

Expected Ratings: S&P: "AA"
Fitch: "A"

See "RATINGS" herein

In the opinion of Bond Counsel, under existing law, assuming continued compliance with certain provisions of the Internal Revenue Code of 1986, as amended, interest on the Series 2009 Bonds will not be included in the gross income of holders of such Series 2009 Bonds for federal income tax purposes. Interest on the Series 2009 Bonds will not constitute a preference item for purposes of computation of the alternative minimum tax imposed on certain individuals and corporations and will not be included in adjusted current earnings when calculating corporate alternate minimum taxable income. In the opinion of Bond Counsel, under existing law, interest on the Series 2009 Bonds and any profit made on the sale thereof are exempt from Massachusetts personal income taxes, and the Series 2009 Bonds are exempt from Massachusetts personal property taxes. The Series 2009 Bonds and the income therefrom may also be subject to taxation under the laws of states other than The Commonwealth of Massachusetts. See "TAX MATTERS" herein.

NEW ISSUE—BOOK-ENTRY ONLY

\$289,005,000



**MASSACHUSETTS EDUCATIONAL
FINANCING AUTHORITY
Education Loan Revenue Bonds, Issue I, Series 2009**

Dated: Date of Delivery

Due: January 1, as shown on the inside front cover

The Massachusetts Educational Financing Authority (the "Authority") is offering \$289,005,000 of its Education Loan Revenue Bonds, Issue I, Series 2009 (the "Series 2009 Bonds") for the principal purposes of funding education loans to, or on behalf of, undergraduate and graduate students who are Massachusetts residents or who attend participating institutions in Massachusetts, to pay a portion of the higher education expenses of such students. All such loans are currently expected to be Fixed Rate MEFA Loans as described herein. Fixed Rate MEFA Loans are originated on the basis of borrower and, if applicable, co-signer credit evaluation and are not guaranteed by the Authority or any other entity.

The Series 2009 Bonds are the first issue of bonds under the Authority's Issue I General Bond Resolution to be dated as of June 30, 2009 (the "Issue I General Resolution" and "Issue I Bonds"). The Authority's obligation to provide funds to pay the principal of and interest on Issue I Bonds issued under the Issue I General Resolution is limited to the education loans that are funded with Issue I Bond proceeds, the revenues received from those education loans and the other assets pledged for this purpose under the Issue I General Resolution. Currently, only Fixed Rate MEFA Loans may be made with proceeds of Issue I Bonds. The Issue I General Resolution permits the Authority to issue additional Issue I Bonds that will be payable from these assets. See "SECURITY FOR THE ISSUE I BONDS AND SOURCES OF PAYMENT," "RISK FACTORS" and "THE MEFA LOAN PROGRAM."

Proceeds of the Series 2009 Bonds will be applied to some or all of the following purposes: (i) to finance Fixed Rate MEFA Loans; (ii) to refund bonds previously issued by the Authority; (iii) to fund some or all of the Capitalized Interest Account deposit for the Series 2009 Bonds; and (iv) to fund some or all of the initial Reserve Fund deposit for the Series 2009 Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" and "SECURITY FOR THE ISSUE I BONDS AND SOURCES OF PAYMENT — Capitalized Interest Account" and "—Reserve Fund."

The Series 2009 Bonds will bear interest from their date of delivery at the rates per annum set forth on the inside front cover, payable January 1, 2010 and semiannually thereafter on each January 1 and July 1 and will mature on January 1 in the years and in the principal amounts set forth on the inside front cover. The Series 2009 Bonds are available in denominations of \$5,000 or any integral multiple thereof. The Series 2009 Bonds are subject to redemption prior to maturity, at par, as described herein. See "THE SERIES 2009 BONDS — Redemption Provisions."

The Series 2009 Bonds will be issued only as fully registered bonds under a book-entry method, registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). Interest on and principal of the Series 2009 Bonds will be paid to DTC by U.S. Bank National Association, Boston, Massachusetts, as Trustee. So long as DTC or its nominee is the Bondholder, disbursement of such payments to DTC Participants is the responsibility of DTC and disbursement of such payments to the ultimate purchasers ("Beneficial Owners") is the responsibility of DTC Participants or other nominees of the Beneficial Owners and there will be no distribution of Series 2009 Bond certificates to the Beneficial Owners thereof. See "BOOK-ENTRY ONLY SYSTEM" herein.

