OFFERING MEMORANDUM

$296,000,000
Student Loan Asset-Backed Notes, Series 2008
Massachusetts Educational Financing Authority

The Massachusetts Educational Financing Authority (the "Issuer"), a body politic and corporate constituting a public instrumentality of The Commonwealth of Massachusetts (the "Commonwealth") is issuing $296,000,000 aggregate principal amount of its Student Loan Asset-Backed Notes, Series 2008 (the "notes") as set forth below:

Original Principal Amount	Interest Rate	Price to Public	Underwriting Fees and Commissions	Proceeds to the Trust Estate [1]	Final Maturity Date
$296,000,000	3-Month LIBOR plus 0.95%	100%	0.357%	$296,000,000	April 25, 2038

[1] The Issuer will pay underwriting fees and commissions and the costs of issuing the notes from its own funds and not from the proceeds of the notes.

Credit enhancement for the notes will include overcollateralization and cash on deposit in a capitalized interest fund and a reserve fund, as described in this Offering Memorandum.

The notes will receive quarterly distributions of principal and interest on the twenty-fifth day (or the next business day if it is not a business day) of each January, April, July and October as described in this Offering Memorandum, beginning October 27, 2008. Receipts of principal and certain other payments received on the student loans held in the trust estate will be allocated for payment of the principal of the notes until paid in full.

Application will be made for the notes to be admitted to the official list of the Irish Stock Exchange subject to the Irish Stock Exchange listing rules and the prospectus rules of the Irish Financial Services Regulatory Authority and to be admitted to trading on the regulated market of the Irish Stock Exchange. There can be no assurance that this listing will be obtained. The issuance and settlement of the notes is not conditioned on the listing of the notes on the Irish Stock Exchange.

The notes are expected to be rated by Moody's Investors Service, Inc., Standard & Poor's Ratings Services and Fitch Ratings in their highest rating category. See the caption "RATINGS" herein.

Investors should consider carefully the "RISK FACTORS" beginning on page 11 of this Offering Memorandum.

The notes are limited obligations of the Issuer and are payable solely from the trust estate created under the Indenture and described herein and not from any of the other assets of the Issuer. The notes are not insured or guaranteed by any government agency or instrumentality, including the Commonwealth or any political subdivision thereof, by any insurance company or by any other person or entity. The notes 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 trust estate. The Issuer does not have taxing power.

The notes have not been registered under the Securities Act of 1933, as amended, nor has the Indenture been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon certain exemptions set forth in such acts. Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities or passed upon the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary is unlawful.

The notes are offered by the underwriter named below, subject to prior sale, when, as and if issued and received by the underwriter. The underwriter reserves the right to withdraw, cancel or modify such offer and to reject orders in whole or in part. It is expected that delivery of the notes will be made in book-entry-only form through The Depository Trust Company on or about July 2, 2008.

UBS Investment Bank

June 25, 2008

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This Offering Memorandum (this "Offering Memorandum") does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Underwriter to subscribe for or purchase, any of the notes in any circumstances or in any state or other jurisdiction where such offer or invitation is unlawful. Except as set forth herein, no action has been taken or will be taken to register or qualify the notes or otherwise to permit a public offering of the notes in any jurisdiction where actions for that purpose would be required. The distribution of this Offering Memorandum and the offering of the notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Memorandum comes are required by the Issuer and the Underwriter to inform themselves about and to observe any such restrictions.

This Offering Memorandum has been prepared by us solely for use in connection with the proposed offering of the notes described herein. This Offering Memorandum is personal to each offeree and does not constitute an offer to any other person or the public generally to subscribe for or otherwise acquire the notes. Any distribution of this Offering Memorandum in whole or in part to any person other than the offeree or such offeree's advisers is unauthorized, and any disclosure of any of its contents, without our prior written consent, is prohibited. Each prospective investor, by accepting delivery of this Offering Memorandum, agrees to the foregoing and to make no photocopies of this Offering Memorandum or any documents referred to herein.

No person has been authorized to give any information or to make any representations other than those contained in this Offering Memorandum that may be approved by us. If given or made, such information or representations must not be relied upon as having been authorized by us or the Underwriter. Neither the delivery of this Offering Memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has not been any change in the facts set forth in this Offering Memorandum or in the affairs of any party described herein since the date hereof.

In making an investment decision, prospective investors must rely on their own independent investigation of the terms of the offering and weigh the merits and the risks involved with ownership of the notes. We will furnish any additional information (to the extent we have such information or can acquire such information without unreasonable effort or expense and to the extent we may lawfully do so under the Securities Act or applicable local laws or regulations) necessary to verify the information furnished in this Offering Memorandum. Representatives of the Issuer and the Underwriter will be available to answer questions from investors interested in purchasing notes concerning the notes, the Issuer and the student loans.

Prospective investors are not to construe the contents of this Offering Memorandum, or any prior or subsequent communications from the Issuer or the Underwriter or any of their officers, employees or agents as investment, legal, accounting, regulatory or tax advice. Prior to any investment in the notes, a prospective investor should consult with its own advisors to determine the appropriateness and consequences of such an investment in relation to that investor's specific circumstances.

The Underwriter has provided the following sentence for inclusion within this Offering Memorandum. The Underwriter has reviewed the information in this Offering Memorandum in accordance with, and as part of, its responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The notes are being offered subject to prior sale or withdrawal, cancellation or modification of the offer without notice and subject to the approval of certain legal matters by counsel and certain other conditions. No notes may be sold without delivery of this Offering Memorandum.

In connection with the offering, the Underwriter may over allot or effect transactions with a view to supporting the market price of the notes at levels above that which might otherwise prevail in the open market for a limited period. However, there is no obligation to do this. Such stabilizing, if commenced, may be discontinued at any time and must be brought to an end after a limited period.

FOR NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER NEW HAMPSHIRE REVISED STATUTE ANNOTATED, CHAPTER 421-B (“RSA 421-B”) WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT ANY EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED TO OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE INVESTOR OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO RESIDENTS OF BELGIUM

THE NOTES MAY NOT BE OFFERED, SOLD, TRANSFERRED OR DELIVERED IN OR FROM BELGIUM AS PART OF THEIR INITIAL DISTRIBUTION OR AT ANY TIME THEREAFTER, DIRECTLY OR INDIRECTLY, OTHER THAN TO PERSONS OR ENTITIES MENTIONED IN ARTICLE 3 OF THE ROYAL DECREE OF JANUARY 9, 1991 RELATING TO THE PUBLIC CHARACTERISTIC OF OPERATIONS CALLING FOR SAVINGS AND ON THE ASSIMILATION OF CERTAIN OPERATIONS TO A PUBLIC OFFER (BELGIAN OFFICIAL JOURNAL OF JANUARY 12, 1991). THEREFORE, THE NOTES ARE EXCLUSIVELY DESIGNED FOR CREDIT INSTITUTIONS, STOCK EXCHANGE COMPANIES, COLLECTIVE INVESTMENT FUNDS, COMPANIES OR INSTITUTIONS, INSURANCE COMPANIES AND/OR PENSION FUNDS ACTING FOR THEIR OWN ACCOUNT ONLY.

NOTICE TO RESIDENTS OF FRANCE

THE NOTES ARE *ORGANISMES DE PLACEMENTS COLLECTIFS EN VALEURS MOBILIÈRES* ISSUED BY A RESIDENT OF A NON EC STATE. ACCORDINGLY, PURSUANT TO THE PROVISIONS OF DECREE NO. 89-624 OF 6 SEPTEMBER 1989, THE NOTES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, IN FRANCE WITHOUT THE PRIOR APPROVAL OF THE FRENCH MINISTRY OF FINANCE.

EACH OF THE MASSACHUSETTS EDUCATIONAL FINANCING AUTHORITY AND THE UNDERWRITER REPRESENTS AND AGREES THAT IT HAS NOT OFFERED OR SOLD AND WILL NOT OFFER OR SELL, DIRECTLY OR INDIRECTLY, ANY OF THE NOTES BY WAY OF A PUBLIC OFFERING IN FRANCE (AN *APPEL PUBLIC Á L'ÉPARGNE*, AS DEFINED IN ARTICLE 61 OF *ORDONNANCE* NO. 67-883 OF 28 SEPTEMBER 1967, AS AMENDED BY LAW NO. 98-546 OF 2 JULY 1998).

NOTICE TO RESIDENTS OF GERMANY

THE NOTES MAY NOT BE OFFERED TO THE PUBLIC IN GERMANY, EXCEPT AS IN ACCORDANCE WITH ALL APPLICABLE PROVISIONS OF GERMAN LAW RELATING TO ANY SUCH OFFERINGS. NO GERMAN SELLING PROSPECTUS HAS BEEN PREPARED OR PUBLISHED IN CONNECTION WITH THE ISSUE AND OFFERING OF THE NOTES.

NOTICE TO RESIDENTS OF THE REPUBLIC OF IRELAND

THIS OFFERING MEMORANDUM DOES NOT CONSTITUTE AN INVITATION TO THE PUBLIC TO PURCHASE OR SUBSCRIBE FOR ANY OF THE NOTES AND NEITHER IT NOR ANY FORM OF APPLICATION WILL BE ISSUED, CIRCULATED OR DISTRIBUTED TO THE PUBLIC.

THIS OFFERING MEMORANDUM AND THE INFORMATION CONTAINED HEREIN IS CONFIDENTIAL AND IS FOR THE USE SOLELY OF THE RECIPIENT TO WHOM IT IS PROVIDED. ACCORDINGLY, IT MAY NOT BE REPRODUCED IN WHOLE OR IN PART, NOR MAY ITS CONTENTS BE DISTRIBUTED IN WRITING OR ORALLY TO ANY THIRD PARTY AND IT MAY BE READ SOLELY BY THE RECIPIENT TO WHOM IT IS ADDRESSED AND SUCH RECIPIENT'S PROFESSIONAL ADVISORS.

NOTICE TO RESIDENTS OF THE NETHERLANDS

THE NOTES MAY NOT BE OFFERED, SOLD, TRANSFERRED OR DELIVERED, WHETHER DIRECTLY OR INDIRECTLY, TO ANY INDIVIDUAL OR LEGAL ENTITY IN THE NETHERLANDS OTHER THAN TO INDIVIDUALS WHO, OR LEGAL ENTITIES WHICH, IN THE COURSE OF THEIR OCCUPATION OR BUSINESS, DEAL OR INVEST IN SECURITIES (AS SET

OUT IN SECTION 1 OF THE REGULATION OF 9 OCTOBER 1990 IN IMPLEMENTATION OF SECTION 14 OF THE ACT ON THE SUPERVISION OF INVESTMENT INSTITUTIONS).

NOTICE TO RESIDENTS OF THE UNITED KINGDOM

PRIOR TO THE DATE SIX MONTHS AFTER THE ISSUE OF THE NOTES, THE NOTES MAY NOT BE OFFERED OR SOLD TO PERSONS IN THE UNITED KINGDOM OTHER THAN TO PERSONS WHOSE ORDINARY ACTIVITIES INVOLVE THEM IN ACQUIRING, HOLDING, MANAGING OR DISPOSING OF INVESTMENTS (AS PRINCIPAL OR AGENT) FOR THE PURPOSES OF THEIR BUSINESS OR OTHERWISE IN CIRCUMSTANCES WHICH HAVE NOT RESULTED AND WILL NOT RESULT IN AN OFFER TO THE PUBLIC WITHIN THE MEANING OF THE PUBLIC OFFERS OF SECURITIES REGULATIONS 1995, AND ANY INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY (WITHIN THE MEANING OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (THE "FSMA") RECEIVED IN CONNECTION WITH THE ISSUE OR SALE OF THE NOTES MAY ONLY BE COMMUNICATED OR CAUSED TO BE COMMUNICATED IN CIRCUMSTANCES IN WHICH SECTION 21(1) OF THE FSMA DOES NOT APPLY TO THE MASSACHUSETTS EDUCATIONAL FINANCING AUTHORITY.

THIS OFFERING MEMORANDUM AND THE NOTES (AND BENEFICIAL INTERESTS THEREIN) ARE NOT AVAILABLE TO OTHER CATEGORIES OF PERSON IN THE UNITED KINGDOM AND NO ONE FALLING OUTSIDE OF SUCH CATEGORIES IS ENTITLED TO RELY ON AND MUST NOT ACT ON ANY OF THE INFORMATION IN THIS OFFERING MEMORANDUM. THE TRANSMISSION OF THIS OFFERING MEMORANDUM TO ANY PERSON IN THE UNITED KINGDOM OTHER THAN THE CATEGORIES STATED ABOVE IS UNAUTHORIZED AND MAY CONTRAVENE FSMA.

THE NOTES MAY NOT BE OFFERED OR SOLD TO PERSONS IN THE UNITED KINGDOM, BY MEANS OF THIS OFFERING MEMORANDUM OR ANY OTHER DOCUMENT, IN CIRCUMSTANCES WHICH WILL RESULT IN AN OFFER TO THE PUBLIC IN THE UNITED KINGDOM WITHIN THE MEANING OF THE PUBLIC OFFERS OF SECURITIES REGULATIONS 1995 OR THE FINANCIAL SERVICES AND MARKETS ACT 2000.

IRISH STOCK EXCHANGE INFORMATION

We accept our responsibility for the information contained in this Offering Memorandum. To the best of our knowledge and belief the information contained in this Offering Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

Reference in this Offering Memorandum to any website addresses set forth in this Offering Memorandum will not be deemed to constitute a part of the prospectus filed with the Irish Stock Exchange in connection with the listing of the notes. McCann Fitzgerald Listing Services Limited, Riverside One, Sir John Rogerson's Quay, Dublin 2, Ireland, will act as the listing agent, and Custom House Administration and Corporate Services Limited, 25 Eden Quay, Dublin 1, Ireland, will act as the paying agent in Ireland for the notes.

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SUMMARY OF TERMS

The following summary is a general overview of the terms of the notes and does not contain all of the information that you need to consider in making your investment decision.

Before deciding to purchase the notes, you should consider the more detailed information appearing elsewhere in this Offering Memorandum.

The words "we," "us," "our" and similar terms, as well as references to the "Issuer" refer to the Massachusetts Educational Financing Authority. This Offering Memorandum contains forward-looking statements that involve risks and uncertainties. See "SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS" in this Offering Memorandum.

Principal Parties and Dates

Issuer and Administrator

- Massachusetts Educational Financing Authority

Servicer

- ACS Education Services, Inc.

Guarantee Agency

- Massachusetts Higher Education Assistance Corporation, doing business as American Student Assistance

Trustee

- U.S. Bank National Association

Distribution Dates

Distribution dates for the notes will be the twenty-fifth day of each January, April, July and October, beginning October 27, 2008. We sometimes refer to these dates as "quarterly distribution dates." The calculation date for each quarterly distribution date generally will be the second business day before such quarterly distribution date. If any quarterly distribution date is not a business day, the quarterly distribution will be made on the next business day.

Collection Periods

The collection periods will be the three full calendar months preceding each quarterly distribution date. However, the initial collection period will begin on July 2, 2008 and end on September 30, 2008.

Interest Accrual Periods

The initial interest accrual period for the notes begins on the date of issuance and ends on October 26, 2008. For all other quarterly distribution dates, the interest accrual period will begin on the prior quarterly distribution date and end on the day before such quarterly distribution date.

Cut-off Dates

The cut-off date for the student loan portfolio to be pledged by the Issuer to the Trustee on the date of issuance is the date of issuance. For any student loans pledged to the Trustee by the Issuer after the date of issuance, the cut-off date will be the date such loans are pledged to the Trustee. The student loans pledged by us to the Trustee under the Indenture and not released from the lien thereof are sometimes referred to herein as the "financed student loans."

The information presented in this Offering Memorandum relating to the student loans we expect to pledge to the Trustee on the date of issuance is as of April 30, 2008, which we refer to as the statistical cut-off date. We believe that the information set forth in this Offering

Memorandum with respect to the student loans as of the statistical cut-off date is representative of the characteristics of the student loans as they will exist on the date of issuance for the notes, although certain characteristics on any student loans pledged to the Trustee after the statistical cut-off date may vary.

Date of Issuance

The date of issuance for this offering is expected to be on or about July 2, 2008.

Description of the Notes

General

The Massachusetts Educational Financing Authority is offering $296,000,000 of its student loan asset-backed notes, Series 2008. The notes are debt obligations of the Issuer and will be issued pursuant to an indenture of trust. The notes will receive payments primarily from collections on a pool of student loans held by the Issuer and pledged to the Trustee under the indenture.

The notes will be issued in minimum denominations of $100,000 and in integral multiples of $1,000 in excess thereof. Interest and principal on the notes will be payable to the record owners of the notes as of the close of business on the day before the related quarterly distribution date.

Interest on the Notes

The notes will bear interest at an annual rate equal to three-month LIBOR, except for the initial interest accrual period, plus 0.95%

The Trustee will determine the rate of interest on the notes on the second business day prior to the start of the applicable interest accrual period. Interest on the notes will be calculated on the basis of the actual number of days elapsed during the interest accrual period divided by 360. The LIBOR rate for the initial interest accrual period will be determined by reference to the following formula:

x + [(a / b * (y-x)] plus 0.95%, as determined by the Trustee.
where:

x = Three-Month LIBOR;

y = Four-Month LIBOR;

a = 25 (the actual number of days from the maturity date of three-month LIBOR to the first quarterly distribution date); and

b = 32 (the actual number of days from the maturity date of three-month LIBOR to the maturity date of four-month LIBOR).

Interest accrued on the outstanding principal balance of the notes during each interest accrual period will be paid on the following quarterly distribution date.

Principal Distributions

Principal distributions will be allocated to the notes on each quarterly distribution date in an amount equal to the lesser of:

- the principal distribution amount for that quarterly distribution date; and
- funds available to pay principal as described below in "—Description of the Notes—Flow of Funds."

Principal will be paid on the notes until paid in full.

The term "Principal Distribution Amount" means an amount equal to:

- for each quarterly distribution date prior to the April 2010 quarterly distribution date, the aggregate principal amount of the notes immediately prior to such quarterly distribution date, less the difference between
    - the Adjusted Pool Balance; and

  - $14,800,000; and

- beginning on the April 2010 quarterly distribution date and for each quarterly distribution date thereafter, the aggregate principal amount of the notes immediately prior to such quarterly distribution date, less the product of:

  - 94.33962%; and

  - the Adjusted Pool Balance; and

- on the final maturity date for the notes, the amount necessary to reduce the aggregate principal balance of the notes to zero.

The principal distribution amount is intended to provide credit support so that until the April 2010 quarterly distribution date, the Adjusted Pool Balance builds to and is maintained at an amount that exceeds the aggregate principal amount of the notes by at least $14,800,000. Beginning with the April 2010 quarterly distribution date, the principal distribution amount is intended to continue to provide credit support so that the Adjusted Pool Balance is maintained at an amount that equals 106% of the aggregate principal amount of the notes.

"*Adjusted Pool Balance*" means, for any quarterly distribution date,

- if the Pool Balance as of the last day of the related collection period is greater than 40% of the initial Pool Balance, the sum of that Pool Balance, any amounts on deposit in the Capitalized Interest Fund and the Reserve Fund minimum balance for that quarterly distribution date; or

- if the Pool Balance as of the last day of the related collection period is less than or equal to 40% of the initial Pool Balance, that Pool Balance.

"*Pool Balance*" for any date means the aggregate principal balance of the financed student loans on that date, including accrued interest that is expected to be capitalized and money on deposit in the Prefunding Account, after giving effect to the following, without duplication:

- all payments received by the Issuer through that date from borrowers, the guarantee agency and the U.S. Department of Education;

- all amounts received by the trust estate through that date from sales of financed student loans;

- all liquidation proceeds and realized losses on the financed student loans through that date;

- the amount of any adjustment to balances of the financed student loans that the Servicer makes under the Servicing Agreement through that date; and

- the amount by which guarantee agency reimbursements of principal on defaulted student loans through that date are subject to reduction from 100% to 97%, or other applicable percentage, as required by the risk sharing provisions of the Higher Education Act.

See "DESCRIPTION OF THE NOTES—Principal Distributions" in this Offering Memorandum.

Final Maturity

The notes are payable in full on the quarterly distribution date in April 2038.

The actual maturity of the notes could occur earlier if, for example:

- there are prepayments on the financed student loans;

- the Issuer or its assignee exercises its option to purchase all of the student loans remaining in the trust estate from

the lien of the Indenture (which will not occur until the earlier of the January 2023 quarterly distribution date or the date when the Pool Balance is 10% or less of the initial Pool Balance); or

- the Trustee sells all of the remaining financed student loans upon an event of default.

Description of the Issuer and the Trust Estate

General

Massachusetts Educational Financing Authority is a body politic and corporate constituting a public instrumentality of the Commonwealth pursuant to statutes codified as Chapter 15C of the General Laws of the Commonwealth (the "Act") to assist in the financing and refinancing of the costs of post-secondary education, the operations of which include but are not limited to originating, holding and administering student loans originated under the Federal Family Education Loan Program ("FFELP") and other assets of the Issuer, issuing and making payments on debt instruments, such as the notes, and a number of related activities.

The Issuer will use the proceeds from the sale of the notes to refinance FFELP student loans owned by the Issuer, to finance certain additional FFELP student loans and make deposits to the Acquisition Fund, the Capitalized Interest Fund and the Reserve Fund.

The only sources of funds for payment of the notes are the financed student loans and investments pledged to the Trustee, the payments the Issuer receives on those financed student loans and investments and any payments the Issuer receives under any derivative product agreements. On the date of issuance, the adjusted pool balance plus accrued interest on the FFELP student loans to be acquired on the date of issuance will be approximately 105% of the aggregate principal amount of the notes. The Issuer will not enter into any derivative products on the date of issuance. However, upon receipt of a rating confirmation, the Issuer may enter into one or more derivative products in the future.

The Trust Estate Assets

The assets of the trust estate securing the notes issued under the Indenture will include:

- the FFELP student loans acquired with the proceeds of the sale of the notes;
- collections and other payments received on account of the financed student loans;
- money and investments held in funds created under the Indenture, including the Acquisition Fund and the Prefunding Account thereof, the Capitalized Interest Fund, the Collection Fund, the Department Rebate Fund and the Reserve Fund; and
- the Issuer's rights under any derivative product agreement that may be provided for the benefit of the Issuer.

The Issuer has originated or acquired the student loans to be pledged under the indenture in the ordinary course of its student loan financing business. Massachusetts Higher Education Assistance Corporation, doing business as American Student Assistance guarantees all of the student loans pledged to the Trustee under the Indenture and such loans are reinsured by the U.S. Department of Education. See "THE ISSUER'S FFEL PROGRAM—The Guarantee Agency" in this Offering Memorandum.

Except under limited circumstances set forth in the Indenture, financed student loans may not be transferred out of the trust estate. For example, if after the date of issuance we discover that there has been a breach of the representations or warranties made by the Issuer under the Indenture regarding a financed student loan, the Issuer generally will be obligated to cure such breach, purchase such student loan from the lien of the Indenture or replace such student loan, or reimburse the trust estate for any

losses resulting from the breach. See "SUMMARY OF THE INDENTURE PROVISIONS—Sale of Financed Student Loans."

The Acquisition Fund

Approximately $287,365,738 of proceeds from the sale of the notes will be deposited into the Acquisition Fund on the date of issuance. Of this amount, approximately $280,332,810 will be used to refinance FFELP student loans on the date of issuance which have an aggregate principal balance of approximately $294,537,753 (which amount includes accrued interest expected to be capitalized of approximately $4,021,684), plus accrued interest of approximately $595,057. The difference between the aggregate outstanding principal balance of the FFELP student loans acquired on the date of issuance and the amount of note proceeds that are required to transfer the FFELP student loans to the trust estate represents a portion of the credit enhancement for the notes. See the caption "CREDIT ENHANCEMENT." The amount deposited to the Acquisition Fund and not required to refinance the FFELP student loans on the date of issuance, anticipated to be approximately $7,032,928, will be transferred to the Prefunding Account.

The Prefunding Account

The approximately $7,032,928 of the note proceeds deposit to the Acquisition Fund and not used to acquire the FFELP student loans on the date of issuance will be deposited into the Prefunding Account. We will use amounts in the Prefunding Account to acquire additional FFELP student loans during the prefunding period. The FFELP student loans transferred to the trust estate during the prefunding period will be transferred at the same discounted transfer price as the FFELP student loans transferred to on the closing date.

The prefunding period will begin on the date of issuance and will end on September 30, 2008 (with respect to FFELP student loans) and December 31, 2008 (with respect to funding add-on consolidation loans) or, in each case, such earlier time as the Issuer may determine. On the October 2008 quarterly distribution date, amounts on deposit in the Prefunding Account in excess of $250,000 will be transferred to the Collection Fund. Any amounts remaining in the Prefunding Account after September 30, 2008 may not be used to acquire additional student loans except to fund add-on consolidation loans. Any remaining amounts at the end of the prefunding period will be transferred to the Collection Fund on the January 2009 quarterly distribution date. In addition, on a monthly servicing payment date or a quarterly distribution date, to the extent that money in the Collection Fund is not sufficient to pay amounts owed to the U.S. Department of Education, to the guarantee agency or under any applicable joint sharing agreement, servicing fees and expenses, trustee fees and expenses, administration fees and expenses, interest then due on the notes and amounts due to any counterparty under any derivative product agreement (other than certain termination payments), money on deposit in the Prefunding Account will be transferred to the Collection Fund to cover any such deficiency to the extent money is not available to make such transfers from the Capitalized Interest Fund and prior to any transfer being made from the Reserve Fund to cover any such deficiency.

The Collection Fund

The Trustee will deposit into the Collection Fund upon receipt all revenues derived from financed student loans and money or investments of the Issuer on deposit with the Trustee, all amounts transferred from the Capitalized Interest Fund, the Department Rebate Fund, the Prefunding Account and the Reserve Fund and any payments received from a counterparty to any derivative product agreement. Money on deposit in the Collection Fund will be used to pay the Issuer's operating expenses (which include amounts owed to the U.S. Department of Education and the guarantee agency, servicing fees, trustee fees and administration fees), amounts necessary to fund any add-on consolidation loans, amounts due to any counterparty on any derivative product agreement and interest and principal on the

notes. See the caption "—Flow of Funds" below and "DESCRIPTION OF THE NOTES—The Collection Fund; Flow of Funds."

The Capitalized Interest Fund

Approximately $7,880,335 of the proceeds from the sale of the notes will be deposited into the Capitalized Interest Fund. If on any monthly servicing payment date or quarterly distribution date, money on deposit in the Collection Fund is insufficient to pay amounts owed to the U.S. Department of Education, to the guarantee agency or under any applicable joint sharing agreement, servicing fees, trustee fees, administration fees, interest on the notes and amounts due to any counterparty under any derivative product agreement (other than certain termination payments), then money on deposit in the Capitalized Interest Fund will be transferred to the Collection Fund to cover the deficiency, prior to any amounts being transferred from the Prefunding Account or the Reserve Fund. Amounts released from the Capitalized Interest Fund will not be replenished. On the July 2011 quarterly distribution date, the Trustee will transfer any amounts remaining in the Capitalized Interest Fund to the Collection Fund.

The Reserve Fund

The Issuer will make a deposit to the Reserve Fund from the proceeds of the sale of the notes in the amount of $753,927, which is approximately 0.25% of the initial pool balance. The Reserve Fund is to be maintained at a minimum amount equal to $753,927, or such lesser amount as may be agreed to by the rating agencies as evidenced by a rating confirmation. On each quarterly distribution date or monthly servicing payment date, to the extent that money in the Collection Fund is not sufficient to pay amounts owed to the U.S. Department of Education, to the guarantee agency or under any applicable joint sharing agreement, servicing fees, trustee fees, administration fees, the interest then due on the notes and amounts due to any counterparty on any derivative product agreement (other than certain termination payments), an amount equal to the deficiency will be transferred directly from the Reserve Fund, if such deficiency has not been paid from the Capitalized Interest Fund or the Prefunding Account. To the extent the amount in the Reserve Fund falls below the Reserve Fund minimum balance, the Reserve Fund will be replenished on each quarterly distribution date from funds available in the Collection Fund as described under the caption "—Flow of Funds" below and under "DESCRIPTION OF THE NOTES—The Collection Fund; Flow of Funds." Principal payments due on the notes may be made from the Reserve Fund only on the final maturity date for the notes. Funds on deposit in the Reserve Fund in excess of the Reserve Fund minimum balance will be transferred to the Collection Fund.

Department Rebate Fund

The Trustee will establish a Department Rebate Fund as part of the trust estate. The Higher Education Act requires holders of student loans first disbursed on or after April 1, 2006 to rebate to the Department of Education interest received from borrowers on such loans that exceeds the applicable special allowance support levels. We expect that the Department of Education will reduce the special allowance and interest subsidy payments payable to the Issuer by the amount of any such rebates owed by the Issuer. However, in certain circumstances the Issuer may owe a payment to the Department of Education. If the Issuer believes that it is required to make any such payment, the Issuer will direct the Trustee to deposit into the Department Rebate Fund from the Collection Fund the estimated amounts of any such payments. Money in the Department Rebate Fund will be transferred to the Collection Fund to the extent amounts have been deducted by the Department of Education from payments otherwise due to the Issuer, or will be paid to the Department of Education if necessary to discharge the Issuer's rebate obligation. See "APPENDIX A—DESCRIPTION OF THE FFEL PROGRAM."

Characteristics of the Student Loan Portfolio

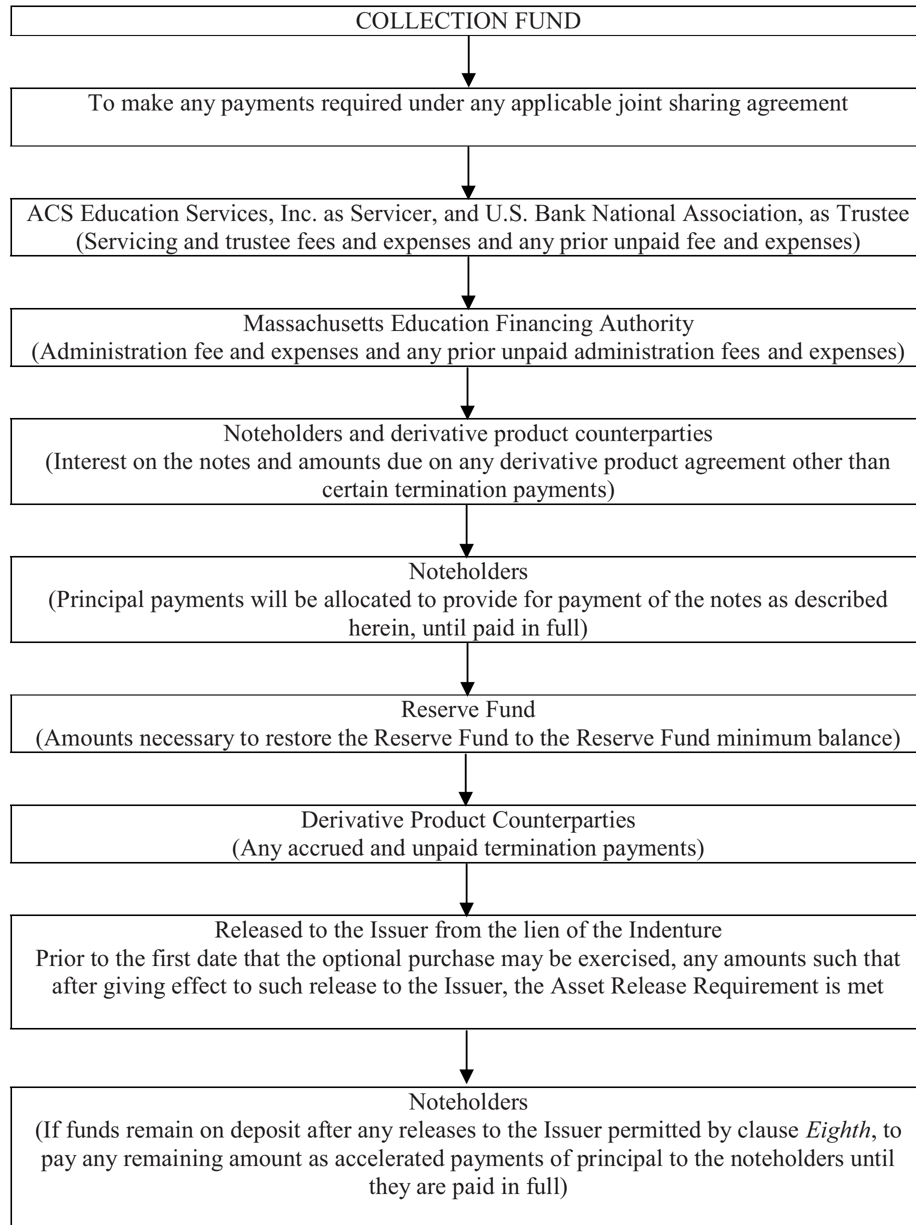
On the date of issuance, the Issuer will pledge to the Trustee under the Indenture a portfolio of student loans originated under the FFELP, which are described more fully below under "CHARACTERISTICS OF THE FINANCED STUDENT LOANS," having an aggregate outstanding principal balance of approximately $294,537,753 (which amount includes accrued interest expected to be capitalized of approximately $4,021,684), plus accrued interest of approximately $595,057. As of April 30, 2008, the weighted average annual interest rate of the student loans (excluding special allowance payments) was approximately 6.57% and their weighted average remaining term to scheduled maturity was approximately 158 months. Money in the Prefunding Account will be used during the prefunding period to acquire additional FFELP student loans. We expect the prefunded student loans to share similar characteristics to the student loans described below in "Characteristics of the Student Loans."

Joint Sharing Agreement

A joint sharing agreement is any agreement entered into in the future among the Issuer, the Trustee and the trustee under another indenture of trust of the Issuer to properly allocate payments from, and liabilities to, the U.S. Department of Education on student loans among the trust estate created under the indenture and any other trust estate established by the Issuer.

Flow of Funds

Servicing fees will be paid to the Servicer on each monthly servicing payment date from money available in the Collection Fund. In addition, each month money available in the Collection Fund will be used to pay amounts due to the U.S. Department of Education, to the guarantee agency or under any applicable joint sharing agreement with respect to the financed student loans the Issuer owns and amounts required to be deposited into the Department Rebate Fund and, to the extent not funded from the Prefunding Account, to finance any add-on consolidation loans. On each quarterly distribution date, prior to an event of default, money in the Collection Fund will be used to make the following deposits and distributions, to the extent funds are available, as set forth in the following chart:


COLLECTION FUND
1st
To make any payments required under any applicable joint sharing agreement
2nd
(pro rata)
ACS Education Services, Inc. as Servicer, and U.S. Bank National Association, as Trustee
(Servicing and trustee fees and expenses and any prior unpaid fee and expenses)
3rd
Massachusetts Education Financing Authority
(Administration fee and expenses and any prior unpaid administration fees and expenses)
4th
(pro rata)
Noteholders and derivative product counterparties
(Interest on the notes and amounts due on any derivative product agreement other than certain termination payments)
5th
Noteholders
(Principal payments will be allocated to provide for payment of the notes as described herein, until paid in full)
6th
Reserve Fund
(Amounts necessary to restore the Reserve Fund to the Reserve Fund minimum balance)
7th
Derivative Product Counterparties
(Any accrued and unpaid termination payments)
8th
Released to the Issuer from the lien of the Indenture
Prior to the first date that the optional purchase may be exercised, any amounts such that after giving effect to such release to the Issuer, the Asset Release Requirement is met
9th
Noteholders
(If funds remain on deposit after any releases to the Issuer permitted by clause *Eighth*, to pay any remaining amount as accelerated payments of principal to the noteholders until they are paid in full)

Flow of Funds After Events of Default

Following the occurrence of an event of default that results in an acceleration of the maturity of the notes and after the payment of certain fees and expenses, payments of principal and interest on the notes and payments on certain derivative products will be made, without preference or priority of any kind, until the notes and any such derivative product payments are repaid in full. See "SUMMARY OF THE INDENTURE PROVISIONS—Remedies on Default."

Credit Enhancement

Credit enhancement for the notes will include overcollaterization and cash on deposit in the Capitalized Interest Fund and the Reserve Fund as described below under "CREDIT ENHANCEMENT."

Servicing and Administration

ACS Education Services, Inc. will act as servicer (the "Servicer") with respect to the financed student loans, pursuant to the Federal FFEL Servicing Agreement dated as of June 1, 2008, as amended from time-to-time (the "Servicing Agreement"), between the Issuer and the Servicer. Pursuant to the Servicing Agreement, the Servicer assumes responsibility for servicing, maintaining custody of and making collections on the financed student loans. Under its current contract, the Servicer will be paid a monthly servicing fee per student loan as set forth under "FEES AND EXPENSES."

