
<b>Net position, end of year</b>	<u>\$ 172,075</u>	<u>\$ 162,354</u>

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

**Massachusetts Educational Financing Authority**  
**Statements of Cash Flows**  
For the years ended June 30, 2014 and 2013  
(in thousands)

	2014	2013
<b>Cash flows from operating activities:</b>		
Payments for disbursed loans	\$ (177,017)	\$ (164,789)
Payments received on outstanding loan principal	179,743	181,091
General and administrative payments	(18,513)	(17,088)
Interest received on education loans	71,653	69,480
Proceeds from other sources	6,192	6,129
<b>Net cash provided by operating activities</b>	<b>62,058</b>	<b>74,823</b>
<b>Cash flows from non-capital financing activities</b>		
Proceeds from issuance of bonds	201,234	226,606
Costs of bond issuance	(1,780)	(2,960)
Bond interest paid	(68,189)	(66,389)
Principal payments on bonds payable	(157,517)	(323,813)
Contributions to the Commonwealth	(1,000)	(1,000)
<b>Net cash used in non-capital financing activities</b>	<b>(27,252)</b>	<b>(167,556)</b>
<b>Cash flows from capital financing activities</b>		
Purchase of capital equipment and software development	(150)	(366)
<b>Net cash used in capital financing activities</b>	<b>(150)</b>	<b>(366)</b>
<b>Cash flows from investing activities</b>		
Proceeds from maturity/sale of investments	34,534	38,641
Purchases of investments	(33,122)	(25,983)
Interest and dividends received on cash and investments	293	355
Arbitrage rebate receipts	-	505
<b>Net cash provided by investing activities</b>	<b>1,705</b>	<b>13,518</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>36,361</b>	<b>(79,581)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>328,761</b>	<b>408,342</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 365,122</b>	<b>\$ 328,761</b>

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

**Massachusetts Educational Financing Authority**  
**Statements of Cash Flows, continued**  
For the years ended June 30, 2014 and 2013  
(in thousands)

<b>Reconciliation of operating income to net cash provided by operating activities</b>	<u>2014</u>	<u>2013</u>
<b>Operating income</b>	\$10,483	\$7,699
<b>Adjustments to reconcile operating income to net cash provided by operating activities</b>		
Depreciation expense	580	790
Provision for doubtful education loan notes receivable	6,406	6,089
Costs of bond issuance	1,780	2,960
Bond interest expense	66,325	64,554
Changes in assets and liabilities:		
Education loan notes receivable	(20,458)	(7,526)
Interest receivable on education loan notes	(2,992)	(640)
Accounts payable, accrued expenses and other liabilities	(252)	1,123
Prepaid expenses and other assets	186	(226)
<b>Net cash provided by operating activities</b>	<u><u>\$62,058</u></u>	<u><u>\$74,823</u></u>

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



## NOTES TO FINANCIAL STATEMENTS

### 1. THE AUTHORITY

The Massachusetts Educational Financing Authority (the "Authority") is a body politic and corporate, constituting a public instrumentality of The Commonwealth of Massachusetts (the "Commonwealth"). The Authority was established as the Massachusetts College Student Loan Authority pursuant to Chapter 803 of the Acts of 1982, as amended (the "Act"), in recognition of the increasing costs of higher education, to assist students, their parents and institutions of higher education in the Commonwealth in financing, refinancing, and saving for the costs of such education.

In furtherance of the purposes of the Act, the Authority is engaged in loan purchase programs under which participating institutions originate loans, in accordance with common criteria and procedures, for sale to the Authority. The programs are carried out using proceeds from Education Loan Revenue Bonds and Auction Rate Securities (the "Bonds") (see *Note 6*). The programs incorporate the following features: prudent lending standards, fixed and variable rate loans, financing programs open concurrently to a number of educational institutions, including public, private and out-of-state, and various reserves established as security for the loan programs. A primary goal of the programs is to provide education loans on terms and conditions to finance the costs of attendance for as many families as possible at not-for-profit institutions in the Commonwealth as well as Commonwealth residents attending higher education institutions out of the state. During FY2014, 107 Massachusetts and 381 out of state public and private not for profit institutions participated in the loan programs.

The Bonds, which are issued under various resolutions, are special obligations of the Authority, which has no taxing power, payable solely from the revenues and the funds and accounts established and pledged under the resolutions (principles upon which the bonds operate). No revenues or other assets of the Authority are available to fund payment of the Bonds except as expressly provided by the resolutions. Neither the Commonwealth of Massachusetts nor any political subdivision thereof is or shall be obligated to pay the principal or redemption or purchase price of and interest on the Bonds, and neither the full faith and credit, nor the taxing power of the Commonwealth or any political subdivision thereof is pledged to such payment. The Authority has the same exemption as the Commonwealth (under I.R.S. Code, Section 115) from filing and/or paying federal income taxes.

In February 1995, the Authority, in cooperation with the Commonwealth and Massachusetts's colleges and universities, introduced the Massachusetts College Saving Program. With the introduction of a second College Savings program, the U.Fund College Investing Plan, the Massachusetts College Saving Program was further named The U.Plan: The Massachusetts Tuition Prepayment Program (the "U.Plan") as a means to distinguish between each of the Authority's two college savings programs. The U.Plan is a prepaid tuition program that permits individuals to save for a beneficiary's undergraduate tuition and mandatory fees at participating Massachusetts colleges and universities in a manner designed to preserve the purchasing power of an individual's savings.

In March 1999, the Authority, on behalf of the Commonwealth, introduced the U.Fund College Investing Plan (the "U.Fund"). The U.Fund is a tax-advantaged method of saving for higher education costs generally through investment vehicles such as stock, bond and money market mutual funds. Those funds are professionally administered and managed by Fidelity Investments (an unrelated party) on behalf of the owners of the funds and accordingly are not a component of these financial statements.

In July 2002, the Authority, introduced the Federal Family Education Loan Program (the "FFELP") as a means to complement the existing proprietary consumer loan products and enhance the potential borrowing options available to families attending educational institutions within the Commonwealth and residents of the Commonwealth who choose to attend college out of state. FFELP regulations require up-front origination fees be deducted from the proceeds of the student loans and remitted to the federal government. In the case of defaults on FFELP loans, the federal government guarantees to the participating lenders 98% of the principal and interest outstanding for those loans originated prior to July 1, 2006 and 97% for loans originated prior to the conclusion of the program by the Federal government on July 1, 2010.

Beginning with disbursements on or after April 1, 2006, the U.S. Department of Education (the "ED") is requiring lenders to make payment on their individual FFELP portfolios to the ED for the difference when the rate to the borrower is in excess of the stated lender yield for that particular FFELP program. As part of the FFELP, the ED makes special allowance payments that could result in the loan yield to the lender being higher than the rate charged to the borrowers. The lender yield is variable and not dependent on whether

the underlying loan to the borrower is fixed or variable. The amount of special allowance payments is based upon the type of loan and regulations in effect at the time of origination.

## 2. BASIS OF PRESENTATION

### Accounting and Reporting Standards

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board ("GASB").

The GASB defines the basic financial statements of a business type activity as the following: Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, the Statement of Cash Flows, Management's Discussion and Analysis and, as required, any supplemental information. The GASB also requires the categorization of the former fund balance section of the Statement of Net Position into three components. The Statement of Net Position is presented to illustrate both the current and non-current balances of each asset and liability, as well as deferred outflows of resources and deferred inflows of resources. All revenues and expenses are classified as either operating or non-operating activities in the Statement of Revenues, Expenses and Changes in Net Position. Operating activities are those that support the mission and purpose of the Authority. Non-operating activities represent transactions that are capital, investing, legislative or regulated in nature.

Net position represents the residual interest in the Authority's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted. For external accounting and reporting purposes, net position is classified in the following three categories:

- **Invested in capital assets, net of related debt:** capital assets, net of accumulated depreciation and outstanding principal balances of debt, if applicable, attributable to the acquisition, construction or improvement of those assets.
  
- **Restricted net position:** net position subject to externally imposed stipulations or enabling legislation that can be fulfilled by actions of the Authority pursuant to those stipulations or that expire by the passage of time. The Authority's restricted assets are all expendable and are discussed below:
  - **Trusteed Funds**

The Bond Resolutions for the Trusteed Funds establish various funds and accounts, the primary purpose of which is to (i) provide a basis for the allocation and disbursement of monies received by the Bond Funds; (ii) pay issuance costs; (iii) provide for the periodic payment of principal and interest; and (iv) establish reserves to provide for the timely servicing of debt obligations (see *Note 5*). The use of the assets of the various funds and accounts is governed and restricted by the Trusteed Fund Resolutions (see *Note 6*).

The assets, deferred outflows, liabilities, deferred inflows, and net position of these funds are the sole responsibility of the trust of each of the individual bond indentures. Neither the Authority, the College Savings funds, nor any other indenture have any entitlement to any of the assets or any legal obligation to settle any of the liabilities of these bond indentures.
  
  - **U.Plan**

The College Savings Funds (the "Fund") consist of the U.Plan and the U.Fund. The U.Plan is governed by the terms and conditions of participation described in the Program Description and Offering Statement, including the Enrollment Agreement that is in effect for each enrollment year. The Fund accounts for fee income and for the operating expenses of the U.Plan as well as all monies received from the program investors and other deposits (see *Note 9*).

- **Participation Fund for Public Colleges and Universities of the Commonwealth**  
Pursuant to Chapter 65, Section 3, of the Acts of 1984, the Authority established the State Colleges and Universities Participation Fund. Monies in the participation fund may be used solely for the purpose of supporting the participation of public colleges and universities in the Authority's education loan programs.
- **Program Reserve Fund**  
Pursuant to Chapter 15C, Section 5C, of the General Laws as established by Chapter 803 of the Acts of 1981, and as amended by Chapter 133, Section 12, of the Acts of 1992 (the "Act"), the program reserve fund was established by the Authority. The Act authorized the Authority to develop and establish a comprehensive state-supported supplemental education loan program. The program consists of lending medium and long-range fixed rate and variable rate loans. These programs were structured to operate as a line of credit or other programs and options as the Authority may determine to be useful and feasible. These programs shall operate at effective rates of interest and other feasible terms.
- **Unrestricted net position:** net position that is not subjected to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties. The Authority's unrestricted net position includes the general fund, where operational expenses and purchases of capital assets are paid, and the U.Fund. The general fund may also include outstanding loans that remain after an entire trust is retired. The Authority's unrestricted assets are all expendable and discussed below:
  - **General Fund**  
The General Fund, through monthly draws from the Trusteed Funds, Program Reserve Fund and College Savings Funds, maintains the funds available for paying the operating expenses of the Authority, purchasing the capital assets for the Authority on an as needed basis and supporting the capital market activities through direct contributions for cost of issuance and over collateralization requirements of structured transactions.
  - **U.Fund**  
The U.Fund is governed by the terms and conditions of participation described in the Fidelity Brokerage Services, Inc. Customer Agreement and the U.Fund Supplemental Information. While the beneficial interests of the participants of the U.Fund (or overall aggregate value of these funds) are not included in the financial statements, the Authority does receive certain fees and incurs related operating expenses in connection with the U.Fund that are included in these financial statements. The related revenue earned and expenses incurred by the Authority in offering the U.Fund program are not subject to externally imposed stipulations and therefore the aggregate net position of the program are classified on the Statement of Net Position as unrestricted (*see Note 9*).

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Authority follows the accrual basis of accounting whereby revenues are recognized when earned and expenses are recorded when incurred. The use of various funds and accounts in the Trusteed Funds is specified in the respective Bond Resolutions (*see Note 6*). Other significant accounting policies are as follows:

#### **Management Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Certain relevant elements such as tax policies, political and economic conditions, competition in products, asset pricing variance and interest rate fluctuations and relationships may result in actual results differing from those estimated. The Authority makes every effort to incorporate an analysis of all market conditions as of the Statement of Net Position date in determining what to record as the most accurate estimates.

**Cash, Cash Equivalents and Investments**

Cash and cash equivalents are comprised of cash in bank depository accounts. The investments of the Authority, the alternatives of which are governed by the Authority's enabling legislation, include short term money market funds and guaranteed investment contracts carried at contract value, which approximates fair value.

**Interest and Fees on Education Loan Notes Receivable**

Interest and fee income on education loan notes receivable is accrued and credited as earned on the principal amount outstanding.

**Allowance for Education Loan Notes Receivable**

The Trusteed Fund Resolutions establish cash and investment reserve accounts to provide funding for education loan notes receivable which may reach a specified state of delinquency or uncollectibility (*see Note 5*). For financial accounting purposes, adjustments to the allowance for the estimated amount for each of the aforementioned items are included as an expense or revenue in the Statement of Revenues, Expenses and Changes in Net Position of the respective Trusteed Fund. This aggregate allowance is reviewed and adjusted as necessary based on management's assessment of the net realizable value of the loan portfolio.

In accordance with the Internal Revenue Code of 1986 (the "Code") and the related Treasury regulations, the Authority is required to keep the yield to the Authority on student loans within a designated percentage of the interest cost of the related tax-exempt borrowing. The Authority has traditionally selected to utilize loan forgiveness at the retirement of the bonds to keep the yield within the designated percentage of the interest costs of the related tax-exempt borrowing. A separate method of reducing yield is to make yield reduction payments to the United States Treasury. These estimated yield reduction payments may be made by the end of the tenth year and every fifth year thereafter during the life of each bond issue and when the bonds are retired. The Authority has contracted with a third party to calculate the estimated liability of the yield restrictions for bonds that are near the end of their term. Management works closely with this third party and reviews and evaluates all final output. The resulting estimated liability is recorded as an adjustment to the net realizable value of the loan portfolio. The factors used in determining this estimate are sensitive to change in the future and consequently the change in estimate may be material to the financial statement results. This current model of estimating is subject to change based on management's judgment and discretion.

**Arbitrage Rebate**

In accordance with the Code, the Authority may be required to pay to the United States Treasury certain amounts related to the Authority's tax-exempt bond issues. The estimated amount of arbitrage payable represents the excess, if any, of amounts earned on bond proceeds and certain related funds on taxable securities (except for earnings that are not required to be rebated under limited exemptions under the Code) over the interest due on the Authority's tax-exempt bonds, plus income attributable to any such excess. Such rebate payments are due every fifth year of each bond issue and when the bonds are retired. The Authority contracts with a third party to calculate estimated amounts due on an annual basis to the federal government. After review and evaluation of this estimate, management records a corresponding liability amount expected to be remitted.

**Capital Equipment**

Capital equipment, including: computer hardware and software development costs, furniture and fixtures, office equipment and leasehold improvements, is recorded at cost less accumulated depreciation computed using the straight-line method over an estimated useful life of 3 to 10 years (*see Note 13*). Capital equipment is defined as assets over a certain dollar threshold with an estimated useful life in excess of one year.

**Investment Earnings**

Earnings on cash and investments include interest earned on cash and investments as well as fair value adjustments on cash equivalents and investments. The net (decrease)/increase in fair value takes into account all changes in fair value that occurred during the year.

**Accounting and Financial Reporting for Refunding of Debt**

Gains and losses on retirement of debt are accounted for in accordance with GASB 23 and GASB 65. The gains and losses on debt refunding, which involve the issuance of new debt whose proceeds are used to pay previously issued debt, have been recognized as deferred inflows or outflows of resources and amortized as a component of interest expense over the remaining life of the old debt or the life of the new debt,

whichever is shorter. Gains and losses on extinguishment of debt that does not involve a refunding are recognized immediately.

### **Advertising**

The Authority expenses advertising as incurred. For the years ended June 30, 2014 and 2013, advertising expense (included in general and administrative expenses) was \$677K and \$814K, respectively.

### **General and Administrative Expenses**

General and administrative expenses are funded by the Trusteed Funds, College Savings Plans and Authority funds based on an operating budget prepared by Authority management and approved annually by the Board of Directors.

### **Derivative Instruments**

In June 2008, the GASB issued Statement No. 53 (“GASB 53”), *Accounting and Financial Reporting for Derivative Instruments*. GASB 53 is intended to improve how state and local governments report information about derivative instruments, financial arrangements used by governments to manage specific risks or make investments, in their financial statements. GASB 53 specifically requires governments to measure most derivative instruments at fair value on the Statement of Net Position and to measure the annual change in the fair value of non-hedging derivatives as investment income or loss in the Statement of Revenues, Expenses, and Changes in Net Position. GASB 53 also provides guidance addressing hedge accounting requirements.

The fair values of the hedgeable derivatives and investment derivatives are presented on the Statement of Net Position, either as a derivative liability (negative fair value) or as a derivative asset (positive fair value). The change in fair value of derivatives is recorded as a deferred inflow or outflow of resources if determined to be an effective hedge and presented on the Authority’s Statement of Net Position. If a derivative instrument does not meet the criteria of a hedging derivative, the change in fair value is presented as an increase (decrease) in fair value of investment derivative on the Statement of Revenues, Expenses and Changes in Net Position.

### **Reclassification**

Certain prior period amounts have been reclassified to conform to current period presentation.

### **New Accounting Pronouncements**

In March, 2012, the GASB issued Statement No. 65 (“GASB 65”), *Items Previously Reported as Assets and Liabilities*. GASB Statement 65 is effective for financial statement periods beginning after December 15, 2012 (the year ended June 30, 2013 for the Authority). GASB 65 requires the following major changes:

- Loan origination fees are to be recognized as revenue in the period received, not deferred and amortized over the life of loans, as was previously done.
- Debt issuance costs are to be recognized as an expense in the period incurred, not deferred and amortized over the life of the debt, as was previously done.
- Net gains and losses on bond refunding are to be classified as deferred outflows of resources or deferred inflows of resources on the Statement of Net Position rather than an asset or liability as had been previously done.
- The term “deferred” is to be used only in conjunction with deferred outflows and inflows of resources that are specified by GASB. To date the only deferred outflows and inflows of resources that are applicable to the Authority are specific in GASB 53 (on derivatives) and GASB 65.

#### 4. CASH, CASH EQUIVALENTS AND INVESTMENTS

The Authority's enabling legislation and its individual Trusteed Fund Resolutions govern the investment alternatives available to the Authority. In general, the Authority may invest in obligations of the United States Government and its agencies, investment grade securities issued by the various states, time deposits in banks which are federally insured (provided that, to the extent such time deposits exceed insurance, they are either fully collateralized or are rated in the top three rating categories by Standard and Poor's Corporation ("S&P") or Moody's Investor's Service Inc. ("Moody's")) and in repurchase and investment agreements with financial institutions or insurance companies which are rated in the top three rating categories by S&P or Moody's or which meet certain capital standards. The requirements within the top three rating categories vary among the Trusteed Funds and also depend upon the type of investment.

The following summarize the cash, cash equivalents and investments of the Authority and identifies certain types of investment risk as defined by Governmental Accounting Standards Board No. 40 Deposit and Investment Risks Disclosures ("GASB 40") at June 30, 2014 and 2013, respectively.

(in thousands)	<u>Fair Value</u> <u>June 30, 2014</u>	<u>Fair Value</u> <u>June 30, 2013</u>
Cash deposits	\$ 857	\$ 1,876
Investment agreements	400	2,914
Mutual funds:		
Fidelity Money Market Authority Funds	36,497	35,234
Fidelity Money Market Trusteed Funds	364,265	326,885
Certificate of Deposit	72	72
Total cash, cash equivalents and investments	<u>\$ 402,091</u>	<u>\$ 366,981</u>

##### *Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an instrument. The Authority manages its exposure to interest rate risk by structuring its investment portfolio so that investments mature to meet cash requirements for ongoing operations and investing operating funds primarily in shorter-term investments.

##### *Custodial and Credit Risk*

Custodial credit risk is the risk that in the event of a financial institution counterparty failure, the Authority's deposits or investments may not be returned to it. As of June 30, 2014 and June 30, 2013, \$708K and \$1.4M were exposed to custodial credit risk as uninsured and uncollateralized deposits, respectively. As stated in the investment policy, depository banks are rated in the top three rating categories by S&P or Moody's.

As of June 30, 2014, the Authority had guaranteed investment contracts with the following financial institutions:

<b>Investment Agreement Contract Provider</b>	<b>Current S&amp;P Ratings</b>
Natixis Funding Corp	A-
Rabobank	AA-

As of June 30, 2014, the Authority had the following cash and investments by financial institution within each outstanding trust and the Authority:

<u>Authority and College Savings Funds</u>	Cash and Investments	% of Total
Bank of America	\$ 388,716	1.0%
Fidelity U.S. Government Portfolio	\$ 13,435,829	35.8%
Fidelity MA Municipal Fund	\$ 23,259,909	61.9%
Fidelity Treasury Portfolio	\$ 471,204	1.3%
<u>Issue E Indenture</u>	Cash and Investments	% of Total
Natixis Funding Corp	\$ 395,189	1.1%
Rabobank	\$ 4,915	0.1%
Bank of America	\$ 344,939	1.0%
Fidelity U.S. Government Portfolio	\$ 33,312,998	97.8%
<u>Issue FRN Indenture</u>	Cash and Investments	% of Total
Bank of America	\$ 7	0.1%
Fidelity U.S. Government Portfolio	\$ 7,578,012	99.9%
<u>Issue H Indenture</u>	Cash and Investments	% of Total
Bank of America	\$ 44,250	0.2%
Fidelity U.S. Government Portfolio	\$ 18,910,898	99.8%
<u>Issue I Indenture</u>	Cash and Investments	% of Total
Bank of America	\$ 130,452	0.1%
Fidelity U.S. Government Portfolio	\$ 264,023,323	99.9%
<u>Issue J Indenture</u>	Cash and Investments	% of Total
Bank of America	\$ 13,962	0.2%
Fidelity U.S. Government Portfolio	\$ 25,068,021	99.8%
<u>Issue K Indenture</u>	Cash and Investments	% of Total
Bank of America	\$ 6,016	0.1%
Fidelity U.S. Government Portfolio	\$ 14,701,756	99.9%

## 5. EDUCATIONAL FINANCINGS

During the years ended June 30, 2014 and 2013, respectively, the activity for the Authority's Education Loan Notes receivable was as follows:

(in thousands)	2014	2013
<b>Outstanding education loan notes receivable (beginning) gross</b>	\$ 1,497,963	\$ 1,490,436
Increases to education loan notes receivable	200,612	189,140
Decreases to education loan notes receivable	(180,154)	(181,613)
	1,518,421	1,497,963
<b>Outstanding education loan notes receivable (ending) gross</b>		
<b>Allowance for education loan notes receivable (beginning)</b>	39,867	33,777
Increase to allowance for education loan notes receivable	6,406	6,090
	46,273	39,867
<b>Allowance for education loan notes receivable (ending)</b>		
<b>Outstanding education loan notes receivable, net (ending)</b>	\$ 1,472,148	\$ 1,458,096

The Authority purchased proprietary, unsecured consumer education loans from participating institutions at the original principal amount of the note less the applicable origination fee for the loan based on the program from which the loan was issued. The Authority also historically originated FFELP loans at the principal amount of the note plus any benefit offered to borrowers.

The allowance for educational loan notes receivable is derived from information based on the loan portfolios historical default and recovery performance to achieve the current estimated net realizable value of the outstanding education loan notes. The allowance increased as a result of a \$6.4M and \$6.1M increase to the provision for doubtful education loan notes receivable in fiscal years 2014 and 2013, respectively. The Authority has expensed historically in aggregate a net of \$39M of education loan notes related to the tax-exempt yield restrictions through FY2014. No allowance for yield restriction was required at June 30, 2014 and 2013. The yield restriction expense is required in order to maintain the tax-exempt status of the bonds under Federal IRS regulations.

The Authority uses loan modifications to assist private loan borrowers demonstrating a need for temporary payment relief during difficult economic times. The loan modification plans in place temporarily reduce the borrower's monthly payment for up to a two year period without changing the original loan term or interest rate. As of June 30, 2014 and 2013, the total principal balance outstanding of loans in a modified status was \$57M and \$44M, respectively and represented approximately 5% and 4% of all loans in repayment. At June 30, 2014 and 2013, respectively, these modified loans were 93% and 94% current, defined as less than 30 days past due, in regard to monthly payments received under the modified terms. Loans in a modified payment plan status are factored into the allowance for education loan notes receivable, which is based on historical default and recovery performance.

The Authority originates loans in cooperation with participating non-profit independent and public colleges and universities in Massachusetts, which have students from throughout the United States. Further, it originates loans from non-profit independent and public colleges and universities from outside of the Commonwealth for those Massachusetts residents attending schools out of state. Through June 30, 2014, the Authority had originated loans through 985 out of state higher education institutions since 1998 when the program was implemented.



The loan and debt service reserve funds are designed and funded to provide another level of support for defaulted loans and debt service payments that provide stability to the cash flow of the bond issuance. On an annual basis, the reserve requirements are reviewed and funded by cash balances or surety bond agreements at levels approved by the insurer or rating agencies of each specific bond issue. The fund balance of the loan and debt service reserve requirements in aggregate was \$23.5M and \$25.7M for fiscal years 2014 and 2013, respectively.

## 6. BONDS PAYABLE

The activity related to the Authority's bonds payable for the fiscal years ended 2014 and 2013 was as follows:

(in thousands)		
	<u>2014</u>	<u>2013</u>
Bonds outstanding, gross beginning balance	\$ 1,607,403	\$ 1,731,884
Bonds issued	185,700	222,035
Bonds redeemed	<u>(158,005)</u>	<u>(346,516)</u>
Bonds outstanding, gross ending balance	1,635,098	1,607,403
Net unamortized issuance premiums	<u>26,267</u>	<u>12,064</u>
Bonds outstanding, net ending balance	<u>\$ 1,661,365</u>	<u>\$ 1,619,467</u>

Bonds payable issued under the individual Trust resolutions are payable from a pledge of the assets and revenues of each Trusteed Fund. In addition, payment of the principal and interest on the Issue E and Issue H Bonds are further collateralized by non-cancelable municipal bond insurance policies issued simultaneously with the delivery of the Bonds. Bonds may be redeemed at par and ahead of scheduled maturity under circumstances specified in the Bond Resolutions.

As of June 30, 2014 mandatory annual maturities of bonds principal payable for the next five fiscal years and thereafter are as follows (in thousands):

<u>June 30, 2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>Remaining Schedule</u>	<u>Total Payable</u>
2001 Issue E	-	500	-	-	-	-	500
2002 Issue E	3,035	-	-	-	-	50	3,085
2003 Issue E	-	-	-	-	-	12,900	12,900
2004 Issue E	-	-	-	-	-	3,700	3,700
2005 Issue E	-	-	-	-	-	675	675
2006 Issue E	-	-	-	-	-	19,775	19,775
2007 Issue E	-	-	-	4,370	7,430	203,175	214,975
2008 FRN	-	-	-	-	-	118,298	118,298
2008 Issue H	-	-	-	-	-	121,385	121,385
2009 Issue I	16,610	19,550	6,935	19,255	14,460	124,985	201,795
2010 Issue I	7,390	13,560	30,515	17,020	21,460	178,025	267,970
2011 Issue J	-	-	-	530	4,615	94,180	99,325
2012 Issue J	-	-	-	-	7,485	155,495	162,980
2013 Issue K	-	2,600	1,580	1,190	8,540	208,125	222,035
2014 Issue I	-	-	4,000	11,000	13,000	157,700	185,700
	<u>\$27,035</u>	<u>\$36,210</u>	<u>\$43,030</u>	<u>\$53,365</u>	<u>\$76,990</u>	<u>\$ 1,398,468</u>	<u>\$1,635,098</u>

The Authority purchased in lieu of redemption \$3.5M in outstanding auction rate bonds in fiscal year 2014 resulting in a gain on the retirement of the debt totaling approximately \$489K, which was recognized immediately.

In July 2014, the Authority redeemed fixed rate bonds outstanding of \$62.6M and \$5.7M of floating rate notes.

The following is a summary of the principal maturities and estimated interest expense for the bonds payable outstanding at June 30, 2014 (in thousands):

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
<b>2015</b>	27,035	69,683	96,718
<b>2016</b>	36,210	72,567	108,777
<b>2017</b>	43,030	71,046	114,076
<b>2018</b>	53,365	69,065	122,430
<b>2019</b>	76,990	66,304	143,294
<b>2020-2024</b>	460,865	265,871	726,736
<b>2025-2029</b>	609,460	133,252	742,712
<b>2030-2034</b>	170,720	20,741	191,461
<b>2035-2039</b>	157,423	6,471	163,894
	<u>\$1,635,098</u>	<u>\$775,000</u>	<u>\$2,410,098</u>

Total interest expense for the years ended June 30, 2014 and 2013 was \$66.3M and \$64.6M, respectively. For fiscal years 2014 and 2013 there is \$2.8M and \$2.4M of amortization of the net deferred gain on bond program activities included in the total bond interest expense, respectively. Also, for fiscal years 2014 and 2013 bond interest expense includes \$1.3M and \$914K amortization of bond issuance premium, respectively.

**Issue E Series 2001A, 2001B, 2001C and 2001D**

On April 4, 2001, under the Issue E Series 2001 Bond Resolution, the Authority issued \$66.7M principal amount of bonds dated March 1, 2001 requiring annual principal payments each January 1 commencing on January 1, 2005. Semiannual interest payments are required each January 1 and July 1 commencing on July 1, 2001. Issue E Series 2001A Bonds mature as follows: \$66.7M serial bonds which mature annually from 2005 to 2016 in annual amounts ranging from \$2.8M to \$23.2M with interest at rates ranging from 4.125% to 5.30%. Bonds maturing on or after July 1, 2011 are redeemable at the option of the Authority at redemption prices equal to 100% of the principal amount.

On April 4, 2001, under the Issue E Series 2001 Bond Resolution, the Authority issued \$10M principal amount of bonds dated April 4, 2001 bearing an interest rate which changes not less than 7 days nor more than 373 days. Under certain circumstances, the interest on all or a portion of the Series 2001B Bonds may be converted to a fixed rate. Interest on the Series 2001B Bonds is payable on each January 1 and July 1 commencing on July 1, 2001 and on any conversion date. On August 29, 2009, the remaining outstanding Series 2001B Bonds were repurchased and the series was retired.

On April 4, 2001, under the Issue E Series 2001 Bond Resolution, the Authority issued \$58.2M principal amount of bonds dated April 4, 2001 bearing an interest rate, which changes every 35 days. Under certain circumstances, the interest on all or a portion of the Series 2001C Bonds could be converted to a fixed rate. Interest on the Series 2001C Bonds is payable on each January 1 and July 1 commencing on July 1, 2001 and on any conversion date. On October 16, 2008, the remaining outstanding Series 2001C Bonds were repurchased and the series was retired.

On April 4, 2001, under the Issue E Series 2001 Bond Resolution, the Authority issued \$18.2M principal amount of bonds dated April 4, 2001 bearing an interest rate, which changes every 35 days. Under certain circumstances, the interest on all or a portion of the Series 2001D Bonds could be converted to a fixed rate. Interest on the Series 2001D Bonds is payable on each January 1 and July 1 commencing on July 1, 2001 and on any conversion date. On October 16, 2008, the remaining outstanding Series 2001D Bonds were repurchased and the series was retired.

As a result of scheduled maturities and redemptions of \$14.9M in 2014, the ending balance of this entire series at June 30, 2014 is \$500K.

**Issue E Series 2002A, 2002B, 2002C, 2002D and 2002E**

On April 11, 2002, under the Issue E Series 2002 Bond Resolution, the Authority issued \$74.5M principal amount of bonds dated March 6, 2002 requiring annual principal payments each January 1 commencing on January 1, 2003. Semiannual interest payments are required each January 1 and July 1 commencing on July 1, 2002. Issue E Series 2002A Bonds mature as follows: \$74.5M serial bonds which mature annually from 2003 to 2015 in annual amounts ranging from \$1.5M to \$17.4M with interest at rates ranging from 1.90% to 5.00%. Bonds maturing on or after January 1, 2013 are redeemable at the option of the Authority at redemption prices equal to 100% of the principal amount.

On April 11, 2002, under the Issue E Series 2002 Bond Resolution, the Authority issued \$15M principal amount of bonds dated April 11, 2002 bearing an interest rate, which changes not less than 7 days nor more than 373 days. Under certain circumstances, the interest on all or a portion of the Series 2002B Bonds may be converted to a fixed rate. Interest on the Series 2002B Bonds is payable on each January 1 and July 1 commencing on July 1, 2002 and on any conversion date. On June 27, 2013, the remaining outstanding Series 2002B Bonds were repurchased and the series was retired.

On April 11, 2002, under the Issue E Series 2002 Bond Resolution, the Authority issued \$35.1M principal amount of bonds dated April 11, 2002 bearing an interest rate, which changes every 35 days. Under certain circumstances, the interest on all or a portion of the Series 2002C Bonds could be converted to a fixed rate. Interest on the Series 2002C Bonds is payable on each January 1 and July 1 commencing on July 1, 2002 and on any conversion date. On October 16, 2008, the remaining outstanding Series 2002C Bonds were repurchased and the series was retired.

On April 11, 2002, under the Issue E Series 2002D Bond Resolution, the Authority issued \$35.1M principal amount of bonds dated April 11, 2002 bearing an interest rate, which changes every 35 days. Under certain circumstances, the interest on all or a portion of the Series 2002D Bonds could be converted to a fixed rate. Interest on the Series 2002D Bonds is payable on each January 1 and July 1 commencing on July 1, 2002 and on any conversion date. On June 27, 2013, the remaining outstanding Series 2002D Bonds were repurchased and the series was retired.

On April 11, 2002, under the Issue E Series 2002 Bond Resolution, the Authority issued \$42.5M principal amount of bonds dated April 11, 2002 bearing an interest rate, which changes every 35 days (as of June 30, 2014, the rate was 0.263%). Under certain circumstances, the interest on all or a portion of the Series 2002E Bonds could be converted to a fixed rate. Interest on the Series 2002E Bonds is payable on each January 1 and July 1 commencing on July 1, 2002 and on any conversion date. The final maturity of the Series 2002E Bonds is scheduled for January 1, 2037.

As a result of scheduled maturities and redemptions of \$12.6M in 2014, the ending balance of this entire series at June 30, 2014 is \$3.1M.

**Issue E Series 2003A, 2003B, 2003C, 2003D and 2003E**

On March 13, 2003, under the Issue E Series 2003 Bond Resolution, the Authority issued \$45M principal amount of bonds dated March 13, 2003 bearing an interest rate, which changes every 35 days (as of June 30, 2014, the rate was 0.228%). Under certain circumstances, the interest on all or a portion of the Series 2003A Bonds may be converted to a fixed rate. Interest on the Series 2003A Bonds is payable on each January 1 and July 1 commencing on July 1, 2003 and on any conversion date. The Issue E Series 2003A Bonds are subject to mandatory sinking fund redemptions totaling \$24.9M from fiscal 2010 to 2020 in annual amounts ranging from \$200K to \$3.5M. The final maturity of the Series 2003A Bonds is scheduled for January 1, 2038.

On March 13, 2003, under the Issue E Series 2003 Bond Resolution, the Authority issued \$30M principal amount of bonds dated March 13, 2003 bearing an interest rate, which changes not less than 7 days nor more than 373 days. Under certain circumstances, the interest on all or a portion of the Series 2003B Bonds may be converted to a fixed rate. Interest on the Series 2003B Bonds is payable on each January 1 and July 1 commencing on July 1, 2003 and on any conversion date. The Authority entered into an interest rate cap transaction with UBS AG, Stamford Branch for \$30M of Series 2003B Bonds with a maturity of January 1, 2027. On June 27, 2013, the remaining outstanding Series 2003B Bonds were repurchased and the series was retired.

On March 13, 2003, under the Issue E Series 2003 Bond Resolution, the Authority issued \$20M principal amount of bonds dated March 13, 2003 bearing an interest rate, which changes every 35 days. Under certain circumstances, the interest on all or a portion of the Series 2003C Bonds could be converted to a fixed rate. Interest on the Series 2003C Bonds is payable on each January 1 and July 1 commencing on July 1, 2003 and on any conversion date. On October 16, 2008, the remaining outstanding Series 2003C Bonds were repurchased and the series was retired.

On March 13, 2003, under the Issue E Series 2003 Bond Resolution, the Authority issued \$20M principal amount of bonds dated March 13, 2003 bearing an interest rate, which changes every 35 days. Under certain circumstances, the interest on all or a portion of the Series 2003D Bonds could be converted to a fixed rate. Interest on the Series 2003D Bonds is payable on each January 1 and July 1 commencing on July 1, 2003 and on any conversion date. On October 16, 2008, the remaining outstanding Series 2003D Bonds were repurchased and the series was retired.