The Series 2009 Bonds are special obligations of the Massachusetts Educational Financing Authority (the "Authority"), which has no taxing power. Neither The Commonwealth of Massachusetts nor any political subdivision thereof is or shall be obligated to pay the principal of or interest on the Series 2009 Bonds, and neither the full faith and credit nor the taxing power of the Commonwealth or any political subdivision thereof is pledged to such payment.

The Series 2009 Bonds are offered when, as and if issued and received by the Underwriters, subject to approval of legality by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Bond Counsel, and certain other conditions. Certain legal matters are subject to the approval of Hawkins Delafield & Wood LLP, New York, New York, Counsel to the Underwriters. It is expected that the Series 2009 Bonds will be available for delivery to DTC in New York, New York on or about June 30, 2009.

Morgan Stanley

J. P. Morgan

Merrill Lynch & Co.

June 26, 2009

\$289,005,000
MASSACHUSETTS EDUCATIONAL FINANCING AUTHORITY
EDUCATION LOAN REVENUE BONDS, ISSUE I, SERIES 2009

MATURITY SCHEDULE
\$132,430,000 Serial Bonds

<u>Maturity</u> <u>January 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u>	<u>Yield</u>	<u>CUSIP*</u>
2012	\$3,770,000	3.400%	100.000	3.400%	57563RGH6
2013	6,010,000	4.000	100.000	4.000	57563RGJ2
2014	12,215,000	4.200	100.000	4.200	57563RGK9
2015	11,835,000	4.500	100.000	4.500	57563RGL7
2015	8,545,000	5.250	103.619	4.500	57563RGS2
2016	2,515,000	4.750	100.000	4.750	57563RGM5
2016	17,835,000	5.250	102.769	4.750	57563RGT0
2017	10,165,000	5.000	100.000	5.000	57563RGN3
2018	8,745,000	5.125	100.000	5.125	57563RGP8
2018	13,290,000	5.500	102.558	5.125	57563RGU7
2019	10,510,000	5.250	100.000	5.250	57563RGQ6
2019	7,300,000	5.500	101.851	5.250	57563RGV5
2020	4,495,000	5.375	99.801	5.400	57563RGY9
2020	15,200,000	5.750	102.777	5.400	57563RGW3

\$41,870,000 5.75% Term Bonds Due January 1, 2023 to: Yield or Price 5.75% CUSIP*: 57563RGX1

\$114,705,000 6.00% Term Bonds Due January 1, 2028 to: Yield or Price 6.00% CUSIP*: 57563RGR4

* Copyright 2003, American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Series 2009 Bonds and the Authority does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2009 Bonds as a result of procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2009 Bonds.

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

No dealer, broker, salesperson or other person has been authorized by the Authority or by the Underwriters to give any information or to make any representations, other than as contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2009 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. This Official Statement is not to be construed as a contract with purchasers or Holders of the Series 2009 Bonds.

The Underwriters listed on the front cover of this Official Statement (the “Underwriters”) have provided the following statement for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applicable to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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

The Series 2009 Bonds will not be registered under the Securities Act of 1933, as amended, and will not be listed on any stock or other securities exchange, nor has the Resolution been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon certain exemptions contained in such federal laws. In making an investment decision, investors must rely upon their own examination of the Series 2009 Bonds and the security therefor, including an analysis of the risks involved. The Series 2009 Bonds have not been recommended by any federal or state securities commission or regulatory authority. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity has passed upon the accuracy, completeness or adequacy of this Official Statement or approved the Series 2009 Bonds for sale.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE SERIES 2009 BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.

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

In connection with this offering, the Underwriters may overallocate or effect transactions which stabilize or maintain the market price of the Series 2009 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The Underwriters may offer and sell the Series 2009 Bonds to certain dealers (including dealers depositing the Series 2009 Bonds into investment trusts) and certain dealer banks and banks acting as agents at prices lower than the public offering prices or yields stated on the inside front cover page hereof and said offering prices or yields may be changed from time to time by the Underwriters.