In the event that a financed student loan is denied the benefit of any applicable guarantee due to a servicing error, the Servicer is required after a 12-month cure period to reimburse the Issuer for principal and interest due on the affected loan at the end of the month following the denial of the benefit of the applicable guarantee. See "SERVICING OF THE FINANCED STUDENT LOANS—The Servicing Agreement."

The Issuer will receive an administration fee as set forth under "FEES AND EXPENSES" for performing its administrative duties under the Indenture.

Optional Purchase

The Issuer or its assignee may, but is not required to, purchase the remaining financed student loans in the trust estate on the earlier of the January 2023 quarterly distribution date or on any quarterly distribution date when the Pool Balance is 10% or less of the initial Pool Balance. If this purchase option is exercised, the financed student loans will be sold from the lien of the Indenture as of the last business day of the preceding collection period and the proceeds will be used on the corresponding quarterly distribution date to repay outstanding notes, which will result in early retirement of the notes.

If the Issuer or its assignee exercises its purchase option, the purchase price is subject to a prescribed minimum purchase price. The prescribed minimum purchase price is the amount that, when combined with amounts on deposit in the funds and accounts held under the Indenture, would be sufficient to:

- reduce the outstanding principal amount of the notes then outstanding on the related quarterly distribution date to zero;
- pay to the noteholders of the notes the interest payable on the related quarterly distribution date;
- pay any unpaid servicing fees and expenses and trustee fees and expenses; and
- pay any amounts due on any derivative product agreement.

Book-Entry Registration

The notes will be delivered in book-entry form through The Depository Trust Company, and through Clearstream, Luxembourg and

Euroclear as participants in The Depository Trust Company. You will not receive a certificate representing your notes except in very limited circumstances. See "BOOK-ENTRY REGISTRATION."

Federal Income Tax Consequences

Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., will deliver an opinion that for federal income tax purposes, the notes will be treated as the Issuer's indebtedness and that the trust created under the Indenture will not be characterized as creating an association or publicly traded partnership taxable as a corporation each for federal tax purposes. You will be required to include in your income the interest on the notes as paid or accrued in accordance with your accounting methods and the provisions of the Internal Revenue Code. See "—Federal Income Tax Consequences."

ERISA Considerations

Fiduciaries of employee benefit plans, retirement arrangements and other entities in which such plans or arrangements are invested ("Plans"), persons acting on behalf of Plans or persons using the assets of Plans should review carefully with their legal advisors whether the purchase and holding of the notes could give rise to a transaction prohibited under ERISA or the Code. See "ERISA CONSIDERATIONS."

Rating of the Notes

The notes are expected to be rated as follows:

Rating Agency (Moody's/S&P/Fitch)
"Aaa"/"AAA"/"AAA"

A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency. See "RATINGS."

Listing Information

Application will be made for the notes to be admitted to the official list of the Irish Stock Exchange subject to the Irish Stock Exchange listing rules and the prospectus rules of the Irish Financial Services Regulatory Authority and to be admitted to trading on the regulated market of the Irish Stock Exchange. There can be no assurance that such listing will be obtained. You may consult with the Irish listing agent to determine the status of the notes. See "LISTING AND GENERAL INFORMATION."

CUSIP Number

57563N AA 6

International Securities Identification Number ("ISIN")

US57563NAA63

European Common Code

037183539

RISK FACTORS

Potential investors in the notes should consider the following risk factors together will all other information in this Offering Memorandum in deciding whether to purchase the notes. The following discussion of possible risks is not meant to be an exhaustive list of the risks associated with the purchase of the notes and does not necessarily reflect the relative importance of the various risks. Additional risk factors relating to an investment in the notes are described throughout this Offering Memorandum, whether or not specifically designated as risk factors. There can be no assurance that other risk factors will not become material in the future.

Ratings of other student loan asset-backed notes and bonds issued by the Issuer may be reviewed or downgraded

Recent disruptions in the credit markets, along with concerns over the financial health of several monoline insurers, have caused certain of the rating agencies to announce that they are reviewing or intend to review the ratings assigned to certain securities, including student loan asset-backed securities. Additionally, repeated failed auctions for many insured and uninsured auction rate securities, including student loan asset-backed auction rate securities, may also cause the rating agencies to announce ratings actions. The Issuer has previously issued student loan asset-backed bonds that are insured by monoline insurers, including student loan asset-backed, insured auction rate securities. Ratings actions may take place at any time. We cannot predict the timing of any ratings actions, nor can we predict whether the ratings assigned to these bonds or notes will be downgraded.

None of the notes offered by this Offering Memorandum are auction rate notes, nor will any of these notes be insured by any monoline insurer. However, any further adverse action by the rating agencies regarding the Issuer or securities issued previously by the Issuer may adversely affect the Issuer, the market value of the notes or any secondary market for the notes that may develop.

You may have difficulty selling your notes

There currently is no secondary market for the notes. We cannot assure you that any market will develop or, if it does develop, how long it will last. If a secondary market for the notes does develop, the spread between the bid price and the asked price for the notes may widen, thereby reducing the net proceeds to you from the sale of your notes. While it is anticipated that the notes will be listed on The Irish Stock Exchange, investors should not view this as an active trading market, and we do not intend to list the notes on any other exchange, including any exchange in either Europe or the United States. Under current market conditions, you may not be able to sell your notes when you want to do so or you may not be able to obtain the price that you wish to receive. The market values of the notes may fluctuate and movements in price may be significant.

The notes are not a suitable investment for all investors

The notes are not a suitable investment if you require a regular or predictable schedule of payments or payment on any specific date. The notes are complex investments that should be considered only by investors who, either alone or with their financial, tax and legal advisors, have the expertise to analyze the prepayment, reinvestment, default and market risk, the tax consequences of an investment, and the interaction of these factors.

The notes are payable solely from the trust estate and you will have no other recourse against us

Interest and principal on the notes will be paid solely from the funds and assets held in the trust estate created under the Indenture. No insurance or guarantee of the notes will be provided by any government agency or instrumentality, by any insurance company or by any other person or entity. Therefore, your receipt of payments on the notes will depend solely on:

- the amount and timing of payments and collections on the financed student loans and interest paid or earnings on the funds held in the accounts established pursuant to the Indenture;
- amounts on deposit in the Collection Fund, the Capitalized Interest Fund, the Reserve Fund and other funds and accounts held in the trust estate; and
- the overcollateralization amount (the amount by which the Adjusted Pool Balance is expected to exceed the aggregate principal amount of the notes then outstanding).

Except for the trust estate, you will have no recourse against any party if those sources of funds for repayment of the notes are insufficient.

Commonwealth not liable on notes

The notes 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 trust estate. 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 notes. 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 Issuer does not have taxing power.

No subordinate obligations will be issued and, therefore, the notes will bear all losses not covered by available credit enhancement

Credit enhancement for the notes includes overcollateralization and cash on deposit in the Capitalized Interest Fund and the Reserve Fund. The Issuer is not issuing any obligations that are subordinate to the notes. Therefore, to the extent that the credit enhancement described above is exhausted, the notes will bear any risk of loss.

Certain amendments to the Indenture and other actions may be taken with rating agency confirmation and without your approval

The Indenture permits the Issuer and the Trustee to undertake various actions, including, without limitation, making certain amendments to the Indenture and the execution of an interest rate or currency swap agreement, in each case based upon the receipt of a rating confirmation from the rating agencies then rating the notes that the outstanding ratings assigned by such rating agencies to the notes would not be downgraded as the result of such action. As a result, changes may be made to the Indenture or actions taken without the consent of the noteholders. See "SUMMARY OF THE INDENTURE

PROVISIONS—Supplemental Indentures—Supplemental Indentures Not Requiring Consent of Registered Owners.”

The rate of payments on the financed student loans may affect the maturity and yield of the notes

Financed student loans may be prepaid at any time without penalty. If the Issuer receives prepayments on the financed student loans, those amounts will be used to make principal payments as described below under “DESCRIPTION OF THE NOTES—Collection Fund; Flow of Funds,” which could shorten the average life of the notes. Factors affecting prepayment of loans include general economic conditions, prevailing interest rates and changes in the borrower’s job, including transfers and unemployment. Refinancing opportunities that may provide more favorable repayment terms, including those offered under consolidation loan programs and borrower incentive programs, also affect prepayment rates.

Scheduled payments with respect to, and the maturities of, financed student loans may be extended as authorized by the Higher Education Act. Also, periods of deferment and forbearance may lengthen the remaining term of the loans and the average life of the notes.

The rate of principal payments to you on the notes will be directly related to the rate of payments of principal on the financed student loans. Changes in the rate of prepayments may significantly affect your actual yield to maturity, even if the average rate of principal prepayments is consistent with your expectations. In general, the earlier a prepayment of principal of a loan, the greater the effect may be on your yield to maturity. The effect on your yield as a result of principal payments occurring at a rate higher or lower than the rate anticipated by you during the period immediately following the issuance of the notes may not be offset by a subsequent like reduction, or increase, in the rate of principal payments on the notes. You will bear entirely any reinvestment risks resulting from a faster or slower incidence of prepayment of the financed student loans.

The notes may have basis risk which could affect payment of principal and interest on the notes

There is a degree of basis risk associated with the notes. Basis risk is the risk that shortfalls might occur because the interest rates of the financed student loans and those of the notes adjust on the basis of different indexes. If a shortfall were to occur, payment of principal or interest on the notes could be adversely affected.

Different rates of change in interest rate indexes may affect our cash flow

The interest rates on the notes may fluctuate from one interest accrual period to another in response to changes in the specified index rates. The student loans that will be financed with the proceeds from the sale of the notes bear interest either at fixed rates or at rates which are generally based upon the bond equivalent yield of the 91-day U.S. Treasury Bill rate. In addition, the financed student loans may be entitled to receive special allowance payments from the Department of Education based upon a three-month commercial paper rate. See “APPENDIX A—DESCRIPTION OF THE FFEL PROGRAM.” If there is a decline in the rates payable on financed student loans, the amount of funds representing interest deposited into the Collection Fund may be reduced. If the interest rate payable on the notes does not decline in a similar manner and time, the Issuer may not have sufficient funds to pay interest on the notes when due. Even if there is a similar reduction in the rate applicable to the notes,

there may not necessarily be a reduction in the other amounts required to be paid by the Issuer, such as administrative expenses, causing interest payments to be deferred to future periods. Similarly, if there is a rapid increase in the interest rate payable on the notes without a corresponding increase in rates payable on the financed student loans, the Issuer may not have sufficient funds to pay interest on the notes when due. Sufficient funds may not be available in future periods to make up for any shortfalls in the current payments of interest on the notes or expenses of the trust estate.

Changes to the Higher Education Act may affect your notes

Since its original enactment in 1965, the Higher Education Act has been amended and reauthorized numerous times and Congress is currently engaged in the reauthorization process. Certain of these amendments have significantly affected the federal student loan programs under the Higher Education Act. In addition, the United States Department of Education (the "Department of Education") continues to engage in the rulemaking process to revise the regulations promulgated by the Department of Education under the Higher Education Act. The Department of Education's authority to provide interest subsidies and federal insurance for loans originated under the Higher Education Act terminates on a date specified in the Higher Education Act.

The President signed the Deficit Reduction Act of 2005 into law on February 8, 2006, which extended the U.S. Department of Education's authority to provide interest subsidies and federal insurance for loans originated under the Higher Education Act through September 30, 2012. The act made certain other changes to the FFELP, including, but not limited to:

- reducing student loan insurance from 98% to 97% for loans for which the first disbursement is made on or after July 1, 2006;
- providing that student loans serviced by servicers designated for exceptional performance shall receive 99% insurance coverage on or after July 1, 2006; and
- providing for the payment by lenders to the U.S. Department of Education of any interest paid by borrowers on student loans first disbursed on or after April 1, 2006 that exceeds the special allowance support level applicable to such loans.

The President signed the College Cost Reduction and Access Act into law on September 27, 2007, which act institutes significant changes to the FFELP, including, but not limited to:

- reducing special allowance payments by between 0.55% and 0.85% per annum, depending on the loan type (with lower reductions of 0.40% and 0.70% for not-for-profit lenders such as the Issuer), for loans for which the first disbursement is made on or after October 1, 2007;
- reducing student loan insurance from 97% to 95% for loans for which the first disbursement is made on or after October 1, 2012;
- eliminating the exceptional performance designation, and the resulting higher insurance coverage, effective October 1, 2007, regardless of when the first disbursement on the loan was made;
- increasing lender origination fees on student loans from 0.50% to 1.00% for student loans for which the first disbursement is made on or after October 1, 2007; and

- reducing during the four year period beginning on July 1, 2008 and ending on June 30, 2012, the current fixed 6.8% interest rate for undergraduate subsidized Stafford Loans, which rate reverts to 6.8% on subsidized Stafford Loans for which the first disbursement is made on or after July 1, 2012.

Under Department of Education regulations, a FFELP lender may be disqualified from further participation in FFELP if it fails to comply with certain statutory requirements, including prohibitions on inducements to other parties for the purpose of obtaining applications for FFELP loans. Such regulations specify that any such disqualification does not affect a lender's right to claim payments and benefits for loans made prior to such disqualification, but authorizes the Secretary of Education to offset against any interest payments, special allowance payments or other payments due to the lender an amount equal to any funds that the Secretary determines the lender improperly received, withheld, disbursed or caused to be disbursed. On November 1, 2007, the Secretary of Education released final regulations to amend the FFELP, which will go into effect on July 1, 2008. Among other things, the proposed regulations incorporate, with some modifications, current interpretive and clarifying guidance on prohibited inducements and activities by lenders and guarantee agencies. In addition, the regulations also specify the requirements that a school must meet if it chooses to provide a preferred lender list, including that the preferred lender list contain at least three lenders that are not affiliated with each other. In response to these final regulations, the Issuer terminated or amended certain contracts it had with third parties pursuant to which approximately 29% of the financed student loans were originated. The Issuer does not believe that such contracts involved any improper receipt, withholding, disbursement or causing of disbursement of funds by the Issuer.

The changes effected by the College Cost Reduction and Access Act could have an adverse impact on the FFELP student loan operations of the Issuer or on the ability of the Issuer to otherwise comply with their obligations under the transaction documents. In addition, it could have an adverse impact on the financial condition of the guarantee agency. The termination of the Servicer’s exceptional performance status effectively reduces the guaranteed percentage of the financed student loans from what the lender insurance rate would have been if the College Cost Reduction and Access Act of 2007 had not been enacted.

The changes effected by the College Cost Reduction and Access Act and the capital market disruption that began in the third quarter of 2007 has adversely affected and may further prospectively or retroactively adversely affect the terms and conditions under which the Issuer will originate FFELP loans and the costs of administering and servicing the financed student loans.

In response to recent disruptions in the credit markets and the announcement by several lenders in the FFELP, including the Issuer, that they (at least temporarily) will no longer originate FFELP loans, several legislative proposals recently have been introduced to amend the Higher Education Act and to attempt to provide liquidity to the student loan secondary market. The President signed the Ensuring Continued Access to Student Loans Act of 2008 into law on May 7, 2008, which amended the Higher Education Act to:

- increase annual loan limits and aggregate loan limits on federal unsubsidized loans;
- provide deferrals to parent borrowers to begin repayment of PLUS loans until up to six months after students leave school; and
- provide temporary authority to the Department of Education to purchase FFELP loans first disbursed after October 1, 2003 and before July 1, 2009 from originators of FFELP loans.

In addition, legislation has been proposed that would permit Federal Home Loan Banks to invest in student-loan related securities with their surplus funds, to accept student loans and student loan-related securities as collateral and to provide secured advances to Federal Home Loan Bank members to originated student loans or finance student loan-related securities. We cannot predict which of the above proposals, if any, ultimately will be enacted, or whether any additional changes will be proposed. We also cannot predict whether further changes will be made to the Higher Education Act in future legislation or the effect of such legislation on the Servicer, the guarantee agency, the financed student loans or the Issuer's FFELP program, including whether the Issuer will reconsider its decision to suspend originating FFELP student loans.

Competition from Federal Direct Student Loan Program may increase prepayments of the financed student loans

The Student Loan Reform Act of 1993 established the Federal Direct Student Loan Program (the "FDSL Program.") Under the FDSL Program, approved institutions of higher education, or alternative loan originators approved by the Department of Education, make loans to students or parents without application to or funding from outside lenders or guarantee agencies. The Department of Education provides the funds for such loans, and the program provides for a variety of flexible repayment plans, including consolidations under the FDSL Program of existing FFELP student loans. Such consolidation permits borrowers to prepay existing student loans and consolidate them into a Federal Direct Consolidation Loan under the FDSL Program. To the extent that the Issuer ends its suspension of its FFEL program, the FDSL Program would represent a competitive program to the Issuer's FFEL program and (a) may result in a reduced volume and variety of student loans available to be originated by the Issuer; or (b) may result in prepayments of financed student loans if such financed student loans are consolidated under the FDSL Program.

The United States military build-up may result in delayed payments from borrowers called to active military service

The ongoing build-up of the United States military has increased the number of citizens who are in active military service. The Servicemembers Civil Relief Act limits the ability of a lender under the FFELP to take legal action against a borrower during the borrower's period of active duty and, in some cases, during an additional three month period thereafter.

We do not know how many student loans have been or may be affected by the application of the Servicemembers Civil Relief Act. Payments on financed student loans may be delayed as a result of these requirements, which may reduce the funds available to the Issuer to pay principal and interest on the notes.

Higher Education Relief Opportunities for Students Act of 2003 may result in delayed payments from borrowers

The Higher Education Relief Opportunities for Students Act of 2003 ("HEROS Act of 2003"), signed by the President on August 18, 2003, authorizes the Secretary of Education to waive or modify any statutory or regulatory provisions applicable to student financial aid programs under Title IV of the Higher Education Act as the Secretary deems necessary for the benefit of "affected individuals" who:

- are serving on active military duty or performing qualifying national guard duty during a war or other military operation or national emergency;

- reside or are employed in an area that is declared by any federal, state or local office to be a disaster area in connection with a national emergency; or

- suffered direct economic hardship as a direct result of war or other military operation or national emergency, as determined by the Secretary.

The Secretary is authorized to waive or modify any provision of the Higher Education Act to ensure that:

- such recipients of student financial assistance are not placed in a worse financial position in relation to that assistance;

- administrative requirements in relation to that assistance are minimized;

- calculations used to determine need for such assistance accurately reflect the financial condition of such individuals;

- provision is made for amended calculations of overpayment; and

- institutions of higher education, eligible lenders, guarantee agencies and other entities participating in such student financial aid programs that are located in, or whose operations are directly affected by, areas that are declared to be disaster areas by any federal, state or local official in connection with a national emergency may be temporarily relieved from requirements that are rendered infeasible or unreasonable.

The number and aggregate principal balance of student loans that may be affected by the application of the HEROS Act of 2003 is not known at this time. Accordingly, payments we receive on financed student loans made to a borrower who qualifies for such relief may be subject to certain limitations. If a substantial number of borrowers become eligible for the relief provided under the HEROS Act of 2003, there could be an adverse effect on the total collections on the financed student loans and our ability to pay principal and interest on the notes.

The Issuer may not be able to use all of the note proceeds to acquire student loans and may be required to pay principal on notes

We will use the proceeds of the notes sold by the Issuer to acquire the student loans that will be included in the trust estate and pledged by the Issuer to the Trustee. If the student loans are not purchased into the trust estate, or if the student loans do not meet the eligibility requirements set forth in the Indenture, the Issuer will use those amounts to pay principal on your notes.

Furthermore, approximately 2.38% of the net proceeds from the sale of the notes will be deposited in the Prefunding Account of the Acquisition Fund to be used to acquire student loans during the prefunding period, which will begin on the date of issuance and will end on September 30, 2008 (with respect to FFELP student loans) and December 31, 2008 (with respect to funding add-on consolidation loans) or, in each case, such earlier time as we may determine. On the October 2008 quarterly distribution date, amounts on deposit in the Prefunding Account in excess of $250,000 will be transferred to the Collection Fund. Any remaining amounts at the end of the prefunding period will be

transferred to the Collection Fund. In the interim, we plan to purchase short-term, liquid investments with those funds. The securities purchased, however, may earn less interest than is due on the notes. In addition, we may be unable to purchase additional FFELP student loans during the prefunding period. If we are unable to acquire additional FFELP student loans, any proceeds remaining in the Prefunding Account of the Acquisition Fund will be transferred to the Collection Fund for use in making principal reduction payments on the notes.

You will rely on a third party servicer for the servicing of the financed student loans

The Issuer is dependent on third parties to service the financed student loans. As of the date of this Offering Memorandum, ACS Education Services, Inc., a wholly-owned subsidiary of Affiliated Computer Services, Inc., is acting as servicer and custodian with respect to the financed student loans pursuant to the Servicing Agreement that is currently scheduled to expire on November 30, 2010, subject to automatic renewal for successive 12-month periods in the absence of written notice of intention not to so renew by either party delivered to the other party at least 90 days prior to the then scheduled expiration date. The cash flow projections relied upon by the Issuer in structuring the note issue were based upon assumptions with respect to servicing costs which the Issuer based upon this existing Servicing Agreement. No assurance can be made that the Issuer will be able to extend the term of the Servicing Agreement, or to enter into servicing agreements with other servicers acceptable to the rating agencies at the assumed level of servicing cost upon scheduled expiration of the current agreement. Although the Servicer is obligated to cause the financed student loans to be serviced in accordance with the terms of the Servicing Agreement, the timing of payments to be actually received with respect to the financed student loans will be dependent upon the ability of the Servicer to adequately service the financed student loans. In addition, the Issuer and the noteholders will be relying on the Servicer's compliance with applicable federal and state laws and regulations.

Bankruptcy or insolvency of the Servicer could result in payment delays to you

ACS Education Services, Inc. will act as the Servicer with respect to the financed student loans. In the event of a default by the Servicer resulting from events of insolvency or bankruptcy, a court, conservator, receiver or liquidator may have the power to prevent the Trustee or the noteholders from appointing a successor servicer and delays in collections in respect of the financed student loans may occur. Any delay in the collections of financed student loans may delay payments to you.

A default by the Servicer could adversely affect the notes

If ACS Education Services, Inc. defaults on its obligations under the Servicing Agreement the Issuer or the Trustee may remove the Servicer without the consent of any other party. Only the Issuer and the Trustee have the ability to remove the Servicer. In the event of the removal of the Servicer and the appointment of a successor servicer, there may be additional costs associated with the transfer of servicing to the successor servicer, including but not limited to, an increase in the servicing fees the successor servicer charges. In addition, we cannot predict the ability of the successor servicer to perform the obligations and duties under any servicing agreement.

If the Servicer fails to comply with the Department of Education's third-party servicer regulations, payments on the notes could be adversely affected

The Department of Education regulates each servicer of federal student loans. Under these regulations, a third-party servicer, including the Servicer, is jointly and severally liable with its client lenders for liabilities to the Department of Education arising from its violation of applicable requirements. In addition, if the Servicer fails to meet standards of financial responsibility or administrative capability included in the regulations, or violates other requirements, the Department of Education may fine the Servicer and limit, suspend, or terminate the Servicer's eligibility to contract to service federal student loans. If the Servicer were so fined or held liable, or its eligibility were limited, suspended, or terminated, its ability to properly service the financed student loans and to satisfy its obligation to purchase financed student loans with respect to which it has breached its representations, warranties or covenants (to the extent the same results in a repurchase obligation under the Servicing Agreement) could be adversely affected. In addition, if the Department of Education terminates the Servicer's eligibility, a servicing transfer will take place and there may be delays in collections and temporary disruptions in servicing. Any servicing transfer may temporarily adversely affect payments to you.

Limited recourse against the Servicer

Although the Servicing Agreement with the Servicer provides that the Servicer will indemnify the Issuer for any and all claims, losses, liabilities or expenses, including reasonable attorneys' fees, incurred by the Issuer due to the acts or omissions of the Servicer in servicing the financed student loans, such indemnification is limited to claims or actions that resulted directly and primarily from the bad faith, negligence or willful misconduct or breach of contract by the Servicer, its employees or any person acting for or on the Servicer's behalf. In addition, the maximum liability of the Servicer is limited to two times the Servicer's gross annual revenue from servicing the financed student loans for the most recent twelve months, except with respect to the willful misconduct of the Servicer or with respect to any financed student loan that is denied the benefit of any applicable guarantee due to a servicing error (in which case the Servicer is required after a 12-month cure period to reimburse the Issuer for principal and interest due on the affected loan at the end of the month following the denial of the benefit of the applicable guarantee). See "SERVICING OF THE FINANCED STUDENT LOANS—The Servicing Agreement." Any limitation on the indemnification amounts, or any delay in receiving such amounts, may impair our ability to pay principal and interest on your notes.

Failure to comply with loan origination and servicing procedures for financed student loans may result in loss of guarantee and other benefits

We must meet various requirements in order to maintain the federal guarantee on the financed student loans. These requirements establish servicing requirements and procedural guidelines and specify school and borrower eligibility criteria.

A guarantee agency may reject a loan for claim payment due to a violation of the Federal Family Education Loan Program due diligence collection and servicing requirements. In addition, a guarantee agency may reject claims under other circumstances, including, for example, if a claim is not timely filed or adequate documentation is not maintained. Once a financed student loan ceases to be guaranteed, it is ineligible for federal interest subsidies and special allowance payments. If a financed student loan is rejected for claim payment by a guarantee agency, we continue to pursue the borrower for payment or institute a process to reinstate the guarantee. Guarantee agencies may reject claims as to portions of

interest for certain violations of the due diligence collection and servicing requirements even though the remainder of a claim may be paid.

Examples of errors that cause claim rejections include isolated missed collection calls, or failures to send collection letters as required. Violations of due diligence collection and servicing requirements can result from human error. Violations can also result from computer processing system errors, or from problems arising in connection with the implementation of a new computer platform or the conversion of additional loans to a servicing system.

The Department of Education has implemented school eligibility requirements, including default rate limits. In order to maintain eligibility in the Federal Family Education Loan Program, schools must maintain default rates below specified levels and both guarantee agencies and lenders are required to insure that loans are made to students attending schools that meet default criteria. If we fail to comply with any of the above requirements, we could incur penalties or lose the federal guarantee on some or all of the financed student loans.

The inability of the Issuer or the Servicer to meet its purchase obligation may result in losses on your notes

Under some circumstances, the Issuer may be required to purchase or provide a substitute for, or may have the right to require the Servicer to purchase, a financed student loan. This right arises generally if a breach of the representations, warranties or covenants of the Issuer or the Servicer, as applicable, has a material adverse effect on the financed student loan and if the breach is not cured within the applicable cure period. We cannot guarantee that the Issuer or the Servicer will have the financial resources to make a purchase or substitution. In this case, you will bear any resulting loss.

Limitation on enforceability of remedies against the Issuer could result in payment delays or losses

The remedies available to the Trustee or the noteholders upon an event of default under the Indenture are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, the remedies provided in the Indenture may not be readily available or may be limited. The Issuer may not be the subject of an involuntary petition filed under Section 303(a) of Title 11 of the United States Code (the “Bankruptcy Code”) and currently may not be a debtor under Chapter 9 of the Bankruptcy Code. Nevertheless, if the Issuer should become subject to federal bankruptcy proceedings or proceedings under state laws similarly affecting the rights of creditors, the enforcement of the Issuer’s obligations, including its obligations with respect to the notes, could be materially limited or excused, or the payment of the notes could be accelerated and the assets held under the Indenture liquidated under circumstances where the proceeds of such liquidation could be insufficient to pay the notes and any other obligations outstanding under the Indenture. The various legal opinions to be delivered concurrently with the delivery of the notes and the Indenture will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

In the event of an early termination of a derivative product due to certain termination events, the Issuer may be required to make a large termination payment to the counterparty

Although the Issuer is not entering into any derivative products on the date of issuance, it may do so in the future upon receipt of a rating confirmation. If a termination event occurs under any of these derivative products and the Issuer owes a counterparty a large termination payment that is required to be paid pro rata with interest due on the notes, the Issuer may not have sufficient funds on that or future quarterly distribution dates to make required payments of interest or principal, and you may suffer a loss.

The financed student loans may be evidenced by a master promissory note

Loans made under the Federal Family Education Loan Program may be evidenced by a master promissory note. Once a borrower executes a master promissory note with a lender, additional student loans made by the lender to such borrower are evidenced by a confirmation sent to the borrower, and all student loans are governed by the single master promissory note.

A student loan evidenced by a master promissory note may be sold independently of the other student loans governed by the master promissory note. If the Issuer originates a student loan governed by a master promissory note and does not retain possession of the master promissory note, other parties could claim an interest in the student loan. This could occur if the holder of the master promissory note were to take an action inconsistent with the Issuer's rights to a financed student loan, such as delivery of a duplicate copy of the master promissory note to a third party for value. Although such action would not defeat the Issuer's rights to the financed student loan or impair the security interest held by the Trustee for your benefit, it could delay receipt of principal and interest payments on the loan.

You may incur losses or delays in payment on your notes if borrowers default on their financed student loans

For a variety of economic, social and other reasons all the payments that are actually due on financed student loans may not be made. Borrowers' failures to make timely payments of the principal and interest due on the financed student loans will affect the revenues of the trust estate for the Issuer, which may reduce the amounts available to pay principal and interest due on the notes.

In general, a guarantee agency reinsured by the Department of Education will guarantee 98% of each student loan originated after October 1, 1993 and before July 1, 2006, and 97% of each student loan originated on or after July 1, 2006 and before October 1, 2012. As a result, if a borrower of a financed student loan defaults, the Issuer will experience a loss of approximately 2% or 3% of the outstanding principal and accrued interest on each of the defaulted loans depending upon when it was first disbursed. The Issuer does not have any right to pursue the borrower for the remaining portion that is not subject to the guarantee. If defaults occur on the financed student loans and the credit enhancement described herein is not sufficient, you may suffer a delay in payment or a loss on your investment.

The Trustee may be forced to sell the financed student loans at a loss after an event of default

Generally, if an event of default occurs under the Indenture, noteholders of at least 51% of the aggregate principal amount of the notes may authorize the Trustee to sell the financed student loans. However, the Trustee may not find a purchaser for the financed student loans or the market value of the financed student loans plus other assets in the trust estate might not equal the principal amount of outstanding notes plus accrued interest. Competition currently existing in the secondary market for student loans made under the Federal Family Education Loan Program also could be reduced, resulting in fewer potential buyers of the financed student loans and lower prices available in the secondary market for the financed student loans. You may suffer a loss if the Trustee is unable to find purchasers willing to pay prices for the financed student loans sufficient to pay the principal amount of the notes plus accrued interest.

The notes may be repaid early due to an optional purchase, which may affect your yield, and you will bear reinvestment risk

The notes may be repaid before you expect them to be in the event of an optional purchase of the financed student loans as described under "DESCRIPTION OF THE NOTES—Optional Purchase." Such event would result in the early retirement of the notes outstanding on that date. If this happens, your yield on the notes may be affected and you will bear the risk that you cannot reinvest the money you receive in comparable notes at an equivalent yield. Even if the optional purchase is not exercised, amounts that may have otherwise been released to the Issuer if the Asset Release Requirement was met on a quarterly distribution date will be used to pay the notes as accelerated payments of principal until they have been paid in full.

The characteristics of the portfolio of financed student loans may change

The characteristics of the pool of student loans we expect to pledge to the Trustee on the date of issuance are described herein as of the statistical cut-off date. However, the actual characteristics of the student loans at any given time will change due to factors such as repayment of the student loans in the normal course of business, the purchase of additional student loans during the prefunding period from money held in the Prefunding Account of the Acquisition Fund or the occurrence of delinquencies or defaults. The characteristics that may differ include the composition of the student loans, the distribution by loan type, the distribution by interest rate, the distribution by principal balance and the distribution by remaining terms. You should consider potential variances when making your investment decision concerning the notes. See "CHARACTERISTICS OF THE FINANCED STUDENT LOANS (AS OF THE STATISTICAL CUT-OFF DATE)" in this Offering Memorandum.

Our cash flow, and our ability to make payments due on our notes will be reduced to the extent interest is not currently payable on the financed student loans. The borrowers on most student loans are not required to make payments during the period in which they are in school and for certain authorized periods thereafter, as described in the Higher Education Act. The Department of Education will make all interest payments while payments are deferred under the Higher Education Act on certain subsidized student loans that qualify for interest benefit payments. For all other student loans, interest generally will be capitalized and added to the principal balance of the student loans. The financed student loans will consist of student loans for which payments are deferred as well as student loans for which the borrower is currently required to make payments of principal and interest. The proportions of the financed student

loans for which payments are deferred and currently in repayment will vary during the period that the notes are outstanding.

Student loans are unsecured and the ability of the guarantee agency to honor its guarantees may become impaired

The Higher Education Act requires that all student loans be unsecured. As a result, the only security for payment of the financed student loans are the guarantees provided by the guarantee agency.

A deterioration in the financial status of the guarantee agency and its ability to honor guarantee claims on defaulted student loans could delay or impair the guarantee agency's ability to make claims payments to the Trustee. The financial condition of a guarantee agency can be adversely affected if it submits a large number of reimbursement claims to the Department of Education, which results in a reduction of the amount of reimbursement that the Department of Education is obligated to pay the guarantee agency. The Department of Education may also require a guarantee agency to return its reserve funds to the Department of Education upon a finding that the reserves are unnecessary for the guarantee agency to pay its program expenses or to serve the best interests of the federal student loan program. The inability of any guarantee agency to meet its guarantee obligations could reduce the amount of money available to pay principal and interest to you as the owner of the notes or delay those payments past their due date.

If the Department of Education has determined that the guarantee agency is unable to meet its guarantee obligations, the student loan holder may submit claims directly to the Department of Education and the Department of Education is required to pay the full guarantee claim amount due with respect to such claims. See "THE ISSUER'S FFEL PROGRAM—The Guarantee Agency." However, the Department of Education's obligation to pay guarantee claims directly in this fashion is contingent upon the Department of Education making the determination that a guarantee agency is unable to meet its guarantee obligations. The Department of Education may not ever make this determination with respect to the guarantee agency and, even if the Department of Education does make this determination, payment of the guarantee claims may not be made in a timely manner.

Payment offsets by the guarantee agency or the Department of Education could prevent the issuer from paying you the full amount of the principal and interest due on your notes

The Issuer may use the same Department of Education lender identification number for the financed student loans to be included in the trust estate as it uses for other student loans it holds. If so, the billings submitted to the Department of Education and the claims submitted to guarantee agencies for the financed student loans will be consolidated with the billings and claims for payments for student loans that are not included in the trust estate using the same lender identification number. Payments on those billings by the Department of Education as well as claim payments by the applicable guarantee agencies will be made to the Issuer, or to the Servicer on behalf of the Issuer, in lump sum form. Those payments must be allocated by the Issuer to the trust estate and to other trust estates of the Issuer that reference the same lender identification number.

If the Department of Education or a guarantee agency determines that the Issuer owes it a liability on any student loan held by it, the Department of Education or the applicable guarantee agency may seek to collect that liability by offsetting it against payments due to the Issuer in respect of the financed student loans pledged to secure your notes. Any offsetting or shortfall of payments due to the Issuer could

adversely affect the amount of funds available to the trust estate and thus the Issuer's ability to pay you principal and interest on the notes. The Issuer may in the future agree, in a document referred to as a "joint sharing agreement," to properly pay to or from the correct trust estate or indenture amounts which should be reallocated to reflect payments (or liabilities) on the student loans securing each such trust estate or indenture.

Commingling of payments on student loans could prevent the Issuer from paying you the full amount of the principal and interest due on your notes

Payments received on the financed student loans generally are deposited into an account in the name of the Servicer each business day. However, payments received on the financed student loans will not be segregated from payments the Servicer receives on other student loans it services, and payments received on the financed student loans that are part of the trust estate will not be segregated from payments received on the Issuer's other student loans that are not part of the trust estate. Such amounts that relate to the financed student loans once identified by the Servicer as such are transferred to the Trustee for deposit into the Collection Fund on a daily basis. Prior to the transfer of such funds, the Servicer may invest those funds for its own account and at its own risk. If the Servicer is unable to transfer such funds to the Trustee, noteholders may suffer a loss.

Incentive programs may affect your notes

The student loans originated by the Issuer may be subject to various borrower incentive programs. Any incentive program that effectively reduces borrower payments or principal balances on financed student loans may result in the principal amount of financed student loans amortizing faster than anticipated.