On March 13, 2003, under the Issue E Series 2003 Bond Resolution, the Authority issued \$44.9M principal amount of bonds dated March 13, 2003 bearing an interest rate, which changes every 35 days. As of March 18, 2004, the Authority changed the auction mode of the total \$44.9M to bear an interest rate, which changes not less than 7 days nor more than 373 days (as of June 30, 2014, the rate was 0.30%). Under certain circumstances, the interest on all or a portion of the Series 2003E Bonds could be converted to a fixed rate. Interest on the Series 2003E Bonds is payable on each January 1 and July 1 commencing on July 1, 2003 and on any conversion date. On March 10, 2004, the Authority entered into an interest rate cap transaction with UBS AG, Stamford Branch, for \$42M of Series 2003E bonds with a maturity of January 1, 2026. The final maturity of the Series 2003E Bonds is scheduled for January 1, 2038.

The ending balance of this entire series at June 30, 2014 is \$12.9M.

#### **Issue E Series 2004A, 2004B, 2004C and 2004D**

On December 2, 2004, under the Issue E Series 2004 Bond Resolution, the Authority issued \$65M principal amount of bonds dated December 2, 2005 bearing an interest rate, which changes every 35 days (as of June 30, 2014, the rate was 0.263%). Under certain circumstances, the interest on all or a portion of the Series 2004A Bonds may be converted to a fixed rate. Interest on the Series 2004A Bonds is payable on each January 1 and July 1 commencing on July 1, 2005 and on any conversion date. The Issue E Series 2004A Bonds are subject to a mandatory sinking fund redemption totaling \$10M for the period ending 2010. The Authority entered into an interest rate cap transaction with UBS AG, Stamford Branch for \$10M of the Series 2004A Bonds which matured on July 1, 2009. The final maturity of the Series 2004A Bonds is scheduled for January 1, 2038.

On December 2, 2004, under the Issue E Series 2004 Bond Resolution, the Authority issued \$40M principal amount of bonds dated December 2, 2004 bearing an interest rate, which changes every 35 days (as of June 30, 2014, the rate was 0.228%). Under certain circumstances, the interest on all or a portion of the Series 2004B Bonds may be converted to a fixed rate. Interest on the Series 2004B Bonds is payable on each January 1 and July 1 commencing on July 1, 2005 and on any conversion date. On March 31, 2005, the Authority also entered into an interest rate cap transaction with UBS AG, Stamford Branch for the entire \$40M of Series 2004B Bonds with a maturity of April 1, 2026. The final maturity of the Series 2004B Bonds is scheduled for January 1, 2038.

On December 2, 2004, under the Issue E Series 2004 Bond Resolution, the Authority issued \$20M principal amount of bonds dated December 2, 2004 bearing an interest rate, which changes every 35 days. Under certain circumstances, the interest on all or a portion of the Series 2004C Bonds could be converted to a fixed rate. Interest on the Series 2004C Bonds is payable on each January 1 and July 1 commencing on July 1, 2005 and on any conversion date. On October 16, 2008, the remaining outstanding Series 2004C Bonds were repurchased and the series was retired.

On December 2, 2004, under the Issue E Series 2004 Bond Resolution, the Authority issued \$20M principal amount of bonds dated December 2, 2004 bearing an interest rate, which changes every 35 days. Under certain circumstances, the interest on all or a portion of the Series 2004D Bonds could be converted to a fixed rate. Interest on the Series 2004D Bonds is payable on each January 1 and July 1 commencing on July 1, 2005 and on any conversion date. On October 16, 2008, the remaining outstanding 2004D Bonds were repurchased and the series was retired.

The ending balance of this entire series at June 30, 2014 is \$3.7M.

**Issue E Series 2005A, 2005B, 2005C and 2005D**

On October 20, 2005, under the Issue E Series 2005 Bond Resolution, the Authority issued \$100M principal amount of bonds dated October 20, 2005 bearing an interest rate, which changes every 35 days (as of June 30, 2014, the rate was 0.228%). Under certain circumstances, the interest on all or a portion of the Series 2005A Bonds may be converted to a fixed rate. Interest on the Series 2005A Bonds is payable on each January 1 and July 1 commencing on January 1, 2006 and on any conversion date. The Issue E Series 2005A Bonds are subject to a mandatory sinking fund redemption totaling \$51.9M from fiscal 2006 to 2019 in annual amounts ranging from \$250K to \$8.5M. The final maturity of the Series 2005A Bonds is scheduled for July 1, 2040.

On October 20, 2005, under the Issue E Series 2005 Bond Resolution, the Authority issued \$50M principal amount of bonds dated October 20, 2005 bearing an interest rate, which changes every 35 days (as of June 30, 2014, the rate was 0.228%). Under certain circumstances, the interest on all or a portion of the Series 2005B Bonds may be converted to a fixed rate. Interest on the Series 2005B Bonds is payable on each January 1 and July 1 commencing on January 1, 2006 and on any conversion date. The final maturity of the Series 2005B Bonds is scheduled for July 1, 2040.

On October 20, 2005, under the Issue E Series 2005 Bond Resolution, the Authority issued \$33.7M principal amount of bonds dated October 20, 2005 bearing an interest rate, which changes every 35 days. Under certain circumstances, the interest on all or a portion of the Series 2005C Bonds may be converted to a fixed rate. Interest on the Series 2005C Bonds is payable on each January 1 and July 1 commencing on January 1, 2006 and on any conversion date. On May 15, 2007, the remaining outstanding Series 2005C Bonds were repurchased and the series was retired.

On October 20, 2005, under the Issue E Series 2005 Bond Resolution, the Authority issued \$28.2M principal amount of bonds dated October 20, 2005 bearing an interest rate, which changes every 35 days. Under certain circumstances, the interest on all or a portion of the Series 2005D Bonds may be converted to a fixed rate. Interest on the Series 2005D Bonds is payable on each January 1 and July 1 commencing on January 1, 2006 and on any conversion date. On October 16, 2008, the remaining outstanding Series 2005D Bonds were repurchased and the series was retired.

As a result of purchases in lieu of redemption of \$125K in 2014, the ending balance of this entire series at June 30, 2014 is \$675K.

**Issue E Series 2006A, 2006B, 2006C and 2006D**

On June 13, 2006, under the Issue E Series 2006 Bond Resolution, the Authority issued \$75M for the 2006A-1 series and \$75M for the 2006A-2 series for a total of \$150M principal amount of bonds dated June 13, 2006 bearing an interest rate, which changes every 35 days (as of June 30, 2014, the rate for 2006A-1 was 0.140% and the rate for the 2006A-2 was 0.047%). Under certain circumstances, the interest on all or a portion of the Series 2006A Bonds may be converted to a fixed rate. Interest on the Series 2006A Bonds is payable on each January 1 and July 1 commencing on July 1, 2006 and on any conversion date. The Issue E Series 2006A Bonds are subject to a mandatory sinking fund redemption totaling \$17.9M from fiscal 2011 to 2017 in annual amounts ranging from \$600K to \$4.4M. The final maturity of the Series 2006A Bonds is scheduled for January 1, 2036.

On June 13, 2006, under the Issue E Series 2006 Bond Resolution, the Authority issued \$57.9M principal amount of bonds dated June 13, 2006 bearing an interest rate, which changes every 35 days. Under certain circumstances, the interest on all or a portion of the Series 2006B Bonds may be converted to a fixed rate. Interest on the Series 2006B Bonds is payable on each January 1 and July 1 commencing on July 1, 2006 and on any conversion date. On October 16, 2008, the remaining outstanding Series 2006B Bonds were repurchased and the series was retired.

On June 13, 2006, under the Issue E Series 2006 Bond Resolution, the Authority issued \$55M principal amount of taxable bonds dated June 13, 2006 bearing an interest rate, which changes every 28 days (as of June 30, 2014, the rate was 1.651%). Under certain circumstances, the interest on all or a portion of the Series 2006C Bonds may be converted to a fixed rate. Interest on the Series 2006C Bonds is payable every 28 days commencing on July 12, 2006 and upon any conversion date. The Authority entered into an interest rate cap transaction with UBS AG, Stamford Branch for \$50M of the Series 2006C Bonds with a maturity of July 1, 2027. The final maturity of the Series 2006C Bonds is scheduled for January 1, 2036.

On June 13, 2006 under the Issue E Series 2006 Bond Resolution, the Authority issued \$50M principal amount of taxable bonds dated June 13, 2006 bearing an interest rate, which changes every 28 days (as of

June 30, 2014, the rate was 1.260%). Under certain circumstances, the interest on all or a portion of the Series 2006D Bonds may be converted to a fixed rate. Interest on the Series 2006D Bonds is payable every 28 days commencing on July 14, 2006 and upon any conversion date. The final maturity of the Series 2006D Bonds is scheduled for January 1, 2036.

As a result of purchases in lieu of redemption of \$400K in 2014, the ending balance of this entire series at June 30, 2014 is \$19.8M.

#### **Issue E Series 2007A, 2007B, 2007C, 2007D and 2007E**

On April 5, 2007, under the Issue E Series 2007 Bond Resolution, the Authority issued \$200M principal amount of bonds dated March 30, 2007 requiring annual principal payments each January 1 commencing on January 1, 2018. Semiannual interest payments are required each January 1 and July 1 commencing on July 1, 2007. Issue E Series 2007A Bonds mature as follows: \$200M term bonds which mature January 1, 2022, January 1, 2027, and January 1, 2033 with interest rates ranging from 4.60% to 4.70%. The Issue E Series 2007A Bonds are subject to sinking fund installments totaling \$161.9M from fiscal 2018 to 2032 in annual amounts ranging from \$4.4M to \$18.1M. Bonds maturing on or after January 1, 2017 are redeemable at the option of the Authority at redemption prices equal to 100% of the principal amount.

On April 5, 2007, under the Issue E Series 2007 Bond Resolution, the Authority issued \$85.4M principal amount of bonds dated April 5, 2007 bearing an interest rate, which changes every 35 days. Under certain circumstances, the interest on all or a portion of the Series 2007B Bonds may be converted to a fixed rate. Interest on the Series 2007B Bonds is payable on each January 1 and July 1 commencing on July 1, 2007 and on any conversion date. The Issue E Series 2007B Bonds are subject to a mandatory sinking fund redemption totaling \$17.4M from fiscal 2011 to 2017 in annual amounts ranging from \$600K to \$6.2M. On June 30, 2014, the remaining outstanding Series 2007B Bonds were repurchased and the series was retired.

On April 5, 2007 under the Issue E Series 2007 Bond Resolution, the Authority issued \$85M principal amount of taxable bonds dated April 5, 2007 bearing an interest rate, which changes every 28 days (as of June 30, 2014, the rate was 0.120%). Under certain circumstances, the interest on all or a portion of the Series 2007C Bonds may be converted to a fixed rate. Interest on the Series 2007C Bonds is payable every 28 days commencing on May 4, 2007 and upon any conversion date. The Authority also entered into an interest rate cap transaction with UBS AG, Stamford Branch for \$85M of the Series 2007C Bonds with a maturity of July 1, 2033. The final maturity of the Series 2007C Bonds is scheduled for January 1, 2037.

On April 5, 2007 under the Issue E Series 2007 Bond Resolution, the Authority issued \$60M principal amount of taxable bonds dated April 5, 2007 bearing an interest rate, which changes every 28 days (as of June 30, 2014, the rate was 0.146%). Under certain circumstances, the interest on all or a portion of the Series 2007D Bonds may be converted to a fixed rate. Interest on the Series 2007D Bonds is payable every 28 days commencing on May 4, 2007 and upon any conversion date. The final maturity of the Series 2007D Bonds is scheduled for January 1, 2037.

On April 5, 2007 under the Issue E Series 2007 Bond Resolution, the Authority issued \$55M principal amount of taxable bonds dated April 5, 2007 bearing an interest rate, which changes every 7 days (as of June 30, 2014, the rate was 0.000%). Under certain circumstances, the interest on all or a portion of the Series 2007E Bonds may be converted to a fixed rate. Interest on the Series 2007E Bonds is payable every 7 days commencing on April 13, 2007 and upon any conversion date. The final maturity of the Series 2007E Bonds is scheduled for January 1, 2037.

As a result of purchases in lieu of redemption of \$2.9M in 2014, the ending balance of this entire series at June 30, 2014 is \$215.0M.

#### **Issue FRN 2008**

On July 2, 2008, under the FRN Indenture, the Authority issued \$296M principal amount of floating rate bonds with a final maturity date of April 25, 2038. Quarterly interest payments are required on each distribution date, which is the 25<sup>th</sup> day of the month for the months of January, April, July and October. The notes will bear interest at an annual rate equal to three-month LIBOR plus 0.95%. Outstanding note principal may be redeemed on each quarterly distribution as determined by the Indenture requirements. The ending balance of this entire series as of June 30, 2014 is \$118.3M.

**Issue H Series 2008A**

On September 16, 2008, under the Issue H Series 2008 Bond Resolution, the Authority issued \$400M principal amount of bonds requiring annual principal payments each January 1 commencing on January 1, 2016. Semiannual interest payments are required each January 1 and July 1 commencing on January 1, 2009. Issue H Series 2008 Bonds mature as follows: \$400M term bonds which mature January 1, 2022 and January 1, 2030 with interest rates ranging from 6.125% to 6.35%. The Issue H Series 2008 Bonds are subject to sinking fund installments totaling \$159.7M from 2016 to 2022 in annual amounts ranging from \$1.6M to \$30.1M and \$240.4M from 2022 to 2030 in annual amounts ranging from \$4.6M to \$38.7M. Bonds maturing on or after January 1, 2019, are redeemable at the option of the Authority, in whole or in part, on any date on or after January 1, 2018.

As a result of redemptions of \$18.9M in 2014, the ending balance of this entire series as of June 30, 2014 is \$121.4M.

**Issue I Series 2009A**

On June 26, 2009, under the Issue I 2009 Bond Resolution, the Authority issued \$289M principal amount of bonds dated June 30, 2009, requiring annual principal payments each January 1 commencing on January 1, 2012. Semiannual interest payments are required each January 1 and July 1 commencing on January 1, 2010. Issue I 2009A Bonds mature as follows: \$132.4M serial bonds which mature annually from 2012 to 2020 in annual amounts ranging from \$2.5M to \$17.8M with interest at rates ranging from 3.40% to 5.75%; and \$156.6M term bonds which mature in 2023 and 2028. The term bonds are subject to annual sinking fund installments totaling \$41.9M from 2021 to 2022 and \$114.7M from 2023 to 2027. Bonds maturing on or after January 1, 2023, are redeemable at the option of the Authority, in whole or in part, on any date on or after January 1, 2020. The Issue I 2009 Bonds were issued with a premium of \$1.7M.

As a result of scheduled maturities and redemptions of \$32.8M in FY2014, the ending balance of this entire series as of June 30, 2014 is \$202.7M including the unamortized premium that was incorporated in the initial sale of the bonds.

**Issue I Series 2010A and 2010B**

On February 3, 2010, under the Issue I 2010 Bond Resolution, the Authority issued \$318.5M principal amount of bonds dated February 18, 2010 requiring annual principal payments each January 1 commencing January 1, 2012. Semiannual interest payments are required each January 1 and July 1 commencing on July 1, 2010. Issue I Series 2010A Bonds mature as follows: \$318.5M serial bonds which mature annually from 2012 to 2030 in annual amounts ranging from \$4.2M to \$37.8M with interest at rates ranging from 2.00% to 5.50%. Bonds maturing on or after January 1, 2021, are redeemable at the option of the Authority, in whole or in part, on any date on or after January 1, 2020.

On February 3, 2010, under the Issue I 2010 Bond Resolution, the Authority issued \$86.5M principal amount of bonds dated February 18, 2010 requiring annual principal payments each January 1 commencing January 1, 2012. Semiannual interest payments are required each January 1 and July 1 commencing on July 1, 2010. Issue I Series 2010B Bonds mature as follows: \$41.2M serial bonds which mature annually from 2012 to 2020 in annual amounts ranging from \$2.0M to \$7.1M with interest at rates ranging from 2.55% to 5.375%; and \$45.3M term bonds which mature 2023 and 2031. The term bonds are subject to annual sinking fund installments totaling \$10.6M from 2021 to 2022 and \$34.7M from 2029 to 2030. Bonds maturing on or after January 1, 2023, are redeemable at the option of the Authority, in whole or in part, on any date on or after January 1, 2020. The Issue I 2010 Bonds were issued with a premium of \$4.4M.

As a result of scheduled maturities and redemptions of \$42.4M in 2014, the ending balance of this entire series as of June 30, 2014 is \$270.2M, including the unamortized premium that was incorporated in the initial sale of the bonds and net deferred gain on bond program activities.

**Issue J Series 2011**

On June 24, 2011, under the Issue J 2011 Bond Resolution, the Authority issued \$102.9M principal amount of bonds dated July 13, 2011 requiring annual principal payments each July 1 commencing July 1, 2017. Semiannual interest payments are required each January 1 and July 1 commencing on July 1, 2012. Issue J Series 2011 Bonds mature as follows: \$90.9M serial bonds which mature annually from 2017 to 2029 in annual amounts ranging from \$0.5M to \$11.2M with interest at rates ranging from 4.00% to 5.625%; and \$12M of term bonds which mature in 2033. The Issue J Series 2011 Bonds are subject to sinking fund installments totaling \$12M from fiscal 2030 to 2033 in annual amounts ranging from \$1.5M to \$8.6M.

Bonds maturing on or after July 1, 2022, are redeemable at the option of the Authority, in whole or in part, on any date on or after July 1, 2021. The Issue J Series 2011 Bonds were issued at a discount of \$0.4M.

As a result of redemptions of \$3.5M in 2014, the ending balance of this entire series as of June 30, 2014 is \$99.0M, including the unamortized discount that was incorporated in the initial sale of the bonds.

#### **Issue J Series 2012**

On June 1, 2012, under the Issue J 2012 Bond Resolution, the Authority issued \$168.3M principal amount of bonds dated June 27, 2012 requiring annual principal payments each July 1 commencing July 1, 2018. Semiannual interest payments are required each January 1 and July 1 commencing on January 1, 2013. Issue J Series 2012 Bonds are term bonds which mature annually from 2018 to 2030 in annual amounts ranging from \$2.5M to \$25.7M with interest at rates ranging from 3.10% to 5.00%. Bonds maturing on July 1, 2022, are redeemable at the option of the Authority, in whole or in part, on any date on or after July 1, 2021. The Issue J Series 2012 Bonds were issued with a premium of \$4.2M.

As a result of redemptions of \$5.4M in 2014, the ending balance of this entire series as of June 30, 2014 is \$166.6M, including the unamortized premium that was incorporated in the initial sale of the bonds.

#### **Issue K Series 2013**

On June 20, 2013, under the Issue K 2013 Bond Resolution, the Authority issued \$222M principal amount of bonds dated June 27, 2013 requiring annual principal payments each July 1 commencing July 1, 2015. Semiannual interest payments are required each January 1 and July 1 commencing on January 1, 2014. Issue K Series 2013 Bonds mature as follows: \$135.1M serial bonds which mature annually from fiscal year 2016 to 2026 in annual amounts ranging from \$1.2M to \$20.8M with interest at rates ranging from 2.00% to 5.00%, \$86.9M of term bonds maturing in 2029 and 2032 with interest at rates of 5.25% and 5.375%. Bonds maturing on or after July 1, 2023 are redeemable at the option of the Authority, in whole or in part, on any date on or after July 1, 2022. The Issue K Series 2013 Bonds were issued with a premium of \$4.6M.

The ending balance of this entire series as of June 30, 2014 is \$226.4M, including the unamortized premium that was incorporated in the initial sale of the bonds.

#### **Issue I Series 2014**

On May 8, 2014, under the Issue I 2014 Bond Resolution, the Authority issued \$185.7M principal amount of bonds dated June 17, 2014 requiring annual principal payments each January 1 commencing January 1, 2017. Semiannual interest payments are required each January 1 and July 1 commencing on January 1, 2015. Issue I Series 2014 Bonds mature as follows: \$167.6M serial bonds which mature annually from fiscal year 2017 to 2027 in annual amounts ranging from \$0.8M to \$37.5M with interest at rates ranging from 3.00% to 5.00%, \$18.1M of term bonds maturing in 2032 with an interest rate of 4.375%. Bonds maturing on or after January 1, 2026 are redeemable at the option of the Authority, in whole or in part, on any date on or after January 1, 2025. The Issue I Series 2014 Bonds were issued with a premium of \$15.5M.

The ending balance of this entire series as of June 30, 2014 is \$201.2M, including the unamortized premium that was incorporated in the initial sale of the bonds.

## **7. DERIVATIVES DISCLOSURE**

As a method to manage the debt costs associated with financing fixed and variable rate student loans, the Authority has engaged in the use of interest rate cap derivatives which are structured specifically with regard to its underlying asset portfolio and includes such risks as credit risk, basis risk, termination risk, tax risk and prepayment risk. In recognition of these potential risks associated with the products, the Authority has employed certain risk management techniques such as embedded call options, credit support annexes and amortizing notional amounts that will provide for efficiency and flexibility in its future ability to manage the derivative portfolio. For derivatives, it is the Authority's policy not to engage in trading, market making or other speculative activities.



## Interest Rate Caps

### **Objective of interest rate caps**

The purpose of the cap is to place a ceiling on the debt service payments associated with the variable rate bonds. Capping the variable rate debt allows the Authority to offer variable rate loans to borrowers with the assurance that the interest rate assessed on their loans will not exceed a specific rate. It is the intent that the caps will remain in effect until the maturity date of the derivative trade or could be terminated early as part of any Statement of Net Position management strategy.

### **Terms, fair value and credit risk**

As of June 30, 2014, approximately 29% of the portfolio of interest rate caps consisted of a strike rate of 75% of one year USD-LIBOR-BBA as the underlying interest rate with a cap rate of 9.00%, while approximately 71% of the portfolio had a strike rate of 100% of one month USD-LIBOR-BBA and a cap rate of 9.40%. All interest rate caps have been purchased with a one time, up-front payment generally upon the closing of each individual bond issuance. The total cost of all caps purchased historically was \$4.1M. All of the \$180M in notional outstanding as of June 30, 2014, were structured to amortize until final maturity of the trade.

The fair values of the interest rate caps were as follows:

#### **June 30, 2014**

(in thousands)

<b>Associated Bond Issue</b>	<b>Notional Amounts</b>	<b>Effective Date</b>	<b>Fair Values</b>	<b>Cap Maturity Date</b>	<b>Counterparty Credit Rating</b>
Issue E 2003B	\$13,640	3/13/2003	\$7	January 2027	(A2/A)
Issue E 2003E	\$18,830	3/10/2004	\$8	January 2026	(A2/A)
Issue E 2004B	\$20,280	3/31/2005	\$12	January 2026	(A2/A)
Issue E 2006C	\$41,800	6/13/2006	\$98	July 2027	(A2/A)
Issue E 2007C	<u>\$85,000</u>	4/5/2007	<u>\$816</u>	January 2033	(A2/A)
	<b><u>\$179,550</u></b>		<b><u>\$941</u></b>		

#### **June 30, 2013**

(in thousands)

<b>Associated Bond Issue</b>	<b>Notional Amounts</b>	<b>Effective Date</b>	<b>Fair Values</b>	<b>Cap Maturity Date</b>	<b>Counterparty Credit Rating</b>
Issue E 2003B	\$15,710	3/13/2003	\$23	January 2027	(A2/A)
Issue E 2003E	\$21,690	3/10/2004	\$31	January 2026	(A2/A)
Issue E 2004B	\$22,980	3/31/2005	\$40	January 2026	(A2/A)
Issue E 2006C	\$47,300	6/13/2006	\$201	July 2027	(A2/A)
Issue E 2007C	<u>\$85,000</u>	4/5/2007	<u>\$1,262</u>	January 2033	(A2/A)
	<b><u>\$192,680</u></b>		<b><u>\$1,557</u></b>		

*Fair value:* The fair value was developed using the zero-coupon method. This method calculates the future net settlement payments required by the cap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the cap.

Changes in fair value that represent effective hedging relationships have been recorded as deferred inflows on the Statement of Net Position. Deferred inflows relating to changes in fair value of effective derivatives were \$89.4K & \$151.3K at June 30, 2014 & 2013, respectively. Derivatives that do not meet the criteria of an effective hedging relationship are considered investment derivatives and changes in fair value are presented as increase or decrease in fair value of investment derivatives on the Statement of Revenues, Expenses & Changes in Net Position. During FY2014, the decrease in fair value for investment derivatives recorded as expense was \$554K. In FY2013, the fair value for investment derivatives increased and the income recorded in was \$961K.

*Credit Risk:* As of June 30, 2014, the UBS AG counterparty rating for the cap portfolio was at least A2/A by Moody's and S&P, respectively. Credit risk may occur if the auction rate exceeds the cap and the counterparty is unable to fulfill its obligation to reimburse the Authority the difference between the market interest rate and the cap. If this was to occur and trust assets could not cover debt service expenses, the insured trust estate would be responsible for all debt payments on the bonds.

*Termination risk:* The interest rate cap contract employs the ISDA Master Agreement, which includes standard termination events, such as decrease in credit ratings, failure to pay and bankruptcy. The counterparty must maintain a long-term debt rating of at least A2 from Moody's and at least A from Standard & Poor's. The Authority may terminate any of its caps at any time; however, the counterparty's rights are limited to defined events.

*Rollover risk:* At maturity or termination, there could be a resulting change in the cost of the variable debt outstanding. If the Authority decides to enter a new derivative contract at this time, market risk may exist. The current market conditions at that time will determine whether it will be suitable to the Authority to extend the terms. Otherwise, the debt on the variable rate bonds will be subject to the prevailing interest rate and the subsequent auctions until maturity.

<u>Debt Issuance</u>	<u>Debt Maturity Date</u>	<u>Cap Maturity Date</u>
Issue E Series 2003B	January 1, 2038	January 1, 2027
Issue E Series 2003E	January 1, 2038	January 1, 2026
Issue E Series 2004B	January 1, 2038	January 1, 2026
Issue E Series 2006C	January 1, 2036	July 1, 2027
Issue E Series 2007C	January 1, 2037	January 1, 2033

## **8. COMMITMENT FEES TO PARTICIPATING INSTITUTIONS**

Prior to the 2003 origination year, the Authority received commitment fees from participating private institutions as part of program participation requirements in the annual loan origination cycle. Under the Bond Resolutions, these commitment fees may be reimbursed at the direction of the Authority dependent upon the successful retirement of all Bonds under each individual series and the successful retirement of all Bonds in a trust structure. Commencing in March 2003, the Authority eliminated the commitment fee requirement from the Authority's loan programs.

Commitment fee reimbursements due to participating institutions within the next three years have been accrued as it is probable payment will be made and the liability can be reasonably estimated. The Authority had commitment fees payable of \$3.3M included in the other liabilities section of the Statement of Net Position at June 30, 2014 and June 30, 2013.

## **9. COLLEGE SAVINGS INVESTING PROGRAMS**

The U.Plan was developed by the Authority in cooperation with the Commonwealth of Massachusetts, pursuant to specific legislative authorization in 1989. The purpose of the U.Plan is to allow families to save for undergraduate tuition at participating Massachusetts's colleges and universities in a manner designed to preserve the purchasing power of the savings.

As of June 30, 2014 and 2013, the Authority had deposits of \$7.0M and \$6.9M respectively, for the purchase of tuition certificates under the Commonwealth of Massachusetts General Obligation Bonds, effective August 1, 2014 and August 1, 2013, respectively.

As part of the annual cycle of the U.Plan program, Commonwealth of Massachusetts General Obligation Bonds were purchased as follows:

(in thousands)

	<b>Bonds Purchased</b>	<b>Issue Date</b>	<b>Maturity Dates From/Through</b>
1995 College Opportunity Bonds, Series A	\$ 26,122	August 1, 1995	August 1, 2000 / 2015
1996 College Opportunity Bonds, Series A	\$ 18,970	August 1, 1996	August 1, 2001 / 2016
1997 College Opportunity Bonds, Series A	\$ 19,902	August 1, 1997	August 1, 2002 / 2017
1998 College Opportunity Bonds, Series A	\$ 17,683	August 1, 1998	August 1, 2003 / 2018
1999 College Opportunity Bonds, Series A	\$ 12,862	August 1, 1999	August 1, 2004 / 2019
2000 College Opportunity Bonds, Series A	\$ 6,626	August 1, 2000	August 1, 2005 / 2020
2001 College Opportunity Bonds, Series A	\$ 5,636	August 1, 2001	August 1, 2006 / 2021
2002 College Opportunity Bonds, Series A	\$ 5,970	August 1, 2002	August 1, 2007 / 2022
2003 College Opportunity Bonds, Series A	\$ 6,343	August 1, 2003	August 1, 2008 / 2023
2004 College Opportunity Bonds, Series A	\$ 7,118	August 1, 2004	August 1, 2009 / 2024
2005 College Opportunity Bonds, Series A	\$ 7,078	August 1, 2005	August 1, 2010 / 2025
2006 College Opportunity Bonds, Series A	\$ 5,763	August 1, 2006	August 1, 2011 / 2026
2007 College Opportunity Bonds, Series A	\$ 6,028	August 1, 2007	August 1, 2012 / 2027
2008 College Opportunity Bonds, Series A	\$ 5,894	August 1, 2008	August 1, 2013 / 2028
2009 College Opportunity Bonds, Series A	\$ 6,903	August 1, 2009	August 1, 2014 / 2029
2010 College Opportunity Bonds, Series A	\$ 8,426	August 1, 2010	August 1, 2015 / 2030
2011 College Opportunity Bonds, Series A	\$ 9,031	August 1, 2011	August 1, 2016 / 2031
2012 College Opportunity Bonds, Series A	\$ 11,738	August 1, 2012	August 1, 2017 / 2032
2013 College Opportunity Bonds, Series A	\$ 10,998	August 1, 2013	August 1, 2018 / 2033
Total	<u>\$ 199,091</u>		

The tuition certificates represent a beneficial ownership interest in these bonds. The bonds bear interest at a rate equal to the annual increase in the consumer price index plus 2.5%. Between the date deposits are collected and the purchase of the bonds, the amounts collected and a related liability to participants are recorded on the Statement of Net Position of the College Savings Funds as certificates payable. Once bonds are purchased, the liability is removed from the Statement of Net Position of the Authority. When bonds mature, the cash is moved to an investment account restricted to MEFA's use and an associated liability to U.Plan participants is recorded on the Statement of Net Position. As of June 30, 2014 and 2013, included in accounts payable and accrued expenses, were certificate redemptions to U.Plan participants in the amounts of \$14.1M and \$14.2M, respectively.

The U.Fund was developed by the Authority on behalf of the Commonwealth of Massachusetts under section 529 of the Internal Revenue Code of 1986, as amended. The purpose of the U.Fund is to allow families to save for higher education expenses through the investment in mutual funds, which are professionally managed by Fidelity Investments. At June 30, 2014 and 2013, the U.Fund was composed of thirty six and thirty eight mutual fund portfolios generally comprised of stock, bond, and money market funds, respectively. Each portfolio is designed to accommodate the asset allocation based on the risk profile of the participants. As of June 30, 2014 and 2013, net assets for the U.Fund were \$4,827M and \$4,182M, respectively.

## 10. RELATED PARTIES

During FY2014, three Members of the Authority were officers/trustees of participating institutions and during FY2013, four Members of the Authority were officers/trustees of participating institutions. During the years ended June 30, 2014 and 2013, the Authority purchased loans totaling \$21.3M and \$22.9M, respectively, in principal balance, from the institutions. At June 30, 2014 and 2013, \$171.1M and \$182.7M, respectively, of loans purchased from those institutions were outstanding.

## 11. DEFINED CONTRIBUTION PLAN

All employees of the Authority participate in a defined contribution plan, the Massachusetts Educational Financing Authority Retirement Saving Plan (the "Plan"). The Authority annually contributes an amount equal to 11% of an employee's annual gross salary. The Authority also matches 50% of employee contributions up to a maximum of 6% to the Deferred Compensation Plan of the Massachusetts Education Financing Authority (the "Deferred Plan"). Total employee contributions to the Deferred Plan for the years ended June 30, 2014 and 2013 were \$350K and \$362K, respectively. Vesting at 100% occurs in the Deferred Plan after two years of employment. It is the Authority's policy to fund contributions on a current basis. Total retirement plan expense for the years ended June 30, 2014 and 2013 was \$594K and \$575K, respectively. The Authority pays administrative expenses of the Plans for the plan participants and TD Ameritrade is the custodian of the plan's assets.

## 12. LEASE COMMITMENT

The Authority entered into a ten year operating lease agreement for its current office space which commenced in February 2008 and expires in 2018 and also has other operating lease arrangements for office equipment. The office lease payments are subject to the Authority paying certain operating costs, such as annual escalation for increases in real estate taxes and operating expenses.

As of June 30, 2014, annual minimum operating lease payments for the office space and office equipment are as follows for the following five fiscal years and thereafter:

(in thousands)

	2015	2016	2017	2018	2019	Thereafter
Minimum operating lease payments	\$ 897	\$ 919	\$ 921	\$ 623	\$ -	\$ -

The following schedule shows the composition of total operating lease expenses included in general and administrative expense on the Statement of Revenues, Expenses and Changes in Net Position for the years ended June 30:

(in thousands)

	2014	2013
Minimum operating lease expenses	\$ 871	\$ 873
Additional operating lease expenses	135	117
Total operating lease expenses	\$ 1,006	\$ 990

## 13. CAPITAL EQUIPMENT

The activity related to the Authority's capital assets for the fiscal years ended 2014 and 2013, respectively, was as follows:

(in thousands)

	June 30, 2013	Additions	Disposals	June 30, 2014
Computer hardware	\$ 597	\$ 47	\$ -	\$ 644
Computer software	4,570	39	-	4,609
Furniture	787	-	-	787
Equipment	155	-	-	155
Leasehold improvements	495	64	-	559
Total capital equipment (at cost)	6,604	150	-	6,754
Accumulated depreciation	(5,290)	(580)	-	(5,870)
Capital equipment, net	\$ 1,314	\$ (430)	\$ -	\$ 884

  

	June 30, 2012	Additions	Disposals	June 30, 2013
Computer hardware	\$ 533	\$ 64	\$ -	\$ 597
Computer software	4,269	301	-	4,570
Furniture	787	-	-	787
Equipment	155	-	-	155
Leasehold improvements	495	-	-	495
Total capital equipment (at cost)	6,239	365	-	6,604
Accumulated depreciation	(4,500)	(790)	-	(5,290)
Capital equipment, net	\$ 1,739	\$ (425)	\$ -	\$ 1,314

Included in general and administrative expenses are depreciation expenses of \$580K and \$790K for the years ended June 30, 2014 and June 30, 2013, respectively.

#### **14. CONTRIBUTION TO COMMONWEALTH**

During FY2009, the Authority entered into an agreement with the Department of Higher Education to provide funding to the Commonwealth of Massachusetts for a higher education program providing services to Massachusetts students. In both fiscal years 2014 and 2013 \$1M was contributed for funding toward program and administrative expenditures related to this program.

#### **15. GAINS RELATED TO THE BOND PROGRAM**

During FY2014, the Authority purchased in lieu of redemption approximately \$3.5M in outstanding auction rate bonds with cash on hand resulting in a current year gain on the retirement of debt totaling approximately \$489K.

In FY2013, the Authority purchased in lieu of redemption approximately \$223M in outstanding auction rate bonds. These purchases resulted in a net gain on the retirement of the debt totaling \$23M, of which \$9M was deferred and will be recognized over the life of the new debt in accordance with GASB 23.

#### **16. SUBSEQUENT EVENTS**

On September 30, 2014 as part of the annual cycle of the U.Plan prepaid tuition program, the Authority purchased Commonwealth of Massachusetts General Obligation Bonds in the amount of \$9.8M at which time the corresponding liability was removed from the Statement of Net Position.

On October 16, 2014, the Consumer Financial Protection Bureau (“CFPB”) released its third annual report of the student loan ombudsman. The private student loan ombudsman was created as part of the Dodd-Frank Wall Street Reform and Consumer Protection Act. In the first year of operation, the CFPB and the Department of Education coordinated through a memorandum of understanding on student loan complaints. As part of this process, the CFPB began accepting complaints and this report summarizes the findings from October 1, 2013 through September 30, 2014. The report focuses on the following areas – issues faced by student loan borrowers, a discussion by the ombudsman on the issues and themes present in the complaints and finally, recommendations on how to improve the marketplace based on the consumer feedback. It is uncertain what impact the report may have on the private loan marketplace and the Authority will continue to monitor the developments related to the Consumer Financial Protection Bureau.