TABLE OF CONTENTS

	<u>Page</u>
SUMMARY STATEMENT	(i)
INTRODUCTORY STATEMENT	2
THE AUTHORITY	4
Members and Staff	5
THE SERIES 2009 BONDS.....	7
Redemption Provisions.....	7
BOOK-ENTRY ONLY SYSTEM.....	12
Certificated Series 2009 Bonds	15
PLAN OF FINANCING.....	15
ESTIMATED SOURCES AND USES OF FUNDS	15
SECURITY FOR THE ISSUE I BONDS AND SOURCES OF PAYMENT	15
Revenues	16
Issue I Loans.....	17
Certain Resolution Requirements.....	18
Capitalized Interest Account	18
Reserve Fund.....	18
Additional Bonds.....	19
Release of Excess Trust Estate Assets.....	20
RISK FACTORS	20
Redemption of Bonds.....	20
Certain Actions May be Permitted Without Bondholder Approval	21
Student Loan Auction Rate Securities, Interest Rate Exchange Agreements and Investment Agreements of the Authority Could Affect the Authority’s Overall MEFA Loan Financing Program.....	22
Uncertainty as to Available Remedies	23
Performance of the Issue I Loan Portfolio May Differ From Historical Fixed Rate MEFA Loan Performance	23
Certain Factors Could Potentially Affect Timing and Receipt of Revenues.....	24
Composition and Characteristics of the Issue I Loan Portfolio May Change	25
General Economic Conditions.....	25
Certain Military and National Emergency Events Could Delay Borrower Payments.....	26
Prepayment of Issue I Loans is Subject to Uncertainty.....	26

Dependence Upon Third-Party Servicers and Originators	27
Competition May Reduce Demand or Increase Prepayments on Issue I Loans	27
Consumer Protection Lending Laws Could Change	28
Changes in Relevant Laws	28
THE MEFA LOAN PROGRAM	29
General	29
Eligible Borrowers	30
Loan Terms	30
Participating Institutions	34
Historical Program Financing Special Redemption Experience	35
AUTHORITY LOAN ORIGINATION AND SERVICING	38
The Servicer	38
MEFA Loan Origination	39
MEFA Loan Servicing	41
AUTHORITY FIXED RATE MEFA LOAN PORTFOLIO	41
The Authority's Fixed Rate MEFA Loan Portfolio	42
LEGALITY OF BONDS FOR INVESTMENT	50
BONDS AS SECURITY FOR DEPOSIT	50
LITIGATION	50
CERTAIN LEGAL MATTERS	50
TAX MATTERS	50
UNDERWRITING	52
RATINGS	53
NEGOTIABLE INSTRUMENTS	53
COMMONWEALTH NOT LIABLE ON BONDS	53
CONTINUING DISCLOSURE	54
AVAILABILITY OF FINANCIAL AND OTHER AUTHORITY INFORMATION	54
FINANCIAL ADVISOR	55
MISCELLANEOUS	55
APPENDIX A — AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY	A-1
APPENDIX B — DEFINITIONS OF CERTAIN TERMS	B-1
APPENDIX C — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION	C-1
APPENDIX D — PROPOSED FORM OF OPINION OF BOND COUNSEL	D-1
APPENDIX E — PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT	E-1
APPENDIX F — INITIAL FORM OF PERIODIC ISSUE I LOAN PORTFOLIO INFORMATION TO BE MADE AVAILABLE	F-1

SUMMARY STATEMENT

This Summary Statement, being part of this Official Statement, is subject in all respects to more detailed information appearing herein. The offering of the Series 2009 Bonds to potential investors is made only by means of this entire Official Statement, including the cover page and the Appendices attached hereto. Reference must be made to this entire Official Statement to evaluate the Series 2009 Bonds. No person is authorized to detach this Summary Statement from this Official Statement or to otherwise use it without this entire Official Statement. All capitalized terms used in this Official Statement and not otherwise defined herein shall have the meanings specified in APPENDIX B hereto.