Congressional actions may affect the financed student loans

The Department of Education's authority to provide interest subsidies, special allowance payments and federal insurance for loans originated under the Higher Education Act terminates on a date specified in the Higher Education Act. The provisions of the Higher Education Act governing the Federal Family Education Loan Program are periodically amended and the Higher Education Act must be reauthorized by Congress periodically in order to prevent sunset of the Higher Education Act. The Higher Education Reconciliation Act of 2005 extended the authorization for the Federal Family Education Loan Program through September 30, 2012. While Congress has consistently extended the effective date of the Higher Education Act and the Federal Family Education Loan Program, it may elect not to reauthorize the Department of Education's ability to provide interest subsidies and federal insurance for loans. While this failure to reauthorize would not affect the financed student loans the Issuer then owned, it would reduce the number of student loans available for origination in the future.

Funds for payment of interest subsidies and other payments under the Federal Family Education Loan Program are subject to annual budgetary appropriation by Congress. Federal budget legislation has in the past contained provisions that restricted payments made under the Federal Family Education Loan Program to achieve reductions in federal spending. Future federal budget legislation may adversely affect expenditures by the Department of Education, and the financial condition of the guarantee agency.

Congressional amendments to the Higher Education Act or other relevant federal laws, and rules and regulations promulgated by the Secretary of Education, may adversely impact holders of student loans. For example, changes might be made to the rate of interest paid on student loans, to the level of insurance provided by guarantee agency or to the servicing requirements for student loans. See "APPENDIX A—DESCRIPTION OF THE FFEL PROGRAM" and "APPENDIX B—DESCRIPTION OF THE GUARANTEE AGENCY."

The notes will be issued only in book-entry form

The notes will be initially represented by one or more certificates registered in the name of Cede & Co., the nominee for DTC, and will not be registered in your name or the name of your nominee. Unless and until definitive securities are issued, holders of the notes will not be recognized by the Trustee as registered owners as that term is used in the Indenture. Until definitive securities are issued, holders of the notes will only be able to exercise the rights of registered owners indirectly through DTC and its participating organizations. See "BOOK-ENTRY REGISTRATION."

The ratings of the notes are not a recommendation to purchase and may change, affecting the price of your notes

It is a condition to issuance of the notes that they be rated as indicated under "SUMMARY OF TERMS—Rating of the Notes." Ratings are based primarily on the creditworthiness of the underlying financed student loans, the amount of credit enhancement and the legal structure of the transaction. The ratings are not a recommendation to you to purchase, hold or sell the notes inasmuch as the ratings do not comment as to the market price or suitability for you as an investor. An additional rating agency may rate the notes, and that rating may not be equivalent to the initial rating described in this Offering Memorandum. Ratings may be increased, lowered or withdrawn by any rating agency at any time if in the rating agency's judgment circumstances so warrant. A downgrade in the rating of your notes is likely to decrease the price a subsequent purchaser will be willing to pay for your notes.

Less than all of the holders can approve amendments to the Indenture or waive defaults under the Indenture

Under the Indenture, holders of specified percentages of the aggregate principal amount of the notes may amend or supplement provisions of the Indenture without the consent of the other holders. You have no recourse if the holders vote and you disagree with the vote on these matters. The holders may vote in a manner which impairs the ability to pay principal and interest on your notes.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Offering Memorandum contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "could," "would," "expect," "plan," "anticipate," "believe," "estimate," "project," "predict," "intend," "potential," and the negative of such terms or other similar expressions.

The forward-looking statements reflect our current expectations and views about future events. The forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Given these risks and uncertainties, you should not place undue reliance on the forward-looking statements.

You should understand that the following factors, among other things, could cause our results to differ materially from those expressed in forward-looking statements:

- changes in terms of financed student loans and the educational credit marketplace arising from the implementation of applicable laws and regulations and from changes in these laws and regulations that may reduce the volume, average term, costs and yields on education loans under the Federal Family Education Loan Program;

- changes in the demand for educational financing or in financing preferences of educational institutions, students and their families, which could affect our ability to originate eligible student loans;

- changes in the general interest rate environment and in the securitization market for student loans, which may increase the costs or limit the marketability of financings;

- losses from student loan defaults; and

- changes in prepayment rates and credit spreads.

We discuss many of these risks and uncertainties in greater detail under the heading "RISK FACTORS."

You should read this Offering Memorandum and the documents that we reference in this Offering Memorandum completely and with the understanding that our actual future results may be materially different from what we expect. We may not update the forward-looking statements, even though our situation may change in the future, unless we have obligations under the federal securities laws to update and disclose material developments related to previously disclosed information. We qualify all of the forward-looking statements by these cautionary statements.

MASSACHUSETTS EDUCATIONAL FINANCING AUTHORITY

General

The Issuer is a body politic and corporate, constituting a public instrumentality of the Commonwealth. The Issuer was established pursuant to statutes codified as Chapter 15C of the General Laws of the Commonwealth, as amended (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. We were created by the Act in recognition of the increasingly burdensome costs connected with post secondary education. In creating the Issuer, the Legislature of the Commonwealth declared 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 Issuer 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 Issuer'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 Issuer's name was changed to its current name, and the number of members of the Issuer was increased from seven to nine. In 1994, the Issuer established the "U. Plan Prepaid Tuition Plan," which is a prepaid tuition program that currently includes over eighty public and private Massachusetts colleges and universities. In 1999, the Issuer 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 Issuer initiated a program to fund FFELP loans in addition to other education loans it had previously financed through the application of amounts available therefor under the General Resolutions (as hereafter defined), including the proceeds of certain bond issuances thereunder, subject to the requirements of the General Resolutions and other transaction documents.

The Issuer solicits participation in its education loan programs from qualifying independent and public educational institutions and eligible borrowers. The Issuer monitors loan origination and servicing, delinquencies and defaults, investment results and revenue projections. In addition to developing and operating its education loan and savings programs, the Issuer conducts seminars on student financial aid and financing higher education for educational personnel and for parents across the Commonwealth.

Members and Staff

The Issuer 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. There is currently one vacancy in the membership of the Issuer. The Executive Director and Assistant Executive Director are appointed by the Issuer.

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

Members:

Joseph F. Hunt, Esq., Chair; term expires July 1, 2009. Mr. Hunt is retired from the law firm of Bingham McCutchen LLP. He formerly served as Managing Partner.

Keith C. Shaughnessy, Vice Chair; term expires July 1, 2011. 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.

Michael T. Duffy; term expires July 1, 2008. Mr. Duffy was the Executive Director of City on a Hill Charter Public School. Prior to coming to City on a Hill, Mr. Duffy was the founding board chair of the Media and Technology Charter High (MATCH) School.

James P. McIntyre; term expired July 1, 2007, but continues to serve until a successor is appointed. Dr. McIntyre is Senior Vice President of Boston College. He formerly served as Vice President for University Relations from 1976 to 2006 and prior to that as Vice President for Student Affairs from 1968 to 1976. He began his career at Boston College in 1959. In addition to his administrative responsibilities, he has taught a variety of courses at the college level. He has also published numerous articles in professional journals. Dr. McIntyre has been actively involved in leadership positions in numerous professional and civic organizations throughout his career.

Matthew P. Keswick; term expires July 12, 2012. Mr. Keswick is the President of Keswick Consulting LLC, a Boston-based government relations and business development firm. Previously, he worked in the Massachusetts Governor's Office for Governors Weld, Cellucci and Swift in several high-ranking positions including Deputy Chief Secretary and Assistant Chief of Staff.

William J. Papp, Jr.; term expired April 1, 2008, but continues to serve until a successor is appointed. Mr. Papp is the Managing Director of Institutional Equity Sales at Pacific Crest Securities. Mr. Papp has held similar positions with Lehman Brothers, BancIreland, Bank of Boston and Prudential Equity Group, Inc.

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 Issuer in December, 1999. Prior to joining the Issuer, he served as Budget Director for the Commonwealth; 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 Issuer in February, 1993. Prior to joining the Issuer, 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. Mr. Leighton joined the Issuer 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.

Thomas G. Murphy, Director of Programs and Operations. Mr. Murphy joined the Issuer in September, 1996. Previously he was Regional Representative for the Health Professions Loan program and Assistant Supervisor in the Issuer's Loan Department at Knight College Resources Group. Mr. Murphy received his B.A. from St. Michael's College and his M.B.A. from Boston University.

Thomas M. Smith, Director of Information Technologies. Mr. Smith joined the Issuer in May 2000. Formerly, he held several positions in the Commonwealth including serving as the Director, Commonwealth Information Warehouse for the Commonwealth and Systems Programmer/Systems Supervisor for the Fiscal Affairs Division of the Commonwealth. Mr. Smith received his B.A. from the College of the Holy Cross and his M.ED. from Providence College.

Permissible Activities; Limitations

We were not formed as a "special purpose" entity and can generally take all actions permitted under Massachusetts law, the Act and other applicable law. We do not generally have any restrictions on our activities under the Act, including with respect to issuing or investing in additional securities, borrowing money or making loans to other persons. As a public instrumentality of the Commonwealth and under existing constitutional and statutory law and judicial decisions, we may not be the subject of an involuntary petition filed under Section 303(a) of Title 11 of the Bankruptcy Code and we are not currently authorized to be a debtor under Chapter 9 of the Bankruptcy Code.

Previous Financings of the Issuer

We have previously issued a number of series of bonds and notes secured by student loans. We previously have issued from time-to-time Education Loan Revenue Bonds pursuant to a resolution dated as of May 1, 1992, as amended and restated from time-to-time and as of February 15, 2007 and as supplemented by series resolutions with respect to each issuance (the "Issue E General Resolution"), and pursuant to a resolution dated as of December 11, 1997, as amended and restated on November 9, 2006, and as supplemented by series resolutions with respect to each issuance (the "Issue G General Resolution" and collectively with the Issue E General Resolution, the "General Resolutions"). To date, we have issued 43 series of bonds under the General Resolutions, of which 36 series, with an aggregate principal amount of approximately $1,589,910,000 remain outstanding, of which approximately $1,284,910,000 are tax-exempt bonds and the remaining $305,000,000 are taxable bonds. We have also issued additional series of bonds and notes under resolutions separate and apart from, and that are not secured by, the General Resolutions. We have paid in full all scheduled interest due and payable on each outstanding series of securities, and there are no prior defaults or early amortization triggering events on any securitization organized by us.

The previously issued securities under the General Resolutions and otherwise are not subject to the lien of the Indenture, as they were issued under separate transaction documents. Furthermore, the notes to be issued under the Indenture will not be secured by the General Resolutions, or any other resolution or transaction document with respect to our prior issuances of bonds and notes. The proceeds from the sale of the notes will be used to refinance the financed student loans and release them from the lien of the General Resolutions.

Financial and Other Information

The audited financial statements of the Issuer as of and for the years ended June 30, 2007 and June 30, 2006 are available upon request to the Corporate Finance Department of the Issuer at the address set forth under "DIRECTORY." Our financial statements include information with respect to our loan programs generally, including our FFELP loan program, and with respect to our programs which are unrelated to education lending. Since the notes are limited obligations of the Issuer, payable solely from the financed student loans and other assets pledged to the Trustee under the Indenture, the overall financial status of the Issuer, or that of our other programs, does not indicate and does not necessarily affect whether the trust estate will be sufficient to fund the timely and full payment of principal and interest on the notes. See "SECURITY AND SOURCES OF PAYMENT FOR THE NOTES."

THE ISSUER'S FFEL PROGRAM

The Issuer has established a program for financing certain student loans originated pursuant to the Federal Family Education Loan Program (the "FFEL Program"), authorized by Title IV of the federal Higher Education Act (such loans, "FFELP loans"). The FFEL Program authorized by the Higher Education Act is described in Appendix A attached hereto. The Issuer has also established a number of proprietary, unsecured alternative consumer loan programs for the purposes pursuant to which the Issuer was created under the Act, including fixed rate and variable rate, undergraduate and graduate and credit-based and need-based loans. All of the financed student loans are FFELP loans and the Issuer's other loan programs are not described in this Offering Memorandum.

General

The Issuer successfully launched its Federal Family Education Loan ("FFEL") Program in the 2002-2003 academic year primarily for the purpose of offering families a comprehensive higher education financing solution. The offering of both federal and alternative education loans from a single reliable source provides families with a wider array of loan options. The Issuer's prior FFEL Program offerings included the Parent Loan for Undergraduate Student Program ("PLUS"), the Stafford (subsidized and unsubsidized) Loan Program and the Consolidation Loan Program.

The Issuer has suspended its originations of FFELP Loans as a result of the changes effected by the College Cost Reduction and Access Act and the capital market disruption that began in the third quarter of 2007. See "RISK FACTORS—Changes to the Higher Education Act may affect your notes." Prior to the suspension of the Issuer's FFEL Program, as of April 30, 2008, approximately $225 million of Stafford Loans, $102 million of Consolidation Loans and $98 million of PLUS Loans had been financed pursuant to the Issuer's FFEL program. Substantially all of the Issuer's FFELP loans will pledged to the Trustee under the Indenture.

The Issuer's FFEL Loan Borrower Benefits

The Issuer has previously offered borrowers terms with respect to Stafford Loans, PLUS Loans and Consolidation Loans, as such terms are defined in Appendix A, which would reduce borrower cost as compared with the applicable legally permissible FFELP loan terms as provided by the Higher Education Act. The Issuer has reviewed and adjusted such terms periodically based on considerations relating to the furtherance of its statutory purposes as well as the competitiveness of the Issuer's FFELP loans within the applicable FFELP loan market. No assurance can be given that such actions may not affect the receipt by the Issuer of less than anticipated collections on the financed student loans**.**

We offer a variety of borrower incentive programs for student loans originated by us that, among other things, provide for an interest rate reduction for borrowers that make payments on their loans electronically and an interest rate reduction for borrowers that make a specified number of on-time payments.

The Guarantee Agency

All of the Federal Family Education Loan ("FFEL") Program loans financed by the Issuer to date and all of the financed student loans have been guaranteed under the Higher Education Act by Massachusetts Higher Education Assistance Corporation, doing business as American Student Assistance. Additional discussion that relates to guarantee agencies generally under the FFEL Program is included in "APPENDIX B—DESCRIPTION OF THE GUARANTEE AGENCY."

The following information has been furnished by the guarantee agency for use in this Offering Memorandum. The Issuer 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 the guarantee agency subsequent to the date hereof.

Massachusetts Higher Education Assistance Corporation, doing business as American Student Assistance ("ASA"), a not-for-profit corporation organized in 1956, will guarantee all of the financed student loans. ASA is one of the oldest and largest guaranty agencies in the United States, and is the designated guarantee agency for the Commonwealth of Massachusetts and the District of Columbia. Since 1956, ASA has been a provider of higher education financing products and services to students, parents, schools and lenders across the country, guaranteeing more than $43 billion in loans. Originally created by the General Court of the Commonwealth of Massachusetts as Massachusetts Higher Education Assistance Corporation, ASA currently acts on behalf of the U.S. Department of Education to ensure that the public policy purposes and regulatory requirements of the FFEL Program are met. ASA has its principal offices located at 100 Cambridge Street, Boston, MA 02114.

Guaranty Volume. The following table sets forth the original principal amount of FFEL Program Loans (excluding Consolidation Loans) guaranteed by ASA in each of the last five ASA fiscal years:

ASA Fiscal Year (Ending June 30)	Net FFEL Program Loans Guaranteed by ASA (Dollars in Millions)
2003	$ 914
2004	1,270
2005	1,746
2006	1,788
2007	2,367

Under the Higher Education Act, ASA and the U.S. Secretary of Education as of January 1, 2001 entered into a voluntary flexible agreement ("VFA"). Under the VFA, ASA returned its reserve funds that would otherwise have made up its Federal Reserve Fund through an escrow account in the name of the Department of Education. In the event a loan defaults, ASA receives funding from the Department of Education to act as a disbursing agent. The guarantee is, therefore, no longer limited by the funds on deposit in a federal reserve fund. Because ASA holds no federal reserve fund, the concept of a Reserve Ratio is inapplicable for the years 2003 through 2007. The VFA establishes a "fee for service" model under which ASA is rewarded through the payment of a portfolio maintenance fee for maintaining a healthy portfolio of loans in good standing. The agency is further incented to keep the loans in good standing and to work with borrowers to prevent default because the portfolio maintenance fee increases as ASA's trigger default rate improves over the national trigger default rate. ASA's efforts to prevent default are a part of its "Wellness" program of outreach to borrowers from the inception of the loan to educate them on their responsibilities and assist them in repayment.

The Department of Education cancelled ASA's VFA effective January 1, 2008. Because ASA is negotiating a new VFA with the Department of Education and because ASA is currently operating under the traditional guarantee agency funding model during the negotiations, ASA does not believe that the cancellation will materially adversely affect its business.

The information in the following tables has been provided by ASA from reports provided by or to the U.S. Department of Education. No representation is made by ASA as to the accuracy or completeness of the information.

Recovery Rates. A guarantee agency's recovery rate, which provides a measure of the effectiveness of the collection efforts against defaulting borrowers after the guarantee claim has been satisfied, is determined by dividing the aggregate amount recovered from borrowers by the aggregate amount of default claims paid by the guarantee agency. The table below sets forth the recovery rates for ASA as taken from the Department of Education Guarantee Agency Activity Report form 1130 or form 2000:

Federal Fiscal Year (Ending September 30)	**Cumulative Recovery Rate**
2003	79.4%
2004	83.5
2005	83.0
2006	83.6
2007	80.8

Claims Rate. ASA's claims rate represents the percentage of loans in repayment at the beginning of a federal fiscal year which default during the ensuing federal fiscal year net of repurchases, refunds and rehabilitations. For the federal years 2003-2007, ASA's claims rate listed below have not exceeded 5%, and as a result, all claims of ASA have been fully reimbursed at the maximum allowable level by the Department of Education. See "APPENDIX A—DESCRIPTION OF THE FFEL PROGRAM" herein for more detailed information concerning the FFEL Program. Nevertheless, there can be no assurance the Guarantee Agencies will continue to receive full reimbursement for such claims. The following table sets forth the claims rate of ASA for the last five federal fiscal years:

Federal Fiscal Year (Ending September 30)	**Claims Rate**
2003	0.9%
2004	0.7
2005	1.0
2006	1.0
2007	1.1

Net Loan Default Claims. The following table sets forth the dollar value of Default Claims paid net of repurchases, refunds and rehabilitations for the last five years.

ASA Fiscal Year (Ending June 30)	**Default Claims (Dollars in Millions)**
2003	$ 80
2004	83
2005	168
2006	216
2007	320

Default Recoveries. The following table sets forth the amount of recoveries returned to the U.S. Department of Education for the last five years.

ASA Fiscal Year (Ending June 30)	Default Recoveries (Dollars in Millions)
2003	$ 79
2004	82
2005	78
2006	97
2007	128

SERVICING OF THE FINANCED STUDENT LOANS

We are required under the Higher Education Act, the rules and regulations of the guarantee agency and the Indenture to use due diligence in the servicing and collection of student loans and to use collection practices no less extensive and forceful than those generally in use among financial institutions with respect to other consumer debt.

ACS Education Services, Inc. (the "Servicer") currently acts as loan servicer for all of the financed student loans pursuant to the Federal FFEL Servicing Agreement dated as of June 1, 2008, as amended from time-to-time (the "Servicing Agreement"), between the Servicer and the Issuer. The Indenture permits the appointment of other or additional loan servicers with rating agency confirmation and subject to compliance with certain requirements and the Issuer reserves the right to establish other custody and servicing arrangements in compliance with such requirements.

The Servicer

The following information has been furnished by Affiliated Computer Services, Inc. for use in this Offering Memorandum. The Issuer 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 Affiliated Computer Services, Inc. subsequent to the date hereof.

ACS Education Services, Inc., a Delaware corporation ("ACS-ES"), acts as a loan servicer for the issuing entity. ACS-ES is a for-profit corporation and a wholly-owned subsidiary of Affiliated Computer Services, Inc. ("ACSI"). Headquartered in Dallas, Texas, ACSI is a Fortune 500 company providing business process and technology outsourcing solutions to world-class commercial and government clients. ACSI's Class A common stock trades on the New York Stock Exchange under the symbol "ACS". ACS-ES has its headquarters at One World Trade Center, Suite 2200, Long Beach, California 90831, and has regional processing centers in Long Beach and Bakersfield, California; Utica, New York; and Lombard, Illinois.

The Guaranteed Loan Servicing Group is operated by ACS-ES as an independent, third party education loan servicer with approximately 600 employees, providing full service loan origination and servicing for the Federal Stafford, PLUS and Consolidation education loan programs and many alternative/private loan programs. ACS-ES and its predecessors have over 38 years of experience providing outsourcing services to higher education. As of March 2008, the Guaranteed Loan Servicing Group of ACS-ES currently services approximately 2.3 million education loan accounts with loans valued at approximately $35 billion.

ACS-ES's Guaranteed Loan Servicing Group services include Stafford, PLUS, Consolidation, and private/alternative loan origination, as well as post-origination conversion and loan servicing.

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

Conversion services include set-up of new accounts to the servicing platform from our in house 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, ACS-ES prepares and submits a claim package on the lender's behalf to the appropriate guarantee agency for review and guarantee payment, if applicable.

The Servicing Agreement

The following summary of the material terms of the Servicing Agreement does not cover every detail of the Servicing Agreement, and it is subject to the terms and provisions of the Servicing Agreement and reference should be made to the Servicing Agreement for a full and complete statement of its provisions.

Term and Termination. The Servicing Agreement is currently scheduled to expire on November 30, 2010, 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 90 days prior to the then scheduled expiration date. The Servicing Agreement may also be terminated, either with the consent of all parties, or at the option of one of the parties, should certain conditions occur as specified therein, including a change in ownership, bankruptcy and insolvency events, changes in law, a material breach of the Servicing Agreement by the other party or a non-payment of servicing fees.

Duties of the Servicer. Pursuant to the Servicing Agreement, the Servicer agreed to service the financed student loans and to perform all services and duties customary to the servicing of student loans in accordance with generally established procedures and industry standards and practices, including the services and duties set forth in the Servicing Agreement. The Servicer agrees to use its best efforts to perform its services and duties under the Servicing Agreement in material compliance with the requirements of the Higher Education Act and other applicable regulations and laws. The Servicing activities of the Servicer under the Servicing Agreement include but are not limited to maintaining all records of the origination and payment of financed student loans, mailing coupon books or invoices to borrowers, processing claims for defaulted borrowers and obtaining guarantee payments from the guarantee agency in accordance with Higher Education Act requirements

Fees and Expenses. For its services performed under the Servicing Agreement, the Servicer is entitled to a fee and reimbursement for certain expenses. The servicing fees are fixed until November 30, 2010 and are thereafter subject to adjustment on an annual basis by an amount equal to the greater of (i) the percentage increase in an agreed upon Consumer Price Index and (ii) 3% per annum. The Issuer will cause the Trustee to pay from the Collection Fund established under the Indenture to the Servicer the servicing fees and certain expenses. See "FEES AND EXPENSES" below.

Custody of Financed Student Loans. The Servicer acts as custodian of the financed student loans. The Servicer agrees to establish and maintain records received by the Servicer with respect to each financed student loan and to maintain possession of original promissory notes, loan applications and other required supplements that it receives from the Issuer and to store them in a fire-rated, secure vault facility. As an additional safeguard, the Servicer also agrees to microfilm or other reproduce the promissory notes, loan applications and other loan files and to store them in the same fashion or using vendors that provide a secure environment that meets the same safety standards and restricted access.

Indemnification and Limitations on Liability. The Servicer agrees to indemnify and hold harmless the Issuer from and against any and all claims, losses, liabilities and expenses (including, but not limited to, reasonable attorneys' fees and costs) in connection with any legal action or proceeding with respect to a financed student loan serviced by the Servicer; provided that such claim or action resulted directly and primarily from the bad faith, negligence or willful misconduct of or a breach of contract by the Servicer or persons acting on its behalf under or in connection with the Servicing Agreement.

The Servicer does not have liability to the Issuer for any financed student loan that is denied the benefit of any applicable guarantee unless such denial results directly and primarily from the Servicer's negligence or willful misconduct or breach of the Servicing Agreement. In such an event, the Servicer must cure the default within 12 months or, no later than the end of the 13th month following the final rejection date, the Servicer must pay to the Issuer the principal amount of the financed student loan, together with all accrued and unpaid interest thereon. The Issuer has no other remedy under the Servicing Agreement with respect to such a denial of the benefit of an applicable guarantee.

The Servicer's liability and indemnification obligations under the Servicing Agreement are limited in several respects, in addition to the limitations on the remedies with respect to a financed student loan that is denied the benefit of any applicable guarantee described above. Liability arising out of any act or omission by the Servicer are limited to direct losses of principal and interest on rejected claims resulting directly and primarily from the Servicer's negligence or willful misconduct or breach of contract.

The Servicing Agreement also provides that the Servicer is not liable in any event: (i) except with respect to its indemnification and confidentiality obligations, for any incidental, indirect, special, punitive or consequential damages, (ii) for failure to provide services under the Servicing Agreement for reasons beyond the reasonable control of the Servicer or its agents or subcontractors, (iii) for violation of applicable law, regulation or other requirement where the Servicer's action or inaction was in accordance with general industry standards at such time, unless the Servicer has been notified thereof and has had reasonable opportunity to comply with such requirement, (iv) for any losses, liabilities or expenses directly or indirectly arising from or relating to an error of the Issuer or a guarantor, (v) for losses, liabilities or expenses arising from data transmission or electronic data interchange failure or error not primarily and directly due to the Servicer's or its agents' or subcontractors' negligence, willful misconduct or breach of contract, or (vi) for the uncollectibility or non-payment of any amounts payable on or with respect to financed student loans serviced thereunder or the failure of the guarantor to pay any claim for any reason, except if there is clear and convincing evidence that such uncollectibility or failure to pay such claim is directly and primarily as the result of the Servicer's or its agents' or subcontractors' negligence, willful misconduct or breach of contract; provided, however, that in no event will the Servicer be liable for the uncollectibility or non-payment of any amounts payable on or with respect to any financed eligible loans serviced under the Servicing Agreement which were delinquent on the date that the Servicer assumed servicing responsibilities under the Servicing Agreement or any predecessor agreement. Except with respect to the willful misconduct of the Servicer or with respect to any financed student loan that is denied the benefit of any applicable guarantee as described above, the Servicer's

liability under the Servicing Agreement is limited to two times the Servicer's gross annual revenue from servicing the financed student loans for the most recent twelve months.

Payments on Student Loans. Payments received on the financed student loans generally will be deposited into a lockbox account at a bank in the name of the Servicer each business day. Payments received on a financed student loan will not be segregated from payments received on other student loans serviced by the Servicer. Pursuant to the Servicing Agreement, payments received on account of the financed student loans will be transferred directly to the Trustee for deposit into the Collection Fund on a daily basis. Prior to the transfer of such funds to the Trustee, the Servicer may invest those funds for its own account.

Audits; Statements as to Compliance. Each year the external auditors of the Servicer conduct a SAS70 audit of systems quality control and compliance and publish the audit results, and the Servicer agrees to provide a copy to the Issuer.

Collateral Assignment. Pursuant to the Indenture and the Servicing Agreement, the Issuer has collaterally assigned its interest in the Servicing Agreement to the Trustee with respect to the student loans serviced under the Servicing Agreement and securing the notes. The Trustee is a third party beneficiary of the Servicing Agreement, and is entitled to enforce the provisions of the Servicing Agreement against the Servicer.

FEES AND EXPENSES

The fees payable by the Issuer are set forth in the table below. In addition, the servicer, the administrator and the trustee are paid or reimbursed for their expenses. The priority of payment of such fees and expenses is described below in "DESCRIPTION OF THE NOTES—The Collection Fund; Flow of Funds."

Fees	Recipient	Amount
Servicing Fee	ACS Education Services, Inc.	[1]
Administration Fee	Massachusetts Educational Financing Authority	0.05% [2]
Trustee Fee	U.S. Bank National Association	0.01% [3]

[1] The Servicer will be paid a monthly servicing fee ranging from $1.00 to $3.50 per student loan, based on factors such as the borrower's payment status (i.e. repayment, forbearance, in school), type of loan (i.e. Stafford, consolidation) and date of origination, in each case subject to an annual increase, beginning November 30, 2010, for inflation not to exceed the greater of a specified consumer price index and 3% per annum.
[2] As a percentage of the pool balance.
[3] As a percentage of the principal amount of the notes outstanding.

The fees described above may be increased if the Issuer obtains a rating confirmation with respect to such increase.

USE OF PROCEEDS

The estimated sources and uses are expected to be applied as follows:

Source of Funds:	
Proceeds to the trust estate from the sale of the notes	$296,000,000
Uses:	
Deposit to Acquisition Fund	$287,365,738 [1]
Deposit to Capitalized Interest Fund	7,880,335
Deposit to Reserve Fund	753,927
Total	$296,000,000

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[1] Of this total amount, approximately $280,332,810 will be used to refinance FFELP student loans on the date of issuance with an aggregate principal balance of approximately $290,516,069, plus $4,616,741 of accrued interest, of which $4,021,684 is expected to be capitalized, and approximately $7,032,928 will be deposited into the Prefunding Account. The FFELP student loans will be transferred from an existing financing at a transfer price which is less that the principal balance of such FFELP student loans. The difference between the aggregate outstanding principal balance of the FFELP student loans acquired on the date of issuance and the amount of note proceeds that are required to transfer the FFELP student loans to the trust estate represents a portion of the credit enhancement. See the caption "CREDIT ENHANCEMENT" herein.

THE FINANCED STUDENT LOANS

The Issuer will use the proceeds from the sale of the notes to refinance certain student loans owned by the Issuer thereby releasing them from the lien of other existing financings of the Issuer (see "MASSACHUSETTS EDUCATIONAL FINANCING AUTHORITY—Previous Financings of the Issuer"), to finance certain additional FFELP student loans and, in each case, pledging them to the Trustee under the Indenture and to make a deposit to the Acquisition Fund, the Capitalized Interest Fund and the Reserve Fund.

The student loans we expect to pledge to the Trustee on the date of issuance and during the prefunding period were and will be substantially all of the Issuer's FFELP student loans that meet several criteria, including requirements that as of the cut-off date each student loan:

- is guaranteed as to principal and interest by a guarantee agency under a guarantee agreement and the guarantee agency is reinsured by the Department of Education in accordance with the FFELP;
- contains terms in accordance with those required under the FFELP, the guarantee agreements and other applicable requirements;
- does not have a borrower who is noted in the related records of the Servicer as currently involved in a bankruptcy proceeding;
- has special allowance payments, if any, based on the three-month commercial paper rate or the 91-day treasury bill rate; and
- additionally, no student loans will be more than 210 days delinquent.

Approximately $287,365,738 of proceeds from the sale of the notes will be deposited into the Acquisition Fund on the date of issuance. Of this amount, approximately $280,332,810 will be used to refinance FFELP student loans on the date of issuance which have an aggregate principal balance of approximately $290,516,069, plus $4,616,741 of accrued interest, of which $4,021,684 is expected to be capitalized. The FFELP student loans will be refinanced from an existing financing at a discounted transfer price, plus interest accrued but unpaid to and including the cut-off date. The difference between the aggregate outstanding principal balance of the FFELP student loans transferred on the date of issuance and the amount of note proceeds that are required to transfer the FFELP student loans represents a portion of the credit enhancement. See the caption "CREDIT ENHANCEMENT" herein The amount deposited to the Acquisition Fund and not used to refinance the FFELP student loans on the date of issuance, anticipated to be approximately $7,032,928, will be transferred to the Prefunding Account.

The Issuer will make representations and warranties with respect to the student loans to be pledged to the Trustee under the Indenture and has agreed to purchase from the trust estate any financed student loans for which any representation or warranty is later determined to be materially incorrect.

As described under "The Federal Family Education Loan Program" in Appendix A, borrowers may consolidate additional student loans with an existing consolidation loan within 180 days from the date that the consolidation loan was made. As a result of the addition of any such add-on consolidation loans, the related consolidation loan may, in certain cases, have a different interest rate and a different final payment date. Any add-on consolidation loan added to the trust estate will be funded by a transfer from the Acquisition Fund, to the extent money is available therein, and from the Collection Fund of the amount required to repay in full any student loan that is being discharged through such add-on consolidation loan. Such amount will be paid by the Trustee to the holder or holders of such student loans to prepay such student loans.

Prefunding Account

Approximately $7,032,928 of the deposit to the Acquisition Fund, representing approximately 2.38% of the initial principal balance of the notes and 2.33% of the initial Pool Balance, will be deposited into the Prefunding Account (together with any amounts not used on the date of issuance to acquire FFELP student loans on the date of issuance which amount is expected to be immaterial). We will use amounts in the Prefunding Account to purchase additional student loans during the prefunding period. The FFELP student loans transferred to the trust estate during the prefunding period will be transferred at the same discounted transfer price as the FFELP student loans transferred to on the closing date.

The prefunding period will begin on the date of issuance and will end on September 30, 2008 (with respect to FFELP student loans) and December 31, 2008 (with respect to funding add-on consolidation loans) or, in each case, such earlier time as we may determine. On the October 2008 quarterly distribution date, amounts on deposit in the Prefunding Account in excess of $250,000 will be transferred to the Collection Fund. Any amounts remaining in the Prefunding Account after September 30, 2008 may not be used to acquire additional student loans except to fund add-on consolidation loans. Any amounts remaining in the Prefunding Account at the end of the prefunding period will be transferred to the Collection Fund. In addition, on a monthly servicing payment date or a quarterly distribution date, to the extent that money in the Collection Fund is not sufficient to pay amounts owed to the U.S. Department of Education, the guarantee agency or under any applicable joint sharing agreement, servicing fees and expenses, trustee fees and expenses, administration fees and expenses, interest then due on the notes and amounts due to any counterparty under any derivative product agreement (other than certain termination payments), money on deposit in the Prefunding Account will be transferred to the Collection Fund to cover any such deficiency to the extent money is not

available to make such transfers from the Capitalized Interest Fund and prior to any transfer being made from the Reserve Fund to cover any such deficiency.

CHARACTERISTICS OF THE FINANCED STUDENT LOANS

(As of the Statistical Cut-off Date)

As of April 30, 2008, the statistical cut-off date, the characteristics of the pool of student loans we expect to pledge to the Trustee pursuant to the Indenture on the date of issuance were as described below. Since the date for pledging such student loans is other than the statistical cut-off date, the characteristics of those student loans will vary from the information presented below. The aggregate outstanding principal balance of the student loans in each of the following tables includes the principal balance due from borrowers, which does not include accrued interest of $4,616,741 (of which $4,021,684 is expected to be capitalized upon commencement of repayment). The percentages set forth in the tables below may not always add to 100% and the balances may not always add to $290,516,069 due to rounding.

Following the transfer of additional student loans to the Issuer during the prefunding period, the aggregate characteristics of the entire pool of student loans, including the composition of the student loans and the related borrowers, the related guarantors, the distribution by student loan type, the distribution by interest rate, the distribution by principal balance and the distribution by remaining term to scheduled maturity, may vary from those of the student loans described in the following tables. We expect that the financed student loans acquired after the date of issuance to share similar characteristics to the student loans described below.

We offer a variety of borrower incentive programs for student loans originated by us that, among other things, provide for an interest rate reduction for borrowers that make payments on their loans electronically and an interest rate reduction for borrowers that make a specified number of on-time payments.

Composition of the Financed Student Loan Portfolio
(As of the Statistical Cut-off Date)

Total Accrued Interest[#]	$4,616,741
Accrued Interest to be Capitalized	4,021,684
Aggregate Outstanding Principal Balance	$290,516,069
Number of Borrowers	23,937
Average Outstanding Principal Balance Per Borrower	$12,137
Number of Loans	50,482
Average Outstanding Principal Balance Per Loan	$5,755
Weighted Average Annual Interest Rate*	6.57%
Weighted Average Remaining Term (Months)	158
Weighted Average Spread (including special allowance payments) to the three-month commercial paper rate	2.12%

\# Includes accrued interest to be capitalized.
* Excludes special allowance payments.