**Massachusetts Educational Financing Authority**  
**Statements of Net Position**  
**June 30, 2014 and 2013**

	2014				2013			
	Trusteed Funds	College Savings Funds	Authority Funds	Total	Trusteed Funds	College Savings Funds	Authority Funds	Total
<b>Assets</b>								
<b>Current assets</b>								
Cash and cash equivalents (Notes 3 and 4)	\$ 138,149	\$ 244	\$ 85	\$ 138,478	\$ 123,659	\$ 648	\$ 836	\$ 125,143
Investments, at fair value (Notes 3 and 4)	400	23,731	-	24,131	2,914	21,720	-	24,634
Education loan notes receivable, net (Notes 5 and 10)	191,587	-	2,090	193,677	181,079	-	2,457	183,536
Interest receivable on educational loan notes	33,927	-	7	33,934	30,922	-	20	30,942
Prepaid expenses and other assets	105	1,736	293	2,134	63	1,964	293	2,320
Interest receivable for cash, cash equivalents, and investments	-	-	-	-	2	-	-	2
Interfund balances	(413)	-	413	-	(400)	-	400	-
<b>Total current assets</b>	<b>363,755</b>	<b>25,711</b>	<b>2,888</b>	<b>392,354</b>	<b>338,239</b>	<b>24,332</b>	<b>4,006</b>	<b>366,577</b>
<b>Non-current assets</b>								
Cash and cash equivalents (Notes 3 and 4)	225,986	-	658	226,644	202,960	-	658	203,618
Investments, at fair value (Notes 3 and 4)	-	10,776	2,062	12,838	-	11,275	2,311	13,586
Derivative instruments - caps (Notes 3 and 7)	941	-	-	941	1,557	-	-	1,557
Educational loan notes receivable, net (Notes 5 and 10)	1,278,109	-	362	1,278,471	1,273,975	-	585	1,274,560
Capital equipment, net of accumulated depreciation (Note 13)	-	-	884	884	-	-	1,314	1,314
<b>Total assets</b>	<b>\$ 1,868,791</b>	<b>\$ 36,487</b>	<b>\$ 6,854</b>	<b>\$ 1,912,132</b>	<b>\$ 1,816,731</b>	<b>\$ 35,607</b>	<b>\$ 8,874</b>	<b>\$ 1,861,212</b>
<b>Liabilities</b>								
<b>Current liabilities</b>								
Accounts payable and accrued expenses	\$ 1,007	\$ 14,077	\$ 1,359	\$ 16,443	\$ 1,003	\$ 14,235	\$ 1,266	\$ 16,504
Bonds payable - current portion (Note 6)	27,253	-	-	27,253	30,642	-	-	30,642
Certificates payable (Note 9)	-	7,030	-	7,030	-	6,870	-	6,870
Accrued bond interest payable	33,648	-	-	33,648	31,394	-	-	31,394
<b>Total current liabilities</b>	<b>61,908</b>	<b>21,107</b>	<b>1,359</b>	<b>84,374</b>	<b>63,039</b>	<b>21,105</b>	<b>1,266</b>	<b>85,410</b>
<b>Non-current liabilities</b>								
Bonds payable - net of current portion (Note 6)	1,634,112	-	-	1,634,112	1,588,825	-	-	1,588,825
Other liabilities (Note 8)	3,330	-	187	3,517	3,521	-	199	3,720
<b>Total liabilities</b>	<b>1,699,350</b>	<b>21,107</b>	<b>1,546</b>	<b>1,722,003</b>	<b>1,655,385</b>	<b>21,105</b>	<b>1,465</b>	<b>1,677,955</b>
<b>Deferred inflows of resources</b>								
Net gain on bond refunding (Note 6 and 15)	17,965	-	-	17,965	20,752	-	-	20,752
Hedging instruments (Note 3 and 7)	89	-	-	89	151	-	-	151
<b>Total deferred inflows of resources</b>	<b>18,054</b>	<b>-</b>	<b>-</b>	<b>18,054</b>	<b>20,903</b>	<b>-</b>	<b>-</b>	<b>20,903</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>1,717,404</b>	<b>21,107</b>	<b>1,546</b>	<b>1,740,057</b>	<b>1,676,288</b>	<b>21,105</b>	<b>1,465</b>	<b>1,698,858</b>
<b>Net position</b>								
Invested in capital assets	-	-	884	884	-	-	1,314	1,314
Restricted	151,384	9,119	2,401	162,904	140,440	7,752	2,401	150,593
Unrestricted	3	6,261	2,023	8,287	3	6,750	3,694	10,447
<b>Total net position</b>	<b>151,387</b>	<b>15,380</b>	<b>5,308</b>	<b>172,075</b>	<b>140,443</b>	<b>14,502</b>	<b>7,409</b>	<b>162,354</b>
<b>Total liabilities, deferred inflows and net position</b>	<b>\$ 1,868,791</b>	<b>\$ 36,487</b>	<b>\$ 6,854</b>	<b>\$ 1,912,132</b>	<b>\$ 1,816,731</b>	<b>\$ 35,607</b>	<b>\$ 8,874</b>	<b>\$ 1,861,212</b>

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

**Massachusetts Educational Financing Authority**  
**Statements of Revenues, Expenses and Changes in Net Position**  
For the years ended June 30, 2014 and 2013

	2014				2013			
	Trusteed Funds	College Savings Funds	Authority Funds	Total	Trusteed Funds	College Savings Funds	Authority Funds	Total
<b>Operating revenues</b>								
Interest on education loan notes receivable (Note 3)	\$ 90,748	\$ -	\$ 51	\$ 90,799	\$ 87,512	\$ -	\$ 89	\$ 87,601
Loan origination fees	7,449	-	-	7,449	6,921	-	-	6,921
College savings plan interest and fees	-	4,722	-	4,722	-	4,468	-	4,468
Other revenue	-	1,294	1	1,295	-	1,413	301	1,714
<b>Total operating revenues</b>	<b>98,197</b>	<b>6,016</b>	<b>52</b>	<b>104,265</b>	<b>94,433</b>	<b>5,881</b>	<b>390</b>	<b>100,704</b>
<b>Operating expenses</b>								
Bond interest expense	66,325	-	-	66,325	64,554	-	-	64,554
Bond insurance	397	-	-	397	625	-	-	625
Costs of bond issuance	1,780	-	-	1,780	2,960	-	-	2,960
Provision for doubtful educational loan notes receivable	6,406	-	-	6,406	6,089	-	-	6,089
Credit decision fees	843	-	-	843	797	-	-	797
General and administrative (Notes 3, 11, 12, and 13)	11,500	5,200	912	17,612	11,897	4,603	901	17,401
Other expense	418	-	1	419	574	-	5	579
<b>Total operating expenses</b>	<b>87,669</b>	<b>5,200</b>	<b>913</b>	<b>93,782</b>	<b>87,496</b>	<b>4,603</b>	<b>906</b>	<b>93,005</b>
<b>Operating income (loss)</b>	<b>10,528</b>	<b>816</b>	<b>(861)</b>	<b>10,483</b>	<b>6,937</b>	<b>1,278</b>	<b>(516)</b>	<b>7,699</b>
<b>Non-operating revenues (expenses)</b>								
Gain on bond redemption (Note 15)	489	-	-	489	13,885	-	-	13,885
Interest and dividends	228	62	1	291	299	56	-	355
Arbitrage rebate income (Note 3)	12	-	-	12	191	-	548	739
(Decrease) increase in fair value of derivative instruments	(554)	-	-	(554)	961	-	-	961
Commitment fees to participating schools (Note 8)	-	-	-	-	(1,437)	-	-	(1,437)
Contributions to the Commonwealth (Note 14)	-	-	(1,000)	(1,000)	-	-	(1,000)	(1,000)
Net asset transfers	241	-	(241)	-	6,563	(1,350)	(5,213)	-
<b>Net non-operating revenues (expenses)</b>	<b>416</b>	<b>62</b>	<b>(1,240)</b>	<b>(762)</b>	<b>20,462</b>	<b>(1,294)</b>	<b>(5,665)</b>	<b>13,503</b>
<b>Total increase (decrease) in net position</b>	<b>10,944</b>	<b>878</b>	<b>(2,101)</b>	<b>9,721</b>	<b>27,399</b>	<b>(16)</b>	<b>(6,181)</b>	<b>21,202</b>
<b>Net position, beginning of year</b>	<b>140,443</b>	<b>14,502</b>	<b>7,409</b>	<b>162,354</b>	<b>113,044</b>	<b>14,518</b>	<b>13,590</b>	<b>141,152</b>
<b>Net position, end of year</b>	<b>\$ 151,387</b>	<b>\$ 15,380</b>	<b>\$ 5,308</b>	<b>\$ 172,075</b>	<b>\$ 140,443</b>	<b>\$ 14,502</b>	<b>\$ 7,409</b>	<b>\$ 162,354</b>

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

**Massachusetts Educational Financing Authority**  
**Statements of Cash Flows**  
For the years ended June 30, 2014 and 2013

	2014				2013			
	Trusteed Funds	College Savings Funds	Authority Funds	Total	Trusteed Funds	College Savings Funds	Authority Funds	Total
<b>Cash flows from operating activities:</b>								
Payments for disbursed loans	\$ (177,017)	\$ -	\$ -	\$ (177,017)	\$ (164,789)	\$ -	\$ -	\$ (164,789)
Payments received on outstanding loan principal	179,138	-	605	179,743	180,310	-	781	181,091
General & administrative payments	(12,956)	(5,104)	(453)	(18,513)	(13,324)	(3,736)	(28)	(17,088)
Interest received on education loans	71,604	-	49	71,653	69,393	-	87	69,480
Proceeds from other sources	-	5,990	202	6,192	(5)	5,833	301	6,129
<b>Net cash provided by operating activities</b>	<b>60,769</b>	<b>886</b>	<b>403</b>	<b>62,058</b>	<b>71,585</b>	<b>2,097</b>	<b>1,141</b>	<b>74,823</b>
<b>Cash flows from non-capital financing activities:</b>								
Proceeds from issuance of bonds	201,234	-	-	201,234	226,606	-	-	226,606
Costs of bond issuance	(1,780)	-	-	(1,780)	(2,960)	-	-	(2,960)
Bond interest paid	(68,189)	-	-	(68,189)	(66,389)	-	-	(66,389)
Principal payments on bonds payable	(157,517)	-	-	(157,517)	(323,813)	-	-	(323,813)
Contribution to the Commonwealth	-	-	(1,000)	(1,000)	-	-	(1,000)	(1,000)
Net asset transfers	255	-	(255)	-	6,591	(1,350)	(5,241)	-
<b>Net cash used in non-capital financing activities</b>	<b>(25,997)</b>	<b>-</b>	<b>(1,255)</b>	<b>(27,252)</b>	<b>(159,965)</b>	<b>(1,350)</b>	<b>(6,241)</b>	<b>(167,556)</b>
<b>Cash flows from capital financing activities:</b>								
Purchase of capital equipment and software development	-	-	(150)	(150)	-	-	(366)	(366)
<b>Net cash used in capital financing activities</b>	<b>-</b>	<b>-</b>	<b>(150)</b>	<b>(150)</b>	<b>-</b>	<b>-</b>	<b>(366)</b>	<b>(366)</b>
<b>Cash flows from investing activities:</b>								
Proceeds from maturity/sale of investments	18,649	15,385	500	34,534	15,356	17,735	5,550	38,641
Purchases of investments	(16,135)	(16,737)	(250)	(33,122)	(7,274)	(18,708)	(1)	(25,983)
Interest and dividends received on cash and investments	230	62	1	293	298	56	1	355
Arbitrage rebate (payments) receipts	-	-	-	-	(43)	-	548	505
<b>Net cash provided by (used in) investing activities</b>	<b>2,744</b>	<b>(1,290)</b>	<b>251</b>	<b>1,705</b>	<b>8,337</b>	<b>(917)</b>	<b>6,098</b>	<b>13,518</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>37,516</b>	<b>(404)</b>	<b>(751)</b>	<b>36,361</b>	<b>(80,043)</b>	<b>(170)</b>	<b>632</b>	<b>(79,581)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>326,619</b>	<b>648</b>	<b>1,494</b>	<b>328,761</b>	<b>406,662</b>	<b>818</b>	<b>862</b>	<b>408,342</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 364,135</b>	<b>\$ 244</b>	<b>\$ 743</b>	<b>\$ 365,122</b>	<b>\$ 326,619</b>	<b>\$ 648</b>	<b>\$ 1,494</b>	<b>\$ 328,761</b>

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



**Massachusetts Educational Financing Authority**  
**Statements of Cash Flows, Continued**  
For the years ended June 30, 2014 and 2013

	2014				2013			
	Trusteed Funds	College Savings Funds	Authority Funds	Total	Trusteed Funds	College Savings Funds	Authority Funds	Total
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>								
<b>Operating income (loss)</b>	\$ 10,528	\$ 816	\$ (861)	\$ 10,483	\$ 6,937	\$ 1,278	\$ (516)	\$ 7,699
<b>Adjustments to reconcile operating income (loss) to net cash provided by operating activities:</b>								
Depreciation expense	-	-	580	580	-	-	790	790
Provision for doubtful educational loan notes receivable	6,406	-	-	6,406	6,089	-	-	6,089
Costs of bond issuance	1,780	-	-	1,780	2,960	-	-	2,960
Bond interest expense	66,325	-	-	66,325	64,554	-	-	64,554
Changes in assets and liabilities:								
Educational loan notes receivable	(21,050)	-	592	(20,458)	(8,309)	-	783	(7,526)
Interest receivable on educational loan notes	(3,006)	-	14	(2,992)	(639)	-	1	(638)
Accounts payable, accrued expenses and other liabilities	(171)	(159)	78	(252)	(24)	1,037	110	1,123
Prepaid expenses and other assets	(43)	229	-	186	17	(218)	(27)	(228)
<b>Net cash provided by operating activities</b>	<b>\$ 60,769</b>	<b>\$ 886</b>	<b>\$ 403</b>	<b>\$ 62,058</b>	<b>\$ 71,585</b>	<b>\$ 2,097</b>	<b>\$ 1,141</b>	<b>\$ 74,823</b>

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

**Massachusetts Educational Financing Authority**  
**Statements of Net Position**  
**June 30, 2014 and 2013**

	2014							2013						
	Issue E Total	FRN of 2008	Issue H of 2008	Issue I Total	Issue J Total	Issue K Total	Trusteed Funds	Issue E Total	FRN of 2008	Issue H of 2008	Issue I Total	Issue J Total	Issue K Total	Trusteed Funds
<b>Assets</b>														
<b>Current assets</b>														
Cash and cash equivalents (Notes 3 and 4)	\$ 33,658	\$ 6,824	\$ 15,314	\$ 55,620	\$ 18,407	\$ 8,326	\$ 138,149	\$ 21,209	\$ 8,114	\$ 17,124	\$ 65,086	\$ 11,208	\$ 918	\$ 123,659
Investments, at fair value (Notes 3 and 4)	400	-	-	-	-	-	400	2,914	-	-	-	-	-	2,914
Education loan notes receivable, net (Notes 5 and 10)	70,600	13,524	13,845	57,424	19,139	17,055	191,587	71,879	14,913	13,323	57,697	16,511	6,756	181,079
Interest receivable on educational loan notes	879	566	1,597	14,408	12,563	3,914	33,927	1,012	861	4,235	16,464	8,203	147	30,922
Prepaid expenses and other assets	11	7	1	43	26	17	105	10	5	1	29	18	-	63
Interest receivable for cash, cash equivalents, and investments	-	-	-	-	-	-	-	2	-	-	-	-	-	2
Interfund balances	(267)	7	(37)	(88)	(28)	-	(413)	(231)	-	-	-	-	(169)	(400)
<b>Total current assets</b>	<b>105,281</b>	<b>20,928</b>	<b>30,720</b>	<b>127,407</b>	<b>50,107</b>	<b>29,312</b>	<b>363,755</b>	<b>96,795</b>	<b>23,893</b>	<b>34,683</b>	<b>139,276</b>	<b>35,940</b>	<b>7,652</b>	<b>338,239</b>
<b>Non-current assets</b>														
Cash and cash equivalents (Notes 3 and 4)	-	754	3,642	208,533	6,675	6,382	225,986	-	754	4,208	10,900	34,607	152,491	202,960
Derivative instruments - caps (Notes 3 and 7)	941	-	-	-	-	-	941	1,557	-	-	-	-	-	1,557
Educational loan notes receivable, net (Notes 5 and 10)	196,051	103,716	103,833	405,310	236,464	232,735	1,278,109	237,071	126,660	118,326	462,961	227,469	101,488	1,273,975
<b>Total assets</b>	<b>\$ 302,273</b>	<b>\$ 125,398</b>	<b>\$ 138,195</b>	<b>\$ 741,250</b>	<b>\$ 293,246</b>	<b>\$ 268,429</b>	<b>\$ 1,868,791</b>	<b>\$ 335,423</b>	<b>\$ 151,307</b>	<b>\$ 157,217</b>	<b>\$ 613,137</b>	<b>\$ 298,016</b>	<b>\$ 261,631</b>	<b>\$ 1,816,731</b>
<b>Liabilities</b>														
<b>Current liabilities</b>														
Accounts payable and accrued expenses	\$ 273	\$ 96	\$ 30	\$ 395	\$ 101	\$ 112	\$ 1,007	\$ 135	\$ 110	\$ 50	\$ 161	\$ 113	\$ 434	\$ 1,003
Bonds payable - current portion (Note 6)	3,035	-	-	24,218	-	-	27,253	12,735	-	-	17,907	-	-	30,642
Accrued bond interest payable	4,799	260	3,854	12,816	6,430	5,489	33,648	5,536	326	4,453	14,310	6,647	122	31,394
<b>Total current liabilities</b>	<b>8,107</b>	<b>356</b>	<b>3,884</b>	<b>37,429</b>	<b>6,531</b>	<b>5,601</b>	<b>61,908</b>	<b>18,406</b>	<b>436</b>	<b>4,503</b>	<b>32,378</b>	<b>6,760</b>	<b>556</b>	<b>63,039</b>
<b>Non-current liabilities</b>														
Bonds payable - net of current portion (Note 6)	252,575	118,298	121,385	649,898	265,587	226,369	1,634,112	273,840	142,443	140,250	530,891	274,795	226,606	1,588,825
Other liabilities (Note 8)	3,330	-	-	-	-	-	3,330	3,521	-	-	-	-	-	3,521
<b>Total liabilities</b>	<b>264,012</b>	<b>118,654</b>	<b>125,269</b>	<b>687,327</b>	<b>272,118</b>	<b>231,970</b>	<b>1,699,350</b>	<b>295,767</b>	<b>142,879</b>	<b>144,753</b>	<b>563,269</b>	<b>281,555</b>	<b>227,162</b>	<b>1,655,385</b>
<b>Deferred inflows of resources</b>														
Net gain on bond refunding (Notes 6 and 15)	-	-	-	9,190	-	8,775	17,965	-	-	-	11,489	-	9,263	20,752
Hedging instruments (Notes 3 and 7)	89	-	-	-	-	-	89	151	-	-	-	-	-	151
<b>Total deferred inflows of resources</b>	<b>89</b>	<b>-</b>	<b>-</b>	<b>9,190</b>	<b>-</b>	<b>8,775</b>	<b>18,054</b>	<b>151</b>	<b>-</b>	<b>-</b>	<b>11,489</b>	<b>-</b>	<b>9,263</b>	<b>20,903</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>264,101</b>	<b>118,654</b>	<b>125,269</b>	<b>696,517</b>	<b>272,118</b>	<b>240,745</b>	<b>1,717,404</b>	<b>295,918</b>	<b>142,879</b>	<b>144,753</b>	<b>574,758</b>	<b>281,555</b>	<b>236,425</b>	<b>1,676,288</b>
<b>Net position</b>														
Restricted	38,169	6,744	12,926	44,733	21,128	27,684	151,384	39,502	8,428	12,464	38,379	16,461	25,206	140,440
Unrestricted	3	-	-	-	-	-	3	3	-	-	-	-	-	3
<b>Total net position</b>	<b>38,172</b>	<b>6,744</b>	<b>12,926</b>	<b>44,733</b>	<b>21,128</b>	<b>27,684</b>	<b>151,387</b>	<b>39,505</b>	<b>8,428</b>	<b>12,464</b>	<b>38,379</b>	<b>16,461</b>	<b>25,206</b>	<b>140,443</b>
<b>Total liabilities, deferred inflows and net position</b>	<b>\$ 302,273</b>	<b>\$ 125,398</b>	<b>\$ 138,195</b>	<b>\$ 741,250</b>	<b>\$ 293,246</b>	<b>\$ 268,429</b>	<b>\$ 1,868,791</b>	<b>\$ 335,423</b>	<b>\$ 151,307</b>	<b>\$ 157,217</b>	<b>\$ 613,137</b>	<b>\$ 298,016</b>	<b>\$ 261,631</b>	<b>\$ 1,816,731</b>

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

**Massachusetts Educational Financing Authority**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**For the years ended June 30, 2014 and 2013**

	2014						2013							
	Issue E Total	FRN of 2008	Issue H of 2008	Issue I Total	Issue J Total	Issue K Total	Trusteed Funds	Issue E Total	FRN of 2008	Issue H of 2008	Issue I Total	Issue J Total	Issue K Total	Trusteed Funds
<b>Operating revenues</b>														
Interest on education loan notes receivable (Note 3)	\$ 14,513	\$ 1,990	\$ 10,217	\$ 35,018	\$ 18,925	\$ 10,085	\$ 90,748	\$ 20,567	\$ 2,554	\$ 11,376	\$ 39,105	\$ 13,861	\$ 49	\$ 87,512
Loan origination fees	-	-	-	11	1,080	6,358	7,449	-	-	-	(2)	6,923	-	6,921
<b>Total operating revenues</b>	<u>14,513</u>	<u>1,990</u>	<u>10,217</u>	<u>35,029</u>	<u>20,005</u>	<u>16,443</u>	<u>98,197</u>	<u>20,567</u>	<u>2,554</u>	<u>11,376</u>	<u>39,103</u>	<u>20,784</u>	<u>49</u>	<u>94,433</u>
<b>Operating expenses</b>														
Bond interest expense	10,633	1,566	7,984	23,119	12,770	10,253	66,325	13,827	2,075	9,137	26,299	13,094	122	64,554
Bond insurance	244	-	153	-	-	-	397	450	-	175	-	-	-	625
Costs of bond issuance	-	-	-	1,780	-	-	1,780	-	-	-	-	6	2,954	2,960
Provision for doubtful educational loan notes receivable	1,360	98	244	1,486	917	2,301	6,406	1,361	134	601	751	2,152	1,090	6,089
Credit decision fees	-	-	-	72	88	683	843	-	-	-	-	797	-	797
General and administrative (Notes 3, 11, 12, and 13)	3,855	1,997	1,347	2,097	1,534	670	11,500	5,769	2,831	511	2,154	580	52	11,897
Other expense	154	14	28	125	32	65	418	326	5	41	202	-	-	574
<b>Total operating expenses</b>	<u>16,246</u>	<u>3,675</u>	<u>9,756</u>	<u>28,679</u>	<u>15,341</u>	<u>13,972</u>	<u>87,669</u>	<u>21,733</u>	<u>5,045</u>	<u>10,465</u>	<u>29,406</u>	<u>16,629</u>	<u>4,218</u>	<u>87,496</u>
<b>Operating (loss) income</b>	<u>(1,733)</u>	<u>(1,685)</u>	<u>461</u>	<u>6,350</u>	<u>4,664</u>	<u>2,471</u>	<u>10,528</u>	<u>(1,166)</u>	<u>(2,491)</u>	<u>911</u>	<u>9,697</u>	<u>4,155</u>	<u>(4,169)</u>	<u>6,937</u>
<b>Non-operating revenues (expenses)</b>														
Gain on bond redemption (Note 15)	489	-	-	-	-	-	489	13,885	-	-	-	-	-	13,885
Interest and dividends	212	1	1	4	3	7	228	281	1	2	5	10	-	299
Arbitrage rebate income (Note 3)	12	-	-	-	-	-	12	191	-	-	-	-	-	191
(Decrease) increase in fair value of derivative instruments	(554)	-	-	-	-	-	(554)	961	-	-	-	-	-	961
Commitment fees to participating schools (Note 8)	-	-	-	-	-	-	-	(1,437)	-	-	-	-	-	(1,437)
Net asset transfers	241	-	-	-	-	-	241	(22,812)	-	-	-	-	29,375	6,563
<b>Net non-operating revenues (expenses)</b>	<u>400</u>	<u>1</u>	<u>1</u>	<u>4</u>	<u>3</u>	<u>7</u>	<u>416</u>	<u>(8,931)</u>	<u>1</u>	<u>2</u>	<u>5</u>	<u>10</u>	<u>29,375</u>	<u>20,462</u>
<b>Total increase (decrease) in net position</b>	<u>(1,333)</u>	<u>(1,684)</u>	<u>462</u>	<u>6,354</u>	<u>4,667</u>	<u>2,478</u>	<u>10,944</u>	<u>(10,097)</u>	<u>(2,490)</u>	<u>913</u>	<u>9,702</u>	<u>4,165</u>	<u>25,206</u>	<u>27,399</u>
<b>Net position, beginning of year</b>	<u>39,505</u>	<u>8,428</u>	<u>12,464</u>	<u>38,379</u>	<u>16,461</u>	<u>25,206</u>	<u>140,443</u>	<u>49,602</u>	<u>10,918</u>	<u>11,551</u>	<u>28,677</u>	<u>12,296</u>	<u>-</u>	<u>113,044</u>
<b>Net position, end of year</b>	<u>\$ 38,172</u>	<u>\$ 6,744</u>	<u>\$ 12,926</u>	<u>\$ 44,733</u>	<u>\$ 21,128</u>	<u>\$ 27,684</u>	<u>\$ 151,387</u>	<u>\$ 39,505</u>	<u>\$ 8,428</u>	<u>\$ 12,464</u>	<u>\$ 38,379</u>	<u>\$ 16,461</u>	<u>\$ 25,206</u>	<u>\$ 140,443</u>

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

**Massachusetts Educational Financing Authority**  
**Statements of Cash Flows**  
For the years ended June 30, 2014 and 2013

	2014							2013						
	Issue E Total	FRN of 2008	Issue H of 2008	Issue I Total	Issue J Total	Issue K Total	Trusteed Funds	Issue E Total	FRN of 2008	Issue H of 2008	Issue I Total	Issue J Total	Issue K Total	Trusteed Funds
<b>Cash flows from operating activities:</b>														
Payments for disbursed loans	\$ -	\$ -	\$ -	\$ (262)	\$ (25,866)	\$ (150,889)	\$ (177,017)	\$ -	\$ -	\$ -	\$ -	\$ (164,789)	\$ -	\$ (164,789)
Payments received on outstanding loan principal	40,984	25,389	16,941	63,752	18,116	13,956	179,138	53,181	35,414	17,064	64,344	10,056	251	180,310
General & administrative payments	(4,141)	(2,012)	(1,518)	(1,949)	(1,643)	(1,693)	(12,956)	(6,257)	(2,858)	(686)	(2,175)	(1,730)	382	(13,324)
Interest received on education loans	14,447	1,118	9,611	29,908	10,821	5,699	71,604	20,449	1,575	9,982	31,406	6,080	(99)	69,393
Proceeds from other sources	-	-	-	-	-	-	-	-	(5)	-	-	-	-	(5)
<b>Net cash provided by (used in) operating activities</b>	<b>51,290</b>	<b>24,495</b>	<b>25,034</b>	<b>91,449</b>	<b>1,428</b>	<b>(132,927)</b>	<b>60,769</b>	<b>67,373</b>	<b>34,126</b>	<b>26,360</b>	<b>93,575</b>	<b>(150,383)</b>	<b>534</b>	<b>71,585</b>
<b>Cash flows from non-capital financing activities</b>														
Proceeds from issuance of bonds	-	-	-	201,234	-	-	201,234	-	-	-	-	-	226,606	226,606
Costs of bond issuance	-	-	-	(1,780)	-	-	(1,780)	-	-	-	-	(6)	(2,954)	(2,960)
Bond interest paid	(11,370)	(1,633)	(8,583)	(27,698)	(13,294)	(5,611)	(68,189)	(14,432)	(2,223)	(9,666)	(30,628)	(9,440)	-	(66,389)
Principal payments on bonds payable	(30,476)	(24,145)	(18,865)	(75,130)	(8,900)	(1)	(157,517)	(211,736)	(37,292)	(16,660)	(58,125)	-	-	(323,813)
Net asset transfers	276	(7)	37	88	29	(168)	255	77,403	-	-	-	(35)	(70,777)	6,591
<b>Net cash (used in) provided by non-capital financing activities</b>	<b>(41,570)</b>	<b>(25,785)</b>	<b>(27,411)</b>	<b>96,714</b>	<b>(22,165)</b>	<b>(5,780)</b>	<b>(25,997)</b>	<b>(148,765)</b>	<b>(39,515)</b>	<b>(26,326)</b>	<b>(88,753)</b>	<b>(9,481)</b>	<b>152,875</b>	<b>(159,965)</b>
<b>Cash flows from investing activities:</b>														
Proceeds from maturity/sale of investments	18,649	-	-	-	-	-	18,649	15,356	-	-	-	-	-	15,356
Purchases of investments	(16,135)	-	-	-	-	-	(16,135)	(7,274)	-	-	-	-	-	(7,274)
Interest and dividends received on cash and investments	215	-	1	4	4	6	230	281	1	1	5	10	-	298
Arbitrage rebate payments	-	-	-	-	-	-	-	(43)	-	-	-	-	-	(43)
<b>Net cash provided by (used in) investing activities</b>	<b>2,729</b>	<b>-</b>	<b>1</b>	<b>4</b>	<b>4</b>	<b>6</b>	<b>2,744</b>	<b>8,320</b>	<b>1</b>	<b>1</b>	<b>5</b>	<b>10</b>	<b>-</b>	<b>8,337</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>12,449</b>	<b>(1,290)</b>	<b>(2,376)</b>	<b>188,167</b>	<b>(20,733)</b>	<b>(138,701)</b>	<b>37,516</b>	<b>(73,072)</b>	<b>(5,388)</b>	<b>35</b>	<b>4,827</b>	<b>(159,854)</b>	<b>153,409</b>	<b>(80,043)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>21,209</b>	<b>8,868</b>	<b>21,332</b>	<b>75,986</b>	<b>45,815</b>	<b>153,409</b>	<b>326,619</b>	<b>94,281</b>	<b>14,256</b>	<b>21,297</b>	<b>71,159</b>	<b>205,669</b>	<b>-</b>	<b>406,662</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 33,658</b>	<b>\$ 7,578</b>	<b>\$ 18,956</b>	<b>\$ 264,153</b>	<b>\$ 25,082</b>	<b>\$ 14,708</b>	<b>\$ 364,135</b>	<b>\$ 21,209</b>	<b>\$ 8,868</b>	<b>\$ 21,332</b>	<b>\$ 75,986</b>	<b>\$ 45,815</b>	<b>\$ 153,409</b>	<b>\$ 326,619</b>

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

**Massachusetts Educational Financing Authority**  
**Statements of Cash Flows, Continued**  
For the years ended June 30, 2014 and 2013

	2014						2013							
	Issue E Total	FRN of 2008	Issue H of 2008	Issue I Total	Issue J Total	Issue K Total	Trusteed Funds	Issue E Total	FRN of 2008	Issue H of 2008	Issue I Total	Issue J Total	Issue K Total	Trusteed Funds
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>														
<b>Operating (loss) income</b>	\$ (1,733)	\$ (1,685)	\$ 461	\$ 6,350	\$ 4,664	\$ 2,471	\$ 10,528	\$ (1,166)	\$ (2,491)	\$ 911	\$ 9,697	\$ 4,155	\$ (4,169)	\$ 6,937
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:</b>														
Provision for doubtful educational loan notes receivable	1,360	98	244	1,486	917	2,301	6,406	1,361	134	601	751	2,152	1,090	6,089
Costs of bond issuance	-	-	-	1,780	-	-	1,780	-	-	-	-	6	2,954	2,960
Educational loan notes swap	-	-	-	-	-	-	-	(109,585)	-	-	-	-	109,585	-
Bond interest expense	10,633	1,566	7,984	23,119	12,770	10,253	66,325	13,827	2,075	9,137	26,299	13,094	122	64,554
Changes in assets and liabilities:														
Educational loan notes receivable	40,939	24,235	13,725	56,437	(12,541)	(143,845)	(21,050)	159,107	33,955	13,079	58,246	(163,361)	(109,335)	(8,309)
Interest receivable on educational loan notes	133	295	2,638	2,056	(4,360)	(3,768)	(3,006)	3,867	480	2,633	(1,397)	(6,075)	(147)	(639)
Accounts payable, accrued expenses and other liabilities	(41)	(13)	(18)	234	(13)	(320)	(171)	(38)	(27)	(46)	(10)	(337)	434	(24)
Prepaid expenses and other assets	(1)	(1)	-	(13)	(9)	(19)	(43)	-	-	45	(11)	(17)	-	17
<b>Net cash provided by (used in) operating activities</b>	<u>\$ 51,290</u>	<u>\$ 24,495</u>	<u>\$ 25,034</u>	<u>\$ 91,449</u>	<u>\$ 1,428</u>	<u>\$ (132,927)</u>	<u>\$ 60,769</u>	<u>\$ 67,373</u>	<u>\$ 34,126</u>	<u>\$ 26,360</u>	<u>\$ 93,575</u>	<u>\$ (150,383)</u>	<u>\$ 534</u>	<u>\$ 71,585</u>

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

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DEFINITIONS OF CERTAIN TERMS

*The term “Issue I Loans” as used in the front portion of this Official Statement has the same meaning as the term “Education Loans,” which is defined herein and is the term used in this “APPENDIX B —DEFINITIONS OF CERTAIN TERMS” and in “APPENDIX C — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION.”*

*Effective upon the initial issuance of the Offered Bonds, certain provisions of the Issue I General Resolution that are described in this Appendix will be amended, and the statements in this Appendix describe such provisions as so amended. This Appendix should not be relied upon with respect to Outstanding Issue I Bonds prior to the initial issuance of the Offered Bonds.*

Accountant’s Certificate means an opinion signed by an independent certified public accountant of recognized national standing or a firm of certified public accountants of recognized national standing, selected by the Authority, who may be the accountant or firm of accountants who regularly audits the books of the Authority.

Act means Chapter 15C of the General Laws of the Commonwealth as amended from time to time.

Annual Budget means the budget adopted by the Authority for the Program, as amended or supplemented and in effect, from time to time, for a particular Fiscal Year of the Authority.

Applicable Taxable means, when used to modify any account or subaccount in a particular Fund established for a Series of Taxable Fixed Rate Bonds or Taxable Floating Rate Bonds, the account or subaccount with the corresponding interest rate characteristic to such Taxable Fixed Rate Bonds or Taxable Floating Rate Bonds, as the case may be.

Arbitrage Projection Certificate means a certificate of an Authorized Officer in form and substance approved by Bond Counsel establishing, as the context indicates, one or more of the following: that (i) a transfer from the Revenue Fund to the Program Fund and the acquisition of Education Loan Notes at certain specified rates with the amounts so transferred; (ii) a transfer of moneys to the Authority free and clear of the lien of the Resolution pursuant to the Resolution; or (iii) a transfer of excess moneys in the Reserve Fund to the applicable Purchase Account; (iv) the disposition of Educations Loans which are not Defaulted to the extent the Loans are allocable to Tax-Exempt Bonds or the proceeds of disposition are applied to redeem Tax-Exempt Bonds; or (v) the optional application of Tax-Exempt Excess Revenues to redeem Taxable Bonds or of Taxable Excess Revenues to redeem Tax-Exempt Bonds; in each case, will not cause the applicable Series of Tax-Exempt Bonds to become “arbitrage bonds” within the meaning of Section 103(c) of the Code or adversely affect the ability of the Authority to provide for a redemption of a Series of Tax-Exempt Bonds or to make payments or credits to the United States Treasury, Borrowers or others, so as to comply with the requirements of Section 148 of the Code.

Authority means the Massachusetts Educational Financing Authority, a body politic and corporate and a public instrumentality of the Commonwealth organized and existing under the Act, and any successor thereto.