Distribution of the Financed Student Loans by Loan Type
(As of the Statistical Cut-off Date)

Loan Type	Number of Loans[*]	Outstanding Principal Balance	Percent of Loans by Outstanding Balance
PLUS	3,870	$ 46,739,715	16.09%
Consolidation—Subsidized	1,778	23,356,225	8.04
Consolidation—Unsubsidized	2,626	55,408,902	19.07
Stafford—Subsidized	28,305	102,129,318	35.15
Stafford—Unsubsidized	15,353	62,881,909	21.64
Total	51,932	$290,516,069	100.00%

[*] The total number of loans is 1,450 greater than the number of loans included in the issuing entity, as ACS reports a consolidation loan with both subsidized and unsubsidized components as two separate loans.

Distribution of the Financed Student Loans by Interest Rate
(As of the Statistical Cut-off Date)

Interest Rate	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Balance
2.500% to 2.999%	344	$ 8,494,615	2.92%
3.000% to 3.499%	183	5,322,070	1.83
3.500% to 3.999%	209	5,675,560	1.95
4.000% to 4.499%	373	9,071,372	3.12
4.500% to 4.999%	754	16,324,684	5.62
5.000% to 5.499%	213	6,957,392	2.39
5.500% to 5.999%	72	3,382,679	1.16
6.000% to 6.499%	425	10,396,483	3.58
6.500% to 6.999%	38,778	152,819,483	52.60
7.000% to 7.499%	5,143	20,577,091	7.08
7.500% to 7.999%	21	1,346,040	0.46
8.000% to 8.499%	1,306	14,187,500	4.88
8.500% to 8.999%	2,661	35,961,100	12.38
Total	50,482	$290,516,069	100.00%

Distribution of the Financed Student Loans by School Type
(As of the Statistical Cut-off Date)

School Type	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Balance
Graduate	35,763	$173,793,754	59.82%
4 Year	9,355	43,710,734	15.05
2 Year	2,678	6,039,869	2.08
Unidentified	2,686	66,971,713	23.05
Total	50,482	$290,516,069	100.00%

Distribution of the Financed Student Loans by SAP Interest Rate Index
(As of the Statistical Cut-off Date)

SAP Interest Rate Index	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Balance
90 Day CP Index	50,482	$290,516,069	100.00%

Distribution of the Financed Student Loans by Borrower Payment Status
(As of the Statistical Cut-off Date)

Loan Payment Status	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Balance
In School	31,862	$123,018,580	42.34%
In Grace	3,140	11,461,011	3.95
Deferment	2,174	15,379,181	5.29
Forbearance	891	9,069,617	3.12
Repayment	12,415	131,587,680	45.29
Total	50,482	$290,516,069	100.00%

Distribution of the Financed Student Loans by Number of Days Delinquent*
(As of the Statistical Cut-off Date)

Days Delinquent	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Balance
0-30	11,317	$124,623,193	94.71%
31-60	392	2,962,849	2.25
61-90	158	1,280,223	0.97
91-120	101	629,047	0.48
121-150	337	1,402,959	1.07
151-180	66	274,674	0.21
181-210	44	414,735	0.32
Total	12,415	$131,587,680	100.00%

*For Financed Eligible Loan in Repayment Status Only

Distribution of the Financed Student Loans by Date of Disbursement
(As of the Statistical Cut-off Date)

Disbursement Date	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Balance
January 1, 2000 – March 31, 2006	16,554	$ 82,625,807	28.44%
April 1, 2006 – June 30, 2006	552	7,173,827	2.47
July 1, 2006 – September 30, 2007	26,177	161,942,578	55.74
October 1, 2007 – Present	7,199	38,773,858	13.35
Total	50,482	$290,516,069	100.00%

Student loans disbursed on or after October 1, 1993 and before July 1, 2006, are 98% guaranteed by the guarantee agency. Loans for which the first disbursement is made on or after July 1, 2006, and prior to October 1, 2012, are 97% guaranteed by the guarantee agency.

Distribution of the Financed Student Loans by Range of Principal Balance
(As of the Statistical Cut-off Date)

Principal Balance	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Balance
Less Than $5,000	33,838	$ 93,353,755	32.13%
$5,000–$9,999.99	10,807	68,817,082	23.69
$10,000–$19,999.99	3,811	50,475,889	17.37
$20,000–$29,999.99	933	22,385,730	7.71
$30,000–$39,999.99	468	16,259,139	5.60
$40,000–$49,999.99	258	11,473,127	3.95
$50,000–$59,999.99	157	8,556,295	2.95
$60,000–$69,999.99	68	4,422,713	1.52
$70,000–$79,999.99	49	3,647,498	1.26
More than $79,999.99	93	11,124,841	3.83
Total	50,482	$290,516,069	100.00%

Distribution of the Financed Student Loans by
Number of Months Remaining Until Scheduled Maturity
(As of the Statistical Cut-off Date)

Number of Months	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Balance
Less than 73	4,899	$ 8,245,610	2.84%
73 to 84	2,463	7,230,454	2.49
85 to 96	3,975	15,010,225	5.17
97 to 108	4,738	25,231,632	8.69
109 to 120	6,761	42,207,496	14.53
121 to 132	11,133	52,210,698	17.97
133 to 144	6,900	33,996,058	11.70
145 to 156	4,855	24,037,487	8.27
157 to 168	2,175	13,012,297	4.48
169 to 180	717	6,401,152	2.20
181 to 192	276	2,584,622	0.89
193 to 204	183	2,473,478	0.85
205 to 216	208	4,572,817	1.57
217 to 228	293	7,662,267	2.64
229 to 240	143	3,982,081	1.37
241 to 252	31	933,953	0.32
253 to 264	33	1,293,437	0.45
265 to 276	121	4,437,938	1.53
277 to 288	182	7,597,755	2.62
289 to 300	96	4,217,625	1.45
301 to 312	24	1,079,394	0.37
313 to 324	29	1,902,972	0.66
325 to 336	65	5,214,232	1.79
337 to 348	83	5,977,233	2.06
349 to 360	75	6,932,897	2.39
361 and greater	24	2,070,261	0.71
Totals	50,482	$290,516,069	100.00%

The following chart shows the geographic distribution of the student loans based on the permanent billing addresses of the borrowers as shown on the Servicer's records:

Distribution of the Financed Student Loans by Geographic Location
(As of the Statistical Cut-off Date)

Location	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Balance
Alabama	14	$ 173,154	0.06%
Alaska	30	208,704	0.07
Arizona	124	1,070,844	0.37
Arkansas	16	39,224	0.01
California	1,044	8,717,217	3.00
Colorado	150	1,315,526	0.45
Connecticut	2,896	15,278,846	5.26
Delaware	32	422,096	0.15
District of Columbia	144	1,835,848	0.63
Florida	514	3,428,557	1.18
Georgia	273	1,702,667	0.59
Hawaii	49	383,259	0.13
Idaho	16	319,060	0.11
Illinois	320	2,698,831	0.93
Indiana	86	632,255	0.22
Iowa	33	300,719	0.10
Kansas	34	294,535	0.10
Kentucky	22	240,054	0.08
Louisiana	55	285,165	0.10
Maine	1,128	5,998,493	2.06
Maryland	334	2,217,914	0.76
Massachusetts	31,483	170,291,871	58.62
Michigan	157	1,013,442	0.35
Minnesota	170	1,617,870	0.56
Mississippi	21	173,250	0.06
Missouri	133	926,775	0.32
Montana	9	87,640	0.03
Nebraska	13	195,922	0.07
Nevada	34	143,233	0.05
New Hampshire	1,685	8,729,214	3.00
New Jersey	1,498	9,618,261	3.31
New Mexico	46	335,571	0.12
New York	3,909	23,385,500	8.05
North Carolina	171	1,328,503	0.46
North Dakota	10	102,305	0.04
Ohio	294	1,866,251	0.64
Oklahoma	49	280,895	0.10
Oregon	69	546,396	0.19
Pennsylvania	717	4,578,632	1.58
Rhode Island	958	5,330,167	1.83
South Carolina	70	552,132	0.19
South Dakota	7	72,988	0.03
Tennessee	57	379,906	0.13
Texas	330	2,406,643	0.83
Utah	47	421,342	0.15
Vermont	322	1,560,465	0.54
Virginia	344	2,655,871	0.91
Washington	229	2,092,931	0.72
West Virginia	24	92,967	0.03
Wisconsin	103	653,741	0.23
Wyoming	9	142,344	0.05
Other	200	1,370,073	0.47
Total	50,482	$290,516,069	100.00%

Distribution of the Financed Student Loans by Servicer
(As of the Statistical Cut-off Date)

Servicer	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Balance
ACS Education Services, Inc.	50,482	$290,516,069	100.00%

Distribution of the Financed Student Loans by Guarantee Agency
(As of the Statistical Cut-off Date)

Guarantee Agency	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Balance
ASA[1]	50,482	$290,516,069	100.00%

[1] The Massachusetts Higher Education Assistance Corporation, doing business as American Student Assistance.

Distribution of the Financed Student Loans by
Scheduled Remaining Months in Status

Current Status	In School	In Grace	Deferment	Forbearance	Repayment
In School	17.05	6.00	-	-	120.00
Deferment	-	-	15.11	-	179.41
Forbearance	-	-	-	4.50	196.95
Repayment	-	-	-	-	181.17
Grace	-	3.65	-	-	120.00

DESCRIPTION OF THE NOTES

General

The notes will be issued pursuant to the terms of an Indenture of Trust (the "Indenture") between the Issuer and U.S. Bank National Association, as Trustee. The Indenture and the notes will each be governed by the laws of the Commonwealth. The following summary describes the material terms of the notes and related provisions of the Indenture. However, it is not complete and is qualified in its entirety by the actual provisions of the Indenture and the notes.

The Trustee did not participate in the preparation of this Offering Memorandum and makes no representations concerning the notes, the collateral or any other matter stated in this Offering Memorandum. The Trustee has no duty or obligation to pay the notes from its own funds, assets or corporate capital or to make inquiry regarding, or investigate the use of, amounts disbursed from the trust estate.

Interest Payments

Interest will accrue on the notes at its interest rate during each interest accrual period. The initial interest accrual period for the notes begins on the date of issuance and ends on October 26, 2008. For all other quarterly distribution dates, the interest accrual period will begin on the prior quarterly distribution date and end on the day before such quarterly distribution date.

Interest on the notes will be payable to the noteholders on each quarterly distribution date commencing October 27, 2008. Subsequent quarterly distribution dates for the notes will be on the twenty-fifth day of each January, April, July and October, or if any such day is not a business day, the next business day. Interest accrued but not paid on any quarterly distribution date will be due on the next quarterly distribution date together with an amount equal to interest on the unpaid amount at the applicable rate per annum described below.

The interest rate on the notes for each interest accrual period will be equal to three-month LIBOR, except for the initial interest accrual period, plus 0.95%.

The LIBOR rate for the initial interest accrual period will be determined by the Trustee with reference to the following formula:

$x + [a / b * (y-x)]$ plus 0.95%, as determined by the Trustee.
where:

x = Three-Month LIBOR;

y = Four-Month LIBOR;

$a = 25$ (the actual number of days from the maturity date of three-month LIBOR to the first quarterly distribution date); and

$b = 32$ (the actual number of days from the maturity date of three-month LIBOR to the maturity date of four-month LIBOR).

The Trustee will determine the rate of interest on the notes on the LIBOR determination date described below. The amount of interest distributable to holders of the notes for each $1,000 in principal amount will be calculated by applying the applicable interest rate for the interest accrual period to the principal amount of $1,000, multiplying that product by the actual number of days in the interest accrual period divided by 360, and rounding the resulting percentage figure to the fifth decimal point.

Calculation of LIBOR. For each interest accrual period, LIBOR will be determined by the Trustee by reference to the London interbank offered rate for deposits in U.S. Dollars having a maturity of three months which appears on Reuters LIBOR01 Page, or another page of this or any other financial reporting service in general use in the financial services industry, as of 11:00 a.m., London time, on the related LIBOR determination date. The LIBOR determination date will be the second business day before the beginning of each interest accrual period. If this rate does not appear on Reuters LIBOR01 Page, or another page of this or any other financial reporting service in general use in the financial services industry, the rate for that day will be determined on the basis of the rates at which deposits in U.S. Dollars, having the relevant maturity and in a principal amount of not less than U.S. $1,000,000, are offered at approximately 11:00 a.m., London time, on that LIBOR determination date, to prime banks in the London interbank market by four major banks selected by the Trustee. The Trustee will request the principal London office of each bank to provide a quotation of its rate. If the banks provide at least two quotations, the rate for that day will be the arithmetic mean of the quotations. If the banks provide fewer than two quotations, the rate for that day will be the arithmetic mean of the rates quoted by major banks in New York City, selected by the Trustee, at approximately 11:00 a.m., New York time, on that LIBOR determination date, for loans in U.S. Dollars to leading European banks having the relevant maturity and in a principal amount of not less than U.S. $1,000,000. If the banks selected as described above are not providing quotations, three-month LIBOR in effect for the applicable interest accrual period will be three-month LIBOR in effect for the previous accrual period.

"*Business day*" means:

- for purposes of calculating LIBOR, any day on which banks in New York, New York and London, England are open for the transaction of international business; and
- for all other purposes, any day other than a Saturday, Sunday, holiday or other day on which banks located in Boston, Massachusetts, or the city in which the principal office of the Trustee is located, are authorized or permitted by law or executive order to close.

Principal Distributions

The aggregate outstanding principal balance will be due and payable in full for the notes on the April 2038 quarterly distribution date.

The actual date on which the final distribution on the notes will be made may be earlier than the maturity date set forth above as a result of a variety of factors.

Principal payments will be made to the noteholders on each quarterly distribution date in an amount generally equal to the lesser of:

- the principal distribution amount for that quarterly distribution date; and
- funds available for the payment of principal as described below under "Collection Fund; Flow of Funds."

There may not be sufficient funds available to pay the full principal distribution amount on each quarterly distribution date. Amounts on deposit in the Reserve Fund, other than amounts in excess of the Reserve Fund minimum balance that are transferred to the Collection Fund, will not be available to make principal payments on the notes except upon their final maturity.

Principal will be paid on the notes until paid in full.

The term "*Principal Distribution Amount*" means an amount equal to:

- for each quarterly distribution date prior to the April 2010 quarterly distribution date, the aggregate principal amount of the notes immediately prior to such quarterly distribution date, less the difference between
    - the Adjusted Pool Balance; and
    - $14,800,000;
- beginning on the April 2010 quarterly distribution date and for each quarterly distribution date thereafter, the aggregate principal amount of the notes immediately prior to such quarterly distribution date, less the product of
    - 94.33962%; and
    - the Adjusted Pool Balance; and
- on a final maturity date for the notes, the amount necessary to reduce the aggregate principal balance of the notes to zero.

The principal distribution amount is intended to provide credit support so that until the April 2010 quarterly distribution date, the Adjusted Pool Balance builds to and is maintained at an amount that exceeds the aggregate principal amount of the notes by at least $14,800,000. Beginning with the April 2010 quarterly distribution date, the principal distribution amount is intended to continue to provide credit support so that the Adjusted Pool Balance is maintained at an amount that equals 106% of the aggregate principal amount of the notes.

For this purpose, "Adjusted Pool Balance" means, for any quarterly distribution date:

- if the Pool Balance as of the last day of the related collection period is greater than 40% of the initial Pool Balance, the sum of that Pool Balance, any amounts on deposit in the Capitalized Interest Fund and the Reserve Fund minimum balance for that quarterly distribution date; or
- if the Pool Balance as of the last day of the related collection period is less than or equal to 40% of the initial Pool Balance, that Pool Balance.

"*Pool Balance*" for any date means the aggregate principal balance of the student loans held by the Issuer on that date, including accrued interest that is expected to be capitalized and money on deposit in the Prefunding Account, after giving effect to the following, without duplication:

- all payments received by the Issuer through that date from borrowers, the guarantee agency and the Department of Education;

- all amounts received by the Issuer through that date from purchases of financed student loans from the lien of the Indenture;
- all liquidation proceeds and realized losses on the financed student loans through that date;
- the amount of any adjustment to balances of the financed student loans that any servicer makes under a servicing agreement through that date; and
- the amount by which guarantor reimbursements of principal on defaulted student loans through that date are subject to reduction from 100% to 97%, or other applicable percentage, as required by the risk sharing provisions of the Higher Education Act.

Optional Purchase

The Issuer or its assignee may, but is not required to, purchase from the trust estate the remaining financed student loans on the earlier of the January 2023 quarterly distribution date or on any quarterly distribution date when the Pool Balance is 10% or less of the initial Pool Balance. If this purchase option is exercised, the financed student loans will be sold to the Issuer free from the lien of the Indenture and the proceeds will be used on the succeeding quarterly distribution date to repay outstanding notes, which will result in early retirement of the notes.

If the Issuer or its assignee exercises its purchase option, the purchase price is subject to a prescribed minimum purchase price. The prescribed minimum purchase price is the amount that, when combined with amounts on deposit in the funds and accounts held under the Indenture, would be sufficient to:

- reduce the outstanding principal amount of the notes then outstanding on the related quarterly distribution date to zero;
- pay to the noteholders the interest payable on the related quarterly distribution date;
- pay any unpaid servicing fees and expenses, administration fees and expenses and trustee fees and expenses; and
- pay any amounts due on any derivative product agreement.

Prepayment, Yield and Maturity Considerations

Generally, all of the financed student loans are prepayable in whole or in part, without penalty, by the borrowers at any time, or as a result of a borrower’s default, death, disability or bankruptcy and subsequent liquidation or collection of guarantee payments with respect to such loans. The rates of payment of principal on the notes and the yield on the notes may be affected by prepayments of the financed student loans. Because prepayments generally will be paid through to noteholders as distributions of principal, it is likely that the actual final payments on the notes will occur prior to the final maturity date of the notes. Accordingly, in the event that the financed student loans experience significant prepayments, the actual final payments on the notes may occur substantially before its final maturity date, causing a shortening of the weighted average life of the notes. Weighted average life refers to the average amount of time that will elapse from the date of issuance of a note until each dollar of principal of such note will be repaid to the investor.

The rate of prepayments on the financed student loans cannot be predicted and may be influenced by a variety of economic, social and other factors. Generally, the rate of prepayments may tend to increase to the extent that alternative financing becomes available on more favorable terms or at interest rates significantly below the interest rates payable on the financed student loans. In addition, the issuer is obligated to purchase from the trust estate any student loan as a result of a breach of any of its representations and warranties relating to the financed student loans, and the Servicer is obligated to purchase any financed student loan as a result of a breach of certain covenants with respect to such student loan, in the event such breach materially adversely affects the interests of the Issuer in that financed student loan and is not cured within the applicable cure period.

However, scheduled payments with respect to, and maturities of, the financed student loans may be extended, including pursuant to grace periods, deferral periods and forbearance periods. The rate of payment of principal on the notes and the yield on such notes may also be affected by the rate of defaults resulting in losses on the financed student loans that may have been liquidated, by the severity of those losses and by the timing of those losses, which may affect the ability of the guarantee agency to make guarantee payments on such financed student loans. In addition, the maturity of certain of the financed student loans may extend beyond the final maturity date for the notes.

See "APPENDIX D—WEIGHTED AVERAGE LIVES, EXPECTED MATURITIES AND PERCENTAGES OF ORIGINAL PRINCIPAL REMAINING AT EACH QUARTERLY DISTRIBUTION DATE FOR THE NOTES" hereto.

SECURITY AND SOURCES OF PAYMENT FOR THE NOTES

General

The notes will be limited obligations of the Issuer secured by the trust estate pledged by the Issuer to the trustee under the Indenture. The following assets will serve as security for the notes:

- student loans purchased with money from the Acquisition Fund or otherwise acquired or originated and pledged or credited to the Acquisition Fund;
- revenues, consisting of all principal and interest payments, proceeds, charges and other income received by the Trustee or the Issuer on account of any financed student loan, including interest benefit payments and any special allowance payments with respect to any financed student loan, and investment income from all funds created under the Indenture and any proceeds from the sale or other disposition of the financed student loans;
- all moneys and investments held in the funds created under the Indenture; and
- the Issuer's rights under any derivative product or swap agreement that may be provided for the benefit of the Issuer.

Funds

The following funds will be created by the Trustee under the Indenture for the benefit of the registered owners:

- Collection Fund;
- Capitalized Interest Fund;
- Acquisition Fund, including a Prefunding Account created thereunder;
- Reserve Fund; and
- Department Rebate Fund.

Money transferred from the Servicer to the Trustee on account of the financed student loans will be deposited into the Collection Fund for distribution in accordance with the terms of the Indenture. The Trustee will invest money held in funds created under the Indenture in investment securities (as defined in the Indenture) at the direction of the Issuer. Money in any fund created under the Indenture may be pooled for purposes of investment.

Acquisition Fund; Purchase of Student Loans

We will deposit most of the proceeds from the sale of the notes into the Acquisition Fund created under the Indenture. Of this amount, a portion will be deposited into the Prefunding Account, which will be established as a separate account of the Acquisition Fund. Money on deposit in the Acquisition Fund may be used to transfer the financed student loans on the date of issuance and any amounts not required to transfer the financed student loans on the date of issuance will be deposited into the Prefunding Account. Amounts on deposit in the Prefunding Account may be used by the Issuer from time-to-time to purchase student loans during the prefunding period and, if necessary, to make transfers to the Collection Fund. Student loans acquired with funds deposited in the Acquisition Fund that are pledged to the trust estate will be held by the Trustee or its agent or bailee and accounted for as a part of the Acquisition Fund. If money held in the Prefunding Account of the Acquisition Fund cannot be used to purchase student loans during the prefunding period, then the Issuer will transfer such funds to the Collection Fund.

Reserve Fund

A deposit will be made to the Reserve Fund from the proceeds of the sale of the notes in an amount equal to $753,927, which is approximately 0.25% of the initial pool balance. On each quarterly distribution date or monthly servicing payment date, to the extent that money in the Collection Fund is not sufficient to pay certain of the Issuer's operating expenses, including amounts owed to the U.S. Department of Education, the guarantee agency, or under any applicable joint sharing agreement, servicing fees and expenses, trustee fees and expenses, administration fees and expenses, the interest then due on the notes and amounts due to any counterparty on any derivative product agreement (other than certain termination payments), the amount of the deficiency will be paid directly from the Reserve Fund, to the extent moneys are not available to be transferred to the Collection Fund from the Capitalized Interest Fund or the Prefunding Account. Money withdrawn from the Reserve Fund will be restored through transfers from the Collection Fund as available. The Reserve Fund is subject to a minimum balance equal to $753,927, which amount may be satisfied with cash or permitted securities, or such lesser amount as may be agreed to by the rating agencies as evidenced by a rating confirmation.

The Reserve Fund is intended to enhance the likelihood of timely distributions of interest to the noteholders and to decrease the likelihood that the noteholders will experience losses. In some circumstances, however, the Reserve Fund could be reduced to zero. Except on the final maturity date of the notes, amounts on deposit in the Reserve Fund, other than amounts in excess of the Reserve Fund minimum balance that are transferred to the Collection Fund, will not be available to cover any principal payment shortfalls. On the final maturity date of the notes, amounts on deposit in the Reserve Fund will be available to pay principal on the notes and accrued interest.

Capitalized Interest Fund

Approximately $7,880,335 of the proceeds from the sale of the notes will be deposited into the Capitalized Interest Fund. If on any monthly servicing payment date or quarterly distribution date, money on deposit in the Collection Fund is insufficient to pay amounts owed to the U.S. Department of Education, to the guarantee agency, or under any applicable joint sharing agreement, servicing fees and expenses, trustee fees and expenses, administration fees and expenses, interest on the notes and amounts due to any counterparty under any derivative product agreement (other than certain termination payments), then money on deposit in the Capitalized Interest Fund will be transferred to the Collection Fund to cover the deficiency, prior to any amounts being transferred from the Prefunding Account or the Reserve Fund. Amounts released from the Capitalized Interest Fund will not be replenished. On the July 2011 quarterly distribution date, the Trustee will transfer any amounts remaining in the Capitalized Interest Fund to the Collection Fund.

Department Rebate Fund

The Trustee will establish the Department Rebate Fund as part of the trust estate. The Higher Education Act requires holders of student loans first disbursed on or after April 1, 2006 to rebate to the Department of Education interest received from borrowers on such loans that exceeds the applicable special allowance support levels. We expect that the Department of Education will reduce the special allowance and interest subsidy payments payable to the Issuer by the amount of any such rebates owed by the Issuer. However, in certain circumstances the Issuer may owe a payment to the Department of Education. If the Issuer believes that it is required to make any such payment, the Issuer will direct the Trustee to deposit into the Department Rebate Fund from the Collection Fund the estimated amounts of any such payments. Money in the Department Rebate Fund will be transferred to the Collection Fund to the extent amounts have been deducted by the Department of Education from payments otherwise due to the Issuer, or will be paid to the Department of Education if necessary to discharge the Issuer's rebate obligation. See "APPENDIX A—DESCRIPTION OF THE FFEL PROGRAM—Special Allowance Payments."

Collection Fund; Flow of Funds

The Trustee will credit to the Collection Fund all revenues derived from financed student loans; all proceeds of any sale of financed student loans; any amounts transferred from the Acquisition Fund, Capitalized Interest Fund, the Reserve Fund, and the Department Rebate Fund; any earnings on investment of funds and accounts established under the Indenture as they are earned; and all payments received from counterparties to any derivative product.

Servicing fees and expenses will be paid to the Servicer on each monthly servicing payment date from money available in the Collection Fund. In addition, each month money available in the Collection Fund will be used to pay amounts due to the U.S. Department of Education and the guarantee agency with respect to financed student loans and amounts required to be deposited into the Department Rebate Fund and to finance any add-on consolidation loans. On each quarterly distribution date, prior to an event of

default, money in the Collection Fund will be used to make the following deposits and distributions, to the extent funds are available;

- to make any payments required under any applicable joint sharing agreement;
- to the Servicer and the Trustee, the servicing fees and expenses and trustee fees and expenses and any prior unpaid servicing fees and expenses and trustee fees and expenses, respectively, on a pro rata basis;
- to the Issuer, the administration fee and expenses and any prior unpaid administration fees and expenses;
- to the noteholders to pay interest due on such notes and to any counterparty to pay amounts due on any derivative product agreement *pari passu* with the notes (other than certain termination payments);
- to pay to the noteholders, the principal distribution amount until the outstanding principal balance on the notes is paid in full;
- to the Reserve Fund, the amount, if any, necessary to restore the Reserve Fund to the Reserve Fund minimum balance;
- to a derivative product counterparty, if any, any accrued and unpaid termination payments due to such counterparty under the applicable derivative product agreement;
- to the Issuer free and clear of the lien of the Indenture, prior to the first date that the optional purchase may be exercised, amounts such that after giving effect to such release to the Issuer, the Asset Release Requirement is met; and
- any remaining amounts to pay as accelerated payment of principal to the holders of the notes until the notes have been paid in full.

Flow of Funds After Events of Default

Following the occurrence of an event of default that results in an acceleration of the maturity of the notes, payments of principal and interest on the notes and payments on certain derivative products will be made, without preference or priority of any kind, until the notes and any such derivative product payments are repaid in full. See "SUMMARY OF THE INDENTURE PROVISIONS—Remedies on Default."

Investment of Funds Held by Trustee

The Trustee will invest amounts credited to any fund established under the Indenture in investment securities described in the Indenture pursuant to orders received from the Issuer. In the absence of an order, and to the extent practicable, the Indenture requires the Trustee to invest amounts held under the Indenture in money market funds.

The Trustee is not responsible or liable for any losses on investments made by it or for keeping all funds held by it fully invested at all times. Its only responsibility is to comply with investment instructions in a non-negligent manner.

BOOK-ENTRY REGISTRATION

General

Investors acquiring beneficial ownership interests in the notes issued in book-entry form may hold their notes in the United States through DTC (as defined under the caption "Depositary Institutions" below) or in Europe through Clearstream or Euroclear (each as defined under the caption "Depositary Institutions" below) if they are participants of such systems, or indirectly through organizations which are participants in such systems.

Principal and interest payments on the notes are to be made to Cede & Co. DTC's practice is to credit direct participant's accounts upon receipt of funds and corresponding detail information from the Issuer on the payable date in accordance with their respective holdings shown on DTC's records. Payments by participants to beneficial owners are 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 shall be the responsibility of the participant and not of DTC, the Trustee or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time-to-time. Payment of principal and interest to Cede & Co. is the responsibility of the Issuer, or the Trustee. Disbursement of such payments to direct participants shall be the responsibility of DTC, and disbursement of such payments to the beneficial owners shall be the responsibility of direct and indirect participants. Under a book-entry format, noteholders may experience a delay in their receipt of payments, since payments will be forwarded by the Trustee to Cede & Co., which will forward the payments to its participants who will then forward them to indirect participants or noteholders.

Redemption notices shall be sent to DTC. If less than all of the notes are being redeemed, DTC's practice is to determine by lot the amount of the interest of each direct participant to be redeemed.

DTC has advised that it will take any action permitted to be taken by a noteholder under the Indenture only at the direction of one or more participants to whose accounts with DTC the notes are credited. Clearstream and Euroclear will take any action permitted to be taken by a noteholder under the Indenture on behalf of a participant only in accordance with their relevant rules and procedures and subject to the ability of the relevant depositary to effect these actions on its behalf through DTC.

Neither DTC nor Cede & Co. will consent or vote with respect to the notes. Under its usual procedures, DTC mails an omnibus proxy to the Issuer, or the Trustee, as appropriate, 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 notes are credited on the record date.

None of the Issuer, the Trustee or the Underwriter will have any responsibility or obligation to any DTC participants, Clearstream participants or Euroclear participants or the persons for whom they act as nominees with respect to the accuracy of any records maintained by DTC, Clearstream or Euroclear or any participant, the payment by DTC, Clearstream or Euroclear or any participant of any amount due to any beneficial owner in respect of the principal amount or interest on the notes, the delivery by any DTC participant, Clearstream participant or Euroclear participant of any notice to any beneficial owner which is required or permitted under the terms of the Indenture to be given to noteholders or any other action taken by DTC.

In certain circumstances, the Issuer may discontinue use of the system of book-entry transfers through DTC or a successor securities depository. In that event, note certificates are to be printed and delivered. DTC may discontinue providing its services as securities depository with respect to the notes at any time by giving reasonable notice to the Issuer or the Trustee. In the event that a successor securities depository is not obtained, note certificates are required to be printed and delivered.

Form, Denomination and Trading. The notes will be issued in minimum denominations of $100,000 and in integral multiples of $1,000 in excess thereof, and may be held and transferred, and will be offered and sold, in principal balances of not less than these minimum denominations.

Interests in the notes will be represented by one or more global note certificates held through DTC (each, a "U.S. global note certificate"). On or about the date of issuance for the issuance of the notes, issuer will deposit a U.S. global note certificate for the notes with the applicable DTC custodian, registered in the name of Cede & Co., as nominee of DTC.

At all times the global note certificates will represent the outstanding principal balance, in the aggregate, of the notes. At all times, with respect the notes, there will be only one U.S. global note certificate for such notes.

DTC will record electronically the outstanding principal balance of the notes represented by a U.S. global note certificate held within its system. DTC will hold interests in a U.S. global note certificate on behalf of its account holders through customers' securities accounts in DTC's name on the books of its depositary. Clearstream and Euroclear will hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream's and Euroclear's name on the books of its respective depositary which in turn will hold positions in customers' securities accounts in such depositary's name on the books of DTC. Citibank N.A. will act as depositary for Clearstream and JP Morgan Chase will act as depositary for Euroclear. Except as described below, no person acquiring a book-entry note will be entitled to receive a physical certificate representing the notes. Unless and until definitive certificates are issued, it is anticipated that the only holder of will be Cede & Co., as nominee of DTC.

Interests in the global note certificates will be shown on, and transfers thereof will be effected only through, records maintained by DTC, Euroclear and Clearstream as applicable, and their respective direct and indirect participants. Transfers between participants will occur in accordance with DTC Rules. Transfers between Clearstream participants and Euroclear participants will occur in accordance with their respective rules and operating procedures.

Cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Clearstream participants or Euroclear participants, on the other, will be effected in DTC in accordance with DTC Rules on behalf of the relevant European international clearing system by its depositary; however, such cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in such system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its depositary to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Clearstream participants and Euroclear participants may not deliver instructions to the depositaries.

Because of time-zone differences, credits of securities received in Clearstream or Euroclear as a result of a transaction with a participant will be made during subsequent securities settlement processing and dated the business day following DTC settlement date. Such credits or any transactions in such securities settled during such processing will be reported to the relevant Euroclear or Clearstream participants on such business day. Cash received in Clearstream or Euroclear as a result of sales of securities by or through a Clearstream participant or Euroclear participant to a participant will be received with value on DTC settlement date but will be available in the relevant Clearstream or Euroclear cash account only as of the business day following settlement in DTC.

Although DTC, Clearstream and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of interests in the notes among participants of DTC, Clearstream and Euroclear, they are under no obligation to perform or continue to perform such procedures and such procedures may be discontinued at any time.

Identification Numbers and Payments to the Global Certificates. The Issuer will apply to DTC for acceptance in its book-entry settlement systems of the notes. The notes will have the CUSIP numbers, ISINs and European Common Codes, as applicable, set forth in the "SUMMARY OF TERMS." Payments of principal, interest and any other amounts payable under each global note certificate will be made to or to the order of the relevant clearing system's nominee as the registered holder of such global note certificate.

Because of time zone differences, payments to noteholders that hold their positions through a European clearing system will be made on the business day following the applicable distribution date, in accordance with customary practices of the European clearing systems. No payment delay to noteholders clearing through DTC will occur on any distribution date unless, as set forth above, those noteholders' interests are held indirectly through participants in European clearing systems.

Depositary Institutions. The Depository Trust Company, or DTC, is a limited-purpose trust company organized under the laws of the State of New York, a "clearing corporation" within the meaning of the Uniform Commercial Code and a "clearing agency " registered under Section 17A of the Securities Exchange Act. DTC was created to hold securities for its participating organizations and to facilitate the clearance and settlement of securities transactions between those participants through electronic book-entries, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies and clearing corporations, including Euroclear and Clearstream. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a participant, either directly or indirectly. Some direct participants and/or their representatives, own part of the Depositary Trust Company Corporation, the parent of DTC.

In accordance with its normal procedures, DTC is expected to record the positions held by each of its participants in notes issued in book-entry form, whether held for its own account or as nominee for another person. In general, beneficial ownership of book-entry notes will be subject to the rules, regulations and procedures governing DTC and its participants as in effect from time-to-time.

Purchases of the notes under the DTC system must be made by or through direct participants, which receive a credit for the notes on DTC records. The ownership interest of each actual purchaser of each series of notes, or beneficial owner, is in turn to be recorded on the direct and indirect participants' records. Beneficial owners shall not receive written confirmation from DTC of their purchase, but beneficial owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the direct or indirect participant through which the beneficial owner entered into the transaction. Transfers of ownership interests in the notes are to be

accomplished by entries made on the books of participants acting on behalf of beneficial owners. Beneficial owners shall not receive certificates representing their ownership interests in the notes, except in the event that use of the book-entry system for the series of any notes is discontinued.

To facilitate subsequent transfers, all notes deposited by participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of such notes with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual beneficial owners of notes; DTC's records reflect only the identity of the direct participants to whose accounts such notes are credited, which may or may not be the beneficial owners. The participants 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 are governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time-to-time.

Clearstream Banking, société anonyme, Luxembourg ("Clearstream"), is incorporated under the laws of Luxembourg as a professional depository. Clearstream holds securities for its participating organizations and facilitates the clearance and settlement of securities transactions between Clearstream participants through electronic book-entry changes in accounts of Clearstream participants, thereby eliminating the need for physical movement of certificates. Clearstream provides to its participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic markets in several countries. As a professional depository, Clearstream is subject to regulation by the Luxembourg Commission for the Supervision of the Financial Sector (the "CSSF"). Clearstream participants are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Indirect access to Clearstream is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream participant, either directly or indirectly.

Euroclear was created in 1968 to hold securities for participants of the Euroclear System and to clear and settle transactions between Euroclear participants through simultaneous electronic book-entry delivery against payment, eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Transactions may be settled in numerous currencies, including United States Dollars. The Euroclear System includes various other services, including securities lending and borrowing and interfaces with domestic markets in several countries generally similar to the arrangements for cross-market transactions with DTC described above. Euroclear is operated by Euroclear Bank S.A./NV.

All operations are conducted by the Euroclear operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear operator. Euroclear participants include banks, central banks, securities brokers and dealers and other professional financial intermediaries. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

Securities clearance accounts and cash accounts with the Euroclear operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System and applicable Belgian law. The Terms and Conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear operator acts

under the Terms and Conditions only on behalf of Euroclear participants and has no record of or relationship with persons holding through Euroclear participants.