Authority Expenses means the Authority’s reasonable and necessary expenses of carrying out and administering the Program under the Resolution, including without limitation fees incurred in preparing

cash flow models and a properly allocable portion of its general overhead and operating expenses, as reasonably determined by the Authority, but in no event exceeding on a cumulative basis the aggregate amount set forth in the Loan Program Certificate.

Authorized Officer means the Chairman, Vice Chairman or Executive Director of the Authority or any other officer or employee of the Authority authorized to perform specific acts or duties by resolution duly adopted by the Authority.

Bond or Bonds means any bond or bonds authorized and issued under the Resolution.

Bond Counsel means Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. or any successor firm of attorneys or any other nationally recognized bond counsel selected by the Authority.

Bond Counsel's Opinion means an opinion of Bond Counsel.

Bondholder or Holder means, when used with reference to Bonds, the registered owner of any Bond or Bonds, and for the purpose of paying interest on any Interest Payment Date, means the Holder at the close of business on the record date specified in the applicable Series Resolution.

Bond Year means, unless otherwise specified in a Series Resolution with respect to a Series of Bonds, each year beginning on April 1 and ending on the next succeeding March 31.

Bonds Subject to Redemption from Excess Revenues means all Bonds Subject to Redemption from Tax-Exempt Excess Revenues, Bonds Subject to Redemption from Taxable Fixed Rate Excess Revenues and Bonds Subject to Redemption from Taxable Floating Rate Excess Revenues.

Bonds Subject to Redemption from Tax-Exempt Excess Revenues means (i) the Series 2009 Bonds having matured or maturing on January 1, 2012, January 1, 2013, January 1, 2014, January 1, 2017, January 1, 2023 and January 1, 2028 as well as the Series 2009 Bonds having matured or maturing on January 1, 2015, January 1, 2016, January 1, 2018, January 1, 2019, and January 1, 2020 with initial offering prices of 100% or less, as set forth in Section 204(A) of the First Series Resolution; (ii) the Series 2010A Bonds having matured or maturing on January 1, 2012, January 1, 2013, January 1, 2014, January 1, 2015, January 1, 2016, January 1, 2018, January 1, 2019, January 1, 2020, January 1, 2021, January 1, 2025, January 1, 2026, January 1, 2027, January 1, 2028, January 1, 2029 and January 1, 2030, as set forth in Section 204(A) of the Second Series Resolution; (iii) the Series 2010B Bonds of all maturities, as set forth in Section 204(A) of the Second Series Resolution; (iv) the Series 2014 Bonds maturing on January 1, 2032 and, after January 1, 2025, the Series 2014 Bonds maturing on January 1, 2026 and January 1, 2027, as set forth in Section 204(A) of the Third Series Resolution; (v) the Series 2015A Bonds maturing on January 1, 2027, January 1, 2028, January 1, 2029, January 1, 2030, January 1, 2031, January 1, 2032 and, after January 1, 2025, the Series 2015A Bonds maturing on January 1, 2026, as set forth in Section 204(A) of the Fourth Series Resolution; (vi) any additional Tax-Exempt Bonds made subject thereto pursuant to a Series Resolution authorizing such additional Bonds; and (vii) but only after no Tax-Exempt Bonds remain Outstanding, any other Bonds Subject to Redemption from Taxable Fixed Rate Excess Revenues and Bonds Subject to Redemption from Taxable Floating Rate Excess Revenues.

Bonds Subject to Redemption from Taxable Fixed Rate Excess Revenues means (i) the Series 2015B-2 Bonds; (ii) any additional Taxable Fixed Rate Bonds made subject thereto pursuant to a Series Resolution authorizing such additional Bonds; and (iii) but only after no Taxable Fixed Rate Bonds remain Outstanding, any other Bonds Subject to Redemption from Taxable Floating Rate Excess Revenues and Bonds Subject to Redemption from Tax-Exempt Excess Revenues.



Bonds Subject to Redemption from Taxable Floating Rate Excess Revenues means (i) the Series 2015B-1 Bonds; (ii) any additional Taxable Floating Rate Bonds made subject thereto pursuant to a Series Resolution authorizing such additional Bonds; and (iii) but only after no Taxable Floating Rate Bonds remain Outstanding, any other Bonds Subject to Redemption from Taxable Fixed Rate Excess Revenues and any Bonds Subject to Redemption from Tax-Exempt Excess Revenues.

Book-Entry Only System means with respect to a particular Series of Bonds, the registration of the Bonds of such Series in the name of a nominee of the Depository Trust Company or other depository entity pursuant to the provisions of the applicable Series Resolution.

Borrower means an applicant approved in accordance with the Operations Manual who has agreed to repay an Education Loan in accordance with the terms and conditions of an Education Loan Note.

Business Day means any day other than (i) a Saturday or Sunday or any other day on which banks are authorized or required to be closed in the Commonwealth, the State of Maryland or New York City, or (ii) a day on which the offices of the New York Stock Exchange are closed, or (iii) as to a Series of Bonds, any other date specified as not being a Business Day in the Series Resolution for such Series.

Capitalized Interest Accounts means collectively the Tax-Exempt Capitalized Interest Account, the Taxable Fixed Rate Capitalized Interest Account and the Taxable Floating Rate Capitalized Interest Account.

Capitalized Interest Account Requirements means collectively the Tax-Exempt Capitalized Account Requirement, the Taxable Fixed Rate Capitalized Interest Account Requirement and the Taxable Floating Rate Capitalized Interest Account Requirement.

Code means the Internal Revenue Code of 1986, as amended from time to time, and the Treasury Regulations promulgated thereunder or applicable thereto.

Commonwealth means The Commonwealth of Massachusetts.

Costs of Issuance means the items of expense payable or reimbursable directly or indirectly by the Authority and related to the authorization, sale and issuance of Bonds, which items of expense shall include, but not be limited to, printing costs, costs of reproducing documents, filing and recording fees, initial fees and charges of the Trustee, legal fees and charges, initial premiums, fees and charges of any Reserve Fund Facility provider, initial fees and charges of a provider of a Qualified Hedge Agreement, professional consultants' fees, fees incurred in preparing certain cash flow models, costs of credit ratings, fees and charges for execution, transportation and safekeeping of Bonds, costs and expenses of refunding Bonds and other costs, charges and fees in connection with the foregoing.

Counsel's Opinion means an opinion signed by an attorney or firm of attorneys (who may be general or special counsel to the Authority) selected by the Authority and which attorney or firm is satisfactory to the Trustee.

Cumulative Sinking Fund Installment means a scheduled Sinking Fund Installment with respect to Bonds designated as "Term Bonds" pursuant to a Series Resolution to be made subject to availability of adequate Revenues prior to a maturity date.

Custodian shall have the meaning set forth under the definition of "Investment Obligations" in sub-paragraph 10.

Debt Service means with respect to any given period of time, an amount equal to the sum of (a) all interest due and payable on the Bonds during such period at their stated rate of interest, plus (b) the Principal Installments payable during such period. Debt Service and interest on Bonds with respect to which there is a Qualified Hedge Agreement in effect shall be calculated so as to reflect the anticipated effect of such Agreement consistent with the Resolution.

Debt Service Fund means the Debt Service Fund established by the Resolution.

Defaulted means Education Loans or Education Loan Notes which are in default in accordance with their terms and as to which payment has been accelerated or as to which an Education Loan Payment is overdue by 180 days or more or for such lesser or greater period of time as the Authority may hereafter establish.

Education Loan means any loan to or on behalf of a Student originated directly or indirectly by the Authority which loan satisfies the requirements of the Operations Manual and the Loan Program Certificate and is eligible for Purchase or has been Purchased by the Authority from the proceeds of Bonds or other funds and pledged as security for the Bonds under the Resolution.

Education Loan Note means a promissory note or credit agreement (including without limitation an electronically executed promissory note or credit agreement) or such other evidence as may be described by a certificate of an Authorized Officer to the Trustee evidencing an Education Loan Purchased or to be Purchased with the proceeds of Bonds or other funds pledged as security for the Bonds.

Education Loan Payments means all payments on an Education Loan, including a Defaulted Education Loan, which reduce or eliminate the principal balance or interest due on such Education Loan, including without limitation (1) scheduled payments of principal and interest on such Education Loan and (2) amounts paid with respect to principal or interest on account of (i) voluntary prepayment of all or any portion of an Education Loan by a Borrower, (ii) receipts upon acceleration of the due date of such Education Loan, (iii) proceeds of sale or other disposition of such Education Loan (including acquisition or refinancing of such Education Loan by the Authority from moneys other than Bond Proceeds or Trust Assets), and (iv) payments received pursuant to any insurance or guaranty on such Education Loan.

Eligible Collateral shall have the meaning set forth under the definition of “Investment Obligations” in sub-paragraph 10.

Eligible Investment Agreement Provider shall have the meaning set forth under the definition of “Investment Obligations” in sub-paragraph 11.

Eligible Repurchase Agreement Provider shall have the meaning set forth under the definition of “Investment Obligations” in sub-paragraph 10.

Event of Default means an event of default as defined in the section entitled “Summary of Certain Provisions of the Resolution - Events of Default” in Appendix C.

Excess Revenues means, collectively, any Tax-Exempt Excess Revenues, Taxable Fixed Rate Excess Revenues, and Taxable Floating Rate Excess Revenues.

Favorable Opinion means a Bond Counsel’s Opinion addressed to the Authority and the Trustee, reasonably acceptable to such addressees, to the effect that the action proposed to be taken is authorized or permitted by the Act and the Resolution and will not adversely affect any exclusion of interest of the

particular Series of Bonds from gross income for purposes of federal income taxation or the exemption from taxation by the Commonwealth.

Favorable Projection of Revenues means a Projection of Revenues showing that, taking into account one or more actions proposed by the Authority, expected Revenues and other funds available for the purpose will be at least sufficient to pay, in the current and each future Bond Year, Required Debt Service when due, Program Expenses and Subordinated Program Expenses, and Rebate Fund Requirements.

Fiduciary means each of the Trustee, the Registrar and the Paying Agent.

First Series Resolution means the Authority's First Issue I Series Resolution authorizing \$289,005,000 Education Loan Revenue Bonds, Issue I, Series 2009, dated as of June 30, 2009.

Fiscal Year means the period of twelve calendar months ending with June 30, or such other date as the Authority may designate consistent with the Act, of any year.

Fifth Series Resolution means the Authority's Fifth Issue I Series Resolution authorizing Education Loan Revenue Bonds, Issue I, Series 2015B, dated as of March 26, 2015.

Fitch means Fitch Ratings, Inc. and its successors and assigns.

Fixed Rate Bonds means any Bonds the interest rate on which is fixed to maturity.

Fixed Rate Refinancing Loan means a Refinancing Loan the interest rate on which is fixed to maturity upon initial disbursement.

Floating Rate Refinancing Loan means a Refinancing Loan that is not a Fixed Rate Refinancing Loan.

Fourth Series Resolution means the Authority's Fourth Issue I Series Resolution authorizing \$184,760,000 Education Loan Revenue Bonds, Issue I, Series 2015A, dated as of March 26, 2015.

Hedge Agreement shall mean a payment exchange agreement, interest rate swap agreement, forward purchase agreement or any other hedge agreement entered into by the Authority providing for payments between the parties based on levels of, or changes, in interest rates, stock or other indices or contracts to exchange cash flows or a series of payments or contracts, including without limitation, interest rate floors or caps, options, puts or calls, which allows the Authority to manage or hedge payment, rate, spread or similar risk with respect to any Bonds.

Interest Payment Date means January 1 and July 1 of each year that Bonds are Outstanding except as otherwise specified in the Series Resolution applicable to a particular Series of Bonds.

Investment Obligations means and includes for any Series of Bonds, subject to any restrictions set forth in the Series Resolution for such Series of Bonds, any of the following securities or obligations (any of which may be held in book-entry form):

1. (a) Cash (fully insured by the Federal Deposit Insurance Corporation), (b) Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America ("U.S. Treasury Obligations"), (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United

States of America, (d) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (e) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

2. Federal Housing Administration debentures.
3. The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:
  - (a) Federal Home Loan Mortgage Corporation (FHLMC) senior debt obligations and Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)
  - (b) Farm Credit System (formerly Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) consolidated system-wide bonds and notes
  - (c) Federal Home Loan Banks (FHL Banks) consolidated debt obligations
  - (d) Federal National Mortgage Association (FNMA) senior debt obligations and mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)
4. Unsecured certificates of deposit, time deposits, and bankers' acceptances (having maturities of not more than 365 days) of any bank the short-term obligations of which are rated "A-1+" by S&P and "F1" by Fitch.
5. Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation, in banks which have capital and surplus of at least \$15 million.
6. Commercial paper (having original maturities of not more than 270 days) rated "A-1+" by S&P and "F1" by Fitch.
7. Money market funds rated at least "Aam" or "AAm-G" by S&P, and, if rated by Fitch, rated "AAA/V-1" by Fitch.

8. "State Obligations" means:
  - (a) Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated at least "AA" by S&P, and, if rated by Fitch, rated "AA-" by Fitch, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.
  - (b) Direct general short-term obligations of any state agency or subdivision or agency thereof described in (a) above and rated "A-1+" by S&P and "F1" by Fitch.
  - (c) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state or state agency described in (b) above and rated "AA" or better by S&P and Fitch.
9. Pre-refunded municipal obligations rated "AAA" by S&P and at least "AA" by Fitch meeting the following requirements:
  - (a) the municipal obligations are (1) not subject to redemption prior to maturity or (2) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;
  - (b) the municipal obligations are secured by cash or U.S. Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;
  - (c) the principal of and interest on the U.S. Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations ("Verification Report");
  - (d) the cash or U.S. Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;
  - (e) no substitution of a U.S. Treasury Obligation shall be permitted except with another U.S. Treasury Obligation and upon delivery of a new Verification Report; and
  - (f) the cash or U.S. Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.
10. Repurchase agreements: with (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least "AA" by S&P; or (2) any broker-dealer with "retail customers" or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least

“AA” by S&P which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated at least “AA” by S&P and acceptable to the Authority (each an “Eligible Repurchase Agreement Provider”), provided that:

- (a) (i) permitted collateral shall include U.S. Treasury Obligations, or senior debt obligations of GNMA, FNMA or FHLMC (no collateralized mortgage obligations shall be permitted for these providers), and (ii) collateral levels must be at least 102% of the total principal when the collateral type is U.S. Treasury Obligations, 103% of the total principal when the collateral type is GNMA’s and 104% of the total principal when the collateral type is FNMA and FHLMC (“Eligible Collateral”);
- (b) the Trustee or a third party acting solely as agent therefore or for the Authority (the “Custodian”) has possession of the collateral or the collateral has been transferred to the Custodian in accordance with applicable state and federal laws (other than by means of entries on the transferor’s books) and such collateral shall be marked to market;
- (c) the collateral shall be marked to market on a daily basis and the provider or Custodian shall send monthly reports to the Trustee and the Authority setting forth the type of collateral, the collateral percentage required for that collateral type, the market value of the collateral on the valuation date and the name of the Custodian holding the collateral;
- (d) the repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Custodian has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof; and
- (e) the repurchase agreement shall provide that if during its term the provider’s rating by S&P is withdrawn or suspended or falls below “AA” by S&P, the provider must notify the Authority and the Trustee within five (5) days of receipt of such notice. Within ten (10) days of receipt of such notice, the provider shall either: (i) provide a written guarantee acceptable to the Authority, (ii) post Eligible Collateral, or (iii) assign the agreement to an Eligible Repurchase Agreement Provider. If the provider does not perform a remedy within ten (10) business days, the provider shall, at the direction of the Trustee, repurchase all collateral and terminate the repurchase agreement, with no penalty or premium to the Authority or the Trustee.

- 11. Investment agreements: with a domestic or foreign bank or corporation the short-term debt of which, or, in the case of a guaranteed corporation the short-term debt, or, in the case of a monoline financial guaranty insurance company, financial strength, of the guarantor is rated at least “A/FI” by Fitch and at least “A-1+” by S&P or, if the short-term debt or financial strength, as applicable, of which, if not rated by S&P, the long-term debt or financial strength, as applicable, of which is rated at least “AA-,” and which is acceptable to the Authority (each an “Eligible Investment Agreement Provider”); provided that:

- (a) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the construction fund, construction draws) on the Bonds;
- (b) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven (7) days' prior notice;
- (c) the provider shall send monthly reports to the Trustee and the Authority setting forth the balance the Authority or Trustee has invested with the provider and the amounts and dates of interest accrued and paid by the provider;
- (d) the investment agreement shall state that it is an unconditional and general obligation of the provider, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks pari passu with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;
- (e) the Authority and the Trustee shall receive an opinion of domestic counsel to the provider that such investment agreement is legal, valid, binding and enforceable against the provider in accordance with its terms;
- (f) the Authority and the Trustee shall receive an opinion of foreign counsel to the provider (if applicable) that (a) the investment agreement has been duly authorized, executed and delivered by the provider and constitutes the legal, valid and binding obligation of the provider, enforceable against the provider in accordance with its terms, (b) the choice of law of the state set forth in the investment agreement is valid under that country's laws and a court in such country would uphold such choice of law, and (c) any judgment rendered by a court in the United States would be recognized and enforceable in such country;
- (g) the investment agreement shall provide that if during its term the provider's rating by S&P falls below the minimum level required in the introductory clause of this item (11) in the definition of "Investment Obligations" or is withdrawn or suspended, the provider shall, at the direction of the Authority or the Trustee, within thirty (30) days of receipt of such direction, either (i) provide a written guarantee acceptable to the Authority from a guarantor with a short-term debt rating of at least "A/F1" by Fitch and "A-1+" or better, or, if no short-term debt rating, a long-term debt rating of "AA-" or better, by S&P, (ii) assign the agreement to an Eligible Investment Agreement Provider, or (iii) repay the principal of and accrued but unpaid interest on the investment, in either case with no termination, penalty or premium to the Authority or Trustee;
- (h) in the event the provider is required to collateralize, permitted collateral shall include U.S. Treasury Obligations, or senior debt obligations of GNMA, FNMA or FHLMC (no collateralized mortgage obligations shall be permitted for these providers) and collateral levels must be 102% of the total principal when the collateral type is U.S. Treasury Obligations, 103% of the total principal when the collateral type is GNMA's and 104% of the total principal when the collateral type is FNMA and FHLMC. In addition, the collateral shall be marked to market on a daily basis and the provider or Custodian shall send monthly reports to the

Trustee and the Authority setting forth the type of collateral, the collateral percentage required for that collateral type, the market value of the collateral on the valuation date and the name of the Custodian holding the collateral;

- (i) the investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Custodian has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof;
- (j) the investment agreement must provide that if during its term: (i) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Authority or the Trustee be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Authority or Trustee, as appropriate, and (ii) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc., the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Authority or Trustee, as appropriate; and
- (k) Prior Rating Agency Notice and satisfaction of the Rating Agency Condition as to S&P shall be required for an investment agreement entered into in connection with a particular Series of Bonds after the date of issuance of such Series.

Late Charges means any charges or penalties which are assessed Borrowers on account of failure to make timely payments of principal or interest on Education Loan Notes pursuant to the terms thereof

LIBOR means, the London interbank offered rate for deposits in United States dollars for a period of one month, which rate appears on the Reuters Screen LIBOR01 Page (or any successor page for the purpose of displaying Intercontinental Exchange Interest Settlement Rates for U.S.) at approximately 11:00 a.m., London time, on the second London Business Day immediately preceding a LIBOR Reset Date. If no such offered rate exists, such rate will be the rate of interest per annum, as determined by the Trustee at which deposits of United States dollars in immediately available funds are offered at 11:00 A.M. (London, England time) two (2) London Business Days prior to the applicable LIBOR Reset Date by major financial institutions reasonably satisfactory to Trustee in the London interbank market for such one month period for the applicable principal amount on such date of determination.

LIBOR Reset Date means the first calendar day of each calendar month.

Loan Origination Period means, with respect to each Series of Bonds, the period beginning on the date of issuance of such Bonds and ending on the date specified in the applicable Series Resolution as the latest date on which any unexpended original proceeds of such Bonds may be applied to the Purchase of Education Loans.

Loan Origination Target means, when applicable, an amount required to be expended from the Purchase Account relating to a particular Series of Bonds to originate or acquire Education Loans as of a particular date, as set forth in the Series Resolution relating to such Series of Bonds.

Loan Origination Target Date means, when applicable, the date by which the Loan Origination Target(s) relating to a particular Series of Bonds must be met, subject in each case to adjustment to a later



date or dates with Prior Rating Agency Notice, as set forth in the Series Resolution relating to such Series of Bonds.

Loan Program Certificate means the Loan Program Certificate attached to the most recent Series Resolution setting forth terms and conditions for the Education Loans to be Purchased and for the Loan Program, as the same may be amended from time to time, subject to Prior Rating Agency Notice and satisfaction of the Rating Agency Condition as to S&P.

London Business Day means any day on which commercial banks are open for general business (including dealings in foreign exchange and foreign currency) in the City of London, United Kingdom.

MEFA Loan means any Education Loan which is described in Section I of the Loan Program Certificate, and does not include Refinancing Loans.

MEFA Loan for Graduate Education means an Education Loan for a post-baccalaureate degree, or a post-doctoral program of study and bearing such further characteristics as are set forth in Section I of the Loan Program Certificate.

MEFA Loan for Undergraduate Education means an Education Loan for a program of study leading to a baccalaureate degree and bearing such further characteristics as are set forth in Section I of the Loan Program Certificate.

Nationally Recognized Rating Agency means (1) S&P, (2) Fitch, (3) any other credit rating agency which is nationally recognized for skill and expertise in rating the credit of obligations similar to the Bonds and (4) any successor to any of the foregoing by merger, conversion, consolidation or otherwise; provided in each case that such agency has assigned and is maintaining a rating on the Bonds or any Series of Bonds at the request of the Authority.

Operations Manual means the document on file at the Authority so designated containing the Program guidelines and certain Program forms, as amended from time to time by the Authority in a manner consistent with the covenants contained in the Resolution and in any applicable Series Resolution, provided, however, that no such amendment shall (a) reduce in any manner the amount of, or delay the time of, collections of scheduled payments with respect to an Education Loan Purchased or (b) reduce the underwriting standards with respect to an Education Loan or (c) conflict with any provision of the General Resolution or the related Series Resolution, except as specifically authorized by a Loan Program Certificate.

Other Taxable means, when used to modify any account or subaccount in a particular Fund established for a series of Taxable Fixed Rate Bonds or Taxable Floating Rate Bonds, the account or subaccount with the opposite interest rate characteristic to such series of Taxable Fixed Rate Bonds or Taxable Floating Rate Bonds as the case may be.

Outstanding, when used with reference to Bonds, means, as of any date, all Bonds theretofore or thereupon being delivered under the Resolution except: (i) any Bonds cancelled by the Trustee or any Paying Agent at or prior to such date; (ii) Bonds in lieu of or in substitution for which other Bonds shall have been executed and delivered pursuant to the Resolution or the provisions of any Series Resolution; and (iii) Bonds deemed to have been paid as provided in the Resolution.

PAC Bond means a Bond issued as a planned amortization class bond and designated as a PAC Bond pursuant to a Series Resolution.

PAC Installment means a scheduled Sinking Fund Installment with respect to a PAC Bond to be made subject to availability of adequate Revenues prior to the maturity date.

PAC Installment Accounts means collectively each account that is established in any of the Tax-Exempt Redemption Account, the Taxable Fixed Rate Redemption Account or the Taxable Floating Rate Redemption Account to provide for PAC Installments on PAC Bonds.

Parity Ratio means, as of any date of calculation, the ratio of the sum of the value of (a) the Education Loans Purchased (valued at par plus accruals), excluding Defaulted Education Loans; (b) all moneys and Investment Obligations held in the Funds and Accounts established under the Resolution (valued as set forth in the Resolution, plus accrued interest), other than the Rebate Fund and other than amounts held for the payment of Bonds which are no longer Outstanding within the meaning of the defeasance provisions (Section 1101(B)) of the Resolution, to the sum of (x) the principal of and accrued interest on all Outstanding Bonds and (y) all accrued but unpaid Program Expenses (as certified by an Authorized Officer).

Parity Ratio Certificate means a certificate of an Authorized Officer of the Authority showing that, as of the date of calculation, after giving effect to any proposed transfer or transaction, the Parity Ratio is at least equal to 109% or such other minimum required ratio set forth in the most current Series Resolution or Supplemental Resolution.

Participating Institution means (i) a non profit, degree granting educational institution, whether public or private, in Massachusetts or outside of Massachusetts, authorized by law to provide a program of education beyond the high school level, (ii) the Authority on behalf of a similarly situated educational institution or (iii) person, firm, association, corporation or other entity participating in the Authority's loan programs.

Paying Agent means the Trustee and any other bank or trust company designated as paying agent for the Bonds pursuant to the Resolution, and its successor or successors hereafter appointed in the manner provided therein.

Principal Installment means, as of any date of calculation with respect to a future date, an amount equal to the aggregate of (1) the principal amount of Outstanding Bonds which mature on such future date reduced by the aggregate principal amount of such Outstanding Bonds which would at or before such future date be retired by reason of the payment when due and application in accordance with the Resolution of remaining Sinking Fund Installments (after adjustment for any actual redemptions credited against such Sinking Fund Installments) payable at or before such future date for the retirement of such Outstanding Bonds, plus (2) the amount of any remaining Sinking Fund Installments (after adjustment for any actual redemptions credited against such Sinking Fund Installments) payable on such future date for the retirement of any Outstanding Bonds.

Principal Office, when used with respect to a Fiduciary, means the office where such Fiduciary maintains its principal office or, where different, its principal trust office.

Prior Rating Agency Notice means written notice to all Nationally Recognized Rating Agencies of an action proposed to be taken by the Authority under the Resolution which requires such notice, which notice shall be given no less than twenty (20) Business Days prior to the proposed effective date of such proposed action. In connection with any such Rating Agency Notice, the Authority agrees to use commercially reasonable efforts to provide to each Nationally Recognized Rating Agency such factual data and cash-flow analyses as such Nationally Recognized Rating Agency may reasonably request of the

Authority in order to review the proposed action, provided that such request is made in writing within ten (10) Business Days of receipt of the initial notice from the Authority.

Program or Loan Program means the Authority's program of Purchasing Education Loans pursuant to the terms of the Resolution and the Loan Program Certificate.

Program Documents means the Education Loan Note and any security agreement required for an Education Loan pursuant to the Loan Program Certificate, the Operations Manual or the loan servicing agreement between the Authority and the Servicer.

Program Expense Fund means the Program Expense Fund established by the Resolution.

Program Expenses means Authority Expenses and any fee, premium or other item of expense payable or reimbursable directly or indirectly by the Authority and related to (1) the compensation and expenses of the Fiduciaries payable in accordance with the Resolution, (2) the origination or servicing of Education Loans (whether by a Servicer, the Authority or another entity), (3) the fees, premiums and expenses of the provider of any Reserve Fund Facility (but not reimbursement of draws or payments under a Reserve Fund Facility or any interest due thereon), and (4) such other items of expense as may be provided for in a Series Resolution, but not including Subordinated Program Expenses.

Program Fund means the Program Fund established by the Resolution.

Projection of Revenues means a certificate concerning projected Revenues, Debt Service, Program Expenses and other matters prepared in accordance with the Resolution.

Purchase means, when used in reference to Education Loans or Education Loan Notes pledged as security for the Bonds, the purchase, origination or other acquisition of such Loans or Notes by the Authority, by the Trustee or by a Servicer acting on behalf of the Authority (including without limitation the designation by the Authority of existing loan or notes as Trust Assets), on terms and conditions permitted by the Resolution and the Program Documents.

Purchase Accounts means collectively the Tax-Exempt Purchase Account, the Taxable Fixed Rate Purchase Account and the Taxable Floating Rate Purchase Account.

Qualified Hedge Agreement shall mean a Hedge Agreement as defined in "Summary of Certain Provisions of the Resolution - Hedging Transactions" in Appendix C.

Qualified Institution shall mean (i) a bank, a trust company, a national banking association, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, or an insurance company or association chartered or organized under the laws of any state of the United States of America, a corporation, a trust, a partnership, an unincorporated organization, or a government or an agency, instrumentality, program, account, fund, political subdivision or corporation thereof, which makes collateralization arrangements consistent with those required under the definition of "Investment Securities" in sub-paragraph 10, or, in each case the unsecured or uncollateralized long-term debt obligations of which, or obligations secured or supported by a letter of credit, contract, agreement or surety bond issued by any such organization, at the time a Qualified Hedge Agreement is entered into by the Authority are rated in a category equal to or higher than "AA" by S&P or (ii) the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, or any other federal agency or instrumentality.

Rating Agency Condition means receipt of the written confirmation from the Nationally Recognized Rating Agency or Agencies then assigning a rating to any Series of Bonds specified in the applicable provision of the Resolution or of any Series Resolution that such rating will not be lowered or withdrawn as a result of an action proposed by the Authority under the Resolution which requires such confirmation.

Rebate Fund means the Rebate Fund established by the Resolution.

Rebate Fund Requirement means, as of any date of calculation, an amount equal to the aggregate of the amounts, if any, specified in each Series Resolution authorizing the issuance of a Series of Bonds or in a certificate of an Authorized Officer as the amount required to be deposited in the Rebate Fund with respect to such Bonds, any such certificate to be accompanied by a Favorable Opinion.

Recycling Period means, with respect to each Series of Bonds, the period beginning on the date of issuance of such Bonds and ending on the date specified in the most current Series Resolution or Loan Program Certificate applicable to such Bonds as the latest date on which Revenues of such Bonds may be applied to the Purchase of Education Loans.

Redemption Accounts means collectively the Tax-Exempt Redemption Account, the Taxable Fixed Rate Redemption Account and the Taxable Floating Rate Redemption Account.

Redemption Fund means the Redemption Fund established by the Resolution.

Redemption Price means, with respect to any Bond the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to the terms of such Bond and the Series Resolution applicable thereto.

Refinancing Loan means an Education Loan for refinancing higher education expenses which is described in Section II of the Loan Program Certificate.

Required Debt Service means Debt Service, other than Principal Installments that are payable by reason of Sinking Fund Installments (including PAC Installments and Cumulative Sinking Fund Installments) the mandatory nature of which is dependent upon the availability of Revenues therefor under the Resolution.

Reserve Fund means the Reserve Fund established by the Resolution.

Reserve Fund Facility means a letter of credit, policy of insurance, surety bond, acceptance, guarantee or other similar instrument issued to the Trustee for the account of the Authority under which moneys may be drawn by the Trustee for the purposes of the Reserve Fund and which meets the requirements set forth in the Resolution.

Reserve Fund Requirement means, as of any date of calculation while any Bonds are Outstanding, the amount specified in the most current Series Resolution or Supplemental Resolution.

Resolution means the Education Loan Revenue Bond Resolution, Issue I, as amended or supplemented from time to time by any Series or Supplemental Resolution in accordance with the terms of the Resolution.

Revenue Accounts means collectively, the Tax-Exempt Revenue Account, the Taxable Fixed Rate Revenue Account, and the Taxable Floating Rate Revenue Account.

Revenue Fund means the Revenue Fund established by the Resolution.

Revenues means (1) all amounts paid or required to be paid with respect to principal and interest from time to time on Education Loans, including without limitation, Education Loan Payments, Late Charges and amounts received upon the sale or other disposition of Education Loan Notes, (2) all amounts received from third parties by the Authority under any security agreement for an Education Loan, excluding any amounts loaned to the Authority thereunder or paid to the Authority as indemnification, (3) all interest, investment gains and other income received on moneys or securities held in Funds or Accounts established under the Resolution, except the Rebate Fund, and (4) payments received by the Authority under and pursuant to a Hedge Agreement, including without limitation a Qualified Hedge Agreement.

S&P means Standard & Poor's Credit Ratings Services, a division of McGraw-Hill Financial Incorporated and its successors and assigns.

Second Series Resolution means the Authority's Second Issue I Series Resolution authorizing \$405,000,000 Education Loan Revenue Bonds, Issue I, Series 2010A and Series 2010B, dated as of February 1, 2010.

Series means, except as otherwise provided in a Series Resolution, all of the Bonds delivered upon original issuance in a simultaneous transaction, and any Bonds thereafter delivered in lieu of or in substitution for such Bonds pursuant to the Resolution, regardless of variations in maturity, interest rate, Sinking Fund Installments, or other provisions. Reference to a Series in the Resolution shall be deemed to refer separately to each Subseries therein except as otherwise provided in the applicable Series Resolution or required by context in the Resolution.

Series 2009 Bonds or First Series Bonds means the Series 2009 Bonds of the Authority authorized by the First Series Resolution and the Resolution.

Series 2010 Bonds or Second Series Bonds means the Series 2010A Bonds and the Series 2010B Bonds of the Authority authorized by the Second Series Resolution and the Resolution.

Series 2014 Bonds or Third Series Bonds means the Series 2014 Bonds of the Authority authorized by the Third Series Resolution and the Resolution.

Series 2015A Bonds or Fourth Series Bonds means the Series 2015A Bonds of the Authority authorized by the Fourth Series Resolution and the Resolution.

Series 2015B Bonds or Fifth Series Bonds means the Series 2015B Bonds of the Authority authorized by the Fifth Series Resolution and the Resolution.

Series Resolution means any resolution supplemental to or amendatory of the Resolution adopted by the Authority in connection with the issuance of a Series of Bonds in accordance with the Resolution.

Servicer means (i) any person in the business of servicing loans who enters into a loan servicing agreement with the Authority for the servicing of Education Loans in connection with the Program, or (ii) the Authority, if it provides such services pursuant to the Resolution.

Servicing Agreement means the Private Loan Origination and Servicing Agreement dated June 1, 2008 between the Authority and ACS Education Services, Inc. and any other loan servicing agreement in

effect from time to time between the Authority and a Servicer for the servicing of Education Loans in connection with the Program.

Sinking Fund Installment means, with respect to Bonds of any particular Series and stated maturity date and any particular Interest Payment Date, the principal amount thereof required to be redeemed in advance of their stated maturity date on such Interest Payment Date pursuant to the provisions of the applicable Series Resolution, as contemplated by the Resolution.

Potential Special Optional Excess Revenues Redemption Date means each Interest Payment Date on which: (i) the aggregate Outstanding principal amount of the total Bonds Outstanding equals or exceeds an amount equal, at the time of determination, to the greater of (x) while any of the Series 2009 Bonds remain Outstanding, \$28,900,000 or (y) such other amount as may be established for such purpose by the then most recently adopted Series Resolution authorizing the issuance of Bonds which amount, as of the Closing Date of the Offered Bonds, shall be \$81,448,500 and (ii) either (a) such Interest Payment Date occurs during the Recycling Period or (b) the Parity Ratio exceeds 109.00% or such other amount, stated as a percentage, as may be required in a Parity Ratio Certificate as of the date of determination.

Student means a person admitted or enrolled or previously enrolled at an institution of higher education that is a Participating Institution who is, will be or was engaged on at least a half-time basis, as determined by the institution, in a program of study leading to a certificate or degree granted or to be granted by such institution or a post-doctoral program, meeting the requirements set forth in the Operations Manual.

Subordinated Bonds means Bonds issued as described under the section entitled “Summary of Certain Provisions of the Resolution - Subordinated Bonds” in Appendix C.

Subordinated Program Expenses means (1) the fees, charges and termination payments relating to a Qualified Hedge Agreement (which need not be included in the Annual Budget or Loan Program Certificate), and (2) such other items of expense as may be provided for in a Series Resolution or Loan Program Certificate, but not including Program Expenses.

Subordinated Program Expense Account means a subaccount created within the Program Expense Account for a particular Series of Bonds.

Subseries means a portion of a Series of Bonds separately designated under a Series Resolution to reflect differences in one or more of interest rate, programmatic use, tax treatment or other features, as determined by the Authority in its discretion. References to a Series in the Resolution shall be deemed to refer separately to each Subseries therein except as otherwise provided in the applicable Series Resolution or required by context in the Resolution.

Supplemental Resolution means any resolution supplemental to or amendatory of the Resolution other than a Series Resolution, adopted by the Authority in accordance with the Resolution.

Taxable Bonds means collectively, the Taxable Fixed Rate Bonds and Taxable Floating Rate Bonds.

Taxable Fixed Rate Bonds means any Bonds issued under the Resolution bearing interest at a fixed rate from issuance to maturity and the interest on which is included in gross income for federal income tax purposes.

Taxable Fixed Rate Capitalized Interest Account means the account established by the Resolution within the Program Fund.