Distributions with respect to notes held through Clearstream or Euroclear will be credited to the cash accounts of Clearstream participants or Euroclear participants in accordance with the relevant system's rules and procedures, to the extent received by its depositary. Those distributions will be subject to tax reporting in accordance with relevant United States tax laws and regulations (see "—Federal Income Tax Consequences"). Clearstream or the Euroclear operator, as the case may be, will take any other action permitted to be taken by a noteholder under the Indenture on behalf of a Clearstream participant or Euroclear participant only in accordance with the relevant rules and procedures and subject to the relevant Depositary's ability to effect such actions on its behalf through DTC.

Global Clearance, Settlement and Tax Document Procedures

For additional information on the global clearance, settlement and tax documents procedures with respect to book-entry securities, see Appendix C attached hereto.

TRUSTEE

The Issuer will issue the notes pursuant to an indenture of trust, by and between the Issuer and U.S. Bank National Association, as trustee.

The following information has been furnished by the trustee for use in this Offering Memorandum. The Issuer 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 the trustee subsequent to the date hereof.

General

U.S. Bank National Association ("U.S. Bank") will act as Trustee. U.S. Bank is a national banking association and a wholly-owned subsidiary of U.S. Bancorp, which is currently ranked as the sixth largest bank holding company in the United States with total assets exceeding $242 billion as of March 31, 2008. As of March 31, 2008, U.S. Bancorp served approximately 14.9 million customers, operated 2,522 branch offices in 24 states and had over 50,000 employees. A network of specialized U.S. Bancorp offices across the nation, inside and outside its 24-state footprint, provides a comprehensive line of banking, brokerage, insurance, investment, mortgage, trust and payment services products to consumers, businesses, governments and institutions.

Corporate Trust Services

U.S. Bank has one of the largest corporate trust businesses in the country with offices in 46 U.S. cities. The trust will be administered from U.S. Bank's corporate trust office located at One Federal St., Boston MA 02110.

U.S. Bank has provided corporate trust services since 1924. As of March 31, 2008, U.S. Bank was acting as trustee with respect to over 82,000 issuances of securities with an aggregate outstanding principal balance of over $2.4 trillion. This portfolio includes corporate and municipal bonds, mortgage-backed and asset-backed securities and collateralized debt obligations.

Under the Indenture, U.S. Bank National Association will act as Trustee for the benefit of and to protect the interests of the noteholders and will act as paying agent for the notes. Subject to the terms of the Indenture, the Trustee will act on behalf of the noteholders and represent their interests in the exercise of its rights under the Indenture. See "SUMMARY OF THE INDENTURE PROVISIONS—The Trustee" for additional information regarding the responsibilities of the Trustee.

SUMMARY OF THE INDENTURE PROVISIONS

The following is a summary of some of the provisions in the Indenture. This summary does not cover every detail contained in the Indenture and reference should be made to the Indenture and is subject to all of the terms and conditions of the Indenture for a full and complete statement of its provisions.

Parity and Priority of Lien

The provisions of the Indenture are generally for the equal benefit, protection and security of the registered owners of all of the notes issued by the Issuer under the Indenture.

The revenues and other money, student loans and other assets the issuer pledges under the Indenture will be free and clear of any pledge, lien, charge or encumbrance, other than that created by the Indenture. Except as otherwise provided in the Indenture, the issuer:

- will not create or voluntarily permit to be created any debt, lien or charge on the financed student loans which would be on a parity with, subordinate to, or prior to the lien of the Indenture;
- will not take any action or fail to take any action that would result in the lien of the Indenture or the priority of that lien for the obligations thereby secured being lost or impaired; and
- will pay or cause to be paid, or will make adequate provisions for the satisfaction and discharge, of all lawful claims and demands which if unpaid might by law be given precedence to or any equality with the Indenture as a lien or charge upon the financed student loans.

Representations and Warranties

The Issuer will represent and warrant in the Indenture that:

- it is duly authorized under the Act to create and issue the notes and to execute and deliver the Indenture and any derivative product or swap agreement, and to make the pledge to the payment of notes and of any derivative products under the Indenture;
- all necessary action for the creation and issuance of the notes and the execution and delivery of the Indenture and any derivative product or swap agreement has been duly and effectively taken; and
- the notes in the hands of the registered owners of the notes and any derivative product or swap agreement are and will be valid and enforceable obligations of the Issuer secured by and payable solely from the trust estate.

Sale of Financed Student Loans

Except under limited circumstances described in the Indenture, financed student loans may not be sold, or otherwise disposed of, by the Trustee free from the lien of the Indenture while any notes are outstanding. However, if necessary for administrative purposes or if so requested by a borrower, the Issuer may substitute another student loan for an existing loan if the substituted student loan has substantially similar characteristics, including principal amount, maturity date and interest rate, as the existing financed student loan and the aggregate amount of substituted student loans does not exceed $2,000,000. In addition, if money in the Collection Fund is insufficient to fund any add-on consolidation loan, and funds are not otherwise available, the Issuer may sell or otherwise transfer the underlying loan to which the add-on consolidation loan relates free from the lien of the Indenture.

Further Covenants

The Issuer will file financing statements and continuation statements in any jurisdiction necessary to perfect and maintain the security interest it grants under the Indenture.

Upon written request of the Trustee, the Issuer will permit the Trustee or its agents, accountants and attorneys, to examine and inspect the property, books of account, records, reports and other data relating to the financed student loans, and will furnish the Trustee such other information as it may reasonably request. The Trustee shall be under no duty to make any examination unless requested in writing to do so by the registered owners of 66-2/3% of the principal amount of the notes, and unless those registered owners have offered the Trustee security and indemnity satisfactory to it against any costs, expenses and liabilities which might be incurred in making any examination.

The Issuer will cause an annual audit to be made by an independent auditing firm of national reputation and file one copy of the audit with the Trustee and each rating agency within 180 days of the close of each fiscal year. The Trustee is not obligated to review or otherwise analyze those audits.

Each year the Issuer will deliver to the Trustee a certification of its compliance with the terms and conditions of the Indenture, and in the event of any noncompliance, a description of the nature and status thereof.

Statements to Noteholders

For each collection period, the Issuer will provide to the Trustee, and the Trustee will forward to each clearing agency (or in the case of definitive notes any requesting registered owner), a statement setting forth information with respect to the notes and financed student loans as of the end of such period, including the following:

- financed student loan portfolio characteristics;
- fund balances;
- interest and principal collections on the financed student loans;
- fees paid to the Trustee, the Servicer and the Issuer;
- interest payments made on the notes; and
- principal payments made on the notes.

The Trustee will not review, verify or reconcile the information set forth in the statement to noteholders.

Enforcement of the Servicing Agreement

The Issuer will diligently enforce all terms, covenants and conditions of the Servicing Agreement, including the prompt payment of all amounts due to the Servicer under the Servicing Agreement. The Issuer will not permit the release of the obligations of the Servicer under the Servicing Agreement except in conjunction with permitted amendments or modifications and will not waive any default by the Servicer under the Servicing Agreement without the written consent of the Trustee. The Issuer will not consent or agree to or permit any amendment or modification of the Servicing Agreement which will in any manner materially adversely affect the rights or security of the registered owners of the notes.

Additional Covenants With Respect to the Higher Education Act

The Issuer is an eligible lender under the Higher Education Act, and we covenant in the Indenture to maintain our status as an eligible lender.

The Issuer is also responsible, directly or through its agents, for each of the following actions with respect to the Higher Education Act:

- dealing with the Secretary of Education with respect to the rights, benefits and obligations under the guarantee agreements with respect to the financed student loans;

- causing to be diligently enforced, and causing to be taken all reasonable steps necessary or appropriate for the enforcement of all terms, covenants and conditions of all financed student loans and agreements in connection with the financed student loans, including the prompt payment of all principal and interest payments and all other amounts due under the financed student loans;

- causing the financed student loans to be serviced by continuing the effectiveness of the Servicing Agreement with the Servicer for the collection of payments made for, and the administration of the accounts of, the financed student loans;

- complying with, and causing all of its officers, trustees, employees and agents to comply, with the provisions of the Higher Education Act and any regulations or rulings under the Higher Education Act, with respect to the financed student loans;

- causing the benefits of the guarantee agreements, the interest subsidy payments and the special allowance payments to flow to the Trustee; and

- causing financed student loans that are evidenced by a master promissory note under the Higher Education Act to be originated as described in the Indenture.

The Trustee will have no obligation to administer, service or collect the financed student loans or to maintain or monitor the administration, servicing or collection of those loans.

Continued Existence; Successor

The Issuer will preserve and keep in full force and effect its existence, rights and franchises as a body politic and corporate constituting a public instrumentality of the Commonwealth except as may otherwise be required by law. Except as may be required by law, the Issuer will not sell or otherwise dispose of all or substantially all of its assets, consolidate with or merge into another entity, or permit one or more other entities to consolidate with or merge with such issuer. These restrictions do not apply to a transaction where the transferee or the surviving or resulting entity irrevocably and unconditionally assumes the obligation to perform and observe the Issuer's agreements and obligations under the Indenture.

Events of Default

The Indenture will define the following events as events of default:

- default in the due and punctual payment of any interest on any note when the same becomes due and payable and such default shall continue for a period of five days;
- default in the due and punctual payment of the principal of any note when the same becomes due and payable on the final maturity date of the note;
- default in the performance or observance of any other of the Issuer's covenants, agreements or conditions contained in the Indenture or in the notes, and continuation of such default for a period of 90 days after written notice thereof is given to the Issuer by the Trustee; and
- the occurrence of an event of bankruptcy.

Remedies on Default

Possession of Trust Estate. Upon the happening of any event of default relating to the Issuer, the Trustee may take possession of any portion of the trust estate of the Issuer that may be in the custody of others, and all property comprising the trust estate, and may hold, use, operate, manage and control those assets. The Trustee may also, in the name of the Issuer or otherwise, conduct such issuer's business and collect and receive all charges, income and revenues of the trust estate. After deducting all expenses incurred and all other proper outlays authorized in the Indenture, and all payments which may be made as reasonable compensation for its own services, and for the services of its attorneys, agents, and assistants, the Trustee will apply the rest and residue of the money received by the Trustee as follows:

FIRST, to the Trustee for fees and expenses due and owing to the trustee;

SECOND, to the Servicer, for due and unpaid servicing fees;

THIRD, pro rata, to the derivative product counterparties, pro rata, in proportion to their respective entitlements under the applicable derivative products without preference or priority, for any due and unpaid derivative product fees and certain priority termination payments and to the noteholders for amounts due and unpaid on the notes for interest, pro rata, without preference or priority of any kind, according to the amounts due and payable on the notes for such interest;

FOURTH, to noteholders for amounts due and unpaid on the notes for principal, ratably, without preference or priority of any kind, according to the amounts due and payable on the notes for principal;

FIFTH, to the derivative product counterparties, in proportion to their entitlements under their respective agreements, without preference or priority, any termination payments due and any other unpaid issuer derivative payments; and

SIXTH, to the Issuer.

Sale of Trust Estate. Upon the happening of any event of default and if the principal of all of the outstanding notes shall have been declared due and payable, then the Trustee may sell the trust estate to the highest bidder in accordance with the requirements of applicable law. In addition, the Trustee may proceed to protect and enforce the rights of the Trustee or the registered owners in the manner as counsel for the Trustee may advise, whether for the specific performance of any covenant, condition, agreement or undertaking contained in the Indenture, or in aid of the execution of any power therein granted, or for the enforcement of such other appropriate legal or equitable remedies as may in the opinion of such counsel, be more effectual to protect and enforce the rights aforesaid. The Trustee is required to take any of these actions if requested to do so in writing by the registered owners of at least a majority of the principal amount of the obligations outstanding under the Indenture.

However, the Trustee is prohibited from selling the financed student loans following an event of default, other than a default in the payment of any principal or any interest on any note, unless:

- The holders of all of the obligations outstanding consent to such sale;
- The proceeds of such sale are sufficient to pay in full all outstanding obligations at the date of such sale; or
- The Issuer determines that the collections on the financed student loans would not be sufficient on an ongoing basis to make all payments on such notes as such payments would have become due if such obligations had not been declared due and payable, and the Trustee obtains the consent of the holders of 66-2/3% of the aggregate principal amount of the obligations outstanding to such sale.

Appointment of Receiver. If an event of default occurs, and all of the outstanding obligations under the Indenture have been declared due and payable, and if any judicial proceedings are commenced to enforce any right of the Trustee or of the registered owners under the Indenture, then as a matter of right, the Trustee shall be entitled to the appointment of a receiver for the trust estate.

Accelerated Maturity. If an event of default occurs, the Trustee or the registered owners of a majority of the collective aggregate principal amount of the obligations then outstanding under the Indenture may declare the principal of all obligations issued under the Indenture, and then outstanding, and the interest thereon, immediately due and payable. A declaration of acceleration upon the occurrence of a default may be rescinded upon notice to the Issuer and the Trustee by a majority of the registered owners of the obligations then outstanding if the Issuer has paid or deposited with the Trustee amounts sufficient to pay all principal and interest due on the notes and all sums paid or advanced by the Trustee under the Indenture and the reasonable compensation, expenses, disbursements and advances of the Trustee and the Servicer, and any other event of default has been cured or waived.

Direction of Trustee. If an event of default occurs, the registered owners of at least 51% of the principal amount of the obligations then outstanding under the Indenture, upon indemnifying the Trustee for its fees and expenses, shall have the right to direct and control the Trustee with respect to any proceedings for any sale of any or all of the trust estate, or for the appointment of a receiver. The registered owners may not cause the Trustee to take any proceedings which in the Trustee's opinion would be unjustly prejudicial to non-assenting registered owners of obligations outstanding under the Indenture.

Right to Enforce in Trustee. No registered owner of any obligation issued under the Indenture shall have any right as a registered owner to institute any suit, action or proceedings for the enforcement of the provisions of the Indenture or for the appointment of a receiver or for any other remedy under the Indenture. All rights of action under the Indenture are vested exclusively in the Trustee, unless and until the Trustee fails to institute an action or suit after the registered owners of the affected issuer:

- have given to the Trustee written notice of a default under the Indenture, and of the continuance thereof;
- shall have made written request upon the Trustee and the Trustee shall have been afforded reasonable opportunity to institute an action, suit or proceeding in its own name; and
- the Trustee shall have been offered indemnity and security satisfactory to it against the costs, expenses, and liabilities to be incurred on an action, suit or proceeding in its own name.

Waivers of Events of Default. The Trustee may in its discretion waive any event of default under the Indenture and rescind any declaration of acceleration of the obligations due under the Indenture. The Trustee will waive an event of default upon the written request of the registered owners of at least a majority of the collective aggregate principal amount of the obligations then outstanding under the Indenture. A waiver of any event of default in the payment of the principal or interest due on any obligation issued under the Indenture may not be made unless prior to the waiver or rescission, provision shall have been made for payment of all arrears of interest or all arrears of payments of principal, and all expenses of the Trustee in connection with such default. A waiver or rescission of one default will not affect any subsequent or other default, or impair any rights or remedies consequent to any subsequent or other default.

The Trustee

Acceptance of Trust. The Trustee will accept the trusts imposed upon it by the Indenture, and will perform those trusts, but only upon and subject to the following terms and conditions:

- except during the continuance of an event of default, the Trustee undertakes to perform only those duties as are specifically set forth in the Indenture;
- except during the continuance of an event of default and in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of the Indenture;

- in case an event of default has occurred and is continuing, the Trustee, in exercising the rights and powers vested in it by the Indenture, will 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; and
- before taking any action under the Indenture requested by registered owners, the Trustee may require that it be furnished an indemnity bond or other indemnity and security satisfactory to it by the registered owners for the reimbursement of all expenses to which it may be put and to protect it against liability arising from any action taken by the Trustee.

Indenture Trustee May Act Through Agents. The Trustee may execute any of the trusts or powers under the Indenture and perform any duty thereunder either itself or by or through its attorneys, agents, or employees. The Trustee will not be answerable or accountable for any default, neglect or misconduct of any such attorneys, agents or employees, if reasonable care has been exercised in the appointment, supervision and monitoring of the work performed. The Issuer will pay all reasonable costs incurred by the Trustee and all reasonable compensation to all such persons as may reasonably be employed in connection with the Issuer.

Duties of the Trustee. The Trustee will not make any representations as to the validity or sufficiency of the agreements, the notes or of any assets (including the student loans) or documents. If no event of default as defined in the Indenture has occurred, the Trustee is required to perform only those duties specifically required of it under the Indenture. Upon receipt of the various certificates, statements, reports or other instruments furnished to it, the Trustee is required to examine them to determine whether they are in the form required by the agreements. However, the Trustee will not be responsible for the accuracy or content of any of the documents furnished to it by the holders or any of the parties under the agreements.

The Trustee may be held liable for its negligent action or failure to act, or for its misconduct. The Trustee will not be liable, however, with respect to any action taken, suffered or omitted to be taken by it in good faith in accordance with the direction of the holders in an event of default. The Trustee is not required to expend its own funds or incur any financial liability in the performance of its duties, or in the exercise of any of its rights or powers, if repayment of those funds or adequate indemnity against risk is not reasonably assured it.

Indemnification of Trustee. The Trustee is generally under no obligation or duty to perform any act at the request of registered owners or to institute or defend any suit to protect the rights of the registered owners under the Indenture unless properly indemnified and provided with security to its satisfaction. The Trustee is not required to take notice of any event under the Indenture unless and until it shall have been specifically notified in writing of the event of default by the registered owners or the Issuer.

However, the Trustee may begin suit, or appear in and defend suit, execute any of the Issuers, enforce any of its rights or powers, or do anything else in its judgment proper, without assurance of reimbursement or indemnity. In that case the Trustee will be reimbursed or indemnified by the registered owners requesting that action, if any, or by the Issuer in all other cases, for all fees, costs and expenses, liabilities, outlays and counsel fees and other reasonable disbursements properly incurred unless such fees, costs and expenses, liabilities, outlays and counsel fees and other reasonable disbursements have resulted from the negligence or willful misconduct of the Trustee. If the Issuer or the registered owners, as appropriate, fail to make such reimbursement or indemnification, the Trustee may reimburse itself from

any money in its possession under the provisions of the Indenture, subject only to the prior lien of the notes for the payment of the principal and interest thereon from the Collection Fund.

The Issuer will agree to indemnify the Trustee for, and to hold it harmless against, any loss, liability or expenses incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of the Issuer, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties in relation to the trust estate. The Issuer will indemnify and hold harmless the Trustee against any and all claims, demands, suits, actions or other proceedings and all liabilities, costs and expenses whatsoever caused by any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact contained in any offering document distributed in connection with the issuance of the Issuer's notes or caused by any omission or alleged omission from such offering document of any material fact required to be stated therein or necessary in order to make the statements made therein in the light of the circumstances under which they were made, not misleading. The Trustee will not be liable for, and will be held harmless by the Issuer from, any liability arising from following any orders, instructions or other directions upon which it is authorized to rely under the Indenture or other agreement to which it is a party.

Compensation of Trustee. The Issuer will pay to the Trustee compensation for all services rendered by it under the Indenture, and also all of its reasonable expenses, charges, and other disbursements. The Trustee may not change the amount of its annual compensation without giving the issuer and the rating agencies at least 90 days' written notice prior to the beginning of a fiscal year. If not paid by the Issuer, the Trustee will have a lien on all money held pursuant to the Indenture, subject only to the prior lien of the notes for the payment of the principal and interest thereon from the Collection Fund.

Resignation of Trustee. The Trustee may resign and be discharged by giving the Issuer notice in writing specifying the date on which the resignation is to take effect. If no successor Trustee has been appointed by that date or within 90 days of the Issuer receiving the Trustee's notice, whichever is longer, then the Trustee may either (a) appoint a temporary successor Trustee meeting the eligibility requirements of a trustee under the Indenture; or (b) request a court to require the Issuer to appoint a successor Trustee within three days or request a court to appoint a successor Trustee itself.

Removal of Trustee. The Trustee may be removed:

- at any time by the registered owners of a majority of the collective aggregate principal amount of the obligations then outstanding under the Indenture;
- by the Issuer for cause or upon the sale or other disposition of the Trustee or its trust functions; or
- by the Issuer without cause so long as no event of default exists or has existed within the last 30 days.

In the event the Trustee is removed, removal shall not become effective until:

- a successor Trustee shall have been appointed; and
- the successor Trustee has accepted that appointment.

Successor Trustee. If the Trustee resigns, is dissolved or otherwise is disqualified to act or is incapable of acting, or in case control of the Trustee is taken over by any public officer or officers, the Issuer may appoint a successor Trustee. The Issuer will cause notice of the appointment of a successor Trustee to be mailed to the registered owners at the address of each registered owner appearing on the note registration books.

Every successor Trustee:

- will be a bank or trust company in good standing, organized and doing business under the laws of the United States or of a state therein;
- have a reported capital and surplus of not less than $50,000,000;
- will be authorized under the law to exercise corporate trust powers, be subject to supervision or examination by a federal or state authority; and
- will be an eligible lender under the Higher Education Act so long as such designation is necessary to maintain guarantees and federal benefits under the Higher Education Act with respect to the financed student loans originated under the Higher Education Act.

Merger of the Trustee. Any corporation into which the Trustee may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee under the Indenture, provided such corporation shall be otherwise qualified and eligible under the Indenture, without the execution or filing of any paper of any further act on the part of any other parties thereto.

Supplemental Indentures

Supplemental Indentures Not Requiring Consent of Registered Owners. The Issuer can agree with the Trustee to enter into any indentures supplemental to the Indenture for any of the following purposes without notice to or the consent of noteholders:

- to cure any ambiguity or formal defect or omission in the Indenture;
- to grant to or confer upon the Trustee for the benefit of the registered owners any additional benefits, rights, remedies, powers or authorities;
- to subject to the Indenture additional revenues, properties or collateral;
- to modify, amend or supplement the Indenture or any indenture supplemental thereto in such manner as to permit the qualification under the Trust Indenture Act of 1939 or any similar federal statute or to permit the qualification of the notes for sale under the securities laws of the United States of America or of any of the states of the United States of America, and, if they so determine, to add to the Indenture or any indenture supplemental thereto such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute;
- to evidence the appointment of a separate or co-Trustee or a co-registrar or transfer agent or the succession of a new Trustee under the Indenture;

- to add provisions to or to amend provisions of the Indenture as may, in the opinion of counsel, be necessary or desirable to assure implementation of the student loan business in conformance with the Higher Education Act;

- to make any change as shall be necessary in order to obtain and maintain for any of the notes an investment grade rating from a nationally recognized rating service, which changes, in the opinion of the Trustee, will not materially adversely impact the registered owners of any of the obligations outstanding under the Indenture;

- to make any changes necessary to comply with the Higher Education Act and the regulations thereunder or the Internal Revenue Code and the regulations promulgated thereunder;

- to make the terms and provisions of the Indenture, including the lien and security interest granted therein, applicable to a derivative product;

- to create any additional funds or accounts under the Indenture deemed by the Trustee to be necessary or desirable;

- to make any other change with a confirmation by the rating agencies of their ratings of the notes; or

- to make any other change which, in the judgment of the Trustee, will not materially adversely impact the registered owners of any obligations outstanding under the Indenture.

Supplemental Indentures Requiring Consent of Registered Owners. Any amendment of the Indenture other than those listed above must be approved by the registered owners of not less than a majority of the collective aggregate principal amount of the obligations then outstanding under the Indenture, provided that the changes described below may be made in a supplemental indenture only with the consent of the registered owners of all obligations then outstanding,

- an extension of the maturity date of the principal of or the interest on any obligation;

- a reduction in the principal amount of any obligation or the rate of interest thereon;

- a privilege or priority of any obligation under the Indenture over any other obligation;

- a reduction in the aggregate principal amount of the obligations required for consent to such supplemental indenture; or

- the creation of any lien other than a lien ratably securing all of the obligations at any time outstanding under the Indenture.

Trusts Irrevocable

The trust created by the Indenture is irrevocable until the notes and interest thereon and all derivative payments are fully paid or provision is made for their payment as provided in the Indenture.

Satisfaction of Indenture

If the registered owners of the notes issued under the Indenture are paid all the principal of and interest due on their notes at the times and in the manner stipulated in the Indenture, and if each counterparty on a derivative product is paid all derivative payments then due, then the pledge of the trust estate will thereupon terminate and be discharged. The Trustee will execute and deliver to the Issuer instruments to evidence the discharge and satisfaction, and the Trustee will pay all money held by it under the Indenture to the party entitled to receive it under the Indenture.

Notes will be considered to have been paid if money for their payment or redemption has been set aside and is being held in trust by the Trustee. Any outstanding note will be considered to have been paid if the note is to be redeemed on any date prior to its stated maturity and notice of redemption has been given as provided in the Indenture and on said date there shall have been deposited with the Trustee either money or governmental obligations the principal of and the interest on which when due will provide money sufficient to pay the principal of and interest to become due on the note.

Any derivative payments will be considered to have been paid and the applicable derivative product terminated when payment of all derivative payments due and payable to each counterparty under such derivative product has been made or duly provided for to the satisfaction of each counterparty and the respective derivative product has been terminated.

CREDIT ENHANCEMENT

Credit enhancement for the notes includes overcollateralization, cash on deposit in the Capitalized Interest Fund and cash on deposit in the Reserve Fund.

On the date of issuance, note proceeds of approximately $287,365,738 deposited to the Acquisition Fund will be used to transfer FFELP student loans from an existing financing of the Issuer into the trust estate with an aggregate principal balance of approximately $294,537,753 (which amount includes accrued interest expected to be capitalized of approximately $4,021,684), plus accrued interest of approximately $595,057. The assets in the existing financing of the Issuer presently exceed the amount necessary to repay the indebtedness under that existing financing; thus, the Issuer is able to transfer such FFELP student loans from the existing financing to the trust estate at a transfer price which is less than the principal balance of such FFELP student loans. The discounted transfer price for those FFELP student loans represents overcollateralization for the trust estate and a portion of the credit enhancement.

The principal distribution amount distributed to noteholders is intended to provide credit support so that until the April 2010 quarterly distribution date, the Adjusted Pool Balance builds to and is maintained at an amount that exceeds the aggregate principal amount of the notes by at least $14,800,000. Beginning with the April 2010 quarterly distribution date, the principal distribution amount is intended to continue to provide credit support so that the Adjusted Pool Balance is maintained at an amount that equals 106% of the aggregate principal amount of the notes.

Deposits will be made to the Reserve Fund and the Capitalized Interest Fund from the proceeds of the sale of the notes. See "SECURITY AND SOURCES OF PAYMENT FOR THE NOTES." The Reserve Fund and Capitalized Interest Fund are intended to enhance the likelihood of timely distributions of interest to the noteholders and to decrease the likelihood that the noteholders will experience losses. The Reserve Fund is replenished so that amounts on deposit therein do not fall below the reserve fund minimum balance. Amounts withdrawn from the Capitalized Interest Fund will not be replenished.

Credit enhancement will not provide protection against all risks of loss and may not guarantee payment to noteholders of all amounts to which they are entitled. If losses or shortfalls occur that exceed the amount covered by the credit enhancement or that are not covered by the credit enhancement, noteholders will bear their allocable share of deficiencies. The Issuer is not issuing any subordinate notes. To the extent that the credit enhancement described above is exhausted, the notes will bear any risk of loss.

ERISA CONSIDERATIONS

The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain fiduciary obligations and prohibited transaction restrictions on employee pension and welfare benefit plans subject to ERISA ("ERISA Plans"). Section 4975 of the Code imposes substantially similar prohibited transaction restrictions on certain employee benefit plans, including tax-qualified retirement plans described in Section 401(a) of the Code ("Qualified Retirement Plans") and on individual retirement accounts and annuities described in Sections 408 (a) and (b) of the Code ("IRAs," collectively, with Qualified Retirement Plans, "Tax-Favored Plans"). Certain employee benefit plans, such as governmental plans (as defined in Section 3(32) of ERISA), and, if no election has been made under Section 410(d) of the Code, church plans (as defined in Section 3(33) of ERISA) ("Non-ERISA Plans"), are not subject to the requirements set forth in ERISA or the prohibited transaction restrictions under Section 4975 of the Code. Accordingly, the assets of such Non-ERISA Plans may be invested in the notes without regard to the ERISA or Code considerations described below, provided that such investment is not otherwise subject to the provisions of other applicable federal and state law ("Similar Laws"). Any governmental plan or church plan that is qualified under Section 401(a) and exempt from taxation under Section 501(a) of the Code is, nevertheless, subject to the prohibited transaction rules set forth in Section 503 of the Code.

In addition to the imposition of general fiduciary requirements, including those of investment prudence and diversification and the requirement that an ERISA Plan's investment of its assets be made in accordance with the documents governing such ERISA Plan, Section 406 of ERISA and Section 4975 of the Code prohibit a broad range of transactions involving assets of ERISA Plans and Tax-Favored Plans ("Plan" or collectively "Plans") and entities whose underlying assets include "plan assets" by reason of Plans investing in such entities with persons ("Parties in Interest" or "Disqualified Persons" as such terms are defined in ERISA and the Code, respectively) who have certain specified relationships to the Plans, unless a statutory, class or administrative exemption is available. Parties in Interest or Disqualified Persons that participate in a prohibited transaction may be subject to a penalty (or an excise tax) imposed pursuant to Section 502(i) of ERISA or Section 4975 of the Code unless a statutory, class or administrative exemption is available. Section 502(l) of ERISA requires the Secretary of the U.S. Department of Labor (the "DOL") to assess a civil penalty against a fiduciary who violates any fiduciary responsibility under ERISA or commits any other violation of part 4 of Title I of ERISA or any other person who knowingly participates in such breach or violation. If the investment constitutes a prohibited transaction under Section 408(e) of the Code, the IRA may lose its tax-exempt status.

The investment in a security by a Plan may, in certain circumstances, be deemed to include an investment in the assets of the entity issuing such security, such as the Issuer. Certain transactions involving the purchase, holding or transfer of notes may be deemed to constitute prohibited transactions if assets of the Issuer are deemed to be assets of a Plan. These concepts are discussed in greater detail below.

Plan Asset Regulation

The DOL has promulgated a regulation set forth at 29 C.F.R. § 2510.3-101 (the "Plan Asset Regulation") concerning whether or not the assets of an ERISA Plan would be deemed to include an interest in the underlying assets of an entity (such as the Issuer) for purposes of the general fiduciary responsibility provisions of ERISA and for the prohibited transaction provisions of ERISA and Section 4975 of the Code, when a Plan acquires an "equity interest" in such entity. ERISA Section 3(42) defines the term "plan assets." Depending upon a number of factors set forth in the Plan Asset Regulation, "plan assets" may be deemed to include either a Plan's interest in the assets of an entity (such as the Issuer) in which it holds an equity interest or merely to include its interest in the instrument evidencing such equity interest. For purposes of this section, the terms "plan assets" ("Plan Assets") and the "assets of a Plan" have the meaning specified in the Plan Asset Regulation and ERISA Section 3(42) and include an undivided interest in the underlying interest of an entity which holds Plan Assets by reason of a Plan's investment therein (a "Plan Asset Entity").

Under the Plan Asset Regulation, the assets of the Issuer would be treated as Plan Assets if a Plan acquires an equity interest in the Issuer and none of the exceptions contained in the Plan Asset Regulation is applicable. The Plan Asset Regulation provides an exemption from "plan asset" treatment for securities issued by an entity if such securities are debt securities under applicable state law with no "substantial equity features." If the notes are treated as having substantial equity features, a Plan or a Plan Asset Entity that purchases notes could be treated as having acquired a direct interest in the Issuer. In that event, the purchase, holding, transfer or resale of the notes could result in a transaction that is prohibited under ERISA or the Code. While not free from doubt, on the basis of the notes as described herein, it appears that the notes should be treated as debt without substantial equity features for purposes of the Plan Asset Regulation.

In the event that the notes cannot be treated as indebtedness for purposes of ERISA, under an exception to the Plan Asset Regulation, the assets of a Plan will not include an interest in the assets of an entity, the equity interests of which are acquired by the Plan, if at no time do Plans in the aggregate own 25% or more of the value of any class of equity interests in such entity, as calculated under the Plan Asset Regulation and ERISA Section 3(42). Because the availability of this exception depends upon the identity of the noteholders at any time, there can be no assurance that the notes will qualify for this exception and that the Issuer's assets will not constitute a Plan Asset subject to ERISA's fiduciary obligations and responsibilities. Therefore, neither a Plan nor a Plan Asset Entity should acquire or hold notes in reliance upon the availability of this exception under the Plan Asset Regulation.

Prohibited Transactions

The acquisition or holding of notes by or on behalf of a Plan, whether or not the underlying assets are treated as Plan Assets, could give rise to a prohibited transaction if the Issuer or any of its respective affiliates is or becomes a Party in Interest or Disqualified Person with respect to such Plan, or in the event that a note is purchased in the secondary market by a Plan from a Party in Interest or Disqualified Person with respect to such Plan. There can be no assurance that the Issuer or any of its respective affiliates will not be or become a Party in Interest or a Disqualified Person with respect to a Plan that acquires notes. Any such prohibited transaction could be treated as exempt under ERISA and the Code if the notes were acquired pursuant to and in accordance with one or more statutory exemptions, individual exemptions or "class exemptions" issued by the DOL. Such class exemptions include, for example, Prohibited Transaction Class Exemption ("PTCE") 75-1 (an exemption for certain transactions involving employee benefit plans and broker dealers, reporting dealers and banks), PTCE 84-14 (an exemption for certain transactions determined by an independent qualified professional asset manager), PTCE 90-1 (an exemption for certain transactions involving insurance company pooled separate accounts), PTCE 91-38

(an exemption for certain transactions involving bank collective investment funds), PTCE 95-60 (an exemption for certain transactions involving an insurance company's general account) and PTCE 96-23 (an exemption for certain transactions determined by a qualifying in-house asset manager).

The Underwriter, the Trustee, the Servicer or their affiliates may be the sponsor of, or investment advisor with respect to, one or more Plans. Because these parties may receive certain benefits in connection with the sale or holding notes, the purchase of notes using plan assets over which any of these parties or their affiliates has investment authority might be deemed to be a violation of a provision Title I of ERISA or Section 4975 of the Code. Accordingly, notes may not be purchased using the assets of any Plan if any of the Underwriter, the Trustee, the Servicer or their affiliates has investment authority for those assets, or is an employer maintaining or contributing to the plan, unless an applicable prohibited transaction exemption is available and such prohibited transaction exemption covers such purchase.

Purchaser's/Transferee's Representations and Warranties

Each purchaser and each transferee of a note (including a Plan's fiduciary, as applicable) shall be deemed to represent and warrant that (a) it is not a Plan and is not acquiring the note directly or indirectly for, or on behalf of, a Plan or with Plan Assets, Plan Asset Entity or any entity whose underlying assets are deemed to be plan assets of such Plan; or (b) the acquisition and holding of the notes by or on behalf of, or with Plan Assets of, any Plan, Plan Asset Entity or any entity whose underlying assets are deemed to be Plan Assets of such Plan is permissible under applicable law, will not result in any non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or Similar Law, and will not subject the Issuer or Underwriter to any obligation not affirmatively undertaken in writing.

Consultation With Counsel

Any Plan fiduciary or other investor of Plan Assets considering whether to acquire or hold notes on behalf of or with Plan Assets of any Plan or Plan Asset Entity, and any insurance company that proposes to acquire or hold notes, should consult with its counsel with respect to the potential applicability of the fiduciary responsibility provisions of ERISA and the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code with respect to the proposed investment and the availability of any prohibited transaction exemption. A fiduciary with respect to a Non-ERISA Plan which is a Tax Favored Plan that proposes to acquire or hold notes should consult with counsel with respect to the applicable federal, state and local laws.

CERTAIN FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of the material federal income tax consequences of the purchase, ownership and disposition of notes for the investors described below and is based on the advice of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., as tax counsel to the Issuer. This summary is based upon laws, regulations, rulings and decisions currently in effect, all of which are subject to change. The discussion does not deal with all federal tax consequences applicable to all categories of investors, some of whom may be subject to special rules. In addition, this summary is generally limited to investors who will hold the notes as "capital assets" (generally, property held for investment) within the meaning of the Internal Revenue Code of 1986, as amended (the "Code"). Investors should consult their own tax advisors to determine the federal, state, local and other tax consequences of the purchase, ownership and disposition of the notes. Prospective investors should note that no rulings have been or will be sought from the Internal Revenue Service (the "Service") with respect to any of the federal income tax consequences discussed below, and no assurance can be given that the Service will not take contrary positions.