Taxable Fixed Rate Capitalized Interest Account Requirement, means with respect to a Series of Taxable Fixed Rate Bonds, as of any Interest Payment Date, the amount set forth in the applicable Series Resolution or Supplemental Resolution.

Taxable Fixed Rate Excess Revenues means any amounts available in the Taxable Fixed Rate Revenue Account on any date of calculation after all monthly and semi-annual payments and transfers therefrom to meet Debt Service, Program Expenses and the Reserve Fund Requirement and any unscheduled transfers to meet Required Debt Service and Program Expenses required under the Resolution to be made from all sub-accounts within the Taxable Fixed Rate Revenue Account, as the case may be, on such date have been made, and to the extent applicable: (i) during the Recycling Period, the Authority determines that such amounts are not to be used to originate or acquire additional Education Loans; and (ii) if the requirements under the Resolution with respect to a release of moneys to the Authority may be met on such date, the Authority determines that such amounts are not to be so released.

Taxable Fixed Rate PAC Installment Account means a subaccount established by a Series Resolution with respect to a Series of Bonds within the Taxable Fixed Rate Redemption Account in the Redemption Fund.

Taxable Fixed Rate Program Expense Account means the account established by the Resolution within the Program Expense Fund.

Taxable Fixed Rate Purchase Account means the account established by the Resolution within the Program Fund.

Taxable Fixed Rate Redemption Account means the account established by the Resolution within the Redemption Fund.

Taxable Fixed Rate Revenue Account means the account established by the Resolution within the Revenue Fund.

Taxable Floating Rate Bonds means any Bonds issued under the Resolution bearing interest at a variable rate and the interest on which is included in gross income for federal income tax purposes.

Taxable Floating Rate Capitalized Interest Account means the account established by the Resolution within the Program Fund.

Taxable Floating Rate Capitalized Interest Account Requirement, means with respect to a Series of Taxable Floating Rate Bonds, as of any Interest Payment Date, the amount set forth in the applicable Series Resolution or Supplemental Resolution.

Taxable Floating Rate Excess Revenues means any amounts available in the Taxable Floating Rate Revenue Account on any date of calculation after all monthly and semi-annual payments and transfers therefrom to meet Debt Service, Program Expenses and the Reserve Fund Requirement and any unscheduled transfers to meet Required Debt Service and Program Expenses required under the Resolution to be made from all sub-accounts within the Taxable Floating Rate Revenue Account, as the case may be, on such date have been made, and to the extent applicable: (i) during the Recycling Period, the Authority determines that such amounts are not to be used to originate or acquire additional Education

Loans; and (ii) if the requirements under the Resolution with respect to a release of moneys to the Authority may be met on such date, the Authority determines that such amounts are not to be so released.

Taxable Floating Rate PAC Installment Account means a subaccount established by a Series Resolution with respect to a Series of Bonds within the Taxable Floating Rate Redemption Account in the Redemption Fund.

Taxable Floating Rate Program Expense Account means the account established by the Resolution within the Program Expense Fund.

Taxable Floating Rate Purchase Account means the account established by the Resolution within the Program Fund.

Taxable Floating Rate Redemption Account means the account established by the Resolution within the Redemption Fund.

Taxable Floating Rate Revenue Account means the account established by the Resolution within the Revenue Fund.

Taxable Revenues means Revenues received from or in connection with an Education Loan financed from proceeds of, or other amounts allocable to, Taxable Bonds.

Tax-Exempt Bonds means collectively, any Bonds the interest on which is excluded from gross income for federal income tax purposes.

Tax-Exempt Capitalized Interest Account means the account established by the Resolution within the Program Fund.

Tax-Exempt Capitalized Interest Account Requirement means with respect to a Series of Tax-Exempt Bonds, as of any Interest Payment Date, the amount set forth in the applicable Series Resolution or Supplemental Resolution.

Tax-Exempt Excess Revenues means any amounts available in the Tax-Exempt Revenue Account on any date of after all monthly and semi-annual payments and transfers therefrom to meet Debt Service, Program Expenses and the Reserve Fund Requirement and after any unscheduled transfers to meet Required Debt Service and Program Expenses required under the Resolution to be made from all sub-accounts within the Tax-Exempt Revenue Account, as the case may be, on such date have been made, and to the extent applicable: (i) during the Recycling Period, the Authority determines that such amounts are not to be used to originate or acquire additional Education Loans; and (ii) if the requirements under the Resolution, with respect to a release of moneys to the Authority may be met on such date, the Authority determines that such amounts are not to be so released.

Tax-Exempt PAC Installment Account means a subaccount established by a Series Resolution with respect to a Series of Bonds within the Tax-Exempt Redemption Account in the Redemption Fund.

Tax-Exempt Program Expense Account means the account established by the Resolution within the Program Expense Fund.

Tax-Exempt Purchase Account means the account established by the Resolution within the Program Fund.



Tax-Exempt Redemption Account means the account established by the Resolution within the Redemption Fund.

Tax-Exempt Revenues means Revenues received from or in connection with an Education Loan financed from proceeds of, or other amounts allocable to, Tax-Exempt Bonds.

Tax-Exempt Revenue Account means the account established by the Resolution within the Revenue Fund.

Third Series Resolution means the Authority's Third Issue I Series Resolution authorizing \$185,700,000 Education Loan Revenues Bonds, Issue I, Series 2014, dated as of April 25, 2014.

Three Month Treasury Bill Yield means the per annum discount rate (expressed as a bond equivalent yield on the basis of 365 or 366 days, as applicable, and applied on a daily basis) for 91-day Treasury Bills set at the most recent 91-day Treasury Bill auction as published by the Board of Governors of the Federal Reserve of the United States Department of Treasury (in Statistical Release H.15 or any successor publication), or, in the event no such rates are published by either of the above, then as quoted or published by any Federal Reserve Bank or any department or agency of the United States of America.

Trust Assets shall have the meaning set forth in the Resolution.

Trustee means the trustee appointed pursuant to the Resolution, and its successor or successors.

UCC means the Uniform Commercial Code as in force in The Commonwealth of Massachusetts, as may be amended from time to time.

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**SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION**

The Resolution contains terms and conditions relating to the issuance and sale of the Offered Bonds as well as other Bonds issued under the Resolution, including various covenants and security provisions, certain of which are summarized below.

*Effective upon the initial issuance of the Offered Bonds, certain provisions of the Issue I General Resolution that are described in this Appendix will be amended, and the statements in this Appendix describe such provisions as so amended. This Appendix should not be relied upon with respect to Outstanding Issue I Bonds prior to the initial issuance of the Offered Bonds.*

This summary does not purport to be comprehensive or definitive and is subject to all of the provisions of the Resolution, copies of which are available from the Authority or the Trustee. Certain terms and conditions of the Resolution are also described under “THE SERIES 2015B-1 BONDS,” “THE SERIES 2015B-2 BONDS” and “SECURITY FOR THE ISSUE I BONDS AND SOURCES OF PAYMENT,” and certain terms used therein are defined in Appendix B hereto.

**Resolution as Contract with Bondholders (Section 103)**

The Resolution constitutes a contract among the Authority, the Trustee and the Holders of the Bonds issued thereunder from time to time, including the Offered Bonds. The pledge made in the Resolution and the covenants and agreements therein are for the benefit, protection and security of the Holders of the Bonds, including the Offered Bonds and any additional Bonds issued under the Resolution, all of which, regardless of their maturity, rank equally without preference, priority or distinction of any Bond over another Bond except as expressly provided in or permitted by the Resolution.

**Hedging Transactions (Section 104)**

A Hedge Agreement is a Qualified Hedge Agreement if (i) the provider of the Hedge Agreement is a Qualified Institution or the provider’s obligations under the Hedge Agreement are unconditionally guaranteed by a Qualified Institution and (ii) the Authority designates it as such by a certificate of an Authorized Officer. Entering into a Hedge Agreement is subject to Prior Rating Agency Notice and satisfaction of the Rating Agency Condition as to S&P.

If the Authority shall enter into any Qualified Hedge Agreement with respect to any Bonds and the Authority has made a determination that the Qualified Hedge Agreement was entered into for the purpose of hedging or managing the interest due with respect to those Bonds, then during the term of the Qualified Hedge Agreement and so long as the provider of the Qualified Hedge Agreement is not in default:

- (1) for purposes of any calculation of Debt Service or interest on Bonds, the interest rate on the Bonds with respect to which the Qualified Hedge Agreement applies shall be determined as if such Bonds had interest payments equal to the interest payable on those Bonds less any payments reasonably expected to be made to the Authority by the provider and plus any payments reasonably expected to be made by the Authority to the provider in accordance with the terms of the Qualified Hedge Agreement (other than fees, charges or termination payments payable to such provider for providing the Qualified Hedge Agreement);

- (2) any such payments (other than fees, charges and termination payments, referred to in the Resolution as “regular payments”) required to be made by the Authority to the provider pursuant to such Qualified Hedge Agreement shall be made from amounts on deposit in the Debt Service Fund and shall be treated as interest in an Event of Default;
- (3) any such payments received by or for the account of the Authority from the Provider pursuant to such Qualified Hedge Agreement shall be deposited in the applicable account in the Revenue Fund; and
- (4) fees, charges and termination payments, if any, payable to the provider may be deemed to be Subordinated Program Expenses and paid from amounts on deposit in the Subordinated Program Expense Account within the Program Expense Fund if and to the extent expressly provided in the Qualified Hedge Agreement (otherwise such fees, charges and termination payments shall be payable solely from general funds of the Authority).

If the Authority enters into a Hedge Agreement with respect to any Bonds and the Authority has made a determination that the Hedge Agreement was entered into for the purpose of hedging or managing the interest due with respect to those Bonds that is not a Qualified Hedge Agreement, then: (1) the interest rate adjustments or assumptions referred to in clause (1) of the second paragraph under this heading “Hedging Transactions” shall not be made; (2) any and all payments required to be made by the Authority to the provider pursuant to such Hedge Agreement (including any fees, charges and termination payments) shall be made only from general funds of the Authority; and (3) any payments received by the Authority from the provider pursuant to such Hedge Agreement shall be treated as Revenues and shall be deposited in the applicable account in the Revenue Fund.

#### **Provisions for Issuance of a Series of Bonds (Section 202)**

The Bonds of each Series shall be executed by or on behalf of the Authority for issuance under the Resolution and delivered to the Trustee for authentication and, upon authentication by the Trustee, delivered to the Authority or upon its order, but only upon the receipt by the Trustee, among other things, of the following:

- (1) A copy of the Series Resolution authorizing such Series of Bonds, certified by an Authorized Officer;
- (2) A Counsel’s Opinion, dated the date of delivery of such Series, to the effect that (i) the Resolution and such Series Resolution have been duly and lawfully adopted by the Authority, are in full force and effect and are valid and binding upon the Authority and enforceable in accordance with their terms, and no other authorization for the Resolution or such Series Resolution is required; (ii) the Resolution creates the valid pledge and lien which it purports to create subject to the provisions of the Resolution; and (iii) the Bonds of such Series have been duly and validly authorized and issued in accordance with law, including the Act as amended to the date of such opinion, and in accordance with the Resolution and are valid and binding special obligations of the Authority, enforceable in accordance with their terms and the terms of the Resolution and entitled to the benefits of the Resolution; provided that such Counsel’s Opinion may take an exception for limitations imposed by or resulting from laws of bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditor’s rights theretofore or thereafter enacted and for considerations of equity;

- (3) A certificate of an Authorized Officer as to the authentication and delivery of the Bonds of such Series;
- (4) A certificate of an Authorized Officer stating that as of the delivery of such Series of Bonds no Event of Default will have happened and then be continuing;
- (5) A certificate of an Authorized Officer stating the amounts, if any, which are to be transferred and the dates on which such transfers are to be made by the Trustee from the Tax-Exempt Capitalized Interest Account, Taxable Fixed Rate Capitalized Interest Account or Taxable Floating Capitalized Interest Account to the Debt Service Fund or any other Fund; provided that such certificate shall be subject to amendment by certificate of an Authorized Officer delivered to the Trustee at any time;
- (6) A Favorable Projection of Revenues dated as of the date of issuance of the Bonds of such Series;
- (7) With respect to all prior Bonds issued, satisfaction of the Rating Agency Condition as to all Nationally Recognized Rating Agencies; and
- (8) A Loan Program Certificate, as amended or confirmed as of the date of issuance of the Bonds of such Series.

#### **Subordinated Bonds (Section 206)**

The Authority may issue Subordinated Bonds under the Resolution, subject to satisfying the Rating Agency Condition as to all Nationally Recognized Rating Agencies, which are secured by a pledge of Trust Assets that is subordinate to the pledge applicable to Bonds other than Subordinated Bonds. Funds on deposit in the Reserve Fund shall not, unless otherwise provided in the applicable Series Resolution, be applied to the payment of the principal of or interest on Subordinated Bonds. The Series Resolution with respect to any Subordinated Bonds may establish separate reserves for the benefit of such Subordinated Bonds and amend the Resolution to the extent necessary to effect the subordination of payments with respect to Subordinated Bonds.

#### **Rating Agency Condition and Prior Rating Agency Notice (Section 207)**

Prior Rating Agency Notice and satisfaction of the Rating Agency Condition shall be required as to all Nationally Recognized Rating Agencies for any supplement or change to or modification of a Series Resolution or the Resolution in connection with the issuance of additional Bonds under the Resolution. Prior Rating Agency Notice and satisfaction of the Rating Agency Condition as to S&P shall be required for any change in the level at which assets may be released from the Resolution, any supplement or change to or modification of a Series Resolution which shall reduce the Reserve Fund Requirement specified in the latest Series Resolution, any amendment to a Loan Program Certificate, any supplement or change to or modification of a Series Resolution which shall reduce the minimum Parity Ratio required for a Parity Ratio Certificate specified in the latest Series Resolution, entering into a Hedge Agreement and entering into any investment agreement in connection with a particular Series of Bonds after the date of issuance of such Series. Prior Rating Agency Notice shall be required for any other supplement or change to or modification of a Series Resolution or this Resolution. In addition, with respect to the Offered Bonds, Prior Rating Agency Notice shall be provided upon (i) the extension of the Loan Origination Period for the Offered Bonds, (ii) adjustment of any then applicable Loan Origination Target Date, (iii) reduction of any then applicable Loan Origination Target, or (iv) the extension of any then applicable Recycling Period for any such Series of Bonds.

### **Pledge of the Resolution (Section 501)**

As security for the payment of the principal or redemption price of and interest on the Bonds the Authority in the Resolution pledges and grants to the Trustee on behalf of the Bondholders a security interest in (1) all Revenues, (2) all Education Loan Notes and any other Revenue-producing contracts or loan guaranties and all rights and interests of the Authority incident thereto, except for amounts loaned to the Authority or the Authority's rights to indemnification under any security agreement required for an Education Loan Note pursuant to the Loan Program Certificate, (3) all moneys and securities on deposit in all funds and accounts created by or pursuant to the Resolution described under "Establishment of Funds and Accounts" below (except for the Rebate Fund), including without limitation any Reserve Fund Facilities, any funds drawn on Reserve Fund Facilities and any Investment Obligations in which such moneys are invested, (4) all general intangibles (including payment intangibles) comprising or relating to any of the foregoing and (5) the proceeds of any of the foregoing, whether any of the foregoing is now existing or is hereafter acquired (collectively the "Trust Assets"). It is expressly understood, however, that the application of amounts held under the Resolution for the purposes and on the terms and conditions set forth therein is permitted. To the extent permitted by law, the foregoing pledge will be valid and binding from the time of delivery by the Authority of the Bonds, will be effective as to all such rights and other pledged property whether now existing or hereafter coming into existence, whether now held or hereafter acquired by the Authority, and whether or not segregated or held in trust by the Authority. The Authority represents and warrants that the Resolution creates a valid and continuing security interest in the Trust Assets in favor of the Trustee, which security interest is prior to all other liens, and is enforceable as such as against creditors of and purchasers from the Authority. The Resolution further states that such rights, Revenues, Education Loan Notes, Reserve Fund Facilities, contracts, guaranties, other property and proceeds so pledged will immediately be subject to the lien of such pledge without any physical delivery or segregation thereof or further act and the lien of such pledge will be valid and binding against any and all parties having a claim of any kind, in tort, contract or otherwise, against the Authority, irrespective of whether such parties have notice thereof.

### **Establishment of Funds and Accounts (Section 502)**

The Resolution establishes certain funds and accounts to be held by the Trustee, including:

(1) Program Fund

Tax-Exempt Purchase Account

Taxable Fixed Rate Purchase Account

Taxable Floating Rate Purchase Account

Tax-Exempt Capitalized Interest Account

Taxable Fixed Rate Capitalized Interest Account

Taxable Floating Rate Capitalized Interest Account

Costs of Issuance Accounts

(2) Revenue Fund

Tax-Exempt Revenue Account

Taxable Fixed Rate Revenue Account

Taxable Floating Rate Revenue Account

(3) Debt Service Fund

(4) Reserve Fund

(5) Program Expense Fund

Tax-Exempt Program Expense Account

Taxable Fixed Rate Program Expense Account

Taxable Floating Rate Program Expense Account

(6) Redemption Fund

Tax-Exempt Redemption Account

Taxable Fixed Rate Redemption Account

Taxable Floating Rate Redemption Account

(7) Rebate Fund

The Authority may by Series Resolution adopted in connection with the issuance of a Series or Subseries of Bonds under the Resolution establish additional Funds or Accounts for each such Series or Subseries and may pursuant to such Series Resolution or by certificate of an Authorized Officer of the Authority establish within one or more Funds or Accounts separate subaccounts for each such Series or Subseries. To the extent such separate subaccounts are so established, the proceeds of a particular Series or Subseries of Bonds, the Revenues from Education Loans acquired with such proceeds and the investment earnings on moneys in such subaccounts relating to a particular Series or Subseries of Bonds, as applicable, whenever required to be deposited or credited in any Fund, shall be deposited or credited to the subaccount established therein for that particular Series or Subseries of Bonds, if any. To the extent moneys are required to be deposited to or withdrawn from any Fund or Account pursuant to the Resolution and the applicable subaccount does not have adequate amounts on deposit, the Trustee shall, except as otherwise provided in the Resolution or, to the extent permitted by the Resolution, in a Series Resolution or a certificate of an Authorized Officer, withdraw pro-rata from each other subaccount within the relevant Fund or Account (determined according to the amounts available in such subaccounts) the amounts necessary to make such deposit or withdrawal. When Accounts or separate subaccounts established for a Series or Subseries of Bonds are no longer active, the Authority may, by certificate of an Authorized Officer, instruct the Trustee to close such accounts and subaccounts.

#### **Program Fund (Section 504)**

Purchase Account. A Purchase Account within the Program Fund will be used for the Purchase of Education Loan Notes to the extent provided for by the applicable Series Resolution. The Trustee, upon the written request of the Authority will pay from the Purchase Account the amount stated in such written request to be payable to the Participating Institution(s) or, in the case of Refinancing Loans, to the lenders or the loan servicers on loans being refinanced, or, in any case, to an intermediary designated by

the Authority, the amounts, if any, stated in such written request for or upon the Purchase of the Education Loans specified in such request. In the case of Education Loans, the written request will certify, among other things, the purchase price of the Education Loans specified to be Purchased and that the amount of the payments requested does not exceed the purchase price of the Education Loans to be Purchased.

All moneys transferred from the Revenue Fund or the Redemption Fund to the Purchase Account pursuant to the Resolution (as described below under “Monthly Transfers from Revenue Fund” or “Covenants as Education Loans”) will be used to Purchase Education Loans in the manner provided above, provided that at any time the Authority may direct the Trustee to transfer any such moneys to the Redemption Fund.

When all Education Loans to be Purchased from a Purchase Account have been so Purchased, as evidenced by a certificate of an Authorized Officer, but in any event, in the case of Education Loans to be purchased with the proceeds of a particular series of the Bonds by the date provided in the applicable Series Resolution any amount of original proceeds remaining unexpended in the applicable Purchase Account, less any amounts which are specified in a certificate of an Authorized Officer as required for the Purchase of Education Loans committed to be originated or acquired after such date, shall be transferred by the Trustee to the applicable Redemption Account for application to the redemption of such Series of Bonds (subject to certain conditions if not applied to the applicable Series), provided that any portion of such amount consisting of moneys of the Authority derived other than from the proceeds of Bonds or of bonds refunded by Bonds may, if permitted under the applicable Series Resolution, be transferred by the Trustee to the Revenue Fund or to the Authority free and clear of the lien and pledge of the Resolution upon written direction of an Authorized Officer if such direction is accompanied by a Parity Ratio Certificate; provided further, that any amounts remaining in the applicable Capitalized Interest Accounts and the Costs of Issuance Account not required for the purposes thereof shall be transferred by the Trustee to the applicable Redemption Account or the Debt Service Fund, as the Authority shall instruct the Trustee. The deadline for Loan origination with respect to a Series of Bonds may be extended to later dates with Prior Rating Agency Notice.

In addition, in the case of Education Loans to be purchased with the proceeds of a Series of Bonds for which a Loan Origination Target has been established, if the Loan Origination Target established for each respective Loan Origination Target Date is not met, an amount of money equal to the amount by which the Loan Origination Target for such Loan Origination Target Date exceeds the amount expended (or committed to be expended) from the applicable Purchase Account as of such Date must be transferred by the Trustee to the applicable Redemption Account for mandatory redemption resulting from non-origination.

Interest or other income derived from the investment or deposit of moneys in the Purchase Account will be transferred to the applicable Revenue Account unless otherwise specified in the applicable Series Resolution or, if permitted by the Series Resolution, an Authorized Officer files a certificate with the Trustee directing that such amounts be retained in the Purchase Account except that proceeds of the disposition of Education Loans shall be applied as described under the heading “Covenants as to Education Loans” below. Interest or other income derived from the investment or deposit of moneys in the Capitalized Interest Accounts and Costs of Issuance Account shall be transferred to the applicable Revenue Account.

Capitalized Interest Accounts. The Capitalized Interest Accounts within the Program Fund will be used, to the extent provided for by the applicable Series Resolution, for the deposit of a portion of the proceeds of a Series of Bonds or other moneys equal to the amount set forth in the schedule attached to such Series Resolution and to the extent available, for the purpose of paying interest on the applicable



Series of Bonds or for paying Program Expenses. Monthly and on the second Business Day before each Interest Payment Date, to the extent funds are not available in the Tax-Exempt Revenue Account, Taxable Fixed Rate Revenue Account or Taxable Floating Rate Revenue Account, as applicable, the Authority shall furnish the Trustee with a letter of instruction pursuant to which moneys in the applicable Capitalized Interest Accounts for the applicable Series of Bonds shall be transferred by the Trustee for deposit in the Tax-Exempt Program Expense Account, Taxable Fixed Rate Program Expense Account or Taxable Floating Rate Program Expense Account, as applicable, the amount of Program Expenses due and payable. Monthly and on the second Business Day before each Interest Payment Date, to the extent funds are not available in the applicable Revenue Account, the Trustee shall draw from the applicable Capitalized Interest Account for the Series of Bonds, the amount of interest accrued and due thereon. If on any Interest Payment Date there are more funds on deposit in the Applicable Capitalized Interest Account for a particular Series of Bonds than needed to satisfy the Capitalized Interest Account Requirement, any such excess moneys in such account shall be transferred to the applicable Revenue Account.

If on any Interest Payment Date there are insufficient amounts in a Debt Service Account to provide for the payment of interest on the Bonds then due, the Trustee at that time shall transfer from each Capitalized Interest Account and pay into the applicable Debt Service Account the amount of the deficiency in accordance with the respective priorities set forth in the Resolution for deficiencies relating to Tax-Exempt Bonds and for deficiencies relating to Taxable Bonds. If at any time there are insufficient amounts in the Tax-Exempt Program Expense Account, Taxable Floating Rate Program Expense Account or Taxable Fixed Rate Program Expense Account, as applicable, to provide for the payment of Program Expenses then due and payable therefrom, the Trustee at that time shall transfer from each Capitalized Interest Account and pay into the Tax-Exempt Program Expense Account, Taxable Floating Rate Program Expense Account or Taxable Fixed Rate Program Expense Account, as applicable, the amount of the deficiency in accordance with the respective priorities set forth in the Resolution for deficiencies relating to Tax-Exempt Bonds and for deficiencies relating to Taxable Bonds. (as described below under “Priority of Unscheduled Draws to Meet Required Debt Service and Program Expenses for Tax-Exempt Bonds” and “Priority of Unscheduled Draws to Meet Required Debt Service and Program Expenses for Taxable Bonds”).

Costs of Issuance Account. A Costs of Issuance Account within the Program Fund will be used to pay or reimburse the Authority for Costs of Issuance upon receipt of a requisition signed by an Authorized Officer stating the amount and purpose of any such payment, to the extent provided by the applicable Series Resolution; provided that, in the case of Bond proceeds, any deposit into the Cost of Issuance Account is included in the latest Favorable Projection of Revenues filed pursuant to the Resolution and further provided that, except in the case of Taxable Bonds or as otherwise provided in the applicable Series Resolution, the total Costs of Issuance paid out of proceeds of such account shall not exceed two percent of the initial principal amount of the applicable Series of Bonds less original issue discount.

#### **Revenues and Revenue Fund (Section 506)**

All Revenues (except those earnings retained in certain funds and accounts as provided in the Resolution and certain proceeds of disposition of Education Loans as described below under “Covenants as to Education Loans,” or as otherwise provided for by a Series Resolution, with respect to Revenues allocable to a Series of Bonds authorized thereby), will promptly, upon receipt by the Authority, be deposited in the Revenue Fund; provided that (i) Revenues allocable to Tax-Exempt Bonds shall be deposited in the Tax-Exempt Revenue Account, (ii) Revenues allocable to Taxable Fixed Rate Bonds shall be deposited in the Taxable Fixed Rate Revenue Account and (iii) Revenues allocable to Taxable Floating Rate Bonds shall be deposited in the Taxable Floating Rate Revenue Account. Revenues which

have been received by persons collecting Revenues on behalf of the Authority but have not yet been paid over directly to the Authority are deemed to be Revenues and deemed to be received by the Authority, but will not be deposited in the applicable account in the Revenue Fund until paid over to the Authority.

### **Monthly Transfers from Revenue Fund (Section 506)**

The Resolution provides that on the second to last Business Day of each month, the Trustee will apply moneys in the Tax-Exempt Revenue Account, Taxable Fixed Rate Revenue Account, and Taxable Floating Rate Revenue Account, as applicable, to make deposits and withdrawals in the following priority:

- (1) With respect to Tax-Exempt Bonds, to the Rebate Fund from the Tax-Exempt Revenue Account, the amount necessary so that the balance therein shall equal the Rebate Fund Requirement;
- (2) As directed by the Authority, (a) to the Tax-Exempt Program Expense Account from the Tax-Exempt Revenue Account; (b) to the Taxable Fixed Rate Program Expense Account from the Taxable Fixed Rate Revenue Account; and (c) to the Taxable Floating Rate Program Expense Account from the Taxable Floating Rate Revenue Account, in each case in an amount certified to the Trustee by an Authorized Officer, which amount together with prior amounts transferred to each such Program Expense Account for such Fiscal Year, is not in excess of the budgeted cumulative year-to-date amount for Program Expenses to be paid from the applicable Revenue Account through the end of the next ensuing month set forth in the most recent Annual Budget of the Authority on file with the Trustee and is not inconsistent on a cumulative basis with the Loan Program Certificate, all as certified by an Authorized Officer;
- (3) (a) To the Debt Service Fund:

(x) with respect to Tax-Exempt Bonds, from the Tax-Exempt Revenue Account, as necessary so that the amount on deposit is equal to (i) interest accrued and to accrue on the Bonds from the most recent Interest Payment Date through the end of the month, including any payments due or to become due under a Qualified Hedge Agreement (other than fees, charges and termination fees), plus (ii) commencing six months or twelve months, as applicable, prior to the first Interest Payment Date on which a Principal Installment (including, except as otherwise specified in a Series Resolution with respect to a Series of Bonds authorized by such Series Resolution, any Cumulative Sinking Fund Installment but not including any scheduled PAC Installment prior to the final maturity date of a PAC Bond) is due on the Bonds, the portion of such Principal Installment that would have accrued on the Bonds from the most recent Interest Payment Date through the end of the month if amounts due on such Principal Installment accrued in equal monthly installments; provided, however, that if there are insufficient funds in the Tax-Exempt Revenue Account for payment in respect of interest on the Bonds pursuant to clause (i) above, the Trustee shall draw the required amounts, first, from the Tax-Exempt Capitalized Interest Account and then according to the priority set forth below under "Priority of Unscheduled Draws to Meet Required Debt Service and Program Expenses for Tax-Exempt Bonds"; and

(y) with respect to Taxable Fixed Rate Bonds and Taxable Floating Rate Bonds, from the Applicable Taxable Revenue Account, as necessary so that the amounts on deposit are equal to (i) interest accrued and to accrue on the Taxable Fixed Rate Bonds

and Taxable Floating Rate Bonds from the most recent Interest Payment Date through the end of the month, respectively, including any payments due or to become due under a Qualified Hedge Agreement (other than fees, charges and termination fees), plus (ii) commencing six months or twelve months, as applicable, prior to the next succeeding Interest Payment Date on which a Principal Installment (including, except as otherwise specified in a Series Resolution with respect to a Series of Bonds authorized by such Series Resolution, any Cumulative Sinking Fund Installment but not including any scheduled PAC Installment prior to the final maturity date of a PAC Bond) is due on such Taxable Bonds, the portion of such Principal Installment that would have accrued on the Taxable Bonds from the most recent Interest Payment Date through the end of the month if amounts due on such Principal Installment accrued in equal monthly installments; provided, however, that if there are insufficient funds in the Applicable Taxable Revenue Account for payment in respect of interest on the Taxable Bonds pursuant to clause (i) above, the Trustee shall draw the required amounts from, first, the Applicable Taxable Capitalized Interest Account and then according to the priority set forth below under “Priority of Unscheduled Draws to Meet Required Debt Service and Program Expenses for Taxable Bonds”;

(b) (x) with respect to Tax-Exempt Bonds, to the applicable Tax-Exempt PAC Installment Account in the Redemption Fund, from the applicable Tax-Exempt Revenue Account, commencing six months prior to the next succeeding Interest Payment Date on which a PAC Installment is due on such Tax-Exempt Bonds, as necessary so that the amounts on deposit are equal to such portion of the PAC Installments that would have accrued on the Tax-Exempt Bonds from the most recent Interest Payment Date through the end of the month if amounts due on such PAC Installments accrued during such six month period in equal monthly installments; provided that if insufficient funds are available to deposit the full amount of all such PAC Installments from the applicable Tax-Exempt Revenue Account then such PAC Installments shall be funded in sequential order based on the date of issuance of the related Series of Tax-Exempt Bonds and, in the case of multiple such PAC Bonds with the same date of issuance, in sequential order by final stated maturity date; and

(y) with respect to Taxable Fixed Rate Bonds and Taxable Floating Rate Bonds, to the Applicable Taxable PAC Installment Account in the Redemption Fund, from the Applicable Taxable Revenue Account, commencing six months prior to the next succeeding Interest Payment Date on which a PAC Installment is due on Taxable Fixed Rate Bonds or Taxable Floating Rate Bonds, as necessary so that the amounts on deposit are equal to such portion of the PAC Installments that would have accrued on such Taxable Bonds from the most recent Interest Payment Date through the end of the month if amounts due on such PAC Installments accrued during such six month period in equal monthly installments; provided that if insufficient funds are available to deposit the full amount of all such PAC Installments for such Taxable Fixed Rate Bonds or Taxable Floating Rate Bonds from the Applicable Taxable Revenue Account, then such PAC Installments shall be funded in sequential order based on the date of issuance of the related Series of Taxable Bonds and, in the case of multiple such PAC Bonds with the same date of issuance, in sequential order by final stated maturity date.

(c) (x) with respect to Tax-Exempt Bonds, to the extent specified in a Series Resolution with respect to a Series of Bonds authorized by such Series Resolution, from the Tax-Exempt Revenue Account, commencing six months or twelve months, as applicable, prior to the first Interest Payment Date on which a Cumulative Sinking Fund Installment is

due on the Bonds, as necessary so that the amount on deposit is equal to such portion of such Cumulative Sinking Fund Installment that would have accrued on the Bonds from the most recent Interest Payment Date through the end of the month if amounts due on such Cumulative Sinking Fund Installment accrued in equal monthly installments; and

(y) with respect to Taxable Fixed Rate Bonds and Taxable Floating Rate Bonds, from the Applicable Taxable Revenue Account, to the extent specified in a Series Resolution with respect to a Series of Bonds authorized by such Series Resolution, commencing six months or twelve months, as applicable, prior to the next succeeding Interest Payment Date on which a Cumulative Sinking Fund Installment is due on Taxable Fixed Rate Bonds or Taxable Floating Rate Bonds, as necessary so that the amounts on deposit are equal to such portion of the Cumulative Sinking Fund Installment that would have accrued on such Taxable Fixed Rate Bonds or Taxable Floating Rate Bonds from the most recent Interest Payment Date through the end of the month if amounts due on such Cumulative Sinking Fund Installment accrued in equal monthly installments.

- (4) As directed by the Authority, (a) to the Tax-Exempt Program Expense Account from the Tax-Exempt Revenue Account; (b) to the Taxable Fixed Rate Program Expense Account from the Taxable Fixed Rate Revenue Account; and (c) to the Taxable Floating Rate Program Expense Account from the Taxable Floating Rate Revenue Account, in each case in an amount certified to the Trustee by an Authorized Officer sufficient to provide for payment of Subordinated Program Expenses consistent with the Annual Budget and the Loan Program Certificate to be paid from the applicable Revenue Account;
- (5) To the Reserve Fund, in the manner set forth in the Resolution, if the amount therein is less than the Reserve Fund Requirement, the lesser of the moneys available therefor or the amount required so that the balance therein shall equal the Reserve Fund Requirement and any amount required to reimburse the provider of a Reserve Fund Facility for a draw or payment thereunder, including any interest thereon;
- (6) To the Purchase Account or applicable subaccount therein for each Series of Bonds, to the extent directed by an Authorized Officer in writing, Revenues derived from or allocable to such Series of Bonds, but only during the Recycling Period for such Series of Bonds; provided that Revenues derived from or allocable to such Series of Bonds may be transferred to the Purchase Account of another Series of Bonds (including Bonds with different interest rate characteristics), if and to the extent that the Purchase Account of such other Series of Bonds has previously been drawn upon (and not replenished) pursuant to the respective priorities set forth below under “Priority of Unscheduled Draws to Meet Required Debt Service and Program Expenses for Tax-Exempt Bonds” and below under “Priority of Unscheduled Draws to Meet Required Debt Service and Program Expenses for Taxable Bonds,” to meet certain shortfalls in Revenues derived from or allocable to such Series of Bonds derived from or allocable to such Series of Bonds; and
- (7) To the Redemption Fund (and within such Fund to such account as the Authority may direct in accordance with “Application of Excess Revenues to Redemption of Bonds” below), the remaining balance in the applicable account of the Revenue Fund; provided that, subject to draws as described below under “Priority of Unscheduled Draws to Meet Required Debt Service and Program Expenses for Tax-Exempt Bonds” and “Priority of Unscheduled Draws to Meet Required Debt Service and Program Expenses for Taxable Bonds,” such amounts may be retained in the Revenue Account until the time of the final

transfers to be made from the Revenue Fund preceding the next Interest Payment Date to the extent that an Authorized Officer certifies in writing that either (i) such Revenues are expected to be required for such final transfers or (ii) following all other required transfers to be made prior to the next Interest Payment Date, the Authority expects pursuant to the last paragraph in the Section entitled “Semi-Annual Transfers from Revenue Fund” below to authorize transfer of the retained amounts to the Authority as described below under “Release of Certain Revenues from Lien of Resolution.”

Pursuant to the Fifth Series Resolution, the Cumulative Sinking Fund Installments on the Series 2015B-2 Bonds maturing on July 1, 2025 and January 1, 2030, respectively, will be paid pursuant to paragraph 3(c)(y) above rather than paragraph 3(a)(y) above.

### **Semi-Annual Transfers from Revenue Fund (Section 506)**

The Resolution provides that, in addition to the monthly transfers from the Revenue Fund, on the second Business Day before each Interest Payment Date on the Outstanding Bonds, the Trustee will transfer amounts from the applicable Account of the Revenue Fund in the following order of priority:

- (1) With respect to Tax-Exempt Bonds, to the Rebate Fund from the Tax-Exempt Revenue Account, if and to the extent required so that the balance therein shall equal the Rebate Fund Requirement;
- (2) As directed by the Authority, (a) to the Tax-Exempt Program Expense Account from the Tax-Exempt Revenue Account; (b) to the Taxable Fixed Rate Program Expense Account from the Taxable Fixed Rate Revenue Account; and (c) to the Taxable Floating Rate Program Expense Account from the Taxable Floating Rate Revenue Account, to the extent that the amounts transferred thereto from each such Revenue Account or any applicable Capitalized Interest Account since the next preceding Interest Payment Date for applicable Program Expenses consistent with the Annual Budget and the Loan Program Certificate (through the end of the month in which such Interest Payment Date occurs) are less than the amounts required to be transferred thereto in accordance with the Resolution;
- (3) (a) To the Debt Service Fund, if and to the extent required, in the same manner as on a monthly basis in accordance with the Resolution, so that the balance therein shall equal the sum of all due and unpaid interest and Principal Installments and all interest and Principal Installments to become due on such Interest Payment Date on the Bonds Outstanding (interest includes regular payments due or to become due on Qualified Hedge Agreements and, for this purpose, Principal Installments includes Cumulative Sinking Fund Installments, except as otherwise specified in a Series Resolution with respect to a Series of Bonds authorized by such Series Resolution, but excludes PAC Installments prior to the final maturity date of a PAC Bond); and  
  
(b) (x) with respect to the Tax-Exempt Bonds, to each Tax-Exempt PAC Installment Account in the Tax-Exempt Redemption Account from the Tax-Exempt Revenue Account, the lesser of the moneys available therefor or the amount required so that the balance therein is equal to the PAC Installments due on Tax-Exempt Bonds on such Interest Payment Date; provided that if insufficient funds are available to deposit the full amount of all such PAC Installments from the Tax-Exempt Revenue Account, then PAC Installments shall be funded in sequential order based on the date of issuance of the related Series of Tax-Exempt Bonds and, in the case of multiple such PAC Bonds with the same date of issuance, in sequential order by final stated maturity date;

(y) with respect to Taxable Fixed Rate Bonds and Taxable Floating Rate Bonds, to each Applicable Taxable PAC Installment Account in the Applicable Taxable Redemption Account from the Applicable Taxable Revenue Account, the lesser of the moneys available therefor or the amount required so that the balance therein is equal to the PAC Installments due on such Taxable Bonds on such Interest Payment Date; provided that if insufficient funds are available to deposit the full amount of all such PAC Installments from the Applicable Taxable Revenue Account, then such PAC Installments shall be funded in sequential order based on the date of issuance of the related Series of Taxable Bonds and, in the case of multiple such PAC Bonds with the same date of issuance, in sequential order by final stated maturity date; and

(c) To the Debt Service Fund, to the extent specified in a Series Resolution with respect to a Series of Bonds authorized by such Series Resolution, in the same manner set forth in Section 506(B)(3)(c), if and to the extent required, so that the balance therein shall equal the sum of all Cumulative Sinking Fund Installments to become due on such Interest Payment Date on the applicable Bonds Outstanding.

- (4) As directed by the Authority, (a) to the Tax-Exempt Program Expense Account from the Tax-Exempt Revenue Account; (b) to the Taxable Fixed Rate Program Expense Account from the Taxable Fixed Rate Revenue Account; and (c) to the Taxable Floating Rate Program Expense Account from the Taxable Floating Rate Revenue Account, to the extent that the amounts transferred thereto from each such Revenue Account since the next preceding Interest Payment Date for Subordinated Program Expenses consistent with the Annual Budget and the Loan Program Certificate (through the end of the month in which such Interest Payment Date occurs) are less than the amounts required to be transferred thereto in accordance with the Resolution;
- (5) To the Reserve Fund, in the manner set forth in the Resolution, if the amount therein is less than the Reserve Fund Requirement, the lesser of the moneys available therefor or the amount required so that the balance therein shall equal the Reserve Fund Requirement and any amount required to reimburse the provider of a Reserve Fund Facility for a draw or payment thereunder, including any interest thereon;
- (6) As directed by an Authorized Officer in writing, to the Purchase Account for each Series of Bonds, Revenues derived from or allocable to such Series of Bonds, but only during the Recycling Period for such Series of Bonds; provided that revenues derived from or allocable to a Series of Bonds may be transferred to the Purchase Account of another Series of Bonds (including Bonds with different interest rate characteristics), if and to the extent that the Purchase Account of such other Series of Bonds has previously been drawn upon (and not replenished) pursuant to the priorities set forth below under “Priority of Unscheduled Draws to Meet Required Debt Service and Program Expenses for Tax-Exempt Bonds” and “Priority of Unscheduled Draws to Meet Required Debt Service and Program Expenses for Taxable Bonds” to meet certain shortfalls in Revenues derived from or allocable to such Series of Bonds; and
- (7) Except as otherwise provided below under “Release of Certain Revenues from Lien of Resolution,” to the Redemption Fund (and within such Fund to such accounts as the Authority may direct in accordance with “Application of Excess Revenues to Redemption of Bonds” below), the remaining balance in the Tax-Exempt Revenue

Account, Taxable Fixed Rate Revenue Account or Taxable Floating Rate Revenue Account, as applicable.

Pursuant to the Fifth Series Resolution, the Cumulative Sinking Fund Installments on the Series 2015B-2 Bonds maturing on July 1, 2025 and January 1, 2030, respectively, will be paid pursuant to paragraph 3(c) above rather than paragraph 3(a) above.

**Release of Certain Revenues from Lien of Resolution (Section 506)**

Unless otherwise provided in a Series Resolution, the Authority may direct the Trustee to transfer to the Authority free and clear of the lien of the Resolution, Revenues from Education Loans acquired with the proceeds of a Series of Bonds which otherwise would be deposited to the Redemption Fund as described under the heading “Semi-Annual Transfers from Revenue Fund” above if the Authority files with the Trustee (i) a Parity Ratio Certificate; (ii) in the case of Tax-Exempt Bonds, an Arbitrage Projection Certificate or a Favorable Opinion; and (iii) a certificate of an Authorized Officer certifying that no payments are due and unpaid to any provider of a Qualified Hedge Agreement or any Fiduciary or account of fees, expenses, reimbursements or any other obligations.

**Priority of Draws for Replenishment of Reserve Fund (Section 506)**

In the event that a monthly or semi-annual transfer is required to be made to the Reserve Fund, the amount necessary to replenish the Reserve Fund shall be drawn (i) first from the respective Taxable Fixed Rate Revenue Account, Taxable Floating Rate Revenue Account or Tax-Exempt Revenue Account to the extent the deficiency is the result of transfers to such respective accounts, and (ii) the remaining balance of any such deficiency, if any, shall be drawn pro-rata, based on the respective balances, from the Taxable Fixed Rate Revenue Account, Taxable Floating Rate Revenue Account or Tax-Exempt Revenue Account, as the case may be, not otherwise drawn upon in clause (i).

**Priority of Unscheduled Draws to Meet Required Debt Service and Program Expenses for Tax-Exempt Bonds (Section 507A)**

With respect to any Series of Tax-Exempt Bonds, if, on an Interest Payment Date (with respect to Required Debt Service) or any date Program Expenses are immediately due and payable (with respect to Program Expenses) (i) after the monthly and semi-annual transfers from the Tax-Exempt Revenue Account required under the Resolution and (ii) prior to any other transfers under the Resolution (except for transfers to cover deficiencies in amounts available to pay Required Debt Service and Program Expenses related to Taxable Bonds, which shall be deemed to be contemporaneous), the amounts in the applicable Debt Service Account are insufficient to pay the Required Debt Service coming due on such Tax-Exempt Bonds, or if the amounts on deposit in the Program Expense Fund are insufficient to pay Program Expenses then immediately due and payable which are allocable to Education Loans purchased with the proceeds of Tax-Exempt Bonds, such Required Debt Service and Program Expenses shall be payable from funds available in the following Funds and Accounts in the following order of priority, to be funded pro-rata from among all the subaccounts in an Account, based on the respective balances thereof:

- (1) Tax-Exempt Revenue Account;
- (2) Tax-Exempt Redemption Account, but not including any amounts in a PAC Installment Account;
- (3) Tax-Exempt Capitalized Interest Account;

- (4) Taxable Fixed Rate and Taxable Floating Rate Revenue Accounts (pro-rata by available balances);
- (5) Taxable Fixed Rate and Taxable Floating Rate Redemption Accounts (pro-rata by available balances), but not including any amounts in a PAC Installment Account;
- (6) Taxable Fixed Rate and Taxable Floating Rate Capitalized Interest Accounts (pro-rata by available balances);
- (7) Tax-Exempt PAC Installment Accounts within the Redemption Fund (pro-rata by available balances);
- (8) Taxable Fixed Rate and Taxable Floating Rate PAC Installment Accounts within the Redemption Fund (pro-rata by available balances);
- (9) Tax-Exempt Purchase Account;
- (10) Taxable Fixed Rate and Taxable Floating Rate Purchase Accounts (pro-rata by available balances); and
- (11) All accounts in Reserve Fund (pro-rata by available balances);

provided that no funds shall be drawn under the accounts described in clauses (2), (5), (7) or (8) above to the extent such funds are held for the redemption of Bonds for which the Trustee has given notice of redemption pursuant to the Resolution or are held for payment of Bonds no longer Outstanding; and provided further that any funds drawn from the Series 2015A subaccount within the Tax-Exempt Capitalized Interest Account, and from any other such subaccount therein except as expressly provided by the applicable Series Resolution authorizing the issuance of the corresponding Series of Bonds, shall be applied only to interest on Bonds and Program Expenses.

**Priority of Unscheduled Draws to Meet Required Debt Service and Program Expenses for Taxable Bonds (Section 507B)**

With respect to any Series of Taxable Bonds, if, on an Interest Payment Date (with respect to Required Debt Service) or any date Program Expenses are immediately due and payable (with respect to Program Expenses) (i) after the monthly and semi-annual transfers from the Applicable Taxable Revenue Account required under the Resolution and (ii) prior to any other transfer thereunder (except for transfers to cover deficiencies in amounts available to pay Required Debt Service and Program Expenses related to Tax-Exempt Bonds, which shall be deemed to be contemporaneous), the amounts in the applicable Debt Service Account are insufficient to pay the Required Debt Service coming due on such Taxable Bonds, or if the amounts on deposit in the Program Expense Fund are insufficient to pay Program Expenses then immediately due and payable which are allocable to Education Loans purchased with the proceeds of Taxable Bonds, such Required Debt Service and Program Expenses shall be payable from funds available in the following Funds and Accounts in the following order of priority, to be funded pro-rata from among all the subaccounts in an Account based on the respective balances thereof:

- (1) Applicable Taxable Revenue Account;
- (2) Applicable Taxable Redemption Account, but not including any amounts in a PAC Installment Account;



- (3) Applicable Taxable Capitalized Interest Account;
- (4) Other Taxable Revenue Account;
- (5) Other Taxable Redemption Account, but not including any amounts in a PAC Installment Account;
- (6) Other Taxable Capitalized Interest Account;
- (7) Applicable Taxable PAC Installment Accounts within the Redemption Fund (pro-rata by available balances);
- (8) Other Taxable PAC Installment Accounts within the Redemption Fund (pro-rata by available balances);
- (9) Tax-Exempt Revenue Account;
- (10) Tax-Exempt Redemption Account, but not including any amounts in a PAC Installment Account;
- (11) Tax-Exempt PAC Installment Accounts within the Redemption Fund (pro-rata by available balances);
- (12) Applicable Taxable Purchase Account;
- (13) Other Taxable Purchase Account;
- (14) Tax-Exempt Capitalized Interest Account;
- (15) Purchase Accounts allocable to Tax-Exempt Bonds (pro-rata by balances available); and
- (16) All account in the Reserve Fund (pro-rata by available balances);

provided that no funds shall be drawn under the accounts described in clauses (2), (5), (7), (8), (10) or (11) above to extent such funds are held for the redemption of Bonds for which the Trustee has given notice of redemption pursuant to the Resolution or are held for the payment of Bonds no longer Outstanding; provided further that no funds shall be drawn under the accounts described in clauses (14) or (15) above unless the Trustee and Authority have received a Favorable Opinion; and provided further that any funds drawn from the Series 2015A subaccount within the Tax-Exempt Capitalized Interest Account, and from any other such subaccount therein except as expressly provided by the applicable Series Resolution authorizing the issuance of the corresponding Series of Bonds, shall be applied only to interest on Bonds and Program Expenses.

**Additional Transfers to Meet the Rebate Fund Requirement for Tax-Exempt Bonds (Section 507C)**

With respect to any Series of Tax-Exempt Bonds, in addition to any transfers to the Rebate Fund described under “Monthly Transfers from the Revenue Fund” or “Semi-Annual Transfers from the Revenue Fund” above, the Trustee shall, on any Business Day on which such transfer is required under any Series Resolution, transfer from the Tax-Exempt Revenue Account to the Rebate Fund the amount necessary so that the balance in the Rebate Fund shall equal the Rebate Fund Requirement.

### **Debt Service Fund (Section 508)**

The Trustee will pay out of the Debt Service Fund to the appropriate Paying Agent on a timely basis by wire transfer in immediately available funds an amount which, together with any moneys provided from the Tax-Exempt Redemption Account, Taxable Fixed Rate Redemption Account or Taxable Floating Rate Redemption Account, as applicable, in accordance with the Resolution, equals the Principal Installments of and interest on the Bonds coming due on any Interest Payment Date or redemption date; provided that PAC Installments shall be paid from the applicable PAC Installment Account within the Redemption Accounts. The Trustee shall also pay to the provider thereof any payments due by the Authority on a Qualified Hedge Agreement on such date. The Paying Agents will apply such amounts to the payment of Principal Installments of and interest on the Bonds, on and after the due dates thereof. If on any Interest Payment Date, the amount accumulated in the Debt Service Fund exceeds the amount required, the Authority by written certificate of an Authorized Officer may direct the Trustee to deposit such excess in the Tax-Exempt Revenue Account, Taxable Fixed Rate Revenue Account or Taxable Floating Rate Revenue Account, as applicable. The Trustee will also pay out of the Debt Service Fund accrued interest included in the purchase price of Bonds purchased under any provisions of the Resolution.

Amounts in the Debt Service Fund with respect to any Sinking Fund Installment may, and if so directed by the Authority will, be applied by the Trustee prior to the date on which the Trustee gives notice of redemption in connection with such Sinking Fund Installment to the purchase of Bonds of the Series, maturity and tenor for which such Sinking Fund Installment was established at prices not exceeding the applicable sinking fund redemption price plus interest on such Bonds to the first date on which such Bonds could be redeemed. Unless otherwise specified in the applicable Series Resolution, as soon as practicable after the 60th day preceding the due date of any such Sinking Fund Installment and on or before the 30th such day, the Trustee will call for redemption on such due date Bonds of the Series, maturity and tenor for which such Sinking Fund Installment was established in an amount sufficient to complete the retirement of the principal amount of the Bonds of such Series, maturity and tenor as specified for such Sinking Fund Installment.

All interest earned or other income derived from the investment of moneys in the Debt Service Fund will be transferred by the Trustee to the Tax-Exempt Revenue Account, Taxable Fixed Rate Revenue Account or Taxable Fixed Rate Revenue Account, as applicable, upon receipt.

### **Reserve Fund (Section 509)**

The basic functions and required funding level of the Reserve Fund are described in the front portion of this Official Statement under the heading "SECURITY FOR THE ISSUE I BONDS AND SOURCES OF PAYMENT – Reserve Fund."

If on any Interest Payment Date the balance in the Reserve Fund shall exceed the Reserve Fund Requirement, after consideration of any amounts owed to the provider of any Reserve Fund Facility, the Trustee shall, at the direction of the Authority in its discretion, reduce the stated amount of any Reserve Fund Facility or transfer any moneys in the Reserve Fund to the extent of such excess as set forth in the Resolution. Any such excess moneys shall be attributed first to moneys other than Bond proceeds, as the Authority may determine, and then to Bond proceeds previously deposited in the Reserve Fund. Excess moneys other than Bond proceeds shall be transferred to (i) one or more accounts in the Revenue Fund as designated by the Authority or (ii) to one or more accounts in the Redemption Fund as designated by the Authority. Excess moneys attributable to Bond proceeds shall be transferred to the applicable account within the Redemption Fund; provided however, that in either case, an amount equal to the excess moneys may instead be transferred during any Recycling Period at the direction of the Authority and upon

receipt of an Arbitrage Projection Certificate and a Favorable Opinion, to the applicable Purchase Account.

All interest earned or other income derived from the investment of moneys in the Reserve Fund will be transferred to the Tax-Exempt Revenue Account, Taxable Floating Rate Revenue Account or Taxable Fixed Rate Revenue Account, as applicable. Notwithstanding the foregoing, at the direction of the Authority in its discretion, any excess moneys in the Reserve Fund, together with any amounts transferred to the Reserve Fund on a monthly or semi-annual basis pursuant to the Resolution, shall be applied to substitute for, or reduce the face amount of, any Reserve Fund Facility selected by the Authority in accordance with the terms of the applicable governing instrument.

In the event that a portion of the Reserve Fund Requirement has been funded by a Reserve Fund Facility and a withdrawal from the Reserve Fund is required, the Trustee will draw upon the sources used to fund the Reserve Fund in the following order: (i) proceeds of Bonds; (ii) contributions of moneys from the Authority; and (iii) amounts available under a Reserve Fund Facility and in the case of (i) and (ii), pro-rata in accordance with the amount of such sources available in any applicable account in the Reserve Fund. Amounts transferred to the Reserve Fund pursuant to paragraph (5) under the heading "Monthly Transfers from the Revenue Fund" and paragraph (5) under the heading "Semi-Annual Transfers from Revenue Fund" herein shall be applied first to reimburse, pro-rata on the basis of unreimbursed draw or payment, the providers of Reserve Fund Facilities for draws or payments thereunder (and shall be applied by the Trustee for such reimbursement in accordance with the terms of the applicable governing instrument without further direction), then to satisfy the Reserve Fund Requirement, and finally to pay, pro-rata, any interest due to providers of Reserve Fund Facilities on account of draws or payments made thereunder. The Trustee shall not transfer amounts in excess of the Reserve Fund Requirement if any amount is owed to the provider of a Reserve Fund Facility.

In the event a Reserve Fund Facility has been used to fund all or a portion of the Reserve Fund Requirement and such Reserve Fund Facility is about to expire by its terms and may be drawn upon prior to expiration, unless arrangements for a substitute Reserve Fund Facility have been made, the Trustee shall two business days prior to the stated expiration date of such Reserve Fund Facility draw upon such Reserve Fund Facility in an amount necessary to ensure that, along with other amounts deposited in the Reserve Fund, the Reserve Fund Requirement is satisfied after the expiration of such Reserve Fund Facility.

### **Program Expense Fund (Section 510)**

The Trustee will pay or reimburse the Authority for Program Expenses from time to time from the Tax-Exempt Program Expense Account, Taxable Fixed Rate Program Expense Account or Taxable Floating Rate Program Expense Account, as applicable, upon receipt of an appropriate requisition signed by an Authorized Officer of the Authority certifying, among other things, that such Program Expenses are consistent on a cumulative basis with amounts authorized to be paid under the Loan Program Certificate. If at any time funds on deposit in a Program Expense Account are insufficient to pay the aggregate of applicable (i) fees, premiums or other amounts due from the Authority to any Fiduciary and the Servicer and (ii) any Authority Expenses requisitioned by the Authority, the Trustee shall at that time draw the amount of the deficiency from Funds and Accounts attributable to Tax-Exempt and Taxable Bonds in the priority set forth in the Resolution (and, in the absence of direction by the Authority, allocating Program Expenses between Tax-Exempt Bonds and Taxable Bonds on the basis of par amount of Bonds Outstanding). The Trustee will pay from available funds on deposit in the Program Expense Fund on a pro-rata basis, to each Fiduciary and Servicer all amounts due and unpaid thereto prior to making any payment to the Authority with respect to the Authority Expenses.

The Trustee will pay or reimburse the Authority for Subordinated Program Expenses from time to time from the Subordinated Program Expense Account upon receipt of an appropriate requisition signed by an Authorized Officer of the Authority certifying, among other things, that such expenses are reasonable and proper.

### **Redemption Fund (Section 511)**

The Trustee will apply funds deposited in the Tax-Exempt Redemption Account, Taxable Fixed Rate Redemption Account or Taxable Floating Rate Redemption Account, as applicable, to the payment of the Redemption Price of Bonds called for redemption from time to time in accordance with the provisions of the applicable Series Resolution, as directed by an Authorized Officer in writing, all in accordance with the timing, notice and selection provisions set forth in the Resolution and the applicable Series Resolution. As a general matter, funds transferred to the Redemption Fund may be applied at the direction of the Authority to the purchase in lieu of redemption of Bonds subject to redemption from such funds at prices arranged by the Authority no greater than the applicable Redemption Price so long as such funds are not yet committed to redemptions. Funds for the interest due on such Bonds on the redemption or purchase date will be drawn from the applicable account in the Debt Service Fund.

If, after making the transfers described under “Semi-Annual Transfers from Revenue Fund” above, the amount in the Debt Service Fund is insufficient to pay the Required Debt Service coming due on the Bonds on the next Interest Payment Date, the Trustee will withdraw from the Tax-Exempt Redemption Account, Taxable Fixed Rate Redemption Account or Taxable Floating Rate Redemption Account, as applicable, any moneys not yet committed to redemptions and deposit in the Debt Service Fund the amount of the deficiency, consistent with the respective priorities set forth under “Priority of Unscheduled Draws to Meet Required Debt Service and Program Expenses for Tax-Exempt Bonds” and “Priority of Unscheduled Draws to Meet Required Debt Service and Program Expenses for Taxable Bonds” above.

If the Trustee determines that the amount on deposit and available in the Tax-Exempt Program Expense Account, Taxable Fixed Rate Program Expense Account or Taxable Floating Rate Program Expense Account, as applicable, is insufficient to pay the expenses immediately due and payable therefrom, the Trustee will withdraw and deposit in the applicable account in the Program Expense Fund the amount necessary to meet the deficiency from the Tax-Exempt Redemption Account, Taxable Fixed Rate Redemption Account or Taxable Floating Rate Redemption Account, as applicable, consistent with the respective priorities for Tax-Exempt Bonds and Taxable Bonds set forth under the headings cited in the immediately preceding paragraph.

Moneys transferred to the Tax-Exempt Account, Taxable Floating Rate Account or Taxable Fixed Rate Account within the Redemption Fund not required or permitted to be applied to a special redemption or a Sinking Fund Installment or transferred as described above, shall be applied at the Authority’s direction to the purchase in lieu of redemption and retirement, or the optional redemption, of Bonds with the applicable interest rate characteristics (to the extent any such Bonds are Outstanding, and then to any Bonds) on the terms set forth in the applicable Series Resolution (including payment of any applicable premium). In connection with any such direction, when required by the Resolution or a Series Resolution, the Authority will file with the Trustee a Favorable Projection of Revenues or, if the Authority is not able to, a certificate to that effect that in the judgment of the Authority such purchase or redemption will produce the greatest estimated availability of applicable Revenues in relation to the amount of applicable Required Debt Service and Program Expenses in each Bond Year for the greatest number of Bond Years. If no such Favorable Projection of Revenues or certificate is filed, the Trustee, except as otherwise provided in the Series Resolution applicable to the Bonds to be redeemed, will redeem Bonds of each Series, maturity and tenor then eligible for redemption from the Tax-Exempt

Redemption Account, the Taxable Fixed Rate Redemption Account and the Taxable Floating Rate Redemption Account, as applicable, as nearly as practicable, in accordance with the ratio which the aggregate principal amount of the Outstanding Bonds of each Series, maturity and tenor that is so eligible bear to the aggregate principal amount of all Outstanding Bonds that are so eligible for such redemption, and if any of the Bonds to be purchased or redeemed are Bonds for which Sinking Fund Installments have been established, will reduce the Sinking Fund Installments for such Bonds, as nearly as practicable, in accordance with the ratio which the aggregate principal amount of each Sinking Fund Installment bears to the aggregate principal amount of such Bonds. Purchases and redemptions of Bonds will be made by the Trustee in the manner provided in the Resolution.

Interest or other income derived from the investment or deposit of moneys in the Tax-Exempt Redemption Account, Taxable Fixed Rate Redemption Account or Taxable Floating Rate Redemption Account, as applicable, will be transferred by the Trustee to the applicable account in the Revenue Fund upon receipt.

### **Application of Excess Revenues to Redemption of Bonds (Section 512)**

Tax-Exempt Excess Revenues. Tax-Exempt Excess Revenues shall be applied to redeem Bonds Subject to Redemption from Excess Revenues in the following manner and priority (whether such redemption occurs on a mandatory or optional basis); provided that clauses (4), (5) and (6) shall only apply if no Tax-Exempt Bonds remain Outstanding:

- (1) Subject to provisions of a Series Resolution to the contrary, with respect to Series authorized by such Series Resolution, any Tax-Exempt PAC Bonds which are Bonds Subject to Redemption from Tax-Exempt Excess Revenues to the extent necessary to provide for redemption in accordance with PAC Installments that were not made as initially scheduled in the applicable Series Resolution and remain unpaid, sequentially by date of issuance of such Tax-Exempt PAC Bonds and, in the case of multiple Tax-Exempt PAC Bonds of the same date of issuance, sequentially by final stated maturity date of such Tax-Exempt PAC Bonds;
- (2) All Tax-Exempt Bonds which are Bonds Subject to Redemption from Tax-Exempt Excess Revenues, other than PAC Bonds, pro-rata by principal amount of each maturity of like tenor Outstanding, without regard to date of issuance (or in such manner as directed by the Authority consistent with a Favorable Projection of Revenues);
- (3) Subject to provisions of a Series Resolution to the contrary, with respect to Series authorized by such Series Resolution, any remaining Tax-Exempt PAC Bonds which are Bonds Subject to Redemption from Tax-Exempt Rate Excess Revenues, in such manner as directed by the Authority, but if no direction is given, sequentially by date of issuance of such Tax-Exempt PAC Bonds and, in the case of multiple Tax-Exempt PAC Bonds of the same date of issuance, sequentially by final stated maturity date of such Tax-Exempt PAC Bonds;
- (4) All Taxable PAC Bonds which are Bonds Subject to Redemption from Tax-Exempt Excess Revenues to the extent necessary to provide for redemption in accordance with PAC Installments that were not made as initially scheduled in the applicable Series Resolution and remain unpaid, sequentially by date of issuance of such Taxable PAC Bonds and, in the case of multiple Taxable PAC Bonds of the same date of issuance, sequentially by final stated maturity date of such Taxable

PAC Bonds (and in the case of such multiple Taxable PAC Bonds with the same final stated maturity date, pro-rata by unpaid PAC Installment);

- (5) All Taxable Bonds which are Bonds Subject to Redemption from Tax-Exempt Excess Revenues, other than PAC Bonds, pro-rata by principal amount of each maturity of like tenor Outstanding, without regard to date of issuance (or in such manner as directed by the Authority consistent with a Favorable Projection of Revenues); and
- (6) Any remaining Taxable PAC Bonds which are Bonds Subject to Redemption from Tax-Exempt Excess Revenues, sequentially by date of issuance of the PAC Bonds and, in the case of multiple Taxable PAC Bonds of the same date of issuance, sequentially by final stated maturity date of such Taxable PAC Bonds (or in such manner as directed by the Authority).

Taxable Fixed Rate Excess Revenues. Taxable Fixed Rate Excess Revenues shall be applied to redeem Bonds Subject to Redemption from Excess Revenues in the following manner and priority (whether such redemption occurs on a mandatory or optional basis); provided that clauses (4) and (5) shall only apply if no Taxable Fixed Rate Bonds remain Outstanding:

- (1) All Taxable Fixed Rate PAC Bonds which are Bonds Subject to Redemption from Taxable Fixed Rate Excess Revenues to the extent necessary to provide for redemption in accordance with PAC Installments that were not made as initially scheduled in the applicable Series Resolution and remain unpaid, sequentially by date of issuance of such Taxable Fixed Rate PAC Bonds and, in the case of multiple Taxable Fixed Rate PAC Bonds of the same date of issuance, sequentially by final stated maturity date of such Taxable Fixed Rate PAC Bonds;
- (2) All Taxable Fixed Rate Bonds which are Bonds Subject to Redemption from Taxable Fixed Rate Excess Revenues, other than PAC Bonds, pro-rata by principal amount of each maturity of like tenor Outstanding, without regard to date of issuance (or in such other manner as directed by the Authority consistent with a Favorable Projection of Revenues);
- (3) Any remaining Taxable Fixed Rate PAC Bonds which are Bonds Subject to Redemption from Taxable Fixed Rate Excess Revenues, in such manner as directed by the Authority, but if no direction is given, sequentially by date of issuance of such PAC Bonds and, in the case of multiple Taxable Fixed Rate PAC Bonds of the same date of issuance, sequentially by final stated maturity date of such Taxable Fixed Rate PAC Bonds;
- (4) All Taxable Floating Rate Bonds which are Bonds Subject to Redemption from Taxable Fixed Rate Excess Revenues as set forth below in paragraphs (1)-(3) under the heading "Taxable Floating Rate Excess Revenues"; and
- (5) All Tax-Exempt Bonds which are Bonds Subject to Redemption from Taxable Fixed Rate Excess Revenues as set forth above in paragraphs (1)-(3) under the heading "Tax-Exempt Excess Revenues".

Taxable Floating Rate Excess Revenues. Taxable Floating Rate Excess Revenues shall be applied to redeem Bonds Subject to Redemption from Excess Revenues in the following manner and priority

(whether such redemption on a mandatory or optional basis); provided that clauses (4) and (5) shall only apply if no Taxable Floating Rate Bonds remain Outstanding:

- (1) All Taxable Floating Rate PAC Bonds which are Bonds Subject to Redemption from Taxable Floating Rate Excess Revenues to the extent necessary to provide for redemption in accordance with PAC Installments that were not made as initially scheduled in the applicable Series Resolution and remain unpaid, sequentially by date of issuance of such Taxable Floating Rate PAC Bonds and, in the case of multiple Taxable Floating Rate PAC Bonds of the same date of issuance, sequentially by final stated maturity date of such Taxable Floating Rate PAC Bonds;
- (2) All Taxable Floating Rate Bonds which are Bonds Subject to Redemption from Taxable Floating Rate Excess Revenues, other than PAC Bonds, pro-rata by principal amount of such maturity of like tenor Outstanding, without regard to date of issuance (or in such other manner as directed by the Authority consistent with a Favorable Projection of Revenues);
- (3) Any remaining Taxable Floating Rate PAC Bonds which are Bonds Subject to Redemption from Taxable Floating Rate Excess Revenues, in such manner as directed by the Authority, but if no direction is given, sequentially by date of issuance of such PAC Bonds and, in the case of multiple Taxable Floating Rate PAC Bonds of the same date of issuance, sequentially by final stated maturity date of such Taxable Floating Rate PAC Bonds;
- (4) All Taxable Fixed Rate Bonds which are Bonds Subject to Redemption from Taxable Floating Rate Excess Revenues as set forth above in paragraphs (1)-(3) under the heading "Taxable Fixed Rate Excess Revenues"; and
- (5) All Tax-Exempt Bonds which are Bonds Subject to Redemption from Taxable Floating Rate Excess Revenues as set forth above in paragraphs (1)-(3) under the heading "Tax-Exempt Excess Revenues."

### **Rebate Fund (Section 513)**

Funds on deposit in the Rebate Fund will be applied as set forth in the applicable Series Resolution to the payment of amounts required under the Code to be paid by the Authority to the United States as a rebate of earnings on investments of proceeds of the Bonds.

### **Application of Certain Funds to Redeem Tax-Exempt Bonds (Section 514)**

If at any time amounts on deposit in the Tax-Exempt Revenue Account, the Tax-Exempt Redemption Account and the account in the Reserve Fund and the account in the Debt Service Fund applicable to a particular Series of Tax-Exempt Bonds, in each case in excess of the amounts required to be on deposit therein after any transfers required by the Resolution (including, without limitation, to meet Required Debt Service and Program Expenses) and allowing for redemption as contemplated by this paragraph, all as certified by an Authorized Officer, are sufficient to redeem all Bonds Outstanding of such Series, such excess amounts, upon the written instruction in the Authority's discretion of an Authorized Officer to the Trustee, shall be deposited in the Tax-Exempt Redemption Account and applied to the optional redemption or purchase in lieu of optional redemption and retirement of Bonds of such Series as provided in the Resolution; provided, that such use is conditioned upon the filing of a Favorable

Projection of Revenues and, provided further, that no redemption or purchase shall be so made from the Reserve Fund unless the Reserve Fund Requirement shall be satisfied immediately after such redemption or purchase.

### **Investments and Deposits (Section 516)**

Except as otherwise provided in the Resolution or in a Series Resolution for any Series of Bonds, moneys held for the credit of any fund or account under the Resolution will be invested by the Trustee at the direction of an Authorized Officer in Investment Obligations which mature or are redeemable at the option of the holder thereof on such dates and in such amounts as may be necessary to provide moneys to meet the payments required to be made from such funds and accounts; provided that if moneys in two or more funds or accounts are commingled for purposes of investment, the Trustee will maintain appropriate records of the Investment Obligations or portions thereof held for the credit of each such fund or account. Investment Obligations purchased as an investment of moneys in any fund or account shall be deemed at all times to be part of such fund or account until transferred as provided in the Resolution.

Except as otherwise provided in the Resolution or in a Series Resolution authorizing issuance of a Series of Bonds with respect to the interest and other income allocable to such Series and as described below, interest and other income derived from the investment or deposit of moneys in any Fund or Account shall be transferred upon receipt thereof to the Tax-Exempt Revenue Account, Taxable Fixed Rate Revenue Account and Taxable Floating Rate Revenue Account, as applicable. Interest or other income derived from the investment or deposit of moneys in the Purchase Account for a Series of Bonds shall be transferred to the applicable Revenue Account, unless the applicable Series Resolution provides otherwise if permitted by the applicable Series Resolution, or the Authority shall direct the Trustee that such interest or income be retained in the Purchase Account. Interest or other income derived from the investment or deposit of moneys in the Rebate Fund shall be retained therein unless otherwise specified in the applicable Series Resolution. Proceeds of any sale or disposition of Education Loans shall be deposited as set forth below under the heading "Covenants as to Education Loans."

Under current law, certain of the moneys required to be held in the funds and accounts established under the Resolution and the MEFA Program Documents will be subject to yield restriction in order to preserve the exclusion from gross income of the interest on the Tax-Exempt Bonds.

### **Reserve Fund Facility (Section 517)**

The Reserve Fund Requirement may be funded in whole or in part with a Reserve Fund Facility. Any provider of a Reserve Fund Facility with respect to any portion of the Reserve Fund Requirement shall be rated at least "A" or better by each National Recognized Rating Agency at the time of the issuance of the Reserve Fund Facility. Funds on deposit in the Reserve Fund in excess of the applicable Reserve Fund Requirement after the deposit with the Trustee of such Reserve Fund Facility will be transferred according to the Resolution, as described under the heading "Reserve Fund" herein.

### **Recycling of Revenues (Section 518)**

The Resolution permits moneys remaining in a Revenue Account after the required prior transfers described above under "Monthly Transfers from Revenue Fund" and "Semi-Annual Transfers from Revenue Fund" to be recycled for the Purchase of Education Loan Notes by transfer of such moneys to the applicable Purchase Account, provided that such recycling may take place only during the Recycling Period, as adjusted from time to time, for one or more Series of Bonds. During the period in which recycling is permitted with respect to one or more Series of Bonds, only those Revenues that are allocable



to such Series of Bonds will be recycled. The Recycling Period for one or more Series of Bonds may be extended with Prior Rating Agency Notice.

### **Issuance of Additional Bonds (Section 603)**

The Authority will not create or permit the creation of or issue any obligations or additional indebtedness which will be secured by a charge and lien on the Trust Assets without satisfaction of the Rating Agency Condition as to all Nationally Recognized Rating Agencies, and satisfaction of such other requirements as set forth in the Resolution.

The Authority expressly reserves the right to adopt one or more other general bond resolutions or similar instruments and reserves the right to issue other obligations so long as the same are not a charge or lien prohibited by the preceding paragraph. See also the section “Subordinated Bonds” above.