Characterization of the Trust

Based upon certain assumptions and certain representations of Massachusetts Educational Financing Authority, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. will render its opinion, with respect to the notes to the effect that the notes will be treated as debt of the Issuer, rather than as an interest in the financed student loans, and that the trust created under the Indenture (for purposes of this section of the Offering Memorandum, the "Trust") will not be characterized for federal income tax purposes as creating an association or publicly traded partnership taxable as a corporation. In addition, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. will render its opinion to the effect that this discussion is a summary of material federal income tax consequences as to the purchase, ownership and disposition of the notes with respect to the investors described herein. Unlike a ruling from the Service, such opinion is not binding on the courts or the Service. Therefore, it is possible that the Service could assert that, for purposes of the Code, the transaction contemplated by this prospectus constitutes a sale of the financed student loans (or an interest therein) to the registered owners or that the relationship which will result from this transaction is that of a partnership, or an association taxable as a corporation.

If, instead of treating the transaction as creating secured debt of the Issuer, the transaction were treated as creating a partnership among the registered owners and the Issuer, the resulting partnership would not be subject to federal income tax. Rather, the Issuer and each registered owner would be taxed individually on their respective distributive shares of the partnership's income, gain, loss, deductions and credits generated by the Trust Estate. In such case, the amount and timing of items of income and deduction of the registered owner would differ from the anticipated treatment of the notes as debt instruments.

If, contrary to the opinion of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., it were determined that the Trust is an entity classified as a corporation or a publicly traded partnership taxable as a corporation and treated as having purchased the financed student loans, the Trust would be subject to federal income tax at corporate income tax rates on the income it derives from the financed student loans, which would reduce the amounts available for payment to the registered owners. Cash payments to the registered owners generally would be treated as dividends for tax purposes to the extent of such corporation's accumulated and current earnings and profits.

Characterization of the Notes as Indebtedness

The Issuer and the registered owners will express in the Indenture their intent, and Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. will opine, that for federal income tax purposes the notes will be indebtedness of the Issuer secured by the financed student loans. The Issuer and the registered owners, by accepting the notes, have agreed to treat the notes as indebtedness of the Issuer for federal income tax purposes. The Issuer intends to treat this transaction as a financing reflecting the notes as its indebtedness for tax and financial accounting purposes.

In general, the characterization of a transaction as a sale of property or a secured loan, for federal income tax purposes, is a question of fact, the resolution of which is based upon the economic substance of the transaction, rather than its form or the manner in which it is characterized for state law or other purposes. While the Service and the courts have set forth several factors to be taken into account in determining whether the substance of a transaction is a sale of property or a secured indebtedness, the primary factor in making this determination is whether the transferee has assumed the risk of loss or other economic burdens relating to the property and has obtained the benefits of ownership thereof. Notwithstanding the foregoing, in some instances, courts have held that a taxpayer is bound by the particular form it has chosen for a transaction, even if the substance of the transaction does not accord with its form.

The Issuer believes that it has retained the preponderance of the primary benefits and burdens associated with ownership of the financed student loans and should, thus, be treated as the owner of the financed student loans for federal income tax purposes. If, however, the Service were successfully to assert that this transaction should be treated as a sale of the financed student loans, the Service could further assert that the entity created pursuant to the Indenture, as the owner of the financed student loans for federal income tax purposes, should be deemed engaged in a business and, therefore, characterized as a publicly traded partnership taxable as a corporation.

Taxation of Interest Income of Registered Owners

Payments of interest with regard to the notes will be includible as ordinary income when received or accrued by the registered owners in accordance with their respective methods of tax accounting and applicable provisions of the Code. If the notes are deemed to be issued with original issue discount, the Code requires the current ratable inclusion in income of original issue discount greater than a specified de minimis amount using a constant yield method of accounting. In general, original issue discount is calculated, with regard to any accrual period, by applying the instrument's yield to its adjusted issue price at the beginning of the accrual period, reduced by any qualified stated interest, as defined below, allocable to the period. The aggregate original issue discount allocable to an accrual period is allocated pro rata to each day included in such period. The holder of a debt instrument must include in income the sum of the daily portions of original issue discount attributable to the number of days he owned the instrument. The legislative history of the original issue discount provisions indicates that the calculation and accrual of original issue discount should be based on the prepayment assumptions used by the parties in pricing the transaction.

Original issue discount is the stated redemption price at maturity of a debt instrument over its issue price. The stated redemption price at maturity includes all payments with respect to an instrument other than interest unconditionally payable at a fixed rate or a qualified variable rate at fixed intervals of one year or less ("qualified stated interest"). The Issuer expects that interest payable with respect to the notes will constitute qualified stated interest and that the notes will not be issued with original issue discount.

Payments of interest received with respect to the notes may also constitute "investment income" for purposes of certain limitations of the Code concerning the deductibility of investment interest expense. Potential registered owners or the beneficial owners should consult their own tax advisors concerning the treatment of interest payments with regard to the notes.

A purchaser who buys a note at a discount from its principal amount (or its adjusted issue price if issued with original issue discount greater than a specified *de minimis* amount) will be subject to the market discount rules of the Code. In general, the market discount rules of the Code treat principal payments and gain on disposition of a debt instrument as ordinary income to the extent of accrued market discount. Although the accrued market discount on debt instruments such as the notes which are subject to prepayment based on the prepayment of other debt instruments is to be determined under regulations yet to be issued, the legislative history of these provisions of the Code indicates that the same prepayment assumption used to calculate original issue discount should be utilized. Each potential investor should consult his tax advisor concerning the application of the market discount rules to the notes.

A purchaser who buys a note at a premium—that is, an amount in excess of the amount payable at maturity—will be considered to have purchased the note with "amortizable bond premium" equal to the amount of such excess. The purchaser may elect to amortize such bond premium as an offset to interest income and not as a separate deduction item as it accrues under a constant yield method, or other allowable method, over the remaining term of the note. The purchaser's tax basis in the note will be

reduced by the amount of the amortized bond premium. Any such election shall apply to all debt instruments, other than instruments the interest on which is excludable from gross income, held by the purchaser at the beginning of the first taxable year for which the election applies or thereafter acquired and is irrevocable without the consent of the IRS. Bond premium on a note held by a purchaser who does not elect to amortize the premium will decrease the gain or increase the loss otherwise recognized on the disposition of the note.

The annual statement regularly furnished to registered owners for federal income tax purposes will include information regarding the accrual of payments of principal and interest with respect to the notes. If, contrary to the opinion of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., the Indenture is deemed to create a pass-through entity as the owner of the financed student loans for federal income tax purposes, the owners of the notes could be required to accrue payments of interest more rapidly than otherwise would be required.

Backup Withholding

Certain purchasers may be subject to backup withholding at the applicable rate determined by statute with respect to interest paid with respect to the notes if the purchasers, upon issuance, fail to supply the Trustee or their brokers with their taxpayer identification numbers, furnish incorrect taxpayer identification numbers, fail to report interest, dividends or other "reportable payments" (as defined in the Code) properly, or, under certain circumstances, fail to provide the Trustee with a certified statement, under penalty of perjury, that they are not subject to backup withholding. Information returns will be sent annually to the Service and to each purchaser setting forth the amount of interest paid with respect to the notes and the amount of tax withheld thereon.

State, Local or Foreign Taxation

The Issuer makes no representations regarding the tax consequences of purchase, ownership or disposition of the notes under the tax laws of any state, locality or foreign jurisdiction. Investors considering an investment in the notes should consult their own tax advisors regarding such tax consequences.

Tax-Exempt Investors

In general, an entity that is exempt from federal income tax under the provisions of Section 501 of the Code is subject to tax on its unrelated business taxable income. An unrelated trade or business is any trade or business that is not substantially related to the purpose which forms the basis for such entity's exemption. However, interest may be excluded from the calculation of unrelated business taxable income unless the obligation that gave rise to such interest is subject to acquisition indebtedness. If, contrary to expectations, one or more of the notes of any Series were considered equity for tax purposes and if one or more other notes were considered debt for tax purposes, those notes treated as equity likely would be subject to acquisition indebtedness and likely would generate unrelated business taxable income. However, as noted above, counsel has advised the Issuer that the notes will be characterized as debt for federal income tax purposes. Therefore, except to the extent any registered owner incurs acquisition indebtedness with respect to a note, interest paid or accrued with respect to such note may be excluded by each tax-exempt registered owner from the calculation of unrelated business taxable income. Each potential tax-exempt registered owner is urged to consult its own tax advisor regarding the application of these provisions.

Sale or Exchange of Notes

If a holder sells a note, such person will recognize gain or loss equal to the difference between the amount realized on such sale and the holder's basis in such note. Ordinarily, such gain or loss will be treated as a capital gain or loss. At the present time, the maximum capital gain rate for certain assets held for more than twelve months is 15 percent. However, if a note was acquired subsequent to its initial issuance at a discount, a portion of such gain will be recharacterized as interest and therefore ordinary income. In the event any of the notes are issued with original issue discount, in certain circumstances a portion of the gain can be recharacterized as ordinary income.

If the term of a note were materially modified, in certain circumstances a new debt obligation would be deemed created and exchanged for the prior obligation in a taxable transaction. Among the modifications which may be treated as material are those which relate to the redemption provisions and, in the case of a nonrecourse obligation, those which involve the substitution of collateral. Each potential holder of a note should consult its own tax advisor concerning the circumstances in which the notes would be deemed reissued and the likely effects, if any, of such reissuance.

European Union Directive on the Taxation of Savings Income

The European Union has adopted a Directive regarding the taxation of savings income. Subject to a number of important conditions being met, it is proposed that Member States will be required from July 1, 2005 to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person to an individual in another Member State, except that Austria, Belgium and Luxembourg will instead impose a withholding system for a transitional period unless during such period they elect otherwise.

The withholding tax provisions of the Directive could apply to payments on securities made through the Luxembourg paying agent. It is expected that holders will be able to take steps to keep payments from being subject to such withholding tax, for example, by receiving payments from a paying agent within the European Union but outside Luxembourg, Belgium and Austria (such as from the United Kingdom), although we cannot preclude the possibility that withholding tax will eventually be levied in some situations. In any event, details of payments made from a Member State on the notes will likely have to be reported to the tax or other relevant authorities under the Directive or local law, including, for example, to Member States in cases where recipients are located in the jurisdiction where payments are actually made.

ADDITIONAL INFORMATION; REPORTS TO NOTEHOLDERS

Quarterly reports concerning Massachusetts Educational Financing Authority will be delivered to noteholders as described under "SUMMARY OF THE INDENTURE PROVISIONS—Statements to Noteholders." Generally, you will receive those reports not from the Issuer, but through Cede & Co., as nominee of The Depository Trust Company and registered holder of the notes. See "BOOK-ENTRY REGISTRATION." These periodic reports will contain information concerning the financed student loans and certain activities of the Issuer during the period since the previous report.

These reports, together with additional information regarding the Issuer, may be found from time to time at www.mefa.org. The website is not incorporated into and shall not be deemed to be a part of this Offering Memorandum.

PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in a Note Purchase Agreement between the Issuer and UBS Securities LLC (the "Underwriter"), the Issuer will sell to the Underwriter, and the Underwriter will agree to purchase from the Issuer, the notes at a purchase price equal to the principal amount of the notes plus accrued interest to the date of delivery, if any.

The Underwriter has advised that they propose to offer the notes to the public initially at the respective offering prices set forth below, and to certain dealers at these prices less concessions not in excess of the concessions listed below. During the period until the initial distribution of the notes is completed, the Underwriter may allow and the dealers may reallow concessions to other dealers not in excess of the reallowances listed below. After the initial offering, these prices and concessions may change.

Initial Public Offering Price	Underwriting Fees and Commissions	Proceeds to the Trust [1]	Selling Concessions Not to Exceed	Reallowance Not to Exceed
100%	0.357%	$296,000,000	0.214%	0.107%

1 The Issuer will pay underwriting fees and commissions and the costs of issuing the notes from its own funds and not from the proceeds of the notes.

The prices and proceeds shown in the table do not include any accrued interest. The actual prices and proceeds will include interest, if any, from the date of issuance.

Until the initial distribution of notes is completed, the rules of the SEC may limit the ability of the Underwriter and selling group members to bid for and purchase the notes. As an exception to these rules, the Underwriter is permitted to engage in transactions that stabilize the price of the notes. These transactions consist of bids of purchase for the purpose of pegging, fixing or maintaining the price of the notes.

Purchases of a security for the purpose of stabilization or to reduce a short position could cause the price of the security to be higher than it might be in the absence of those purchases.

Neither the Issuer nor the Underwriter makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the prices of the notes. In addition, neither the Issuer nor the Underwriter makes any representation that the Underwriter will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

The notes are a new issue of securities with no established trading market. The Underwriter has advised that they presently intend to make a market in the notes. However, they are not obligated to do so and they may discontinue any market-making activities with respect to the notes at any time without notice. We cannot assure you that the prices at which the notes will sell in the market after this offering will not be lower or higher than the initial offering price or that an active trading market for the notes will develop and continue after this offering.

The Issuer has agreed to indemnify the Underwriter against certain civil liabilities, including liabilities under the Securities Act of 1933, and the Issuer will agree to reimburse the Underwriter for the fees and expenses of its counsel.

The Underwriter has represented and agreed that:

- it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity, within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "FSMA"), received by it in connection with the issue or sale of any notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the notes in, from or otherwise involving the United Kingdom.

No action has been or will be taken by the Issuer or the Underwriter that would permit a public offering of the notes in any country or jurisdiction other than in the United States, where action for that purpose is required. Accordingly, the notes may not be offered or sold, directly or indirectly, and neither this Offering Memorandum, nor any circular, prospectus, form of application, advertisement or other material may be distributed in or from or published in any country or jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose hands all or any part of this Offering Memorandum comes are required by the Issuer and the Underwriter to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, sell or deliver notes or have in their possession or distribute this Offering Memorandum, in all cases at their own expense.

The Issuer has not authorized any offer of the notes to the public in the United Kingdom within the meaning of the FSMA. The notes may not lawfully be offered or sold to persons in the United Kingdom except in circumstances which do not result in an offer to the public in the United Kingdom within the meaning of these regulations or otherwise in compliance with all applicable provisions of these regulations and the FSMA.

LISTING AND GENERAL INFORMATION

Application will be made for the notes to be admitted to the official list of the Irish Stock Exchange subject to the Irish Stock Exchange listing rules and the prospectus rules of the Irish Financial Services Regulatory Authority and to be admitted to trading on the regulated market of the Irish Stock Exchange. There can be no assurance that such a listing will be obtained. Certain information has been included in this Offering Memorandum to comply with the Irish Stock Exchange listing rules and the prospectus rules of the Irish Financial Services Regulatory Authority. It is expected that the fees in relation to the admission to trading of the notes on the regulated market of the Irish Stock Exchange will be approximately €20,000.

For so long as the notes are listed on the Irish Stock Exchange, the material contracts referred to herein, including the Indenture, the constitutional documents of the Issuer and the Servicing Agreement will be made available for inspection in electronic or physical format at our principal office at 160 Federal Street, 4th Floor, Boston, MA 02110.

Each of the notes, the Indenture and the Servicing Agreement is governed by the laws of the Commonwealth.

Since our formation, we have not been involved in any governmental, legal or arbitration proceedings relating to claims on amounts which are material to us. Nor, so far as we are aware, are any such proceedings pending or threatened.

The Issuer is a body politic and corporate, constituting a public instrumentality of the Commonwealth. The Issuer was established on January 15, 1982 pursuant to statutes codified as Chapter 15C of the General Laws of the Commonwealth, as amended. Our telephone number is (617) 224-4800.

The issuance of the notes was authorized by the Issuer on April 29, 2008.

The Issuer publishes financial statements annually and has a fiscal year ending June 30. There has been no material adverse change in the financial position or prospects of the Issuer since the date of its last published audited financial statements. The Indenture requires the Issuer to provide the trustee with written notification, on an annual basis, that to the best of its knowledge, following review of the activities of the prior year, that no event of default or other matter which is required to be brought to the Trustee's attention has occurred.

LEGAL PROCEEDINGS

The Issuer is, from time-to-time, a party to litigation involving current or former borrowers or co-signers. At the time of delivery of and payment for the notes, the Issuer'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 Issuer affecting the creation, organization or corporate existence of the Issuer 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 notes or the collection on the assets in the trust estate or the pledge thereof under the Indenture; in any way contesting or affecting the validity or enforceability of the notes, the Indenture or the Servicing Agreement; or contesting in any material respect the completeness or accuracy of this Offering Memorandum.

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

LEGAL MATTERS

All legal matters related to the authorization, issuance, sale and delivery of the notes, and certain income tax matters, are subject to the approval of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, note counsel and general counsel to the Issuer. The unqualified approving opinion of such note counsel will be delivered upon the issuance of the notes. Certain legal matters will be passed upon for the Underwriter by Kutak Rock LLP.

RATINGS

It is a condition to the issuance of the notes that they be rated by three nationally recognized statistical rating organizations, Moody's, Standard & Poor and Fitch, in each of their respective highest rating categories. The specific ratings required for the notes are described under "SUMMARY OF TERMS—Rating of the Notes."

A securities rating addresses the likelihood of the receipt by owners of the notes of payments of principal and interest with respect to their notes from assets in the trust estate. The rating takes into consideration the characteristics of the financed student loans, and the structural, legal and tax aspects associated with the rated notes. On a quarterly basis each agency rating the notes is provided with servicing reports describing the performance of the underlying assets in the prior period.

A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organization. Neither the Issuer nor the Underwriter has undertaken any responsibility either to bring to the attention of the holders of the affected Notes any proposed change in or withdrawal of such ratings or to oppose any such proposed revision. Any such change in or withdrawal of the ratings could have an adverse effect on the market price of the affected Notes. See "CONTINUING DISCLOSURE."

CONTINUING DISCLOSURE

In order to assist the Underwriter in complying with Rule 15c2-12(b)(5) promulgated by the SEC (the "Rule"), the Issuer will enter into a continuing disclosure agreement with respect to the Notes (a "Continuing Disclosure Agreement") setting forth the undertaking of the Issuer regarding continuing disclosure with respect to the notes. The proposed form of the Continuing Disclosure Agreement is set forth in Appendix E. The Issuer has not failed to comply with any previous undertaking to provide annual reports or notices of material events in accordance with the Rule.

FINANCIAL ADVISOR

Public Financial Management, Inc. ("PFM") has acted as independent financial advisor to the Issuer with respect to the Notes. PFM 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 fairness of the information contained in this Offering Memorandum and the appendices hereto. PFM is an independent financial advisory firm and is not engaged in the business of underwriting, trading or distributing securities.

GLOSSARY OF TERMS

Some of the terms used in this Offering Memorandum are defined below. The Indenture contains the definition of other terms used in this Offering Memorandum and reference is made to the Indenture for those definitions.

"*Asset Release Requirement*" means that, after giving effect to any release of funds to the Issuer, the Parity Ratio will, after any such transfer, be at least 106%.

"*Book-Entry Form*" or "*Book-Entry System*" means a form or system under which (a) the beneficial right to principal and interest may be transferred only through a book-entry; (b) physical securities in registered form are issued only to a securities depository or its nominee as registered owner, with the securities "immobilized" to the custody of the securities depository; and (c) the book-entry is the record that identifies the owners of beneficial interests in that principal and interest.

"*Code*" shall mean the Internal Revenue Code of 1986, as amended from time-to-time.

"*Collection Period*" means, with respect to the first Quarterly Distribution Date, the period beginning on July 2, 2008 and ending on September 30, 2008, and with respect to each subsequent Quarterly Distribution Date, the Collection Period shall mean the three calendar months immediately preceding such Quarterly Distribution Date.

"*Counterparty*" shall mean a third party which is obligated to make payments under a Derivative Product.

"*Derivative Product*" shall mean any interest rate or other hedge agreement, credit default swap or similar agreement entered into between the Issuer and a counterparty.

"*Eligible Lender*" shall mean any "eligible lender," as defined in the Higher Education Act, and which has received an eligible lender designation from the Secretary with respect to loans made under the Higher Education Act.

"*Event of Bankruptcy*" shall mean (a) the Issuer shall have commenced a voluntary case or other proceeding seeking liquidation, reorganization, or other relief with respect to itself or its debts under any bankruptcy, insolvency, or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian, or other similar official of it or any substantial part of its property, or shall have made a general assignment for the benefit of creditors, or shall have declared a moratorium with respect to its debts or shall have failed generally to pay its debts as they become due, or shall have taken any action to authorize any of the foregoing; or (b) an involuntary case or other proceeding shall have been commenced against the Issuer seeking liquidation, reorganization, or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian, or other similar official of it or any substantial part of its property provided such action or proceeding is not dismissed within 60 days.

"*Federal Reimbursement Contracts*" shall mean the agreements between the guarantee agency and the Secretary providing for the payment by the Secretary of amounts authorized to be paid pursuant to the Higher Education Act, including, but not necessarily limited to, reimbursement of amounts paid or payable upon defaulted student loans and other student loans guaranteed or insured by the guarantee agency and interest benefit payments and special allowance payments to holders of qualifying student loans guaranteed or insured by the guarantee agency.

"*Financed*" when used with respect to student loans, shall mean or refer to student (a) acquired or refinanced by the trust estate with balances in the Acquisition Fund or otherwise deposited in or accounted for in the Acquisition Fund or otherwise constituting a part of the trust estate; and (b) student loans substituted or exchanged for financed student loans, but does not include student loans released from the lien of the Indenture and sold or transferred, to the extent permitted by the Indenture.

"*Fitch*" shall mean Fitch, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns.

"*Guarantee*" or "*Guaranteed*" shall mean, with respect to a student loan, the insurance or guarantee by the guarantee agency pursuant to such guarantee agency's guarantee agreement of the maximum percentage of the principal of and accrued interest on such student loan allowed by the terms of the Higher Education Act with respect to such student loan at the time it was originated and the coverage of such student loan by the federal reimbursement contracts, providing, among other things, for reimbursement to the guarantee agency for payments made by it on defaulted student loans insured or guaranteed by the guarantee agency of at least the minimum reimbursement allowed by the Higher Education Act with respect to a particular student loan.

"*Guarantee Agreements*" shall mean a guarantee or lender agreement between the Trustee or the Issuer and the guarantee agency, and any amendments thereto.

"*Higher Education Act*" shall mean the Higher Education Act of 1965, as amended or supplemented from time-to-time, or any successor federal act and all regulations, directives, bulletins, and guidelines promulgated from time-to-time thereunder.

"*Indenture*" shall mean the indenture of trust between the Issuer and the Trustee, including all supplements and amendments thereto.

"*Interest Benefit Payment*" shall mean an interest payment on student loans received pursuant to the Higher Education Act and an agreement with the federal government, or any similar payments.

"*Joint Sharing Agreement*" shall mean any agreement entered into in the future among the Issuer, the Trustee and the trustee under another indenture of trust of the Issuer to properly allocate payments from, and liabilities to, the U.S. Department of Education on student loans among the trust estate created under the indenture and any other trust estate established by the Issuer, as any such agreement may be amended or supplemented from time to time.

"*Moody's*" shall mean Moody's Investors Service, Inc. and its successors and assigns.

"*Obligations*" shall mean the notes and the derivative products.

"*Participant*" means a member of, or participant in, the depository.

"*Priority Termination Payment*" shall mean, with respect to a derivative product, any termination payment payable by the Issuer under such derivative product relating to an early termination of such derivative product by the counterparty, as the non-defaulting party, following (i) a default in the payment of a regularly scheduled payment by the Issuer thereunder, (ii) the occurrence of an event of bankruptcy or (iii) the Trustee's taking any action hereunder to liquidate the trust estate following an event of default and acceleration of the notes.

"*Rating Agency*" shall mean each of Fitch, Moody's and S&P and their successors and assigns or any other rating agency requested by the Issuer to maintain a rating on any of its notes.

"*Rating Agency Condition*" shall mean, with respect to any action, that each rating agency shall have been given prior notice thereof and that each of the rating agencies shall have issued a rating confirmation.

"*Rating Confirmation*" means a letter from each rating agency then providing a rating for any of the notes, confirming that the action proposed to be taken by the Issuer will not, in and of itself, result in a downgrade of any of the ratings then applicable to the notes, or cause any rating agency to suspend or withdraw the ratings then applicable to the notes issued by the Issuer.

"*Registered Owner*" shall mean the person in whose name a note is registered on the note registration books maintained by the Trustee, and shall also mean with respect to a derivative product, any counterparty, unless the context otherwise requires.

"*S&P*" shall mean Standard & Poor's Rating Services, a Division of The McGraw-Hill Companies, Inc., its successors and assigns.

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

"*Servicer*" shall mean ACS Education Services, Inc., and any other additional Servicer or successor Servicer selected by the Issuer, including the Issuer, so long as such issuer obtains a rating confirmation as to each such other Servicer.

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

"*Supplemental Indenture*" shall mean an agreement supplemental to the Indenture executed pursuant to the Indenture.

"*Termination Payment*" shall mean, with respect to a derivative product, any termination payment payable by the Issuer under such derivative product relating to an early termination of such derivative product by the counterparty, as the non-affected party or non-defaulting party, after the occurrence of a termination event or event of default specified in such derivative product, including any priority termination payment.

DIRECTORY

Issuer

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Listing Agent

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Irish Paying Agent

Custom House Administration and
Corporate Services Limited
25 Eden Quay
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APPENDIX A

DESCRIPTION OF THE FFEL PROGRAM

The Higher Education Act provides for several different educational loan programs (collectively, "Federal Family Education Loans" or "FFELP Loans" and, the program with respect thereto, the "Federal Family Education Loan Program" or "FFEL Program"). Under these programs, state agencies or private nonprofit corporations administering student loan insurance programs ("Guarantee Agencies" or "Guarantors") are reimbursed for portions of losses sustained in connection with FFELP Loans, and holders of certain loans made under such programs are paid subsidies for owning such loans. Certain provisions of the Federal Family Education Loan Program are summarized below.

The Higher Education Act has been subject to frequent amendments, including several amendments that have changed the terms of and eligibility requirements for the FFELP Loans. Generally, this Official Statement describes only the provisions of the Federal Family Education Loan Program that apply to loans made on or after July 1, 1998. The Higher Education Act is currently subject to reauthorization. During that process, proposed amendments to the Higher Education Act are common and numerous such bills and proposals have recently been introduced and/or passed by Congress.

The availability of various federal payments in connection with the FFEL Program is subject to federal budgetary appropriation. In recent years, federal budgetary legislation has been enacted which has provided, subject to certain conditions, for the mandatory curtailment of certain federal budget expenditures, including expenditures in connection with the FFEL Program and the recovery of certain advances previously made by the federal government to state guarantee agencies in order to achieve certain deficit reduction guidelines. As a part of the federal budgetary appropriation process, Congress has passed, and the President has signed into law, the Deficit Reduction Act of 2005, which extends the Secretary's authority to provide interest subsidies and federal insurance for loans originated under the Higher Education Act through September 30, 2012, and amends numerous provisions of the Higher Education Act (some of which are summarized below).

General legislation also affects the availability of various federal payments in connection with the FFEL Program. For example, Congress passed, and the President signed into law, the College Cost Reduction and Access Act of 2007 in September 2007, cutting more than $20 billion from the FFEL Program.

The following summary of the FFEL Program as established by the Higher Education Act does not purport to be comprehensive or definitive and is qualified in its entirety by reference to the text of the Higher Education Act and the regulations thereunder.

Federal Family Education Loans

Several types of loans are currently authorized as Federal Family Education Loans pursuant to the Federal Family Education Loan Program. These include: (i) loans to students meeting certain financial needs tests with respect to which the federal government makes interest payments available to reduce student interest cost during periods of enrollment ("Subsidized Stafford Loans"); (ii) loans to students made without regard to financial need with respect to which the federal government does not make such interest payments ("Unsubsidized Stafford Loans" and, collectively with Subsidized Stafford Loans, "Stafford Loans"); (iii) loans to graduate students, professional students, or parents of dependent students ("PLUS Loans"); and (iv) loans available to borrowers with certain existing federal educational loans to consolidate repayment of such loans ("Consolidation Loans").

Generally, a loan may be made only to a United States citizen or national or otherwise eligible individual under federal regulations who (i) has been accepted for enrollment or is enrolled and is maintaining satisfactory progress at an eligible institution; (ii) is carrying at least one-half of the normal full-time academic workload for the course of study the student is pursuing, as determined by such institution; (iii) has agreed to notify promptly the holder of the loan of any address change; (iv) is not in default on any federal education loans; (v) meets the applicable "need" requirements and (vi) has not committed a crime involving fraud or obtaining funds under the Higher Education Act which funds have not been fully repaid. Eligible institutions include higher educational institutions and vocational schools that comply with certain federal regulations. With certain exceptions, an institution with a cohort (composite) default rate that is higher than certain specified thresholds in the Higher Education Act is not an eligible institution.

Subsidized Stafford Loans

The Higher Education Act provides for federal (i) insurance or reinsurance of eligible Subsidized Stafford Loans, (ii) interest subsidy payments for borrowers remitted to eligible lenders with respect to certain eligible Subsidized Stafford Loans, and (iii) special allowance payments representing an additional subsidy paid by the Secretary of the U.S. Department of Education (the "Secretary") to such holders of eligible Subsidized Stafford Loans.

Subsidized Stafford Loans are eligible for reinsurance under the Higher Education Act if the eligible student to whom the loan is made has been accepted or is enrolled in good standing at an eligible institution of higher education or vocational school and is carrying at least one-half the normal full-time workload at that institution. In connection with eligible Subsidized Stafford Loans there are limits as to the maximum amount which may be borrowed for an academic year and in the aggregate for both undergraduate and graduate/professional study. The Secretary has discretion to raise these limits to accommodate students undertaking specialized training requiring exceptionally high costs of education.

Subject to these limits, Subsidized Stafford Loans are available to borrowers in amounts not exceeding their unmet need for financing as provided in the Higher Education Act. Provisions addressing the implementation of need analysis and the relationship between unmet need for financing and the availability of Subsidized Stafford Loan Program funding have been the subject of frequent and extensive amendment in recent years. There can be no assurance that further amendment to such provisions will not materially affect the availability of Subsidized Stafford Loan funding to borrowers or the availability of Subsidized Stafford Loans for secondary market acquisition.

Unsubsidized Stafford Loans

Unsubsidized Stafford Loans are available for students who do not qualify for Subsidized Stafford Loans due to parental and/or student income or assets in excess of permitted amounts. In other respects, the general requirements for Unsubsidized Stafford Loans are essentially the same as those for Subsidized Stafford Loans. The interest rate, the loan fee requirements and the special allowance payment provisions of the Unsubsidized Stafford Loans are the same as the Subsidized Stafford Loans. However, the terms of the Unsubsidized Stafford Loans differ materially from Subsidized Stafford Loans in that the Secretary does not make interest subsidy payments and the loan limitations are determined without respect to the expected family contribution. The borrower is required to pay interest from the time such loan is disbursed or capitalize the interest until repayment begins.

PLUS Loan Program

The Higher Education Act authorizes PLUS Loans to be made to graduate students, professional students, or parents of eligible dependent students. Only graduate students, professional students and parents who do not have an adverse credit history are eligible for PLUS Loans. The basic provisions applicable to PLUS Loans are similar to those of Stafford Loans with respect to the involvement of Guarantee Agencies and the Secretary in providing federal reinsurance on the loans. However, PLUS Loans differ significantly from Subsidized Stafford Loans, particularly because federal interest subsidy payments are not available under the PLUS Program and special allowance payments are more restricted.

Starting on July 1, 2009, PLUS Loans made to parents of dependent students ("Parent PLUS Loans") will become subject to a loan origination rights auction to be held in each state every two years unless the College Access and Opportunity Act of 2007 is successfully enacted, repealing this recent change to the Higher Education Act. The winning lenders will be those two lenders whose bids reflect the lowest amount of special allowance payments. These two lenders will be the only lenders in each respective state allowed to originate Parent PLUS Loans for the cohort of students at institutions of higher education within such state until the students graduate or leave the institutions of higher education. The Secretary shall choose an eligible lender-of-last-resort for each state to serve the students in the event that there is not a winning bid. Each winning bidder will receive such special allowance payments at the rate bid by the second-lowest bidder. The maximum bid given by each lender cannot exceed the average bond equivalent rates for three month commercial paper rates (as quoted by the Federal Reserve in Publication H-15 or its successor) in effect for the quarter less the applicable interest rate for the loan plus 1.79%. The principal and interest of defaulted Parent PLUS Loans will be 99% guaranteed by the Secretary. The Secretary will not collect any loan fees for Parent PLUS Loans originated as a result of the auction.

The Consolidation Loan Program

The Higher Education Act authorizes a program under which certain borrowers may consolidate their various student loans into a single loan insured and reinsured on a basis similar to Subsidized Stafford Loans. Consolidation Loans may be made in an amount sufficient to pay outstanding principal, unpaid interest and late charges on certain federally insured or reinsured student loans incurred under and pursuant to the Federal Family Education Loan Program (other than PLUS Loans made to "parent borrowers") selected by the borrower, as well as loans made pursuant to the Perkins Loan Program, the Health Professional Student Loan Programs and the William D. Ford Federal Direct Loan Program (the "Direct Loan Program"). Consolidation loans made pursuant to the Direct Loan Program must conform to the eligibility requirements for consolidation loans under the Federal Family Education Loan Program. The borrowers may be either in repayment status or in a grace period preceding repayment, but the borrower may not still be in school. Delinquent or defaulted borrowers are eligible to obtain Consolidation Loans if they agree to re-enter repayment through loan consolidation. Borrowers may add additional loans to a Consolidation Loan during the 180-day period following origination of the Consolidation Loan. Further, a married couple who agrees to be jointly and severally liable is to be treated as one borrower for purposes of loan consolidation eligibility. A Consolidation Loan will be federally insured or reinsured only if such loan is made in compliance with requirements of the Higher Education Act.

The Higher Education Act authorizes the Secretary to offer the borrower a Direct Consolidation Loan with repayment provisions authorized under the Higher Education Act and terms consistent with a Consolidation Loan made pursuant to the FFEL Program. In addition, the Secretary may offer the borrower of a Consolidation Loan a Direct Consolidation Loan for either of two purposes: (1) providing the borrower with an income contingent repayment (or income-based repayment effective July 1, 2009) if the borrower's delinquent loan has been submitted to the guarantor for default aversion (or, beginning

July 1, 2009, if the loan is already in default) or (2) allowing the borrower to participate in a public service loan forgiveness program which shall be effective July 1, 2008. In order to participate in the public service loan forgiveness program, the borrower must not have defaulted on the Direct Loan; must have made 120 monthly payments on the Direct Loan after October 1, 2007 under certain income-based repayment plans, a standard 10-year repayment plan for certain Direct Loans, or a certain income-contingent repayment plan; and must be employed in a public service job at the time of forgiveness and during the period in which the borrower makes each of his 120 monthly payments. A public service job is defined broadly and includes working at an organization described in section 501(c)(3) of the Internal Revenue Code of 1986, as amended and restated (the "IRC"), which is exempt from taxation under Section 501(a) of the IRC.

Federal Direct Student Loan Program

The Student Loan Reform Act of 1993 established the Direct Loan Program. Under the Direct Loan Program, approved institutions of higher education, or alternative loan originators approved by the Department of Education, make loans to students or parents without application to or funding from outside lenders or guarantors. The Department of Education provides the funds for such loans, and the program provides for a variety of flexible repayment plans, including extended, graduated and income contingent repayment plans, forbearance of payments during periods of national service and consolidation under the Direct Loan Program of existing student loans. Such consolidation permits borrowers to prepay existing student loans and consolidate them into a Federal Direct Consolidation Loan under the Direct Loan Program. The Direct Loan Program also provides certain programs under which principal may be forgiven or interest rates may be reduced. Direct Loan repayment plans, other than income contingent plans, must be consistent with requirements under the Higher Education Act for repayment plans under the FFEL Program.

The first loans under the Direct Loan Program were made available for the 1994-1995 academic year, and the Higher Education Act provided for phase-in goals through the 1998-1999 academic year, for which Direct Loans were to have represented 60% of new student loan volume under the Higher Education Act (excluding Consolidation Loans). No provision was made for the size of the Direct Loan Program after the 1998-1999 academic year and the current size of the Direct Loan Program is well below the 60% goal described above. Although the goals set for the Direct Loan Program were never achieved and the program has decreased in volume over recent years, its introduction involved reduction over time in the volume of loans made under the FFEL Program. As such, the continued existence of the Direct Loan Program may impact the volume of loans made under the FFEL Program unless the Direct Loan Program is limited or eliminated legislatively.