### **Program Covenants (Section 604)**

The Authority shall from time to time, with all practical dispatch and in a sound and economical manner consistent in all respects with the Act and with the provisions of the Resolution, make a good faith effort to solicit demand from potential Borrowers and originators for the Purchase of Education Loans by the Authority and to use and apply the proceeds of the Bonds, to the extent not reasonably required for other Program purposes of the Authority, to Purchase Education Loans, and shall do all such acts and things necessary to receive and collect Revenues and shall diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of the Authority for the enforcement of all terms, covenants and conditions of Education Loan Notes. Subject to the limits set forth in the Loan Program Certificate and the Resolution, the Authority shall determine the terms and conditions of all Education Loans.

Education Loan Notes Purchased with the proceeds of Bonds and any other moneys available therefor under the Resolution shall have scheduled payments of principal and interest or other legally enforceable payments which, together with other moneys reasonably anticipated to be available therefor, shall be at least sufficient to pay the Principal Installments of and interest on the Bonds when due and all reasonably anticipated Program Expenses. The Authority shall not Purchase Education Loan Notes with interest rates lower than those projected with respect to such Education Loan Notes in any Favorable Projection of Revenues previously filed by the Authority pursuant to the Resolution or set forth in a Loan Program Certificate unless the Authority files a Favorable Projection of Revenues taking into account such reduced interest rates.

The Authority covenants under the Resolution to apply any Revenues or other moneys derived by it from Education Loan Notes and held thereunder allocable to a particular Series of Tax-Exempt Bonds after no Bonds of such Series remain Outstanding in accordance with any covenant contained in the applicable Series Resolution.

### **Covenants as to Education Loans (Section 605)**

No Education Loan shall be Purchased by the Authority from the proceeds of Bonds or other moneys available under the Resolution, unless the Education Loans and the terms and conditions of Purchase shall comply with the terms, conditions, provisions and limitations of the Resolution, the applicable Series Resolution, the Loan Program Certificate, applicable state and federal laws and, insofar as applicable, the Operations Manual.

No Education Loan will be Purchased by the Authority unless:

- (1) the Education Loan is evidenced by an Education Loan Note executed by the Borrower;
- (2) the Education Loan is a legal, valid and binding obligation of the Borrower, enforceable in accordance with its terms and conditions and free from any right of set-off, counter-claim or other claim, defense or security interest;
- (3) the Education Loan constitutes an Education Loan within the meaning of the Resolution and the Act; and
- (4) such Education Loan is made only to a Borrower who meets, if applicable, the credit requirements established by the Authority as specified in the Operations Manual.

The Authority shall exercise its best efforts to maintain in effect at any time that Bonds are Outstanding under the Resolution a Servicing Agreement or Agreements with a Servicer evidencing, in the judgment of the Authority, the capability and experience necessary to service adequately Education Loans, which contract or contracts shall provide for the proper servicing of all Education Loans and the enforcement of the payment and collection of all Education Loan Payments; provided, however, that the Authority reserves the right to elect at any time to perform all or a portion of the functions of such Servicers of Education Loans for reasonable compensation (not to exceed the amounts permitted under the Loan Program Certificate). During any period in which there is no Servicing Agreement in effect with a Servicer, the Authority shall perform the functions thereof. Each such Servicer (other than the Authority) shall enter into a Servicing Agreement providing, among other things, that:

- (1) all Revenues received by such Servicer and required to be remitted to the Authority by the terms of any agreement with it shall be deposited promptly with a Fiduciary subject to and in accordance with the provisions of the Resolution;
- (2) such Servicer shall at all times remain qualified to act as such pursuant to such standards as the Authority shall prescribe from time to time and shall determine to be reasonable to maintain the security for the Bonds;
- (3) such Servicer shall agree to maintain servicing facilities that are staffed with trained personnel to service adequately Education Loans in accordance with standards normally employed by private professional loan servicers, as determined in the Authority's sole discretion, and shall maintain individual files for Education Loans serviced pursuant to the servicing agreement and provide regular reports to the Authority as to collections and delinquencies with respect to all Education Loans serviced by such Servicer;
- (4) any Education Loan Notes pledged by the Authority to the Trustee under the Resolution and held by such Servicer pursuant to a loan servicing agreement shall be held by such Servicer as agent for the Trustee, subject to the rights of the Authority under the Resolution and under such agreement, and the Trustee shall be authorized to designate the Servicer as its agent by a UCC filing or such other manner as the Trustee may determine; and
- (5) any Education Loan Notes held by such Servicer upon the termination of a loan servicing agreement shall be delivered by such Servicer to the Trustee, or, upon direction of the Authority, to a successor Servicer that will hold such Education Loan Notes as agent for the Trustee, subject to the rights of the Authority under the Resolution and under the

agreement with the applicable successor Servicer, and the Trustee shall be authorized to designate the successor Servicer as its agent by a UCC filing or such other manner as the Trustee may determine.

The Authority shall not terminate the contract with any Servicer unless the Authority shall have entered into a Servicing Agreement complying with the requirements of the Resolution with one or more successor Servicers and such successor Servicers and such successor or successors shall have assumed the responsibilities and obligations of the Servicer under such agreement or the Authority shall have elected to assume any of the responsibilities and obligations of the Servicer not so assumed by a successor. Each agreement between the Authority and a Servicer shall, in addition to the provisions specified in this Section, contain provisions precluding the Servicer from resigning or otherwise terminating the agreement unless the Authority shall have defaulted on its obligations thereunder or the agreement shall have expired under its terms. The execution and delivery of a Servicing Agreement for Education Loans with a third party Servicer with terms and conditions materially different than the Servicing Agreement in effect on the date of adoption of this Resolution, or the execution and delivery of a Servicing Agreement with any additional third party Servicer that shall be in effect concurrently with any other Servicing Agreement, shall be subject to the Rating Agency Condition as to S&P and Prior Rating Agency Notice.

The Authority shall diligently enforce and take all reasonable steps, actions and proceedings necessary for the enforcement of all terms, covenants and conditions of all Education Loans including the prompt payment of all Revenues and all other amounts due the Authority with respect to Education Loans. The Authority shall at all times, to the extent permitted by law, defend, enforce, preserve and protect the rights and privileges of the Authority and the Bondholders under or with respect to each Education Loan provided that the Authority shall have the power and authority to settle a default on any Education Loan on such terms as the Authority shall determine to be in the best interest of the Authority and the Bondholders and to forbear from taking action with respect to enforcement of an Education Loan if it determines such forbearance to be in the best interests of the Authority and the Bondholders.

Whenever it shall be necessary in order to protect and enforce the rights of the Authority under an Education Loan and to protect and enforce the rights and interest of Bondholders under the Resolution, the Authority shall take steps necessary to enforce any policy or certificate of insurance or guaranty relating to an Education Loan and to accelerate the Education Loan.

The Authority may dispose of Defaulted Education Loans in such manner and upon such terms and for such price or prices as it may determine, provided that it certifies to the Trustee that the disposition of such Loans in the manner, upon the terms and for the price or prices proposed will produce the greatest available amount of Revenues in relation to the amount of Required Debt Service and Program Expenses in each Bond Year for the greatest number of Bond Years. The proceeds of such disposition shall be deposited in the applicable Revenue Account (and subaccount therein).

Subject to the Series Resolution for any Series of Bonds, the Authority may dispose of any Education Loans which are not Defaulted provided that (i) an Authorized Officer shall have filed with the Trustee on or prior to the date of disposition a Favorable Projection of Revenues and certify that such Favorable Projection of Revenues also shows that there will be no adverse effect on the adequacy of projected Revenues and other available funds to meet expectations as to payment of remaining scheduled PAC Installments and Cumulative Sinking Fund Installments, as compared to expectations prior to the proposed disposition; (ii) to the extent the Education Loans are financed from proceeds of (or otherwise allocable to) Tax-Exempt Bonds, a Favorable Opinion and an Arbitrage Projection Certificate; (iii) proceeds of any such disposition of Education Loans shall be deposited in the Tax-Exempt Redemption Account, the Taxable Fixed Rate Redemption Account or the Taxable Floating Rate Redemption Account, as applicable, on the basis of whether the Education Loans are allocable to Tax-Exempt Bonds,

Taxable Fixed Rate Bonds, and Taxable Floating Rate Bonds and applied to the redemption or purchase in lieu of redemption of Bonds of the applicable category, all in accordance with the heading above titled "Redemption Fund" (provided, however, that: (a) if no Tax-Exempt Bonds are then Outstanding, any deposit that would otherwise be made to the Tax-Exempt Redemption Account shall instead be made pro-rata to the Taxable Fixed Rate Redemption Account and to the Taxable Floating Rate Redemption Account; (b) if no Taxable Fixed Rate Bonds are then Outstanding, any such deposit that would otherwise be made to the Taxable Fixed Rate Redemption Account shall instead be made to the Taxable Floating Rate Redemption Account, or, if no Taxable Floating Rate Bonds are Outstanding, to the Tax-Exempt Redemption Account; and (c) if no Taxable Floating Rate Bonds are then Outstanding, any such deposit that would otherwise be made to the Taxable Floating Rate Redemption Account shall instead be made to the Taxable Fixed Rate Redemption Account or, if no Taxable Fixed Rate Bonds are then Outstanding, to the Tax-Exempt Redemption Account); and, unless all Bonds will be paid or defeased as a result of such disposition, (iv) if such disposition is for a price of less than par plus accrued interest, or if the aggregate outstanding principal amount to be sold or transferred, along with all previous sales or transfers, exceeds ten percent of the aggregate original principal amount or, if applicable, accreted value of all Education Loans originated prior to that date, the Authority shall satisfy the Rating Agency Condition as to S&P and provide Prior Rating Agency Notice.

Notwithstanding clause (iii) of the preceding paragraph, with respect to Education Loans allocated to the Series 2015B Bonds and any additional Issue I Bonds issued thereafter, proceeds of non-Defaulted loan disposition shall be deposited to a Redemption Account, and thereafter at any time while deposited therein but not yet held for the redemption or defeasance of specific Bonds for which notice has been given or irrevocably directed, shall be applied on a first priority basis to provide for redemption of Tax-Exempt Bonds, Taxable Fixed Rate Bonds or Taxable Floating Rate Bonds, as applicable, in accordance with PAC Installments that were not made as initially scheduled in each applicable Series Resolution and remain unpaid, sequentially by date of issuance of such Bonds. On a second priority basis, if the Recycling Period for the applicable Bonds is in effect, the Authority may provide from time to time for such proceeds remaining on deposit in a Redemption Account to be transferred to the applicable Purchase Account to be applied to Purchase of Education Loans upon delivery to the Trustee of a Favorable Projection of Revenues and certificate with respect thereto as described in the immediately preceding paragraph. Any proceeds not applied pursuant to the foregoing priorities shall be applied as set forth in such clause (iii).

Upon receipt of a certificate of an Authorized Officer to the effect that a determination to make a disposition has been made with respect to specified Education Loans, the Trustee shall deliver to the Authority or, in the case of Education Loans held in the custody of a Servicer or other entity, the Authority shall cause the Servicer or other entity then holding Education Loan Notes, as applicable, to deliver to the order of the Authority the Education Loan Notes relating to such Education Loans.

If an Event of Default has occurred and is continuing, upon the written direction of the Trustee, the Authority shall sell Education Loans (whether Defaulted or not) to the extent and in the manner directed by the Trustee.

The Authority may consent or agree to permit amendment or modification of any Education Loan including amendments and modifications made in connection with settlement of any delinquency or default on any Education Loan which settlement the Authority determines to be in the best interests of the Authority and the Bondholders; provided, however, that any amendment or modification shall be permitted only if the amended Education Loan meets the Authority's eligibility criteria for an Education Loan which the Authority may Purchase and the Authority determines that such modification will not have a material adverse impact, taking into account the reasonable expectations with respect to the Education Loan in

question immediately prior to such modification, on the Authority's ability to pay Required Debt Service when due and Program Expenses in the current and each subsequent Bond Year.

### **Projection of Revenues (Section 606)**

The Authority shall file a Projection of Revenues with the Trustee at such times as are required by the Resolution or any Series Resolution. The Authority shall provide a copy of each Projection of Revenues filed with the Trustee and to each Nationally Recognized Rating Agency.

A Projection of Revenues will consist of a certificate of an Authorized Officer setting forth for the current and each succeeding Bond Year in which Bonds are scheduled to be Outstanding, the Authority's estimate of:

- (1) The Revenues expected to be received on all Education Loans Purchased or expected to be Purchased with funds on deposit in or expected to be deposited in the Program Fund;
- (2) All other Revenues, including the interest to be earned and other income to be derived from the Program and the rates or yields used in estimating such amounts; provided that in estimating the interest and other income to be derived from the investment of any moneys held or projected to be held under the Resolution (other than investments in Education Loans), the Projection of Revenues shall only assume (a) the actual rates or yields on moneys under investment (or under contract for investment) at the time of filing of such Projection of Revenues to the maturity dates of such investments (or, if earlier, the first date on which such investments are redeemable at the option of the issuer thereof) or (b) if such moneys are not then under investment (or contract for investment), and following the maturity or redemption of any current investment, the Three Month Treasury Bill Yield in effect as of the date of filing of such Projection of Revenues, in either case not to exceed the applicable adjusted bond yield;
- (3) The amounts, if any, expected to be withdrawn from the Reserve Fund;
- (4) Other funds expected to be available for and applied to the payment of Debt Service and Program Expenses;
- (5) The Debt Service for the current and each succeeding Bond Year, reflecting separately PAC Installments, Cumulative Sinking Fund Installments, Required Debt Service and total Debt Service and, in the event any Bonds are subject to a Qualified Hedge Agreement, the anticipated effect of such agreement;
- (6) The Program Expenses and Subordinated Program Expenses based upon the Authority's previous experience and reasonable expectations; and
- (7) The deposits to the Rebate Fund expected to become due during such year.

In preparing any Projection of Revenues filed after the initial Favorable Projection of Revenues supporting the issuance of the Offered Bonds, the Authority will use the assumptions reflected in Favorable Projection of Revenues most recently prepared as modified to take into account its prior experience with respect to prepayments of and defaults and recoveries after default on Education Loans and with respect to the likely schedule of loan origination and any other relevant factors. Every Projection of Revenues will set forth in reasonable detail the relevant financial and other assumptions on which it is based. During such period as any Series of Bonds is Outstanding, any Projection of Revenues affecting

such Series of Bonds shall incorporate any additional assumptions or requirements set forth in the Series Resolution applicable to such Series of Bonds. In preparing any Projection of Revenues, the Authority shall use the assumptions and criteria set forth in the Loan Program Certificate.

Whenever a Projection of Revenues is required to be filed with any person pursuant to the Resolution, it will be sufficient, if a Projection of Revenues has been filed within the preceding twelve months, to file a certificate of an Authorized Officer stating that (1) the expectations and assumptions reflected in the most recent Projection of Revenues filed with such person have not materially changed and (2) either the transaction then being requested was expected and reflected in all material respects in such Projection of Revenues or the transaction then being requested will not materially change the expectations and assumptions reflected in such Projection of Revenues, provided, however, that a new Favorable Projection of Revenues shall be required in connection with the issuance of any Series of Bonds or disposition of Education Loans, which are not Defaulted.

Bonds shall not be redeemed at the option of the Authority pursuant to the provisions of the applicable Series Resolution at a redemption price in excess of 100% of the principal amount of such Bonds being redeemed unless the Authority has filed a Favorable Projection of Revenues giving effect to such redemption.

#### **Representations and Warranties as to Pledged Revenues and Other Funds (Section 607)**

The Authority is duly authorized under all applicable laws to pledge the Trust Assets and other moneys purported to be pledged by the Resolution in the manner and to the extent provided in the Resolution. The Authority owns, or will own, and has, or will have, good and marketable title to the Trust Assets. The Trust Assets so pledged are, and will be, free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto other than the pledge created by the Resolution. The Authority shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Trust Assets and all the rights of the Holders of the Bonds under the Resolution against all claims and demands of all persons whomsoever. The provisions of this Section titled “Representations and Warranties as to Pledged Revenues and Other Funds” shall survive until payment in full or defeasance of all Outstanding Series of Bonds issued under the Resolution. The Authority may not waive any of the provisions contained in this Section.

- (1) Instruments: With respect to the Trust Assets that constitute “instruments” within the meaning of the UCC (referred to here as “Instruments”), none of the Trust Assets that constitute or evidence the Instruments has any marks or notations indicating that they have been pledged, assigned or otherwise conveyed to any person other than the Trustee.
- (2) Accounts: With respect to the Trust Assets that constitutes “accounts” within the meaning of the UCC (referred to here as “Accounts”), the Authority has caused or will have caused, the filing of all appropriate financing statements in the proper filing office in the appropriate jurisdictions under applicable law in order to perfect the security interest in the Accounts granted to the Trustee under the Resolution.
- (3) Securities Entitlements: With respect to the Trust Assets that constitute “securities entitlements” within the meaning of the UCC (referred to here as “Securities Entitlements”), such Securities Entitlements have been and will have been credited to one or more of the Funds or Accounts created by or pursuant to the section above titled “Establishment of Funds and Accounts.” The securities intermediary for each such Fund or Account has agreed to treat all assets credited to the Funds and Accounts as “financial assets” within the meaning of the UCC. The Authority has received all consents and

approvals required by the terms of the Securities Entitlements to the transfer to the Trustee of its interest and rights in the Securities Entitlements under the Resolution. The Funds and Accounts are not in the name of any person other than the Authority or the Trustee. The Authority has not consented to the securities intermediary of any such Fund or Account to comply with entitlement orders of any person other than the Trustee.

- (4) General Intangibles: With respect to the Trust Assets that constitute “general intangibles” within the meaning of the UCC (referred to here as “General Intangibles”), the Authority has caused or will have caused, the filing of all appropriate financing statements in the proper filing office in the appropriate jurisdictions under applicable law in order to perfect the security interest in the General Intangibles granted to the Trustee under the Resolution.
- (5) Deposit Accounts: With respect to the Trust Assets that constitute “deposit accounts” within the meaning of the UCC (referred to here as “Deposit Accounts”), such Deposit Accounts are not in the name of any person other than the Authority or the Trustee. The Authority has not consented to any bank maintaining the Deposit Accounts to comply with entitlement orders of any person other than the Trustee.

#### **Further Assurance (Section 608)**

At any and all times the Authority shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver all such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for better assuring, conveying, granting, assigning or confirming all and singular the Trust Assets and other moneys, pledged or assigned under the Resolution, or intended so to be, or which the Authority may hereafter become bound to pledge or assign.

#### **Covenant as to Annual Budget (Section 609)**

By the beginning of each Fiscal Year the Authority will adopt and file with the Trustee an Annual Budget with respect to the Program for such Fiscal Year. The Annual Budget will include allocations for Debt Service and estimated Program Expenses and Subordinated Program Expenses, including Authority Expenses for such Fiscal Year. The Authority may at any time adopt an amended Annual Budget for the remainder of the then current Fiscal Year. If an Annual Budget has not been adopted for a Fiscal Year, the Annual Budget for the prior Fiscal Year, adjusted to reflect current Debt Service, will be in effect.

#### **Covenant as to Accounts and Reports (Section 610)**

The Authority shall keep proper books of record and account (separate from all other records and accounts) in which complete and correct entries shall be made of its transactions and the Funds and Accounts established by the Resolution, such books, and all other books and papers of the Authority and such Funds and Accounts shall at all times be subject to the inspection of the Trustee and the Holders of an aggregate of not less than 5% in principal amount of the Bonds then Outstanding or their representatives duly authorized in writing.

The Authority shall annually, within 180 days after the close of each Fiscal Year file with the Trustee and each Nationally Recognized Rating Agency, and otherwise as provided by law a copy of an annual report for such year, accompanied by an Accountant’s Certificate, including its audited financial statements and information relating to the Program during such Fiscal Year organized in accordance with the categories or classifications established by the Authority for its operating purposes. Such annual report

and Accountant's Certificate may be combined with any other annual report and Accountant's Certificate relating to other programs and operations of the Authority.

If the Authority generates a Projections of Revenues required under the Resolution, the Authority agrees to provide copies thereof to each Nationally Recognized Rating Agency.

The Authority agrees to provide, on a quarterly basis, either to each Nationally Recognized Municipal Securities Information Repository or, to the extent permitted by Rule 15c2-12(b)(5) adopted by the Securities Exchange Commission under the Securities Exchange Act of 1934, as amended, on its publicly accessible website, periodic Issue I loan portfolio information of the type required by each Series Resolution. The format and manner of delivery of such quarterly reports shall be subject to the reasonable discretion of the Authority. Failure to comply with the provisions of this paragraph shall not constitute an Event of Default and any remedies are limited to those provided below in the Section titled "Right to Compel Periodic Reports."

### **Creation of Liens and Incurring Indebtedness (Section 611)**

Subject to the Sections above entitled "Provisions for Issuance of Series of Bonds," "Subordinated Bonds," and "Rating Agency Condition and Prior Rating Agency Notice," the Authority shall not issue any bonds or other evidences of indebtedness and shall incur no indebtedness, other than the Bonds, secured by a pledge of the Trust Assets or other moneys, pledged or held or set aside by the Authority or by the Fiduciary under the Resolution and shall not create or cause to be created any lien or charge on the Trust Assets or other moneys, unless any lien securing the same (including any documents or instruments filed with any governmental authority to perfect such lien) are expressly subordinated and made subject to the indebtedness evidenced by the Bonds and satisfaction of the Rating Agency Condition as to S&P with ten (10) days prior notice to Fitch; provided, however, that nothing in the Resolution shall prevent the Authority from issuing (i) evidences of indebtedness secured by a pledge of Revenues to be derived on and after such date as the pledge of the Revenues provided in the Resolution shall be discharged and satisfied, and (ii) notes or bonds of the Authority not secured by Revenues, Trust Assets or the Resolution.

### **Tax Covenants (Section 612)**

The Authority shall not permit at any time or times any of the proceeds of the Tax-Exempt Bonds or any other funds of the Authority to be used directly or indirectly to acquire any securities or obligations the acquisition of which would cause any Tax-Exempt Bond to be an "arbitrage bond" as defined in Section 148 of the Code, or to be used in any manner which would cause any Tax-Exempt Bond to violate any of the restrictions contained in Sections 144(b) or 147 of the Code. The Authority shall not enter into any arrangement, formal or informal, pursuant to which any person from whom the Authority may acquire Education Loan Notes under the Program (or any related person, as defined in Section 144(a)(3) of the Code) shall be required to purchase Tax-Exempt Bonds in an amount related to the amount of Education Loan Notes to be acquired from such person by the Authority. The Authority shall at all times retain in the Operations Manual provisions limiting the amount of proceeds of Education Loans received by a Student that are allocable to Tax-Exempt Bonds for federal tax compliance purposes to such Student's total costs of attendance at a Participating Educational Institution less other financial assistance available to such Student for application to such costs. The Authority shall at all times do and perform all acts and things permitted by law and necessary or desirable in order to comply with the provisions of the Code affecting the exclusion from gross income under the Code of interest paid by the Authority on the Tax-Exempt Bonds.

With respect to Tax-Exempt Bonds, whenever an Arbitrage Projection Certificate is required to be filed with any person pursuant to the Resolution, it shall be sufficient, if an Arbitrage Projection Certificate has been filed with the same person within the preceding twelve months, to file a certificate of



an Authorized Officer stating that (1) the expectations and assumptions reflected in the most recent Arbitrage Projection Certificate filed with such person have not materially changed and (2) either the transaction then being requested was expected and reflected in all material respects in such Arbitrage Projection Certificate or the transaction then being requested will not materially change the expectations and assumptions reflected in such Arbitrage Projection Certificate provided.

The foregoing tax covenants do not apply to any Bond that at the time of issuance bears such terms as, or the proceeds of which are applied in such a manner as, shall cause the interest payable on such Bond not to qualify for the exclusion from gross income under the Code.

### **General (Section 613)**

The Authority shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Authority under the provisions of the Act and the Resolution.

Upon the date of delivery of each Series of the Bonds, all conditions, acts and things required by law and the Resolution to exist, to have happened and to have been performed precedent to and in the issuance of such Bonds shall exist, have happened and have been performed and the issue of such Bonds, together with all other indebtedness of the Authority, shall be within every debt and other limit prescribed by the laws of the Commonwealth.

### **Events of Default (Section 701)**

Each of the following events is hereby declared an “Event of Default”:

- (1) payment of the Required Debt Service on any Bond (other than Subordinated Bonds, except as otherwise provided in the applicable Series Resolution) when due, including upon any tender for purchase;
- (2) failure to comply with the provisions of the Resolution, the Loan Program Certificate or any Series Resolution or default in the performance or observance of any of the covenants, agreements or conditions of the Authority contained therein or in the Bonds, other than certain quarterly periodic reporting requirements as described under “Covenant as to Accounts and Reports,” and continuance of such failure or default for a period of 60 days after written notice thereof to the Authority by the Trustee or the Holders of more than 50% in principal amount of the Outstanding Bonds, unless such default is capable of being remedied but cannot be diligently remedied within such period, than within an additional 60 days;
- (3) an order, judgment or decree is entered by a court of competent jurisdiction (a) appointing a receiver, trustee, or liquidator for the Authority or the whole or any substantial part of its assets, (b) granting relief in involuntary proceedings with respect to the Authority under the federal bankruptcy act, or (c) assuming custody or control of the Authority or of the whole or any substantial part of its assets under the provisions of any law for the relief of debtors, and the order, judgment or decree is not set aside or stayed within 60 days from the date of entry of the order, judgment or decree; or
- (4) the Authority (a) admits in writing its inability to pay its debts generally as they become due, (b) commences voluntary proceedings in bankruptcy or seeking a composition of indebtedness, (c) makes an assignment for the benefit of its creditors, or (d) consents to the assumption by any court of competent jurisdiction under any law for the relief of

debtors of custody or control of the Authority or of the whole or any substantial part of its assets.

### **Remedies (Section 702)**

Upon the happening and continuance of any Event of Default the Trustee may, and upon the written request of the Holders of more than 50% in principal amount of the Outstanding Bonds shall, proceed, subject to certain rights of the Trustee to receive compensation or indemnification, to protect and enforce the rights of the Bondholders by such of the following remedies as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

- (1) By suit, action or proceeding, to enforce all rights of the Bondholders, including the right to require the Authority to carry out the covenants and agreements in the Resolution as to, and the assignment of, the Revenues and Education Loans and to require the Authority to carry out any other covenant or agreement with Bondholders and to perform its duties under the Act;
- (2) By bringing suit upon the Bonds;
- (3) By action or suit, to require the Authority to account as if it were the trustee of an express trust for the Holders of the Bonds;
- (4) By action or suit, to enjoin any acts or things which may be unlawful or in violation of the Resolution or of the rights of the Holders of the Bonds; and
- (5) By exercising any and all rights of the Authority with respect to the Revenues and Education Loans.
- (6) Upon the happening and continuance of any Event of Default, other than as described in clause (2) under “Events of Default” above, declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and be immediately due and payable; provided that if, at any time after such declaration, all outstanding Events of Default (other than the payment of principal and interest due and payable solely by reason of such declaration) are cured or provisions deemed adequate by the Trustee are made with respect thereto, unless a formal judgment has been obtained for any principal or interest coming due and payable solely by reason of such declaration, the Holders of a majority in principal amount of the Bonds Outstanding may or the Trustee will, if it acted without a direction from Bondholders, annul such declaration.

Upon the occurrence of an Event of Default, the Authority, at the request of the Trustee or the Holders of more than fifty percent (50%) in principal amount of the Outstanding Bonds, shall assign to the Trustee any and all interests and rights held by the Authority in the Education Loans, any security agreements and agreements with a Servicer and shall take any other steps requested by the Trustee or Bondholders to further effectuate the rights of the Trustee under this Resolution to the Education Loans or such agreements.

### **Right to Compel Periodic Reports (Section 703)**

Any failure to comply with the provision described in the last paragraph of the Section titled “Covenant as to Accounts and Reports” shall not constitute an Event of Default under the Resolution.

However, to the extent permitted by law, any Bondholder may seek a court order for specific performance by the Authority to comply with said provision and to compel the Authority to perform and carry out its obligations thereunder; provided, however, that the sole remedy for a failure to comply with said provision shall be limited to an action to compel specific performance of such obligations and shall not include any rights to monetary damages.

#### **Priority of Payments After Default (Section 704)**

If upon the happening and continuance of any Event of Default, the funds held by the Trustee are insufficient for the payment of principal and interest then due on the Bonds, the provisions of the Resolution dealing with annual and semi-annual transfers from the Revenue Fund and unscheduled draws to meet Required Debt Service and Program Expenses shall no longer apply, and such funds and any other amounts received or collected by the Trustee through the exercise of remedies available under the Resolution, after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interest of the Holders of the Bonds and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee in the performance of its duties under the Resolution, will be applied, as follows:

- (1) Unless the principal of all of the Bonds is or has been declared due and payable:

FIRST: To the payment to the persons entitled thereto of all installments of interest on the Bonds then due or accrued and unpaid as of the next prior Interest Payment Date in the order of the maturity of such installments and, if the amount available is not sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference; provided that scheduled payments on Qualified Hedge Agreements shall be treated as interest for the purpose of this paragraph.

SECOND: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which have become due and, if the amounts available are not sufficient to pay in full all such amounts, then to the payment thereof ratably, according to the amounts due on such date to the persons entitled thereto, without any discrimination or preference.

THIRD: To be held for the payment to the persons entitled thereto as the same shall become due of the principal or Redemption Price of and interest on the Bonds which may thereafter become due, and if the amounts available are not sufficient to pay in full all the Bonds due on any date, together with such interest, payment will be made ratably according to the amount of principal due on such date, to the persons entitled thereto, without any discrimination or preference.

- (2) If the principal of all of the Bonds is or has been declared due and payable to the payment of the principal and interest then due and unpaid upon such Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto, without any discrimination or preference and as to any difference in the respective rates of interest specified in the Bonds; provided that scheduled payments on Qualified Hedge Agreements shall be treated as interest for the purposes of this paragraph.

Whenever moneys are to be applied by the Trustee pursuant to the provisions of this Section, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional money becoming available for such application in the future. The setting aside of such moneys in trust for the proper purpose shall constitute proper application by the Trustee, and the Trustee shall incur no liability whatsoever to the Authority, to any Bondholder or to any other person for any delay in applying any such moneys, so long as the Trustee acts with reasonable diligence, having due regard for the circumstances, and ultimately applies the same in accordance with such provisions of the Resolution as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be an Interest Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate for the fixing of any such date. The Trustee shall not be required to make payment to the Holder of any Bond unless such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

### **Responsibilities of Fiduciaries (Section 803)**

The recitals in the Resolution and in the Bonds shall be taken as the statements of the Authority and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency of the Resolution or of any Bonds issued thereunder or as to the security afforded by the Resolution, and no Fiduciary shall incur any liability in respect thereof. No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid to the Authority or to any other Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect hereof, or to advance any of its own moneys, unless in the view of the Fiduciary it is properly indemnified. Subject to the further provisions of this section appearing below, no Fiduciary shall be liable in connection with the performance of its duties except for its own negligence or willful misconduct. No Fiduciary shall be liable in connection with the performance of its duties (1) for any error of judgment made in good faith by one or more of its officers unless it shall be proved that the Fiduciary was negligent in ascertaining the pertinent facts and (2) for any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of more than 50% in principal amount of the Bonds. The Trustee shall, however, be responsible for its representation contained in its certificate of authentication on the Bonds to the extent provided in Article 8, Section 208, as amended, of the Massachusetts Uniform Commercial Code.

All moneys held by any Fiduciary, as such, at any time pursuant to the terms of the Resolution shall be assigned, transferred and set over unto such Fiduciary in trust for the purposes and under the terms and conditions of the Resolution, but such moneys need not be segregated from other funds except to the extent required by law. No Fiduciary shall be under any liability for interest on money received by it except as otherwise agreed with the Authority.

The Trustee, prior to the occurrence of an Event of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Resolution and no implied covenants or obligations shall be read into the Resolution against the Trustee. In case an Event of Default has occurred the Trustee shall exercise such of the rights and powers vested in it by the Resolution, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs. The Trustee shall not be charged with knowledge of any Event of Default other than a default in the payment of the principal of or interest on any Bond unless either (a) an officer in the corporate trust department of the Trustee has actual knowledge thereof or (b) written notice of any Event of Default shall have been given to the Trustee by the Authority or by Holders of 5% or more in principal amount of the Outstanding Bonds. Any provision of the Resolution relating to

action taken or to be taken by the Trustee or to evidence upon which the Trustee may rely shall be subject to the provisions of this section.

Prior to the occurrence of an Event of Default, the Trustee shall not incur any extraordinary expenditures reimbursable from the Trust Assets unless the Trustee determines or the Authority advises the Trustee that such incurrence will not adversely affect the conclusions in the most recently filed Favorable Projection of Revenues.

To the extent the Trustee performs any record-keeping or safekeeping duties for the Authority in connection with its obligations under the Resolution, the Trustee hereby agrees to hold all documents received by it, and shall make disposition thereof only in accordance with the written instructions of the Authority. The Trustee shall segregate and maintain continuous custody of all documents received by it in secure and fireproof facilities in accordance with customary standards for such custody.

### **Resignation or Removal of Trustee; Successor Trustee (Section 807 and Section 808)**

The Trustee may at any time resign by giving no less than 60 days' notice to the Authority. The Trustee may be removed at any time by an instrument or concurrent instruments in writing, filed with the Trustee, and, subject to the paragraph below, signed by the Holders of more than 50% in principal amount of the Bonds then Outstanding or their attorneys-in-fact duly authorized, excluding any Bonds held by or for the account of the Authority.

Any Fiduciary (including but not limited to the Trustee) holding an Account shall be removed by the Authority if such Fiduciary shall fail to maintain a rating of at least "BBB" from S&P. If the Fiduciary's rating from S&P is withdrawn, suspended or falls below "BBB," the Authority shall use commercially reasonable efforts to appoint a successor meeting the foregoing and all other applicable requirements hereof within thirty (30) days of such withdrawal, suspension or downgrade; provided that the Authority shall not be required to obtain the consent of the Holders of more than 50% in principal amount of the Bonds then Outstanding in order to remove or replace a Fiduciary under this paragraph and that the inability to retain a successor Fiduciary upon commercially reasonable terms meeting the rating requirement in this paragraph shall not in any event constitute an Event of Default.

In case at any time the Trustee resigns or is removed or becomes incapable of acting, or is adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, is appointed, or if any public officer takes charge or control of the Trustee, or of its property or affairs, a successor may be appointed by the Holders of more than 50% in principal amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of the Authority, by an instrument or concurrent instruments in writing signed and acknowledged by such Holders of Bonds or by their attorneys-in-fact duly authorized and delivered to such successor Trustee, notification thereof being given to the Authority, each Nationally Recognized Rating Agency and the predecessor Trustee; provided, nevertheless, that the Trustee may not resign nor be removed unless a successor Trustee shall have been appointed as aforesaid and assumed all of the duties and obligations of the Trustee. If no appointment of a successor Trustee is made pursuant to the foregoing provisions within 45 days after the Trustee has given to the Authority written notice of resignation or after a vacancy in the office of the Trustee has occurred, the Trustee, the Authority or the Holder of any Bonds may apply to any court of competent jurisdiction to appoint a successor Trustee. Such court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Trustee. Any successor Trustee shall be a bank or trust company or national banking association and (i) having the powers of a trust company within the Commonwealth, (ii) having capital and surplus aggregating at least \$75,000,000 and (iii) if there be such a bank or trust company or national banking association within the Commonwealth willing and able to accept the office on reasonable and customary terms, having a rating of at least "BBB" from S&P. If there shall be no trust

company, national association or bank willing to serve on commercially reasonable terms meeting the rating requirement in clause (iii) of the preceding sentence, the Authority shall retain a Trustee with the highest such rating that is willing to serve on commercially reasonable terms.

### **Supplemental Resolutions (Section 901)**

The Authority may adopt supplemental resolutions among other things: to authorize the issuance of a Series of Bonds in accordance with the Resolution subject to satisfaction of the Rating Agency Condition as to all Nationally Recognized Rating Agencies; to add to the covenants, agreements, limitations and restrictions of or applicable to the Authority in the Resolution other covenants, agreements, limitations or restrictions which are not contrary to or inconsistent with the Resolution subject to Prior Rating Agency Notice; to cure any ambiguity, supply any omission or cure or correct any inconsistent provisions, substitute defined terms in connection with the administration of the Program or insert provisions clarifying matters or questions arising under the Resolution as are necessary or desirable and are not contrary to or inconsistent with the Resolution; provided, in all cases, that such action shall not adversely affect the interest of Bondholders, subject to Prior Rating Agency Notice; or to authorize the Authority to enter into a Qualified Hedge Agreement in connection with a Series of Bonds and/or to amend the applicable Series Resolution in connection with such Qualified Hedge Agreement subject to Prior Rating Agency Notice and satisfaction of the Rating Agency Condition as to S&P.