Interest Rates

Subsidized and Unsubsidized Stafford Loans. Subsidized and Unsubsidized Stafford Loans made on or after October 1, 1998 but before July 1, 2006 which are in in-school, grace and deferment periods bear interest at a rate equivalent to the 91-day T-Bill rate plus 1.70%, with a maximum rate of 8.25%. Subsidized Stafford Loans and Unsubsidized Stafford Loans made on or after October 1, 1998 but before July 1, 2006 in all other payment periods bear interest at a rate equivalent to the 91-day T-Bill rate plus 2.30%, with a maximum rate of 8.25%. The rate is adjusted annually on July 1.

Subsidized Stafford Loans disbursed on or after July 1 2006 but before July 1, 2012 bear interest at progressively lowered rates described below. Subsidized Stafford Loans made on or after July 1, 2006 but before July 1, 2008 will bear interest at a rate equal to 6.80% per annum. Subsidized Stafford Loans made on or after July 1, 2008 but before July 1, 2009 will bear interest at a rate equal to 6.00% per annum. Subsidized Stafford Loans made on or after July 1, 2009 but before July 1, 2010 will bear

interest at a rate equal to 5.60% per annum. Subsidized Stafford Loans made on or after July 1, 2010 but before July 1, 2011 will bear interest at a rate equal to 4.50% per annum. Subsidized Stafford Loans made on or after July 1, 2011 but before July 1, 2012 will bear interest at a rate equal to 3.40% per annum. Subsidized Stafford Loans made on or after July 1, 2012 revert to a 6.80% per annum fixed rate.

Unsubsidized Stafford Loans made on or after July 1, 2006 will bear interest at a rate equal to 6.80% per annum.

PLUS Loans. PLUS Loans made on or after October 1, 1998 but before July 1, 2006 bear interest at a rate equivalent to the 91-day T-Bill rate plus 3.10%, with a maximum rate of 9.00%. The rate is adjusted annually on July 1. PLUS Loans made on or after July 1, 2006, will bear interest at a rate equal to 8.50% per annum.

Consolidation Loans. Consolidation Loans for which the application was received by an eligible lender on or after October 1, 1998, bear interest at a fixed rate equal to the lesser of (a) the weighted average of the interest rates on the loans consolidated, rounded upward to the nearest one-eighth of 1.00% or (b) 8.25%.

Loan Limits

The Higher Education Act requires that Subsidized and Unsubsidized Stafford Loans made to cover multiple enrollment periods, such as a semester, trimester or quarter be disbursed by eligible lenders in at least two separate disbursements. A Stafford Loan borrower may receive a Subsidized Stafford Loan, an Unsubsidized Stafford Loan, or a combination of both for an academic period. Generally, the maximum amount of Stafford Loans, made prior to July 1, 2007, for an academic year cannot exceed $2,625 for the first year of undergraduate study, $3,500 for the second year of undergraduate study and $5,500 per year for the remainder of undergraduate study. The maximum amount of Stafford Loans, made on or after July 1, 2007, for an academic year cannot exceed $3,500 for the first year of undergraduate study and $4,500 for the second year of undergraduate study. The aggregate limit for undergraduate study is $23,000 (excluding PLUS Loans). Beginning July 1, 2008, dependent undergraduate students may receive an additional Unsubsidized Stafford Loan of up to $2,000 per academic year, with an aggregate maximum of $31,000. Independent undergraduate students may receive an additional Unsubsidized Stafford Loan of up to $6,000 per academic year for the first two years and up to $7,000 per academic year thereafter, with an aggregate maximum of $57,500. The maximum amount of Subsidized Stafford Loans for an academic year for graduate students is $8,500. Graduate students may borrow an additional Unsubsidized Stafford Loan of up to $12,000 per academic year. The Secretary has discretion to raise these limits by regulation to accommodate highly specialized or exceptionally expensive courses of study.

The total amount of all PLUS Loans that (i) parents may borrow on behalf of each dependent student or (ii) graduate or professional students may borrow for any academic year may not exceed the student's estimated cost of attendance minus other financial assistance for that student as certified by the eligible institution which the student attends.

Repayment

General. Repayment of principal on a Stafford Loan does not commence while a student remains a qualified student, but generally begins six months after the date a borrower ceases to pursue at least a half-time course of study (the six month period is the "Grace Period"). Repayment of interest on an Unsubsidized Stafford Loan begins immediately upon disbursement of the loan; however, the lender may capitalize the interest until repayment of principal is scheduled to begin. Except for certain borrowers as

described below, each loan generally must be scheduled for repayment over a period of not more than ten years after the commencement of repayment. The Higher Education Act currently requires minimum annual payments of $600, including principal and interest, unless the borrower and the lender agree to lesser payments. Regulations of the Secretary require lenders to offer standard, graduated, or income-sensitive repayment schedules to borrowers. Use of income sensitive repayment plans may extend the ten-year maximum term.

Effective July 1, 2009, a new income-based repayment plan will be available to certain FFEL Program borrowers and Direct Loan Program borrowers. To be eligible to participate in the plan, the borrower's annual amount due on such loans (as calculated under a standard 10-year repayment plan for such loans) must exceed 15% of the result obtained by calculating the amount by which the borrower's adjusted gross income (and the borrower's spouse's adjusted gross income, if applicable) exceeds 150% of the poverty line applicable to the borrower's family size. Such a borrower may elect to have his payments limited to the monthly amount of the above-described result. Furthermore, the borrower is permitted to repay his loans over a term greater than ten years. The Secretary will repay any outstanding principal and interest on eligible FFEL Program loans and cancel any outstanding principal and interest on eligible Direct Loan Program loans for borrowers who participated in the new income-based repayment plan and, for a period of time prescribed by the Secretary (but not more than 25 years), have (i) made certain reduced monthly payments under the income-based repayment plan; (ii) made certain payments based on a 10-year repayment period when the borrower first made the election to participate in the income-based repayment plan; (iii) made certain payments based on a standard 10-year repayment period; (iv) made certain payments under an income-contingent repayment plan for certain Direct Loan Program loans; or (v) have been in an economic hardship deferment.

Borrowers of Subsidized Stafford Loans and similar subsidized loans under the Direct Loan Program receive additional benefits under the new income-based repayment program: the Secretary will pay any unpaid interest due on the borrower's subsidized loans for up to three years after the borrower first elects to participate in the new income-based repayment plan (excluding any periods where the borrower has obtained economic hardship deferment). For both subsidized and unsubsidized loans, interest is capitalized when the borrower either ends his participation in the income-based repayment program or begins making certain payments under the program calculated for those borrowers whose financial hardship has ended.

PLUS Loans enter repayment on the date the last disbursement is made on the loan. Interest accrues and is due and payable from the date of the first disbursement of the loan. The first payment is due within 60 days after the loan is fully disbursed. However, for the parent borrowers whose loans were first disbursed on or after July 1, 2008, it is possible to begin repayment six months and one day after the student for whom the loan is borrowed ceases to carry at least one-half of the normal full-time academic workload (as determined by the school). Repayment plans are the same as in the Subsidized and Unsubsidized Stafford Loan Program for all PLUS Loans except those PLUS Loans which are made, insured, or guaranteed on behalf of a dependent student; such excepted PLUS Loans are not eligible for the income-based repayment plan which becomes effective on July 1, 2009. Furthermore, eligible lenders may determine for all PLUS Loan borrowers that extenuating circumstances exist if between January 1, 2007 through December 1, 2009, a PLUS Loan applicant (a) is or has been delinquent for 180 days or less on the borrower's residential mortgage loan payments or on medical bills and (b) is not and has not been delinquent on the repayment of any other debt for more than 89 days during the period.

Consolidation Loans enter repayment on the date the loan is disbursed. The first payment is due within 60 days after that date. Consolidation Loans which are not being paid pursuant to income-sensitive repayment plans must generally be repaid during a period agreed to by the borrower and lender, subject to maximum repayment periods which vary depending upon the principal amount of the

borrower's outstanding student loans (but no longer than 30 years). Consolidation Loans may also be repaid pursuant to the new income-sensitive repayment plan which becomes effective on July 1, 2009. However, Consolidation Loans which have been used to discharge a PLUS Loan that has been made, insured, or guaranteed on behalf of a dependent student are not eligible for such new income-based repayment plan.

FFEL Program borrowers who accumulate outstanding FFEL Loans on or after October 7, 1998 totaling more than $30,000 may receive an extended repayment plan, with a fixed annual or graduated payment amount paid over a longer period of time, not to exceed 25 years. A borrower may accelerate principal payments at any time without penalty. Once a repayment plan is established, the borrower may annually change the selection of the plan.

Deferment and Forbearance Periods. No principal repayments need to be made during certain periods prescribed by the Higher Education Act ("Deferment Periods") but interest accrues and must be paid. Generally, Deferment Periods include periods (i) when the borrower has returned to an eligible educational institution on a half-time basis or is pursuing studies pursuant to an approved graduate fellowship or an approved rehabilitation training program for disabled individuals; (ii) not in excess of three years while the borrower is seeking and unable to find full-time employment; (iii) while the borrower is serving on active duty during a war or other military operation or national emergency, is performing qualifying National Guard duty during a war or other military operation or national emergency, and for 180 days following the borrower's demobilization date for the above-described services (iv) during the 13 months following service if the borrower is a member of the National Guard, a member of a reserve component of the military, or a retired member of the military who (aa) is called or ordered to active duty and (bb) is or was enrolled within six months prior to the activation at an eligible educational institution; (v); if the borrower is in active military duty, or is in reserve status and called to active duty and (vi) not in excess of three years for any reason which the lender determines, in accordance with regulations, has caused or will cause the borrower economic hardship. Deferment periods extend the maximum repayment periods. Under certain circumstances, a lender may also allow periods of forbearance ("Forbearance") during which the borrower may defer payments because of temporary financial hardship. The Higher Education Act specifies certain periods during which Forbearance is mandatory. Mandatory Forbearance periods exist when the borrower is impacted by a national emergency, military mobilization, or when the geographical area in which the borrower resides or works is declared a disaster area by certain officials. Other mandatory periods include periods during which the borrower is (i) participating in a medical or dental residency and is not eligible for deferment; (ii) serving in a qualified medical or dental internship program or certain national service programs; or (iii) determined to have a debt burden of certain federal loans equal to or exceeding 20% of the borrower's gross income. In other circumstances, Forbearance may be granted at the lender's option. Forbearance also extends the maximum repayment periods.

Master Promissory Notes

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

Interest Subsidy Payments

The Secretary is to pay interest on Subsidized Stafford Loans while the borrower is a qualified student, during a Grace Period or during certain Deferment Periods. In addition, those portions of Consolidation Loans that repay Subsidized Stafford Loans or similar subsidized loans made under the Direct Loan Program are eligible for Interest Subsidy Payments. The Secretary is required to make interest subsidy payments to the holder of Subsidized Stafford Loans in the amount of interest accruing on the unpaid balance thereof prior to the commencement of repayment or during any Deferment Period. The Higher Education Act provides that the holder of an eligible Subsidized Stafford Loan, or the eligible portions of Consolidation Loans, shall be deemed to have a contractual right against the United States to receive interest subsidy payments in accordance with its provisions.

Special Allowance Payments

The Higher Education Act provides for Special Allowance Payments to be made by the Secretary to eligible lenders. The rates for Special Allowance Payments are based on formulas that differ according to the type of loan, the date the loan was first disbursed, the interest rate and the type of funds used to finance such loan (tax-exempt or taxable). Loans made or purchased with funds obtained by the holder from the issuance of tax exempt obligations issued prior to October 1, 1993 have an effective minimum rate of return of 9.50%. Amounts derived from recoveries of principal on loans made prior to October 1, 1993 may only be used to originate or acquire additional loans by a unit of a state or local government, or non-profit entity not owned or controlled by or under common ownership of a for-profit entity and held directly or through any subsidiary, affiliate or trustee, which entity has a total unpaid balance of principal equal to or less than $100,000,000 on loans for which special allowances were paid in the most recent quarterly payment prior to September 30, 2005. Such entities may originate or acquire additional loans with amounts derived from recoveries of principal until December 31, 2010. The Special Allowance Payments payable with respect to eligible loans acquired or funded with the proceeds of tax-exempt obligations issued after September 30, 1993 are equal to those paid to other lenders.

Subject to the foregoing, the formulae for special allowance payment rates for Stafford and Unsubsidized Stafford Loans are summarized in the following chart. The term “T-Bill” as used in this table and the following table, means the average 91-day Treasury bill rate calculated at a “bond equivalent rate” in the manner applied by the Secretary as referred to in Section 438 of the Higher Education Act. The term “3 Month Commercial Paper Rate” means the 90-day commercial paper index calculated quarterly and based on an average of the daily 90-day commercial paper rates reported in the Federal Reserve’s Statistical Release H-15.

Date of Loans	Annualized SAP Rate
On or after October 1, 1992	T-Bill Rate less Applicable Interest Rate + 3.10%
On or after July 1, 1995	T-Bill Rate less Applicable Interest Rate + 3.10% [1]
On or after July 1, 1998	T-Bill Rate less Applicable Interest Rate + 2.80% [2]
On or after January 1, 2000	3 Month Commercial Paper Rate less Applicable Interest Rate + 2.34% [3]
On or after October 1, 2007 if an eligible not-for-profit lender is the holder of the loan	3 Month Commercial Paper Rate less Applicable Interest Rate + 1.94% [4]
On or after October 1, 2007 if an eligible lender other than an eligible not-for-profit lender is the holder of the loan	3 Month Commercial Paper Rate less Applicable Interest Rate + 1.79% [5]

[1] Substitute 2.50% in this formula while such loans are in the in-school or grace period.
[2] Substitute 2.20% in this formula while such loans are in the in-school or grace period.
[3] Substitute 1.74% in this formula while such loans are in the in-school or grace period.
[4] Substitute 1.34% in this formula while such loans are in the in-school, grace or deferment period.
[5] Substitute 1.19% in this formula while such loans are in the in-school, grace or deferment period.

The formula for Special Allowance Payment rates for PLUS Loans is as follows:

Date of Loans	Annualized SAP Rate
On or after October 1, 1992	T-Bill Rate less Applicable Interest Rate + 3.10%
On or after July 1, 1995	
On or after July 1, 1998	T-Bill Rate less Applicable Interest Rate + 3.10%
On or after October 1, 1998	T-Bill Rate less Applicable Interest Rate + 3.10%
On or after January 1, 2000	3 Month Commercial Paper Rate less Applicable Interest Rate +2.64%
On or after October 1, 2007 if an eligible not-for-profit lender is the holder of the loan	3 Month Commercial Paper Rate less Applicable Interest Rate + 1.94%
On or after October 1, 2007 if an eligible lender other than an eligible not-for-profit lender is the holder of the loan	3 Month Commercial Paper Rate less Applicable Interest Rate + 1.79%

The formula for Special Allowance Payment rates for Consolidation Loans is as follows:

Date of Loans	Annualized SAP Rate
On or after October 1, 1992	T-Bill Rate less Applicable Interest Rate + 3.10%
On or after July 1, 1995	
On or after July 1, 1998	
On or after October 1, 1998	T-Bill Rate less Applicable Interest Rate + 3.10%
On or after January 1, 2000	3 Month Commercial Paper Rate less Applicable Interest Rate + 2.64%
On or after October 1, 2007 if an eligible not-for-profit lender is the holder of the loan	3 Month Commercial Paper Rate less Applicable Interest Rate + 2.24%
On or after October 1, 2007 if an eligible lender other than an eligible not-for-profit lender is the holder of the loan	3 Month Commercial Paper Rate less Applicable Interest Rate + 2.09%

Special Allowance Payments are generally payable, with respect to variable rate FFELP Loans to which a maximum borrower interest rate applies, only when the maximum borrower interest rate is in effect. The Secretary offsets Interest Subsidy Payments and Special Allowance Payments by the amount of Origination Fees and Lender Loan Fees described in the following section.

The Higher Education Act provides that a holder of a qualifying loan who is entitled to receive Special Allowance Payments has a contractual right against the United States to receive those payments during the life of the loan. Receipt of Special Allowance Payments, however, is conditioned on the eligibility of the loan for federal insurance or reinsurance benefits. Such eligibility may be lost due to violations of federal regulations or guarantor requirements.

The Higher Education Act provides that for FFELP Loans first disbursed on or after April 1, 2006, lenders must remit to the Secretary any interest paid by a borrower which is in excess of the special allowance payment rate set forth above for such loans.

Loan Fees

Insurance Premium. For loans guaranteed before July 1, 2006, a guarantor is authorized to charge a premium, or guarantee fee, of up to 1.00% of the principal amount of the loan, which may be deducted proportionately from each installment of the loan. Generally, Guarantee Agencies have waived this fee since 1999. For loans guaranteed on or after July 1, 2006, a federal default fee equal to 1.00% of principal must be paid into the guarantor's Federal Student Loan Reserve Fund.

Origination Fee. Lenders are authorized to charge borrowers of Subsidized Stafford Loans and Unsubsidized Stafford Loans an origination fee in an amount not to exceed: 3.00% of the principal amount of the loan for loans disbursed prior to July 1, 2006; 2.00% of the principal amount of the loan for loans disbursed on or after July 1, 2006 and before July 1, 2007; 1.50% for loans disbursed on or after July 1, 2007 and before July 1, 2008; 1.00% for loans disbursed on or after July 1, 2008 and before July 1, 2009; 0.50% for loans disbursed on or after July 1, 2009 and before July 1, 2010; and 0.00% for loans disbursed on or after July 1, 2010. The Secretary is authorized to charge borrowers of Direct Loans 4.00% of the principal amount of the loan for loans disbursed prior to February 8, 2006. For borrowers of Direct Loans other than Federal Direct Consolidation Loans and Federal Direct PLUS Loans, the Secretary may charge such borrowers as follows: 3.00% of the principal amount of the loan for loans disbursed on or after February 8, 2006 and before July 1, 2007; 2.50% of the principal amount of the loan for loans disbursed on or after July 1, 2007 and before July 1, 2008; 2.00% of the principal amount of the loan for loans disbursed on or after July 1, 2008 and before July 1, 2009; 1.50% of the principal amount of the loan for loans disbursed on or after July 1, 2009 and before July 1, 2010; and 1.00% of the principal amount of the loan for loans disbursed on or after July 1, 2010. These fees must be deducted proportionately from each installment payment of the loan proceeds prior to payment to the borrower. The lenders must pass their origination fees on to the Secretary.

Lender Loan Fee. The lender of any FFEL Loan is required to pay to the Secretary an additional origination fee equal to 0.50% of the principal amount of the loan for loans first disbursed on or after October 1, 1993, but prior to October 1, 2007. For all loans first disbursed after October 1, 2007, the lender must pay an additional origination fee equal to 1.00% of the principal amount of the loan.

The Secretary collects from the lender or subsequent holder the maximum origination fee authorized (regardless of whether the lender actually charges the borrower) and the lender loan fee, either through reductions in Interest Subsidy or Special Allowance Payments or directly from the lender or holder.

Rebate Fee on Consolidation Loans. The holder of any Consolidation Loan for which the first disbursement was made on or after October 1, 1993, is required to pay to the Secretary a monthly fee equal to .0875% (1.05% per annum) of the principal amount plus accrued interest on the loan. However, for Consolidation Loans for which applications were received from October 1, 1998 to January 31, 1999, inclusive, the monthly rebate fee is approximately equal to .0517% (.62% per annum) of the principal amount plus accrued interest on the loan.

Insurance and Guarantees

A Federal Family Education Loan is considered to be in default for purposes of the Higher Education Act when the borrower fails to make an installment payment when due, or to comply with other terms of the loan, and if the failure persists for 270 days in the case of a loan repayable in monthly installments or for 330 days in the case of a loan repayable in less frequent installments. If the loan is guaranteed by a guarantor in accordance with the provisions of the Higher Education Act, the guarantor is to pay the holder a percentage of such amount of the loss subject to a reduction (as described in 20 U.S.C. § 1075(b)) within 90 days of notification of such default.

Federal Insurance

The Higher Education Act provides that, subject to compliance with such Act, the full faith and credit of the United States is pledged to the payment of insurance claims and ensures that such reimbursements are not subject to reduction. In addition, the Higher Education Act provides that if a guarantor is unable to meet its insurance obligations, holders of loans may submit insurance claims directly to the Secretary until such time as the obligations are transferred to a new guarantor capable of meeting such obligations or until a successor guarantor assumes such obligations. Federal reimbursement and insurance payments for defaulted loans are paid from the Student Loan Insurance Fund established under the Higher Education Act. The Secretary is authorized, to the extent provided in advance by appropriations acts, to issue obligations to the Secretary of the Treasury to provide funds to make such federal payments.

Guarantees

If the loan is guaranteed by a guarantor in accordance with the provisions of the Higher Education Act, the eligible lender is reimbursed by the guarantor for a statutorily-set percentage (98% for loans first disbursed prior to July 1, 2006; 97% for loans first disbursed on or after July 1, 2006 but before October 1, 2012; and 95% for loans first disbursed on or after October 1, 2012) of the unpaid principal balance of the loan plus accrued unpaid interest on any loan defaulted so long as the eligible lender has properly serviced such loan. However, if the servicer which services such loan has been designated as an "Exceptional Performer" by the Secretary prior to October 1, 2007, the eligible lender would be reimbursed by the guarantor for 99% of the unpaid principal balance of the defaulted loan plus accrued unpaid interest for the remainder of the year in which the servicer received the "Exceptional Performance" designation. After October 1, 2007, no further servicers may be designated as "Exceptional Performers." Under the Higher Education Act, the Secretary enters into a guarantee agreement and a reinsurance agreement (the "Guarantee Agreements") with each guarantor which provides for federal reimbursement for amounts paid to eligible lenders by the guarantor with respect to defaulted loans.

Guarantee Agreements. Pursuant to the Guarantee Agreements, the Secretary is to reimburse a guarantor for the amounts expended in connection with a claim resulting from the death, bankruptcy or total and permanent disability of a borrower, the death of a student whose parent is the borrower of a PLUS Loan, certain claims by borrowers who are unable to complete the programs in which they are enrolled due to school closure, borrowers whose borrowing eligibility was falsely certified by the eligible

institution, or the amount of an unpaid refund due from the school to the lender in the event the school fails to make a required refund. Such claims are not included in calculating a guarantor's claims rate experience for federal reimbursement purposes. Generally, educational loans are non-dischargeable in bankruptcy unless the bankruptcy court determines that the debt will impose an undue hardship on the borrower and the borrower's dependents. Further, the Secretary is to reimburse a guarantor for any amounts paid to satisfy claims not resulting from death, bankruptcy, or disability subject to reduction as described below. See "Education Loans Generally Not Subject to Discharge in Bankruptcy" herein.

The Secretary may terminate Guarantee Agreements if the Secretary determines that termination is necessary to protect the federal financial interest or to ensure the continued availability of loans to student or parent borrowers. Upon termination of such agreements, the Secretary is authorized to provide the guarantor with additional advance funds with such restrictions on the use of such funds as is determined appropriate by the Secretary, in order to meet the immediate cash needs of the guarantor, ensure the uninterrupted payment of claims, or ensure that the guarantor will make loans as the lender-of-last-resort. On May 7, 2008, Treasury funds were further authorized to be appropriated for emergency advances to guarantors to ensure such guarantors are able to act as lenders-of-last-resort and to assist guarantors with immediate cash needs, claims, or any demands for loans under the lender-of-last-resort program.

If the Secretary has terminated or is seeking to terminate Guarantee Agreements, or has assumed a guarantor's functions, notwithstanding any other provision of law: (a) no state court may issue an order affecting the Secretary's actions with respect to that guarantor; (b) any contract entered into by the guarantor with respect to the administration of the guarantor's reserve funds or assets purchased or acquired with reserve funds shall provide that the contract is terminable by the Secretary upon 30 days notice to the contracting parties if the Secretary determines that such contract includes an impermissible transfer of the reserve funds or assets or is inconsistent with the terms or purposes of the Higher Education Act; and (c) no provision of state law shall apply to the actions of the Secretary in terminating the operations of the guarantor. Finally, notwithstanding any other provision of law, the Secretary's liability for any outstanding liabilities of a guarantor (other than outstanding student loan guarantees under the Higher Education Act), the functions of which the Secretary has assumed, shall not exceed the fair market value of the reserves of the guarantor, minus any necessary liquidation or other administrative costs.

Reimbursement. The amount of a reimbursement payment on defaulted loans made by the Secretary to a guarantor is subject to reduction based upon the annual claims rate of the guarantor calculated to equal the amount of federal reimbursement as a percentage of the original principal amount of originated or guaranteed loans in repayment on the last day of the prior fiscal year. The claims experience is not accumulated from year to year, but is determined solely on the basis of claims in any one federal fiscal year compared with the original principal amount of loans in repayment at the beginning of that year. The formula for reimbursement amounts is summarized below:

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

[1] Student loans made pursuant to the lender-of-last resort program have an amount of reinsurance equal to 100%; student loans transferred by an insolvent guarantor have an amount of reinsurance ranging from 80% to 100%.

The original principal amount of loans guaranteed by a guarantor which are in repayment for purposes of computing reimbursement payments to a guarantor means the original principal amount of all loans guaranteed by a guarantor less: (a) guarantee payments on such loans, (b) the original principal amount of such loans that have been fully repaid, and (c) the original amount of such loans for which the first principal installment payment has not become due.

In addition, the Secretary may withhold reimbursement payments if a guarantor makes a material misrepresentation or fails to comply with the terms of its agreements with the Secretary or applicable federal law. A supplemental guarantee agreement is subject to annual renegotiation and to termination for cause by the Secretary.

Under the Guarantee Agreements, if a payment on a Federal Family Education Loan guaranteed by a guarantor is received after reimbursement by the Secretary, the Secretary is entitled to receive an equitable share of the payment. Guarantor retentions remaining after payment of the Secretary's equitable share on such collections on consolidations and rehabilitations of defaulted loans are 18.50%. For other loans, guarantor retentions were 23% until September 30, 2007. On or after October 1, 2007, guarantor retentions for such other loans will drop to 16%. The Higher Education Act provides that on or after October 1, 2006 a guarantor may not charge a borrower collection costs in an amount in excess of 18.50% of the outstanding principal and interest of a defaulted loan that is paid off through consolidation by the borrower, provided that the guarantor must remit to the Secretary a portion of the collection charge equal to 8.50% of the outstanding principal and interest of the defaulted loan. In addition, on or after October 1, 2009 a guarantor must remit to the Secretary any collection fees on defaulted loans paid off through consolidation by the borrower in excess of 45% of the guarantors' total collections on defaulted loans in any one federal fiscal year.

Lender Agreements. Pursuant to most typical agreements for guarantee between a guarantor and the originator of the loan, any eligible holder of a loan insured by such a guarantor is entitled to reimbursement from such guarantor, subject to certain limitations, of any proven loss incurred by the holder of the loan resulting from default, death, permanent and total disability or bankruptcy of the student borrower at the rate of 98% for loans in default made on or after October 1, 1993 but prior to July 1, 2006, 97% for loans in default made on or after July 1, 2006 but prior to October 1, 2012, and 95% for loans disbursed on or after October 1, 2012. Certain holders of loans may receive higher reimbursements from guarantors. For example, lenders-of-last-resort may receive reimbursement at a rate of 100% from guarantors. Also, if the servicer of a loan has been designated as an "Exceptional

Performer" by the Secretary prior to October 1, 2007, the eligible holder of the loan may be reimbursed by the guarantor for 100% of the loan (for those loans made on or after October 1, 1993 and prior to July 1, 2006) and 99% of the loan (for those loans made on or after July 1, 2006 but prior to October 1, 2007) during the remainder of the year in which the servicer received the "Exceptional Performance" designation. However, after October 1, 2007, no further servicers may be designated as "Exceptional Performers" such that loan holders will lose this avenue of obtaining higher reimbursements.

Guarantors generally deem default to mean a student borrower's failure to make an installment payment when due or to comply with other terms of a note or agreement under circumstances in which the holder of the loan may reasonably conclude that the student borrower no longer intends to honor the repayment obligation and for which the failure persists for 270 days in the case of a loan payable in monthly installments or for 330 days in the case of a loan payable in less frequent installments. When a loan becomes at least 60 days past due, the holder is required to request default aversion assistance from the applicable guarantor in order to attempt to cure the delinquency. When a loan becomes 240 days past due, the holder is required to make a final demand for payment of the loan by the borrower. The holder is required to continue collection efforts until the loan is 270 days past due. At the time of payment of insurance benefits, the holder must assign to the applicable guarantor all right accruing to the holder under the note evidencing the loan. The Higher Education Act prohibits a guarantor from filing a claim for reimbursement with respect to losses prior to 270 days after the loan becomes delinquent with respect to any installment thereon.

Any holder of a loan is required to exercise due care and diligence in the servicing of the loan and to utilize practices which are at least as extensive and forceful as those utilized by financial institutions in the collection of other consumer loans. If a guarantor has probable cause to believe that the holder has made misrepresentations or failed to comply with the terms of its agreement for guarantee, the guarantor may take reasonable action including withholding payments or requiring reimbursement of funds. The guarantor may also terminate the agreement for cause upon notice and hearing.

Guarantor Reserves

Each guarantor is required to establish a Federal Student Loan Reserve Fund (the "Federal Fund") which, together with any earnings thereon, are deemed to be property of the United States. Each guarantor is required to deposit into the Federal Fund any reserve funds plus reinsurance payments received from the Secretary, a certain percentage of default collections equal to the complement of the reinsurance percentage in effect when payment under the guaranty agreement was made, insurance premiums, 70% of payments received after October 7, 1998 from the Secretary for administrative cost allowances for loans insured prior to that date, and other receipts as specified in regulations. A guarantor is authorized to transfer up to 180 days' cash expenses for normal operating expenses (other than claim payments) from the Federal Fund to the Operating Fund (described below) at any time during the first three years after establishment of the fund. The Federal Fund may be used to pay lender claims and to pay default aversion fees into the Operating Fund. A guarantor is also required to establish an operating fund (the "Operating Fund"), which, except for funds transferred from the Federal Fund to meet operating expenses during the first three years after fund establishment, is the property of the guarantor. A guarantor may deposit into the Operating Fund loan processing and issuance fees equal to 0.40% of the total principal amount of loans insured during the fiscal year for loans originated on or after October 1, 2003, 30% of payments received after October 7, 1998 for the administrative cost allowances for loans insured prior to that date, the account maintenance fee paid by the Secretary for Direct Loan Program loans which was reduced from .10% to .06% of the original principal of the outstanding loans insured, any default aversion fee that is paid, the 16% retention of collections on defaulted loans and other receipts as specified in the regulations. An Operating Fund must be used for application processing, loan disbursement, enrollment and repayment status management, default aversion, collection activities, school

and lender training, financial aid awareness and related outreach activities, compliance monitoring, and other student financial aid related activities. For Subsidized and Unsubsidized Stafford Loans guaranteed on or after July 1, 2006, guarantors must collect and deposit a federal default fee to the Federal Fund equal to 1.00% of the principal of the loan.

The Higher Education Act provides for a recall of reserves from each Federal Fund, but also provides for certain minimum reserve levels which are protected from recall. The Secretary is authorized to enter into voluntary, flexible agreements with guarantors under which various statutory and regulatory provisions can be waived; provided, however, the Secretary is not authorized to waive any deposit of default aversion fees by guarantors. In addition, under the Higher Education Act, the Secretary is prohibited from requiring the return of all of a guarantor's reserve funds unless the Secretary determines that the return of these funds is in the best interest of the operation of the FFEL Program, or to ensure the proper maintenance of such guarantor's funds or assets or the orderly termination of the guarantor's operations and the liquidation of its assets. The Higher Education Act also authorizes the Secretary to direct a guarantor to: (a) return to the Secretary all or a portion of its reserve fund which the Secretary determines is not needed to pay for the guarantor's program expenses and contingent liabilities; and (b) cease any activities involving the expenditure, use or transfer of the guarantor's reserve funds or assets which the Secretary determines is a misapplication, misuse or improper expenditure.

Secretary's Temporary Authority to
Purchase Stafford Loans and PLUS Loans

On May 7, 2008, Public Law 110-227 temporarily granted the Secretary the authority to purchase Stafford Loans and PLUS Loans from eligible lenders which were first disbursed on or after October 1, 2008, but prior to July 1, 2009. In order to purchase such loans, the Secretary must make a determination that adequate loan capital is not available to meet demand for Stafford Loans and PLUS Loans. Any purchase by the Secretary may not create any net cost for the United States government (including any servicing costs associated with the loans).

The Secretary must fulfill various other requirements in order to purchase such loans, including a notice with certain details which must be published in the Federal Registrar prior to any purchase. Eligible lenders, in turn, must use the funds provided by the Secretary to ensure their continued participation in the FFEL program and to originate new FFEL program loans to students. The Secretary's authority to purchase loans pursuant to Public Law 110-227 expires on July 1, 2009.

Lender-of-Last-Resort Program

The FFEL program allows guaranty agencies and eligible lenders (after consideration by the state guarantee agency) to act as lenders-of-last-resort. A lender-of-last-resort is authorized to receive advances from the Secretary in order to ensure that adequate loan capital exists in order to make loans to students. Students and parents of students who are otherwise unable to obtain FFEL program loans (other than Consolidation Loans) may apply to receive loans from the state's lenders-of-last-resort.

Additionally, on May 7, 2008, the Secretary was temporarily granted the authority until June 30, 2009 to designate qualified state institutions of higher education as eligible to apply for loans from lenders-of-last-resort. The Secretary will develop standards detailing the qualifications necessary to participate in the lender-of-last-resort program; however, such standards may include a requirement that the institution show that it has been unable to secure commitments from eligible lenders for a significant number of its students and a requirement that the institution demonstrate that it has met a minimum threshold, as determined by the Secretary, for the number or percentage of students at the institution who have been rejected by eligible lenders for FFEL program loans.

Education Loans Generally Not Subject to Discharge in Bankruptcy

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

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

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

APPENDIX B

DESCRIPTION OF THE GUARANTEE AGENCY

The financed student loans will be guaranteed by The Massachusetts Higher Education Assistance Corporation, doing business as American Student Assistance ("ASA"). Information relating to ASA is set forth under "THE ISSUER'S FFEL PROGRAM—The Guarantee Agency." The following discussion relates to guarantee agencies under the Federal Family Education Loan Program.

A guarantee agency guarantees loans made to students or parents of students by eligible lenders. A guarantee agency generally purchases defaulted student loans which it has guaranteed with its reserve fund. A lender may submit a default claim to the guarantee agency after the student loan has been delinquent for at least 270 days. The default claim package must include all information and documentation required under the Federal Family Education Loan Program regulations and the guarantee agency's policies and procedures.

In general, a guarantee agency's reserve fund is funded principally by federal default fees, claim reinsurance payments from the Secretary of Education, investment income on moneys in the reserve fund, and a portion of the moneys collected from borrowers on guaranteed loans that have been reimbursed by the Secretary of Education to cover the guarantee agency's administrative expenses.

The Higher Education Act gives the Secretary of Education various oversight powers over guarantee agencies. These include requiring a guarantee agency to maintain its reserve fund at a certain required level and taking various actions relating to a guarantee agency if its administrative and financial condition jeopardizes its ability to meet its obligations. The Higher Education Act provides that a guarantee agency's reserve fund shall be considered to be the property of the United States to be used in the operation of the Federal Family Education Loan Program, and under certain circumstances, the Secretary of Education may demand payment of amounts in the reserve fund.

Under the Higher Education Act, if the Department of Education has determined that a guarantee agency is unable to meet its insurance obligations, the holders of loans guaranteed by such guarantee agency must submit claims directly to the Department of Education, and the Department of Education is required to pay the full guarantee payment due with respect thereto in accordance with guarantee claims processing standards no more stringent than those applied by the guarantee agency.

There are no assurances as to the Secretary of Education's actions if a guarantee agency encounters administrative or financial difficulties or that the Secretary of Education will not demand that a guarantee agency transfer additional portions or all of its reserve fund to the Secretary of Education.

Federal Agreements

A guarantee agency's right to receive federal reimbursements for various guarantee claims paid by such guarantee agency is governed by the Higher Education Act and various contracts entered into between the guarantee agency and the Secretary of Education. Each guarantee agency and the Secretary of Education have entered into federal reimbursement contracts pursuant to the Higher Education Act, which provide for the guarantee agency to receive reimbursement of a percentage of insurance payments that the guarantee agency makes to eligible lenders with respect to loans guaranteed by the guarantee agency prior to the termination of the federal reimbursement contracts or the expiration of the authority of the Higher Education Act. The federal reimbursement contracts provide for termination under certain

circumstances and also provide for certain actions short of termination by the Secretary of Education to protect the federal interest.

In addition to guarantee benefits, qualified student loans acquired under the Federal Family Education Loan Program benefit from certain federal subsidies. Each guarantee agency and the Secretary of Education have entered into an Interest Subsidy Agreement under the Higher Education Act which entitles the holders of eligible loans guaranteed by the guarantee agency to receive interest subsidy payments from the Secretary of Education on behalf of certain students while the student is in school, during a six to twelve month grace period after the student ceases to be enrolled on at least a half-time basis, and during certain deferment periods, subject to the holders' compliance with all requirements of the Higher Education Act.

Federal Insurance and Reimbursement of Guarantee Agencies

Eligibility for Federal Reimbursement. To be eligible for federal reimbursement payments, guaranteed loans must be made by an eligible lender under the applicable guarantee agency's guarantee program, which must meet requirements prescribed by the rules and regulations promulgated under the Higher Education Act, including the borrower eligibility, loan amount, disbursement, interest rate, repayment period and federal default fee provisions described herein and the other requirements set forth in the Higher Education Act.

The delinquency period required for a student loan to be declared in default is 270 days for loans payable in monthly installments and 330 days for a loan payable less frequently than monthly. The guarantee agency must pay the lender for the defaulted loan prior to submitting a claim to the Secretary of Education for reimbursement. The guarantee agency must submit a reimbursement claim to the Secretary of Education within 30 days after it has paid the lender's default claim. As a prerequisite to entitlement to payment on the guarantee by the guarantee agency, and in turn payment of reimbursement by the Secretary of Education, the lender must have exercised reasonable care and diligence in making, servicing and collecting the guaranteed loan.

In making the student loan, the lender must ensure the student loan is being made to an eligible borrower attending an eligible institution under the Higher Education Act. The lender must obtain a valid promissory note executed by the borrower and must also disclose the terms and conditions of the student loan as well as the borrower's rights and responsibilities before making the student loan. The student loan proceeds must then be disbursed in a specified manner.

After the student loan is made, the lender must establish repayment terms with the borrower, properly administer deferments and forbearances, and credit the student loan for payments made. If a borrower becomes delinquent in repaying a student loan, the lender must perform certain collection procedures, primarily telephone calls, demand letters, skip tracing procedures and requesting assistance from the applicable guarantee agency, that vary depending upon the length of time a student loan is delinquent.

Effect of Annual Claims Rate. The Secretary of Education currently agrees to reimburse the guarantee agency for the amounts paid on default claims made by lenders as described in the table below, so long as the eligible lender has properly serviced such student loans. The Secretary of Education also agrees to repay 100% of the unpaid principal plus applicable accrued interest expended by a guarantee agency in discharging its guarantee obligation as a result of the borrower's ineligibility for the student loan, bankruptcy, death, total and permanent disability, attendance at a closed school, or student loan being falsely certified. In the case of a PLUS Loan obtained by the parent of a dependent student, the

Secretary of Education agrees to repay 100% of the unpaid principal plus applicable accrued interest as a result of the dependent student's death or attendance at a closed school, or the student loan being falsely certified. Also, the Secretary of Education agrees to reimburse the guarantee agency for an amount equal to a refund to which the borrower was entitled but did not receive from the school plus any accrued interest and other costs associated with the unpaid refund that should have been made by the school.

The reimbursement formula for default claims varies depending on when the student loan was initially disbursed, as summarized below:

Claims Rate	Federal Payment On Student Loans Disbursed Prior to 10/1/93	Federal Payment On Student Loans Disbursed On or After 10/01/93	Federal Payment On Student Loans Disbursed On or After 10/01/98
0% up to 5%	100%	98%	95%
5% up to 9%	100% of claims up to 5%; 90% of claims 5% and over	98% of claims up to 5%; 88% of claims 5% and over	95% of claims up to 5%; 85% of claims 5% and over
9% and over	100% of claims up to 5%; 90% of claims 5% and over, up to 9%; 80% of claims 9% and over	98% of claims up to 5%; 88% of claims 5% and over, up to 9%; 78% of claims 9% and over	95% of claims up to 5%; 85% of claims 5% and over up to 9%; 75% of claims 9% and over

The claims rate is not accumulated from year to year, but is determined solely on the basis of reinsurance claims paid by the Secretary of Education to the guarantee agency in any one federal fiscal year compared with the original principal amount of loans in repayment at the beginning of that year. The original principal amount of loans in repayment means the original principal amount of all student loans guaranteed by a guarantee agency less:

- the original principal amount of student loans for which the guarantee was canceled;
- the original principal amount of student loans for which the first principal installment payment has not become due;
- the original principal amount of student loans that have been fully repaid; and
- the original principal amount of student loans for which reinsurance has been lost and cannot be regained.

The reduced reinsurance for federal guarantee agencies increases the risk that resources available to guarantee agencies to meet their guarantee obligation will be significantly reduced.

The Secretary of Education may withhold reimbursement payments if a guarantee agency makes a material misrepresentation or fails to comply with the terms of its agreements with the Secretary of Education or applicable federal law.

Under the guarantee agreements, if a payment on a Federal Family Education Loan guaranteed by a guarantee agency is received after reimbursement by the Secretary of Education, the guarantee agency is entitled to receive an equitable share of the payment. Under present practice, after the Secretary of Education reimburses a guarantee agency for a default claim paid on a guaranteed loan, the guarantee agency continues to seek repayment from the borrower. The guarantee agency returns to the Secretary of

Education payments that it receives from a borrower after deducting and retaining: a percentage amount equal to the complement of the reimbursement percentage in effect at the time the default claim was paid to the lender and an amount currently equal to 23% of such payments for certain administrative costs. The Secretary of Education may, however, require the assignment of defaulted loans to the Secretary, in which event no further collection activities need be undertaken by the guarantee agency, and no amount of any recoveries shall be paid to the guarantee agency.

Rehabilitation of Defaulted Loans. Under the Higher Education Act, the Secretary of Education is authorized to enter into an agreement with a guarantee agency pursuant to which the guarantee agency sells defaulted student loans that are eligible for rehabilitation to an eligible lender. For a defaulted student loan to be rehabilitated, the borrower must request rehabilitation and the guarantee agency must receive an on-time, voluntary, full payment each month for 12 consecutive months. However, effective July 1, 2006, for a student loan to be eligible for rehabilitation, the guarantee agency must receive 9 payments made within 20 days of the due date during 10 consecutive months. Upon rehabilitation, a student loan is eligible for all the benefits under the Higher Education Act for which it would have been eligible had no default occurred.

The guarantee agency repays the Secretary of Education an amount equal to 81.5% of the outstanding principal balance of the student loan at the time of sale to the lender multiplied by the reimbursement percentage in effect at the time the student loan was reimbursed. The amount of such repayment is deducted from the amount of federal reimbursement payments for the fiscal year in which such repayment occurs, for purposes of determining the reimbursement rate for that fiscal year.

Effective July 1, 2006, the guarantee agency may charge the borrower and retain collection costs in an amount not to exceed 18.5% of the outstanding principal and interest balance at the time of sale of the rehabilitated student loan.

Loans Subject to Repurchase

The Higher Education Act requires a lender to repurchase student loans from a guarantee agency, under certain circumstances, after the guarantee agency has paid for the student loan through the claim process. A lender is required to repurchase:

- a student loan found to be legally unenforceable against the borrower;
- a student loan for which a bankruptcy claim has been paid if the borrower's bankruptcy is subsequently dismissed by the court or, as a result of the bankruptcy hearing, the student loan is considered non-dischargeable and the borrower remains responsible for repayment of the student loan;
- a student loan which is subsequently determined not to be in default; or
- a student loan for which the guarantee agency inadvertently paid the claim.

APPENDIX C

GLOBAL CLEARANCE, SETTLEMENT AND TAX DOCUMENTATION PROCEDURES

Except in certain limited circumstances, the securities offered under the Offering Memorandum will be available only in book-entry form as "Global Securities." Investors in the Global Securities may hold such Global Securities through any of DTC, Clearstream or Euroclear and may contact these institutions at: 55 Water Street, New York, NY 10041; 42 Avenue JF Kennedy, L-1855, Luxembourg City, Luxembourg; and 33 Cannon Street, London EC4M 5SB, UK, respectively. The Global Securities will be tradable as home market instruments in both the European and U.S. domestic markets. Initial settlement and all secondary trades will settle in same-day funds.

Secondary market trading between investors holding Global Securities through Clearstream and Euroclear will be conducted in the ordinary way in accordance with their normal rules and operating procedures and in accordance with conventional eurobond practice (i.e., seven calendar day settlement).

Secondary market trading between investors holding Global Securities through DTC will be conducted according to the rules and procedures applicable to U.S. corporate debt obligations.

Secondary, cross-market trading between Clearstream or Euroclear and DTC participants holding securities will be effected on a delivery-against-payment basis through the respective depositaries of Clearstream and Euroclear (in such capacity) and as DTC participants.

Non-U.S. holders (as described below) of Global Securities will be subject to U.S. withholding taxes unless such holders meet certain requirements and deliver appropriate U.S. tax documents to the securities clearing organizations or their participants.

Initial Settlement

All U.S. dollar denominated Global Securities will be held in book-entry form by DTC in the name of Cede & Co. as nominee of DTC. Investors' interests in the U.S. dollar–denominated Global Securities will be represented through financial institutions acting on their behalf as direct and indirect participants in DTC. As a result, Clearstream and Euroclear will hold their positions on behalf of their participants through their respective depositaries, which in turn will hold such positions in accounts as DTC participants.

Investors electing to hold their Global Securities through DTC will follow the settlement practices applicable to U.S. corporate debt obligations. Investor securities custody accounts will be credited with their holdings against payment in same-day funds on the settlement date.

Investors electing to hold their Global Securities through Clearstream or Euroclear accounts will follow the settlement procedures applicable to conventional eurobonds, except that there will be no temporary global security and no "lock-up" or restricted period. Global Securities will be credited to the securities custody accounts on the settlement date against payment in same-day funds.

Secondary Market Trading

Since the purchaser determines the place of delivery, it is important to establish at the time of the trade where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Trading Between DTC Participants. Secondary market trading between DTC participants will be settled using the procedures applicable to U.S. corporate debt obligations in same-day funds.

Trading Between Clearstream and/or Euroclear Participants. Secondary market trading between Clearstream participants or Euroclear participants will be settled using the procedures applicable to conventional eurobonds in same-day funds.

Trading Between DTC Seller and Clearstream or Euroclear Purchaser. When Global Securities are to be transferred from the account of a DTC participant to the account of a Clearstream participant or a Euroclear participant, the purchaser will send instructions to Clearstream or Euroclear through a Clearstream participant or Euroclear participant at least one business day prior to settlement. Clearstream or Euroclear will instruct the respective depositary to receive the Global Securities against payment. Payment will include interest accrued on the Global Securities from and including the last coupon payment date to and excluding the settlement date, on the basis of the actual number of days in such accrual period and a year assumed to consist of 360 days. For transactions settling on the thirty-first of the month, payment will include interest accrued to and excluding the first day of the following month. Payment will then be made by the respective depositary to DTC participant's account against delivery of the Global Securities.

After settlement has been completed, the Global Securities will be credited to the respective clearing system and by the clearing system, in accordance with its usual procedures, to the Clearstream or Euroclear participant's account. The securities credit will appear the next day (European time) and the cash debt will be back-valued to, and the interest on the global securities will accrue from, the value date (which would be the preceding day when settlement occurred in New York.) If settlement is not completed on the intended value date (i.e., the trade fails), the Clearstream or Euroclear cash debt will be valued instead as of the actual settlement date.

Clearstream participants and Euroclear participants will need to make available to the respective clearing systems the funds necessary to process same-day funds settlement. The most direct means of doing so is to preposition funds for settlement, either from cash on hand or existing lines of credit, as they would for any settlement occurring within Clearstream or Euroclear. Under this approach, they may take on credit exposure to Clearstream or Euroclear until the Global Securities are credited to their accounts one day later.

As an alternative, if Clearstream or Euroclear has extended a line of credit to them, Clearstream participants or Euroclear participants can elect not to preposition funds and allow that credit line to be drawn upon the finance settlement. Under this procedure, Clearstream participants or Euroclear participants purchasing Global Securities would incur overdraft charges for one day, assuming they cleared the overdraft when the Global Securities are credited to their accounts. However, interest on the Global Securities would accrue from the value date. Therefore, in many cases the investment income on the Global Securities earned during that one-day period may substantially reduce or offset the amount of such overdraft charges, although this result will depend on each Clearstream participant's or Euroclear participant's particular cost of funds.

Since the settlement is taking place during New York business hours, DTC participants can employ their usual procedures for sending Global Securities to the respective European depositary for the benefit of Clearstream participants or Euroclear participants. The sale proceeds will be available to DTC seller on the settlement date. Thus, to DTC participants a cross-market transaction will settle no differently than a trade between two DTC participants.

Trading Between Clearstream or Euroclear Seller and DTC Purchaser. Due to time zone differences in their favor, Clearstream participants and Euroclear participants may employ their customary procedures for transactions in which Global Securities are to be transferred to the respective clearing system, through the respective depositary, to a Depository Trust Company participant. The seller will send instructions to Clearstream or Euroclear through a Clearstream participant or Euroclear participant at least one business day prior to settlement. In these cases Clearstream or Euroclear will instruct the depositary, as appropriate, to deliver the Global Securities to the DTC participant's account against payment. Payment will include interest accrued on the Global Securities from and including the last coupon payment to and excluding the settlement date, on the basis of the actual number of days in such accrual period and a year assumed to consist of 360 days. For transactions settling on the thirty-first of the month, payment will include interest accrued to and excluding the first day of the following month. The payment will then be reflected in the account of the Clearstream participant or Euroclear participant the following day, and receipt of the cash proceeds in the Clearstream participant's or Euroclear participant's account would be back-valued to the value date (which would be the preceding day, when settlement occurred in New York). Should the Clearstream participant or Euroclear participant have a line of credit with its respective clearing system and elect to be in debt in anticipation of receipt of the sale proceeds in its account, the back-valuation will extinguish any overdraft incurred over that one-day period. If settlement is not completed on the intended value date (i.e., the trade fails), receipt of the cash proceeds in the Clearstream Participant's or Euroclear Participant's account would instead be valued as of the actual settlement date.

Finally, day traders that use Clearstream or Euroclear and that purchase Global Securities from DTC participants for delivery to Clearstream participants or Euroclear participants should note that these trades would automatically fail on the sale side unless affirmative action were taken. At least three techniques should be readily available to eliminate this potential problem:

(a) borrowing through Clearstream or Euroclear for one day (until the purchase side of the day trade is reflected in their Clearstream or Euroclear accounts) in accordance with the clearing system's customary procedures;

(b) borrowing the Global Securities in the U.S. from a DTC participant no later than one day prior to settlement, which would give the Global Securities sufficient time to be reflected in their Clearstream or Euroclear accounts in order to settle the sale side of the trade; or

(c) staggering the value dates for the buy and sell sides of the trade so that the value date for the purchase from the DTC Participant is at least one day prior to the value date for the sale to the Clearstream participant or Euroclear participant.

Certain U.S. Federal Income Tax Documentation Requirements

A beneficial owner of Global Securities holding securities through Clearstream or Euroclear (or through DTC if the holder has an address outside the U.S.) will be subject to the 30% U.S. withholding tax that generally applies to payments of interest (including original issue discount) on registered debt issued by U.S. Persons, unless (a) each clearing system, bank or other financial institution that holds customers' securities in the ordinary course of its trade or business in the chain of intermediaries between such beneficial owner and the U.S. entity required to withhold tax complies with applicable certification requirements; and (b) such beneficial owner takes one of the following steps to obtain an exemption or reduced tax rate.

Exemption for Non-U.S. Persons (Form W-8BEN). Beneficial owners of Global Securities that are non-U.S. Persons can obtain a complete exemption from the withholding tax by filing a signed Form W-8BEN (Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding). If the information shown on Form W-8BEN changes, a new Form W-8BEN must be filed within 30 days of such change.

Exemption for Non-U.S. Persons With Effectively Connected Income (Form W-8ECI). A non-U.S. Person including a non-U.S. corporation or bank with a U.S. branch, for which the interest income is effectively connected with its conduct of a trade or business in the United States, can obtain an exemption from the withholding tax by filing Form W-8ECI (Certificate of Foreign Person's Claim for Exemption from Withholding on Income Effectively Connected with the Conduct of a Trade or Business in the United States).

Exemption or Reduced Rate for Non-U.S. Persons Resident in Treaty Countries. (Form W-8BEN). Non-U.S. Persons that are Note Owners residing in a country that has a tax treaty with the United States can obtain an exemption or reduced tax rate (depending on the treaty terms) by filing Form W-8BEN.

Exemption for U.S. Persons (Form W-9). U.S. Persons can obtain a complete exemption from the withholding tax by filing Form W-9 (Payer's Request for Taxpayer Identification Number and Certification).

U.S. Federal Income Tax Reporting Procedure. The Global Security holder or his agent files by submitting the appropriate form to the person through whom it holds the Global Securities (the clearing agency, in the case of persons holding directly on the books of the clearing agency). Form W-8BEN and Form W-8ECI are generally effective from the date signed to the last day of the third succeeding calendar year.

The term "U.S. Person" means (a) a citizen or resident of the United States, (b) a corporation or partnership, or other entity taxable as such, organized in or under the laws of the United States or any political subdivision thereof, (c) an estate the income of which is includible in gross income for United States tax purposes, regardless of its source, or (d) a trust other than a "Foreign Trust," as defined in Section 7701(a)(31) of the Code. This summary does not deal with all aspects of U.S. Federal income tax withholding that may be relevant to foreign holders of the Global Securities. Investors are advised to consult their own tax advisors for specific tax advice concerning their holding and disposing of the Global Securities.

APPENDIX D

WEIGHTED AVERAGE LIVES, EXPECTED MATURITIES AND PERCENTAGES OF ORIGINAL PRINCIPAL REMAINING AT EACH QUARTERLY DISTRIBUTION DATE FOR THE NOTES

Prepayments on pools of student loans can be calculated based on a variety of prepayment models. The model used herein to calculate prepayments is based on prepayment rates for specific loan types. For purposes of this transaction, we refer to this model as the "PPC." The PPC applies a constant percentage rate ("CPR," see discussion below) of prepayment that remains constant throughout the life of a student loan.

100% PPC implies prepayment at a rate of 4.0% CPR for Consolidation Loans and 12.0% CPR for Stafford Loans and PLUS Loans.

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 prepays during that period. The CPR model assumes that student loans will prepay in each month according to the following formula:

Monthly Prepayments = (Balance (including accrued interest to be capitalized) after scheduled payments) x $(1-(1-\text{CPR})^{1/12})$

Accordingly, monthly prepayments, assuming a $1,000 balance after scheduled payments would be as follows for various levels of PPC:

	0% PPC	50% PPC	100% PPC	200% PPC	300% PPC
Monthly Prepayment-Consolidation Loans	$0.00	$1.68	$3.40	$6.92	$10.60
Monthly Prepayment-Stafford and PLUS Loans	$0.00	$5.14	$10.60	$22.61	$36.51

The PPC model does not purport to describe historical prepayment experience or to predict the prepayment rate of any actual student loan pool. The financed student loans will not prepay according to the PPC, nor will all of the financed student 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, it is assumed, among other things, that:

- the cut-off date for the financed student loans is as of the date of issuance;
- the date of issuance is July 2, 2008;
- all financed student loans (as grouped within the "rep lines" described below) remain in their current status until their status end date and then move to repayment, and no financed student loan moves from repayment to any other status;

- there are government payment delays of 60 days for interest subsidy and special allowance payments;
- no delinquencies or defaults occur on any of the financed student loans, no purchases from the trust estate for breaches of representations, warranties or covenants occur, and all borrower payments are collected in full;
- one-month LIBOR remains fixed at 2.38%, three-month LIBOR remains fixed at 2.65%, 90-day commercial paper remains fixed at 2.70% and 91-day Treasury bill remains fixed at 1.80% for the life of the transaction
- quarterly distributions begin on October 25, 2008, and payments are made quarterly on the twenty-fifth day of every January, April, July and October thereafter, whether or not the twenty-fifth is a business day;
- the interest rate for the notes at all times will be equal to 3.65%;
- interest accrues on the notes on an actual/360 day count basis;
- an annual administration fee equal to 0.05% of the pool balance paid quarterly to the Issuer;
- an annual trustee fee equal to 0.01% of the outstanding note balance paid quarterly by the Issuer to the Trustee;
- monthly per loan servicing fees equal to:
    - $1.05 for in-school Stafford and PLUS Loans;
    - $3.32 for grace/repayment Stafford and PLUS Loans; and
    - $3.50 for Consolidation Loans;

  in each case subject to an annual increase for inflation not to exceed 3% per annum;
- the Reserve Fund has a balance equal to $753,927 at all times;
- all payments are assumed to be made at the end of the month and amounts on deposit in the Collection Fund and Reserve Fund, including reinvestment income earned in the previous month, net of servicing fees, are reinvested in eligible investments at the assumed reinvestment rate of 2.60% per annum through the end of the collection period; reinvestment earnings are available for distribution from the prior collection period;
- an clean-up call occurs on the earlier of the quarterly distribution date immediately following the date on which (a) the pool balance falls below 10% of the initial pool balance, or (b) the January 2023 quarterly distribution date;
- the Collection Fund has an initial balance of $595,057;
- a Consolidation Loan rebate fee equal to 1.05% per annum of the outstanding principal balance of the financed student loans that are Consolidation Loans, paid monthly by the Issuer to the Department of Education; and

- the Capitalized Interest Fund has an initial balance equal to $7,880,335, and on July 25, 2011 that amount will be transferred to the Collection Fund.

Weighted Average Lives, Payment Windows and Expected Maturity Dates of the Notes at Various Percentages of the PPC [1]

0% PPC	50% PPC	100% PPC	200% PPC	300% PPC
		Weighted Average Life (Years) [2]		
7.56	6.40	5.55	4.28	3.45
		Payment Windows		
10/2008 - 01/2023	10/2008 - 01/2021	10/2008 - 01/2020	10/2008 - 10/2017	10/2008 - 01/2016
		Expected Maturity Date		
January, 2023	January, 2021	January, 2020	October, 2017	January, 2016

[1] Assuming for purposes of this table that, among other things, the optional redemption occurs on the earlier of (a) the quarterly distribution date immediately following the date on which the pool balance falls below 10% of the initial pool balance; or (b) the January 2023 quarterly distribution date.

[2] The weighted average life of the notes (assuming a 360 day year consisting of twelve 30 day months) is determined by: (a) multiplying the amount of each principal payment on the notes by the number of years from the date of issuance to the related quarterly distribution date, (b) adding the results, and (c) dividing that sum by the aggregate principal amount of the notes as of the date of issuance.

Percentages of Original Principal of the Notes Remaining at Certain Quarterly Distribution Dates at Various Percentages of the PPC [1]

Quarterly Distribution Dates	0% PPC	50% PPC	100% PPC	200% PPC	300% PPC
7/2/2008	100%	100%	100%	100%	100%
10/25/2008	99.3%	98.7%	98.1%	96.7%	95.2%
1/25/2009	98.5%	97.3%	96.1%	93.5%	90.7%
4/25/2009	97.8%	96.0%	94.2%	90.5%	86.7%
7/25/2009	97.0%	94.7%	92.4%	87.7%	83.0%
10/25/2009	96.3%	93.4%	90.6%	85.1%	79.8%
1/25/2010	95.5%	92.2%	88.9%	82.7%	76.9%
4/25/2010	93.9%	89.8%	86.0%	79.0%	72.4%
7/25/2010	92.4%	87.8%	83.5%	75.4%	68.0%
10/25/2010	91.1%	86.0%	81.1%	72.1%	64.1%
1/25/2011	89.9%	84.2%	78.8%	69.1%	60.6%
4/25/2011	88.2%	81.6%	75.5%	64.5%	55.0%
7/25/2011	83.9%	76.5%	69.7%	57.7%	47.4%
10/25/2011	82.1%	74.0%	66.6%	53.7%	42.9%
1/25/2012	80.3%	71.5%	63.6%	50.0%	38.9%
4/25/2012	78.4%	69.1%	60.7%	46.5%	34.9%
7/25/2012	76.5%	66.6%	57.8%	43.2%	31.6%
10/25/2012	74.6%	64.2%	55.1%	40.2%	28.6%
1/25/2013	72.6%	61.8%	52.5%	37.1%	26.0%
4/25/2013	70.7%	59.5%	49.9%	34.5%	23.6%
7/25/2013	68.7%	57.2%	47.4%	32.1%	21.5%
10/25/2013	66.6%	54.9%	45.1%	29.8%	19.6%
1/25/2014	64.6%	52.7%	42.8%	27.7%	17.9%
4/25/2014	62.6%	50.5%	40.6%	25.8%	16.4%
7/25/2014	60.5%	48.3%	38.3%	24.0%	15.0%
10/25/2014	58.4%	46.2%	36.2%	22.3%	13.8%
1/25/2015	56.2%	44.1%	34.2%	20.8%	12.7%
4/25/2015	54.1%	42.0%	32.3%	19.3%	11.7%
7/25/2015	51.9%	40.0%	30.5%	18.0%	10.7%
10/25/2015	49.7%	37.9%	28.8%	16.7%	9.9%
1/25/2016	47.5%	35.8%	27.1%	15.6%	0.0%
4/25/2016	45.3%	33.8%	25.4%	14.5%	0.0%
7/25/2016	43.0%	31.9%	23.9%	13.5%	0.0%
10/25/2016	40.8%	30.1%	22.4%	12.6%	0.0%
1/25/2017	38.5%	28.3%	21.0%	11.7%	0.0%
4/25/2017	36.1%	26.6%	19.6%	10.9%	0.0%
7/25/2017	33.8%	24.8%	18.3%	10.2%	0.0%
10/25/2017	31.7%	23.3%	17.1%	0.0%	0.0%
1/25/2018	29.7%	21.7%	16.0%	0.0%	0.0%
4/25/2018	27.6%	20.2%	14.9%	0.0%	0.0%
7/25/2018	25.5%	18.7%	13.8%	0.0%	0.0%
10/25/2018	24.0%	17.6%	13.0%	0.0%	0.0%
1/25/2019	22.4%	16.4%	12.1%	0.0%	0.0%
4/25/2019	20.8%	15.3%	11.3%	0.0%	0.0%
7/25/2019	19.2%	14.2%	10.6%	0.0%	0.0%
10/25/2019	17.6%	13.1%	9.8%	0.0%	0.0%
1/25/2020	16.0%	12.0%	0.0%	0.0%	0.0%
4/25/2020	15.0%	11.3%	0.0%	0.0%	0.0%
7/25/2020	13.9%	10.6%	0.0%	0.0%	0.0%
10/25/2020	12.9%	9.9%	0.0%	0.0%	0.0%
1/25/2021	11.9%	0.0%	0.0%	0.0%	0.0%

4/25/2021	11.6%	0.0%	0.0%	0.0%	0.0%
7/25/2021	11.2%	0.0%	0.0%	0.0%	0.0%
10/25/2021	10.9%	0.0%	0.0%	0.0%	0.0%
1/25/2022	10.5%	0.0%	0.0%	0.0%	0.0%
4/25/2022	10.2%	0.0%	0.0%	0.0%	0.0%
7/25/2022	10.0%	0.0%	0.0%	0.0%	0.0%
10/25/2022	9.7%	0.0%	0.0%	0.0%	0.0%
1/25/2023	0.0%	0.0%	0.0%	0.0%	0.0%

[1] Assuming for purposes of this table that, among other things, the optional redemption occurs on the earlier of (a) the quarterly distribution date immediately following the date on which the pool balance falls below 10% of the initial pool balance; or (b) the January 2023 quarterly distribution date.

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 financed student loans) and should be read in conjunction therewith. In addition, the diverse characteristics, remaining terms and loan ages of the financed student loans could produce slower or faster principal payments than implied by the information in these tables, even if the dispersions of weighted average characteristics, remaining terms and loan ages are the same as the characteristics, remaining terms and loan ages assumed.

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APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

THIS CONTINUING DISCLOSURE CERTIFICATE (the "Disclosure Certificate") is executed and delivered by THE MASSACHUSETTS EDUCATIONAL FINANCING AUTHORITY ("MEFA") in connection with the issuance of $296,000,000 aggregate principal amount of its Student Loan Asset-Backed Notes, Series 2008 (the "Notes"). The Notes are being issued pursuant to the Indenture of Trust dated as of July 1, 2008 (the "Indenture"), between MEFA and U.S. Bank National Association, as trustee.

MEFA covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate.

This Disclosure Certificate is being executed and delivered by MEFA for the benefit of the Owners of the Notes.

Section 2. Definitions.

In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"*Annual Financial Information*" means the financial information or operating data with respect to MEFA and the Trust Estate, delivered at least annually pursuant to Section 3 hereof, and in form and substance deemed convenient by MEFA which complies with the requirements of Rule 15c2-12.

"*Audited Financial Statements*" means the annual report of MEFA's Student Loan Program Financial Statements, prepared in accordance with generally accepted accounting principles as in effect from time-to-time, audited by a firm of certified public accountants.

"*Events*" means any of the events listed in Section 4(a) of this Disclosure Certificate.

"*Fiscal Year*" means the fiscal year of MEFA, ending on June 30.

"*MSRB*" means the Municipal Securities Rulemaking Board. The current address of the MSRB is Suite 600, 1900 Duke Street, Alexandria, Virginia 22314; Facsimile: (703) 797-6700.

"*National Repository*" means at MEFA's option, either (a) each Nationally Recognized Municipal Securities Information Repository (collectively, the "NRMSIRs") recognized by the Securities and Exchange Commission from time-to-time for purposes of Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time-to-time, or (b) any other filing system approved by the Securities and Exchange Commission for transmission of continuing disclosure filings under said Rule 15c2-12(b)(5) for submission to the NRMSIRs (without also separately submitting such filings to the NRMSIRs and any applicable State Information Depositaries by some other means), including without limitation the central post office known as DisclosureUSA, managed by the Municipal Advisory Council of Texas and located at the website www.disclosureusa.org.

"*Offering Memorandum*" means the Offering Memorandum dated June 25, 2008 delivered in connection with the original issuance of the Notes.

"*Owner of the Notes*" means the registered owner of the Notes, and so long as the Notes are subject to the Book-Entry System, any person who, through any contract, arrangement or otherwise, has or shares investment power with respect to the Notes, which includes the power to dispose, or direct the disposition, of the Notes.

"*Participating Underwriter*" has the meaning defined in Rule 15c2-12, and in relation to the Notes, means UBS Securities LLC, the Underwriter of the Notes, or any successor known to MEFA.

"*Repository*" means each National Repository and each State Repository.

"*Rule 15c2-12*" means Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time-to-time.

"*SEC*" means the United States Securities and Exchange Commission.

"*State Repository*" means any public or private repository or entity designated by The Commonwealth of Massachusetts as a state repository for the purpose of the Rule. As of the date of this Agreement, there is no State Repository.

Section 3. Provision of Annual Information.

(a) Annually while the Notes are outstanding, MEFA shall provide or cause to be provided to each Repository (i) Annual Financial Information (beginning with the Fiscal Year ended June 30, 2008), such as the type presented in the Offering Memorandum under the heading "CHARACTERISTICS OF THE FINANCED STUDENT LOANS," but excluding the table therein titled "Distribution of the Financed Student Loans by Geographic Location"; and (ii) Audited Financial Statements with respect to MEFA, commencing with the Audited Financial Statements for the Fiscal Year ended June 30, 2008, if available.

(b) Such Annual Financial Information with respect to MEFA shall be provided by MEFA not later than 270 days after the end of each Fiscal Year. The Audited Financial Statements will be provided when available.

(c) MEFA may provide Annual Financial Information and Audited Financial Statements with respect to MEFA by specific cross reference to other documents which have been submitted to each Repository or filed with the SEC. If the document so referenced is a final official statement within the meaning of Rule 15c2-12, such final official statement must be available from the MSRB. MEFA shall clearly identify each such other document so incorporated by cross reference.

Section 4. Reporting of Events.

(a) This Section 4 shall govern the giving of notices of the occurrence of any of the following Events with respect to the Notes:

(i) principal and interest payment delinquencies;

(ii) non payment related defaults;

(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 or events affecting the tax characterization of the Notes;

(vii) modifications to the rights of the Owners of the Notes;

(viii) notices of optional or other unscheduled redemption of the Notes;

(ix) release, substitution or sale of property securing repayment of the Notes; and

(x) rating changes.

(b) At any time the Notes are Outstanding and MEFA obtains knowledge of the occurrence of an Event, MEFA shall file, in a timely manner, a notice of such occurrence with the MSRB and each State Repository, if the occurrence of such Event is material for Owners of the Notes.

(c) At any time the Notes are Outstanding, MEFA shall provide, in a timely manner, to the MSRB and each State Repository, notice of any failure of MEFA to timely provide the Annual Financial Information as specified in Section 3 hereof.

Section 5. Term.

This Disclosure Certificate shall be in effect from and after the date hereof and shall extend to the earliest of (a) the date all principal and interest on the Notes shall have been deemed paid pursuant to the terms of the Indenture; (b) the date that MEFA shall no longer constitute an "obligated person" with respect to the Notes within the meaning of Rule 15c2-12; and (c) the date on which MEFA determines to no longer voluntarily comply with Rule 15c2-12, provided Rule 15c2-12 does not apply to the Notes at that time, the determination of clause (a), (b) or (c) of this Section to be made in any manner deemed appropriate by MEFA, including by an opinion of Counsel experienced in federal securities laws selected by MEFA. MEFA shall file a notice of any such termination with each Repository and the MSRB.

Section 6. Amendment; Waiver.

Notwithstanding any other provision of this Disclosure Certificate, MEFA may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is consistent with Rule 15c2-12, as determined by an opinion of Counsel experienced in federal securities laws selected by MEFA. Written notice of any such amendment or waiver shall be provided by MEFA to each Repository and the MSRB, and the Annual Financial Information shall explain the reasons for the amendment and the impact of any change in the type of information being provided. If any amendment changes the accounting principles to be followed in preparing financial statements, the Annual Financial Information for the year in which the change is made will present a comparison between the financial statement or information prepared on the basis of the new

accounting principles and those prepared on the basis of the former accounting principles. MEFA shall provide notice of any such amendment or waiver to each Repository.

Section 7. Additional Information.

Nothing in this Disclosure Certificate shall be deemed to prevent MEFA from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other annual information or notice of occurrence of an event which is not an Event, in addition to that which is required by this Disclosure Certificate; provided that MEFA shall not be required to do so. If MEFA chooses to include any annual information or notice of occurrence of an event in addition to that which is specifically required by this Disclosure Certificate, MEFA shall have no obligation under this Disclosure Certificate to update such information or include it in any future annual filing or notice of occurrence of an Event.

Section 8. Default and Enforcement.

If MEFA fails to comply with any provision of this Disclosure Certificate, any Owner of the Notes may take action to seek specific performance by court order to compel MEFA to comply with its obligations under this Disclosure Certificate; provided that any Owner of the Notes seeking to require MEFA to so comply shall first provide at least 30 days' prior written notice to MEFA of MEFA's failure (giving reasonable details of such failure), following which notice MEFA shall have 30 days to comply and, provided further, that only the Owner of no less than a majority in aggregate principal amount of the Notes may take action to seek specific performance in connection with a challenge to the adequacy of the information provided by MEFA in accordance with this Disclosure Certificate, after notice and opportunity to comply as provided herein, and such action shall be taken only in a court of competent jurisdiction in The Commonwealth of Massachusetts. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture or the Notes, and the sole remedy under this Disclosure Certificate in the event of any failure of MEFA to comply with this Disclosure Certificate shall be an action to compel performance.

Section 9. Beneficiaries.

The Disclosure Certificate shall inure solely to the benefit of MEFA, the Participating Underwriter and Owners from time-to-time of the Notes, and shall create no rights in any other person or entity.

Dated: July 2, 2008

MASSACHUSETTS EDUCATIONAL
FINANCING AUTHORITY

By ____________________________________
Name:
Title:

$296,000,000

MASSACHUSETTS EDUCATIONAL FINANCING AUTHORITY

STUDENT LOAN ASSET-BACKED NOTES, SERIES 2008

mefa

Massachusetts Educational Financing Authority

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