### **Powers of Amendment (Section 1002)**

Certain provisions of the Resolution may be amended by the Authority by a supplemental resolution with Prior Rating Agency Notice and with the written consent (1) of the Holders of at least 60% in principal amount of the Outstanding Bonds at the time such consent is given, and (2) in case the modification or amendment changes the terms of any Sinking Fund Installment, of the Holders of at least 60% in principal amount of the Bonds of the particular Series and maturity entitled to such Sinking Fund Installment and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified Series and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for such purpose. No such modification or amendment will permit a change in the terms of redemption or maturity of the principal of any Outstanding Bonds or of any installment of interest thereon without the consent of the Holder of such Bonds, or will reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or will change or modify any of the rights or obligations of any fiduciary under the Resolution without its written assent.

### **Defeasance (Section 1101)**

If the Authority pays or causes to be paid to the Holders of the Bonds the principal and interest to become due thereon, the pledge of any Trust Assets and other moneys pledged under the Resolution to the payment of the Bonds and all other rights granted by the Resolution securing the Bonds will be discharged and satisfied. Subject to satisfaction of all other obligations secured by the Trust Assets, all amounts held in any funds or accounts (except for such amounts held for the payment of Bonds not yet surrendered for payment) including any Education Loans, will be distributed in accordance with instructions of an Authorized Officer of the Authority to the Trustee.

Bonds (which may be only a portion of a Series of Bonds or of a maturity within a Series) or interest installments for the payment of which moneys and investment earnings thereon have been set aside and are held in trust by the Trustee will, at the stated maturity date or redemption thereof, be deemed to have been paid for purposes of the defeasance provisions of the Resolution. All Bonds will,

prior to their stated maturity date or redemption date, be deemed to have been paid if (i) in case any of the Bonds are to be redeemed on any date prior to their stated maturity date the Authority has given the Trustee irrevocable instructions to mail notice of redemption on such date of such Bonds, (ii) there are deposited with the Trustee moneys in an amount which will be sufficient, or when invested in obligations described in clauses (1) and (9) of the definition of "Investment Obligations" will, together with the investment earnings thereon, be sufficient to pay when due the principal of and interest due and to become due on such Bonds on and prior to their stated maturity date, and (iii) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty days, the Authority gives the Trustee irrevocable instructions to mail, as soon as practicable, a notice to each of the Holders of such Bonds first-class postage prepaid to the address appearing upon the Trustee's registration books, that the deposit required by (ii) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with the Resolution and stating the stated maturity date or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if any, on such Bonds. For any determination with respect to the sufficiency of amounts needed to refund any Bonds more than one Interest Payment Date prior to their redemption date, such determination shall be made in reliance on a verification report of a firm of independent certified public accountants. For the purposes of defeasance under the Resolution, the Authority may, but shall not be required to, provide for payment of remaining PAC Installments and Cumulative Sinking Fund Installments that are not Required Debt Service in accordance with the schedule of such Principal Installments established at the date of issuance of each applicable Series of Bonds (with payments not made as scheduled on such Principal Installments and remaining unpaid being paid upon the date of the defeasance of future such Principal Installments).

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**PROPOSED FORM OF OPINION OF BOND COUNSEL**

**[Dated the Date of Delivery of the Series 2015B Bonds]**

Massachusetts Educational Financing Authority  
160 Federal Street, 4th Floor  
Boston, Massachusetts 02110

Re: Massachusetts Educational Financing Authority (the “Authority”) Education Loan Revenue Bonds, Issue I, Series 2015B (Federally Taxable), consisting of Series 2015B-1 Bonds (Floating Rate PAC Bonds) and Series 2015B-2 Bonds (Fixed Rate Serial and Fixed Rate PAC Bonds) (collectively, the “Series 2015B Bonds”) issued pursuant to a General Resolution of the Authority dated as of June 30, 2009, as amended and restated as of March 26, 2015, entitled “Education Loan Revenue Bond General Resolution, Issue I” (the “General Resolution”), as supplemented and amended by the Fifth Issue I Series Resolution dated as of March 26, 2015 (the “Fifth Series Resolution,” and together with the General Resolution, the “Resolution”)

Members of the Authority:

We have acted as Bond Counsel in connection with the authorization, sale, issuance and delivery of the Series 2015B Bonds. In that capacity, we have examined the provisions of Chapter 15C of the Massachusetts General Laws, as amended, and we have examined and are familiar with originals or copies, certified or otherwise identified to our satisfaction, of the By Laws of the Authority and such records of the Authority, certificates of officers of the Authority and other documents and instruments, and have made such other investigation of facts and examination of Massachusetts and federal law, as we have deemed necessary or proper for the purpose of rendering this opinion. We have also examined a record of proceedings relating to the authorization, sale, issuance and delivery of the Series 2015B Bonds. Capitalized terms used herein shall, unless otherwise specified, have the meanings set forth in the Resolution.

The Series 2015B Bonds are being issued to finance Education Loans, to fund the Taxable Fixed Rate Capitalized Interest Account, to fund the Taxable Floating Rate Capitalized Interest Account and to fund a portion of the costs of issuance of the Series 2015B Bonds.

Based upon our examination, we are of the following opinion:

(a) The Authority is a duly constituted and existing body public and corporate and a public instrumentality of The Commonwealth of Massachusetts, with the power to adopt the Resolution, perform the agreements on its part contained therein and issue the Series 2015B Bonds.

(b) The aforementioned proceedings and proofs show lawful authority for the issuance and sale of the Series 2015B Bonds pursuant to the provisions of law applicable thereto.

(c) The Series 2015B Bonds are special obligations of the Authority secured as provided in the Resolution and payable solely from Revenues received by or for the account of the Authority and moneys on deposit in the funds and accounts established and available therefor under the Resolution, subject to use of such Revenues and moneys for other purposes as permitted under the Resolution.

(d) The Series 2015B Bonds have been duly authorized, executed, authenticated and delivered and are valid and binding special obligations of the Authority enforceable in accordance with their terms and entitled, subject to the limitations described in paragraph (c), to the benefit and security of the Resolution, subject only to applicable bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditors' rights heretofore or hereafter enacted and to general equity principles.

(e) The Resolution has been duly adopted by the Authority, is in full force and effect and is a valid and binding agreement of the Authority enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditors' rights heretofore or hereafter enacted and to general equity principles, and the Resolution creates the valid pledge and lien which it purports to create for the benefit of the holders of the Series 2015B Bonds.

(f) Under existing law, interest on the Series 2015B Bonds will be included in the gross income of holders of the Series 2015B Bonds for federal income tax purposes. We express no opinion regarding other federal tax consequences arising with respect to the Series 2015B Bonds.

(g) Under existing law, interest on the Series 2015B Bonds, including any accrued original issue discount, and any profit on the sale thereof are exempt from Massachusetts personal income taxes, and the Series 2015B Bonds are exempt from Massachusetts personal property taxes. We express no opinion as to any other Massachusetts tax consequences arising with respect to the Series 2015B Bonds nor as to the taxability of the Series 2015B Bonds, their transfer and the income therefrom, including any profit made on the sale thereof, under the laws of any state other than The Commonwealth of Massachusetts.

Very truly yours,

Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.

**PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT**

This Continuing Disclosure Agreement (this “Agreement”) dated November \_\_, 2015 is executed and delivered by the Massachusetts Educational Financing Authority (the “Issuer”) and U.S. Bank National Association, Boston, Massachusetts, as dissemination agent (in such capacity, the “Dissemination Agent”), in connection with the issuance of the Issuer’s Education Loan Revenue Bonds, Issue I, Series 2015B (Federally Taxable) in the aggregate principal amount of \$76,000,000 (the “Bonds”). The Bonds are being issued pursuant to the General Resolution dated adopted on June 30, 2009 and Amended and Restated as of March 26, 2015 (the “General Resolution”), as supplemented and amended by the Fifth Issue I Series Resolution dated as of March 26, 2015 (the “Series Resolution” and, collectively with the General Resolution, the “Resolution”). Capitalized terms used in this Agreement which are not otherwise defined in the Resolution shall have the respective meanings specified above or in Article IV hereof. The Issuer and the Dissemination Agent covenant and agree as follows:

ARTICLE I

The Undertaking

Section 1.1 Purpose. This Agreement is being executed and delivered solely to assist the Underwriter in complying with subsection (b)(5) of the Rule.

Section 1.2. Annual Financial Information. (a) The Issuer shall provide Annual Financial Information with respect to each fiscal year of the Issuer, commencing with the fiscal year ending June 30, 2015, by no later than 9 months after the end of the respective fiscal year, to the MSRB.

(b) The Issuer shall provide, in a timely manner, notice of any failure of the Issuer to provide the Annual Financial Information by the date specified in subsection (a) above to the MSRB.

Section 1.3. Audited Financial Statements. If not provided as part of Annual Financial Information by the date required by Section 1.2(a) hereof, the Issuer shall provide Audited Financial Statements, when and if available, to the MSRB.

Section 1.4. Notice Events. (a) If a Notice Event occurs, the Issuer shall provide, in a timely manner not in excess of ten (10) business days after the occurrence of such Notice Event, notice of such Notice Event to (i) the MSRB and (ii) the Dissemination Agent.

(b) Any notice of a defeasance of Bonds shall state whether the Bonds have been escrowed to maturity or to an earlier redemption date and the timing of such maturity or redemption.

Section 1.5. Additional Information. Nothing in this Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of Notice Event hereunder, in addition to that which is required by this Agreement. If the Issuer chooses to do so, the Issuer shall have no obligation under this Agreement to update such additional information or include it in any future Annual Financial Information or notice of a Notice Event hereunder.

Section 1.6. Additional Disclosure Obligations. The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5

promulgated under the Securities Exchange Act of 1934, may apply to the Issuer and that, under some circumstances, compliance with this Agreement without additional disclosures or other action may not fully discharge all duties and obligations of the Issuer under such laws.

## ARTICLE II

### Operating Rules

Section 2.1. Reference to Other Filed Documents. It shall be sufficient for purposes of Section 1.2 hereof if the Issuer provides Annual Financial Information by specific reference to documents (i) available to the public on the MSRB Internet Web site (currently, [www.emma.msrb.org](http://www.emma.msrb.org)) or (ii) filed with the SEC. The provisions of this Section shall not apply to notices of Notice Events pursuant to Section 1.4 hereof.

Section 2.2. Submission of Information. Annual Financial Information may be set forth or provided in one document or a set of documents, and at one time or in part from time to time.

Section 2.3. Dissemination Agents. The Issuer hereby designates U.S. Bank National Association as initial dissemination agent and may from time to time designate another agent to act on its behalf in providing or filing notices, documents and information as required of the Issuer under this Agreement, and may revoke or modify any such designation.

Section 2.4. Transmission of Notices, Documents and Information. (a) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to the MSRB's Electronic Municipal Markets Access (EMMA) system, the current Internet Web address of which is [www.emma.msrb.org](http://www.emma.msrb.org).

(b) All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

2.5. Fiscal Year. (a) The Issuer's current fiscal year is July 1-June 30, and the Issuer shall promptly notify (i) the MSRB and (ii) the Dissemination Agent of each change in its fiscal year.

(b) Annual Financial Information shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months.

## ARTICLE III

### Effective Date, Termination, Amendment and Enforcement

Section 3.1. Effective Date; Termination. (a) This Agreement shall be effective upon the issuance of the Bonds.

(b) The Issuer's and the Dissemination Agent's obligations under this Agreement shall terminate upon a legal defeasance, prior redemption or payment in full of all of the Bonds.

(c) This Agreement, or any provision hereof, shall be null and void in the event that the Issuer (1) delivers to the Dissemination Agent an opinion of Counsel, addressed to the Issuer and the Dissemination Agent, to the effect that those portions of the Rule which require this Agreement, or such provision, as the case may be, do not or no longer apply to the Bonds, whether because such portions of

the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to the MSRB.

Section 3.2. Amendment. (a) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Bonds (except to the extent required under clause (4)(ii) below), if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Issuer or the type of business conducted thereby, (2) this Agreement as so amended would have complied with the requirements of the Rule as of the date of this Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the Issuer shall have delivered to the Dissemination Agent an opinion of Counsel, addressed to the Issuer and the Dissemination Agent, to the same effect as set forth in clause (2) above, (4) either (i) the Issuer shall have delivered to the Dissemination Agent an opinion of Counsel or a determination by an entity, in each case unaffiliated with the Issuer (such as bond counsel or the Dissemination Agent), addressed to the Issuer and the Dissemination Agent, to the effect that the amendment does not materially impair the interests of the holders of the Bonds or (ii) the holders of the Bonds consent to the amendment to this Agreement pursuant to the same procedures as are required for amendments to the Resolution with consent of holders of Bonds pursuant to the Resolution as in effect at the time of the amendment, and (5) the Issuer shall have delivered, or shall have caused to be delivered, copies of such opinion(s) and amendment to the MSRB.

(b) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Agreement which is applicable to this Agreement, (2) the Issuer shall have delivered, or shall have caused to be delivered, to the Dissemination Agent an opinion of Counsel, addressed to the Issuer and the Dissemination Agent, to the effect that performance by the Issuer and the Dissemination Agent under this Agreement as so amended will not result in a violation of the Rule and (3) the Issuer shall have delivered copies of such opinion and amendment to the MSRB.

(c) This Agreement may be amended by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) the Issuer shall have delivered, or shall have caused to be delivered, to the Dissemination Agent an opinion of Counsel, addressed to the Issuer and the Dissemination Agent, to the effect that the amendment is permitted by rule, order or other official pronouncement, or is consistent with any interpretive advice or no-action positions of Staff, of the SEC, and (2) the Dissemination Agent shall have delivered copies of such opinion and amendment to the MSRB.

(d) To the extent any amendment to this Agreement results in a change in the type of financial information or operating data provided pursuant to this Agreement, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(e) If an amendment is made pursuant to Section 3.2(a) hereof or consistent with GAAP to the accounting principles to be followed by the Issuer in preparing its financial statements, the Annual Financial Information for the fiscal year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting

principles and the impact of the change in the accounting principles on the presentation of the financial information.

Section 3.3. Benefit; Third Party Beneficiaries; Enforcement. (a) The provisions of this Agreement shall constitute a contract with and inure solely to the benefit of the holders from time to time of the Bonds, except that beneficial owners of Bonds shall be third party beneficiaries of this Agreement. The provisions of this Agreement shall create no rights in any person or entity except as provided in this subsection (a) and in subsection (b) of this Section.

(b) The obligations of the Issuer to comply with the provisions of this Agreement shall be enforceable: (i) in the case of enforcement of obligations to provide financial statements, financial information, operating data and notices, by any holder of Outstanding Bonds, or (ii) in the case of challenges to the adequacy of the financial statements, financial information and operating data so provided, by the holders of not less than 25% in aggregate principal amount of the Outstanding Bonds. The holders' rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the Issuer's obligations under this Agreement. In consideration of the third party beneficiary status of beneficial owners of Bonds pursuant to subsection (a) of this Section, beneficial owners shall be deemed to be holders of Bonds for purposes of this subsection (b).

(c) Any failure by the Issuer or the Dissemination Agent to perform in accordance with this Agreement shall not constitute a default or an Event of Default under the Resolution, and the rights and remedies provided by the Resolution upon the occurrence of a default or an Event of Default shall not apply to any such failure.

(d) This Agreement shall be construed and interpreted in accordance with the laws of the Commonwealth, and any suits and actions arising out of this Agreement shall be instituted in a court of competent jurisdiction in the Commonwealth; provided, however, that to the extent this Agreement addresses matters of federal securities laws, including the Rule, this Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

#### ARTICLE IV

##### Definitions

Section 4.1. Definitions. The following terms used in this Agreement shall have the following respective meanings set forth below; capitalized terms, used but not defined herein shall have the respective meanings established for purposes of the Official Statement:

(1) "Annual Financial Information" means, collectively: (i) Audited Financial Statements, if available, or Unaudited Financial Statements; (ii) the information regarding amendments to this Agreement or to the Annual Financial Information required pursuant to Sections 3.2(d) and (e) of this Agreement; and (iii) updated versions of the following financial information and operating data contained in the Official Statement, for each fiscal year of the Issuer, as follows:

(a) Updated quantitative and operating information for the preceding fiscal year of the type presented in the Official Statement under the captions "THE MEFA FINANCING PROGRAM" and "MEFA EDUCATION LOAN ORIGINATION AND SERVICING"; and

(b) Updated loan portfolio information of the type presented in the Official Statement under the captions "MEFA EDUCATION LOAN PORTFOLIO" and "ISSUE I LOAN

PORTFOLIO”; provided, that, in the event that a material portion of the Issue I Loan portfolio consists of loans originated pursuant to the MEFA Financing Program other than Fixed Rate MEFA Loans, information of the type presented in the Official Statement with respect to such Issue I Loans shall be separately presented; and further provided, that the Issuer reserves the right to include static pool cohort default data for MEFA Refinancing Loans, when such data is available for a number of loans and time period that the Issuer deems adequate for such purpose, instead of static pool cohort default data for Immediate Repayment 15-year MEFA Loans;

(provided, that the Issuer reserves the rights: (i) to alter the format in which such periodic information is presented; and (ii) to make such periodic information available either by posting as part of, or in the same manner as, annual reports filed pursuant to this Agreement or, subject to compliance with this Agreement, by posting on a publicly accessible website).

The descriptions contained in Section 4.1(1) hereof of financial information and operating data constituting Annual Financial Information are of general categories of financial information and operating data. When such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided in lieu of such information. Any Annual Financial Information containing modified financial information or operating data shall explain, in narrative form, the reasons for the modification and the impact of the modification on the type of financial information or operating data being provided.

(2) “Audited Financial Statements” means the annual financial statements, if any, of the Issuer, audited by such auditor as shall then be required or permitted by the laws of the Commonwealth or the Resolution. Audited Financial Statements shall be prepared in accordance with GAAP; provided, however, that pursuant to Sections 3.2(a) and (e) hereof, the Issuer may from time to time, if required by federal or Commonwealth legal requirements, modify the accounting principles to be followed in preparing its financial statements. The notice of any such modification required by Section 3.2(a) hereof shall include a reference to the specific federal or Commonwealth law or regulation describing such accounting principles, or other description thereof.

(3) “Commonwealth” means The Commonwealth of Massachusetts.

(4) “Counsel” means nationally recognized bond counsel or counsel expert in federal securities laws.

(5) “GAAP” means generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board, the Financial Accounting Standards Board, or any successor to the duties and responsibilities of either of them.

(6) “MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Agreement.

(7) “Notice Event” means any of the following events with respect to the Bonds, whether relating to the Issuer or otherwise:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;

- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) modifications to rights of Bondholders, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the Issuer; for the purposes of the event identified in this clause (xii), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under Commonwealth or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer;
- (xiii) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(8) “Official Statement” means the Official Statement dated November 18, 2015 of the Issuer relating to the Bonds.

(9) “Rule” means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as amended, as in effect on the date of this Agreement, including any official interpretations thereof issued either before or after the effective date of this Agreement which are applicable to this Agreement.

(10) “SEC” means the United States Securities and Exchange Commission.

(11) “Unaudited Financial Statements” means the same as Audited Financial Statements, except that they shall not have been audited.



(12) "Underwriter" shall have the same meaning as set forth in the Official Statement.

ARTICLE V

Miscellaneous

Section 5.1. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed all as of the date first above written.

MASSACHUSETTS EDUCATIONAL  
FINANCING AUTHORITY

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

U.S. BANK NATIONAL ASSOCIATION,  
as Dissemination Agent

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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**PREPAYMENTS, EXTENSIONS, WEIGHTED AVERAGE LIVES  
AND EXPECTED MATURITIES OF THE SERIES 2015B-1  
PAC BONDS AND OF THE SERIES 2015B-2 PAC BONDS**

**The statements under this heading relate only to the Series 2015B-1 PAC Bonds and to the 2015B-2 PAC Bonds.**

Prepayments on pools of student loans can be calculated based on a variety of prepayment models. The model used to calculate prepayments in this APPENDIX F is based on prepayments assumed to occur at a constant prepayment rate (“CPR”).

CPR is stated as an annualized rate and is calculated as the percentage of the loan amount outstanding at the beginning of a period (including accrued interest to be capitalized), after applying scheduled payments, that is prepaid during that period. The CPR model assumes that student loans will prepay in each month according to the following formula:

$$\text{Monthly Prepayments} = \text{Balance after scheduled payments} \times (1 - (1 - \text{CPR})^{1/12})$$

Accordingly, monthly prepayments, assuming a \$1,000 balance after scheduled payments would be as follows for various levels of CPR:

<b>CPR</b>	<b>0%</b>	<b>2%</b>	<b>4%</b>	<b>5%</b>	<b>6%</b>	<b>8%</b>	<b>10%</b>	<b>12%</b>	<b>14%</b>
Monthly Prepayment	\$0.00	\$1.68	\$3.40	\$4.27	\$5.14	\$6.92	\$8.74	\$10.60	\$12.49

The CPR model does not purport to describe historical prepayment experience or to predict the prepayment rate of any actual student loan pool. The MEFA Refinancing Loans will not prepay at any constant CPR, nor will all of the MEFA Refinancing Loans prepay at the same rate. You must make an independent decision regarding the appropriate principal prepayment scenarios to use in making any investment decision.

For purposes of calculating the information presented in the tables below, it was assumed, among other things, that:

- all of the MEFA Refinancing Loans will be originated according to the Authority’s expected origination schedule such that \$21,000,000 of the Floating Rate MEFA Refinancing Loans will be originated no later than September 30, 2016 and \$55,000,000 of the Fixed Rate MEFA Refinancing Loans will be originated no later than September 30, 2016;
- a total Bond issuance of \$76,000,000, consisting of: (i) Series 2015B-1 Floating Rate PAC Bonds in the amount of \$21,000,000, consisting of \$6,000,000 Series 2015B-1 Floating Rate PAC Bonds maturing January 1, 2031 and \$15,000,000 Series 2015B-1 Floating Rate PAC Bonds maturing January 1, 2032; and (ii) Series 2015B-2 Fixed Rate Bonds in the amount of \$55,000,000, consisting of \$21,600,000 Fixed Rate Serial Bonds, \$6,300,000 Series 2015B-1 Fixed Rate Term Bonds maturing July 1, 2025, \$15,900,000 Series 2015B-1 Fixed Rate Term Bonds maturing January 1, 2030 and \$11,200,000 Series 2015B-1 Fixed Rate PAC Bonds maturing January 1, 2032;

- upon origination, all MEFA Refinancing Loans will be in repayment status, and no MEFA Refinancing Loan moves from repayment to any other status;
- all MEFA Refinancing Loans will make level payments of principal and interest and 100% of borrowers will pay on time;
- no delinquencies or defaults occur on any of the MEFA Refinancing Loans, no repurchases for breaches of representations, warranties or covenants occur, and all borrower payments are collected in full;
- prepayments occur proportionately among all MEFA Refinancing Loans, without regard to interest rates on the MEFA Refinancing Loans;
- but for servicing, all fees and expenses are quoted on an annualized basis;
- an administration fee equal to 0.10% of the outstanding principal balance of the originated MEFA Refinancing Loans is paid semi-annually by the trust to MEFA, beginning January 1, 2016;
- trustee fees equal to \$4,950 annually, paid annually by the trust to the trustee, beginning January 1, 2016;
- servicing fees are paid monthly by MEFA to the servicer and such fees are calculated on a dollars per account basis;
- semi-annual debt service begins on January 1, 2016, and payments are made semiannually thereafter on each July 1 and January 1, whether or not that date is a Business Day;
- one-month LIBOR for calculation of borrower payments on Floating Rate MEFA Refinancing Loans is at all times equal to 0.19%;
- the Series 2015B-1 Floating Rate PAC Bonds bear interest at a constant rate calculated based on the actual number of days elapsed during any Interest Period divided by 360 (and rounded to the fifth decimal place the resultant figure);
- the Series 2015B-2 Fixed Rate Bonds bear interest at a fixed annual rate at all times, calculated based on a 360-day year consisting of twelve 30-day months;
- the acquisition period ends on September 30, 2016;
- no recycling occurs;
- the Series 2015B-1 Floating Rate Revenue Account has an initial balance equal to \$0;
- the Series 2015B-2 Fixed Rate Revenue Account has an initial balance equal to \$0;
- the Series 2015B-1 Floating Rate Purchase Account has an initial balance equal to \$21,000,000;
- the Series 2015B-2 Fixed Rate Purchase Account has an initial balance equal to \$55,000,000;
- the Series 2015B-1 Floating Rate Capitalized Interest Account has an initial balance equal to \$1,418,667;
- the Series 2015B-2 Fixed Rate Capitalized Interest Account has an initial balance equal to \$2,837,333;
- the Reserve Account Requirement for all bonds issued under the Issue I trust estate is equal to the greater of 1.00% of bonds outstanding and \$8,000,000;
- reinvestment income is earned at the rate of 0.01% per annum;

- MEFA does not exercise an optional redemption of the Series 2015 B-1 Floating Rate PAC Bonds or Series 2015 B-2 Fixed Rate Bonds;
- MEFA does not experience a mandatory redemption resulting from non-origination;
- MEFA does not sell or transfer MEFA Refinancing Loans from the Issue I trust;
- no Event of Default has occurred or is continuing to occur; and
- The MEFA Refinancing Loans were grouped into 6 representative loans (“rep lines”). These rep lines have been created, for modeling purposes, from individual Refinancing Loans based on combinations of similar individual student loan characteristics, which include, but are not limited to, loan status, interest rate, loan type, and remaining term.

The following tables show the weighted average lives, expected maturity dates and percentages of original principal of the Bonds remaining at certain semi-annual payment dates at various percentages of CPR from the date of issuance until maturity.

**WEIGHTED AVERAGE LIVES AND EXPECTED MATURITY DATES  
OF THE SERIES 2015B BONDS AT VARIOUS PERCENTAGES OF CPR**

<b>Series</b>	<b>Weighted Average Life (years)<sup>(*)</sup></b>								
	<b>0%</b>	<b>2%</b>	<b>4%</b>	<b>5%</b>	<b>6%</b>	<b>8%</b>	<b>10%</b>	<b>12%</b>	<b>14%</b>
2015B-1 Floating Rate PAC Bonds (2031 maturity)	2.30	2.00	1.81	1.73	1.72	1.65	1.57	1.50	1.45
2015B-1 Floating Rate PAC Bonds (2032 maturity)	9.26	8.24	7.42	7.19	7.07	6.83	6.55	6.26	5.92
2015B-2 Fixed Rate PAC Bonds	6.42	4.81	3.57	3.57	3.57	3.57	3.57	3.57	3.57

  

<b>Series</b>	<b>Expected Maturity Date</b>								
	<b>0%</b>	<b>2%</b>	<b>4%</b>	<b>5%</b>	<b>6%</b>	<b>8%</b>	<b>10%</b>	<b>12%</b>	<b>14%</b>
2015B-1 Floating Rate PAC Bonds (2031 maturity)	7/1/2020	7/1/2019	1/1/2019	1/1/2019	1/1/2019	7/1/2018	7/1/2018	7/1/2018	1/1/2018
2015B-1 Floating Rate PAC Bonds (2032 maturity)	7/1/2029	1/1/2029	7/1/2028	7/1/2028	7/1/2028	7/1/2028	1/1/2029	1/1/2029	1/1/2029
2015B-2 Fixed Rate PAC Bonds	1/1/2026	7/1/2024	7/1/2024	7/1/2024	7/1/2024	7/1/2024	7/1/2024	7/1/2024	7/1/2024

\* The weighted average life of a Bond is determined by (x) multiplying the amount of each principal payment on such note by the number of years from the date of issuance of such note to the related payment date, (y) adding the results and (z) dividing the sum by the original principal amount of such bond.

**PERCENTAGES OF ORIGINAL PRINCIPAL OF THE  
SERIES 2015B-1 FLOATING RATE PAC BONDS MATURING  
JANUARY 1, 2031 REMAINING AT SEMI-ANNUAL PAYMENT DATES  
AT VARIOUS PERCENTAGES OF CPR**

<b>Semi-Annual Dates</b>	<b>Payment</b>	<b>0%</b>	<b>2%</b>	<b>4%</b>	<b>5%</b>	<b>6%</b>	<b>8%</b>	<b>10%</b>	<b>12%</b>	<b>14%</b>
Date of Issuance		100%	100%	100%	100%	100%	100%	100%	100%	100%
January 1, 2016		100	100	100	100	100	100	100	100	100
July 1, 2016		100	100	100	100	100	100	100	100	100
January 1, 2017		70	67	63	61	61	60	57	54	51
July 1, 2017		58	52	45	42	42	37	32	27	21
January 1, 2018		46	37	27	22	22	15	8	1	0
July 1, 2018		34	22	10	4	3	0	0	0	0
January 1, 2019		22	7	0	0	0	0	0	0	0
July 1, 2019		9	0	0	0	0	0	0	0	0
January 1, 2020		1	0	0	0	0	0	0	0	0
July 1, 2020		0	0	0	0	0	0	0	0	0
January 1, 2021		0	0	0	0	0	0	0	0	0
July 1, 2021		0	0	0	0	0	0	0	0	0
January 1, 2022		0	0	0	0	0	0	0	0	0
July 1, 2022		0	0	0	0	0	0	0	0	0
January 1, 2023		0	0	0	0	0	0	0	0	0
July 1, 2023		0	0	0	0	0	0	0	0	0
January 1, 2024		0	0	0	0	0	0	0	0	0
July 1, 2024		0	0	0	0	0	0	0	0	0
January 1, 2025		0	0	0	0	0	0	0	0	0
July 1, 2025		0	0	0	0	0	0	0	0	0
January 1, 2026		0	0	0	0	0	0	0	0	0
July 1, 2026		0	0	0	0	0	0	0	0	0
January 1, 2027		0	0	0	0	0	0	0	0	0
July 1, 2027		0	0	0	0	0	0	0	0	0
January 1, 2028		0	0	0	0	0	0	0	0	0
July 1, 2028		0	0	0	0	0	0	0	0	0
January 1, 2029		0	0	0	0	0	0	0	0	0
July 1, 2029		0	0	0	0	0	0	0	0	0
January 1, 2030		0	0	0	0	0	0	0	0	0
July 1, 2030		0	0	0	0	0	0	0	0	0
January 1, 2031		0	0	0	0	0	0	0	0	0
July 1, 2031		0	0	0	0	0	0	0	0	0
January 1, 2032		0	0	0	0	0	0	0	0	0

**PERCENTAGES OF ORIGINAL PRINCIPAL OF THE  
SERIES 2015B-1 FLOATING RATE PAC BONDS MATURING  
JANUARY 1, 2032 REMAINING AT SEMI-ANNUAL PAYMENT DATES  
AT VARIOUS PERCENTAGES OF CPR**

<b>Semi-Annual Dates</b>	<b>Payment</b>	<b>0%</b>	<b>2%</b>	<b>4%</b>	<b>5%</b>	<b>6%</b>	<b>8%</b>	<b>10%</b>	<b>12%</b>	<b>14%</b>
Date of Issuance		100%	100%	100%	100%	100%	100%	100%	100%	100%
January 1, 2016		100	100	100	100	100	100	100	100	100
July 1, 2016		100	100	100	100	100	100	100	100	100
January 1, 2017		100	100	100	100	100	100	100	100	100
July 1, 2017		100	100	100	100	100	100	100	100	100
January 1, 2018		100	100	100	100	100	100	100	100	97
July 1, 2018		100	100	100	100	100	99	96	93	90
January 1, 2019		100	100	97	94	94	91	88	84	80
July 1, 2019		100	97	90	88	86	83	80	76	72
January 1, 2020		100	91	84	81	80	76	72	68	64
July 1, 2020		95	85	78	75	73	69	65	61	57
January 1, 2021		90	80	72	68	67	63	59	55	50
July 1, 2021		85	74	66	62	61	57	53	49	44
January 1, 2022		80	68	60	56	55	51	47	43	38
July 1, 2022		75	63	54	51	49	45	41	37	33
January 1, 2023		69	57	48	45	44	40	36	32	27
July 1, 2023		64	52	43	40	38	34	30	27	23
January 1, 2024		58	46	37	35	33	29	26	23	19
July 1, 2024		53	41	32	30	28	25	22	19	16
January 1, 2025		47	36	27	25	23	20	18	15	13
July 1, 2025		47	36	25	23	21	20	18	15	13
January 1, 2026		42	30	20	18	17	16	14	12	10
July 1, 2026		36	25	15	14	13	12	11	10	8
January 1, 2027		30	20	11	10	9	9	8	7	6
July 1, 2027		24	15	6	5	5	6	6	5	4
January 1, 2028		19	10	2	1	1	3	3	3	2
July 1, 2028		13	5	0	0	0	0	1	1	1
January 1, 2029		6	0	0	0	0	0	0	0	0
July 1, 2029		0	0	0	0	0	0	0	0	0
January 1, 2030		0	0	0	0	0	0	0	0	0
July 1, 2030		0	0	0	0	0	0	0	0	0
January 1, 2031		0	0	0	0	0	0	0	0	0
July 1, 2031		0	0	0	0	0	0	0	0	0
January 1, 2032		0	0	0	0	0	0	0	0	0

**PERCENTAGES OF ORIGINAL PRINCIPAL OF THE  
SERIES 2015B-2 FIXED RATE PAC BONDS REMAINING AT  
SEMI-ANNUAL PAYMENT DATES AT VARIOUS PERCENTAGES OF CPR**

<b>Semi-Annual Payment Dates</b>	<b>0%</b>	<b>2%</b>	<b>4%</b>	<b>5%</b>	<b>6%</b>	<b>8%</b>	<b>10%</b>	<b>12%</b>	<b>14%</b>
Date of Issuance	100%	100%	100%	100%	100%	100%	100%	100%	100%
January 1, 2016	100	100	100	100	100	100	100	100	100
July 1, 2016	100	100	100	100	100	100	100	100	100
January 1, 2017	82	82	82	82	82	82	82	82	82
July 1, 2017	76	72	69	69	69	69	69	69	69
January 1, 2018	76	67	60	60	60	60	60	60	60
July 1, 2018	75	63	51	51	51	51	51	51	51
January 1, 2019	75	60	45	45	45	45	45	45	45
July 1, 2019	75	56	41	41	41	41	41	41	41
January 1, 2020	75	56	37	37	37	37	37	37	37
July 1, 2020	73	52	32	32	32	32	32	32	32
January 1, 2021	71	47	25	25	25	25	25	25	25
July 1, 2021	68	42	18	18	18	18	18	18	18
January 1, 2022	64	37	12	12	12	12	12	12	12
July 1, 2022	64	36	10	10	10	10	10	10	10
January 1, 2023	62	34	7	7	7	7	7	7	7
July 1, 2023	59	30	7	7	7	7	7	7	7
January 1, 2024	41	12	1	1	1	1	1	1	1
July 1, 2024	23	0	0	0	0	0	0	0	0
January 1, 2025	4	0	0	0	0	0	0	0	0
July 1, 2025	4	0	0	0	0	0	0	0	0
January 1, 2026	0	0	0	0	0	0	0	0	0
July 1, 2026	0	0	0	0	0	0	0	0	0
January 1, 2027	0	0	0	0	0	0	0	0	0
July 1, 2027	0	0	0	0	0	0	0	0	0
January 1, 2028	0	0	0	0	0	0	0	0	0
July 1, 2028	0	0	0	0	0	0	0	0	0
January 1, 2029	0	0	0	0	0	0	0	0	0
July 1, 2029	0	0	0	0	0	0	0	0	0
January 1, 2030	0	0	0	0	0	0	0	0	0
July 1, 2030	0	0	0	0	0	0	0	0	0
January 1, 2031	0	0	0	0	0	0	0	0	0
July 1, 2031	0	0	0	0	0	0	0	0	0
January 1, 2032	0	0	0	0	0	0	0	0	0

The above tables have been prepared based on the assumptions described above (including the assumptions regarding the characteristics and performance of the rep lines, which will differ from the characteristics and performance of the actual pool of MEFA Refinancing Loans) and should be read in conjunction therewith. In addition, different assumptions will have a material impact on the information presented in this Appendix, and investors should make an independent assessment of the assumptions used herein.



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