Issuer	The Massachusetts Educational Financing Authority, a body politic and corporate constituting a public instrumentality of The Commonwealth of Massachusetts (the “Commonwealth”) established pursuant to the Act (as defined below) to assist in the financing and refinancing of the costs of post-secondary education (“we” or the “Authority”). See “INTRODUCTORY STATEMENT” and “THE AUTHORITY.”
Series 2009 Bonds	<p>\$289,005,000 aggregate principal amount of Education Loan Revenue Bonds, Issue I, Series 2009 (the “Series 2009 Bonds”), consisting of one series of fixed rate bonds, dated, maturing, bearing interest and priced as set forth on the inside cover page hereof. We expect to issue the Series 2009 Bonds under a resolution dated as of June 30, 2009 (the “Issue I General Resolution”) and a Series Resolution dated as of June 30, 2009 (the “Series Resolution” and, together with the Issue I General Resolution, the “Resolution”). The Issue I Loans, as described below, to be financed with proceeds of Bonds issued under the Issue I General Resolution (“Issue I Bonds”), including the Series 2009 Bonds, along with revenues and other assets that we expressly pledge under the Resolution are the only security for payment of the Series 2009 Bonds and we are not obligated to provide payment for the Series 2009 Bonds from any other source.</p> <p>The Issue I Bonds will be the initial series of bonds under the Issue I General Resolution. The Issue I General Resolution permits the issuance of additional Issue I Bonds including Issue I Bonds that may be secured on a basis of parity with the Series 2009 Bonds. We have previously issued numerous series of bonds that were, or that are, separately secured under resolutions other than the Issue I General Resolution. In addition, we may issue additional separately secured series of bonds secured under existing or new resolutions. The Series 2009 Bonds are not payable from any of the education loans or other assets that are pledged under other resolutions to secure such separately secured series of bonds and the Issue I Loans and other assets that are pledged to secure the payment of the Issue I Bonds are not available to pay any such separately secured series. See “— Additional Bonds.”</p>

Interest Payments on Series 2009 Bonds.....

Interest on the Series 2009 Bonds will accrue from their delivery date and be payable on each January 1 and July 1, commencing January 1, 2010 or, if any such day is not a Business Day, the next Business Day. Interest on the Series 2009 Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Redemption or Acceleration.....

We may redeem all or a portion of the Series 2009 Bonds prior to their scheduled maturity without payment of a premium. The timing and percentage of Series 2009 Bonds that may be affected by any such redemption cannot be determined with certainty at this time. Principal payment of the Series 2009 Bonds may also be accelerated under the circumstances described herein. See “THE SERIES 2009 BONDS — Redemption Provisions,” “RISK FACTORS — Redemption of Bonds” and “APPENDIX C — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — Acceleration.”

Special Obligations.....

The Series 2009 Bonds are special obligations of the Authority and are payable solely from the Revenues and certain funds and accounts established and pledged under the Resolution. No revenues or other assets are available to fund payment of the Series 2009 Bonds except as expressly provided by the Resolution. The Authority has no taxing power. Neither the Commonwealth nor any political subdivision thereof is or shall be obligated to pay the principal of or interest on the Series 2009 Bonds, and neither the full faith and credit nor the taxing power of the Commonwealth or any political subdivision thereof is pledged to such payment. See “SECURITY FOR THE ISSUE I BONDS AND SOURCES OF PAYMENT.”

Sources of Payments for the Series 2009 Bonds.....

The Series 2009 Bonds are secured by and payable from the following sources (the “Trust Assets”):

- (1) All Revenues.
- (2) All Education Loan Notes evidencing Issue I Loans and any other Revenue-producing contracts and all of our rights and interests in such contracts, except for certain reserved rights of the Authority with respect to any such other Revenue-producing contracts.
- (3) All moneys and securities on deposit in all funds and accounts created by or pursuant to the Resolution as described herein (except for the Rebate Fund), including without limitation any Reserve Fund Facilities, any funds drawn on Reserve Fund Facilities and any

Investment Obligations in which such moneys are invested.

- (4) All general intangibles (including payment intangibles) comprising or relating to any of the foregoing.
- (5) The proceeds of any of the foregoing whether any of the foregoing is now existing or is hereafter acquired.

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

Reserve Fund.....

A Reserve Fund for the Issue I Bonds has been established under the Resolution. The Resolution requires that the Reserve Fund be funded upon issuance of a Series of Issue I Bonds and maintained in an amount at least equal to the most recently established Reserve Fund Requirement. Upon initial issuance of the Series 2009 Bonds, the Reserve Fund Requirement will be 2.00% of the outstanding amount of the Issue I Bonds, subject to a minimum requirement of \$3,000,000. The Reserve Fund Requirement is subject to change upon compliance with certain requirements of the Issue I General Resolution, including the requirements of Prior Rating Agency Notice and, in certain cases, satisfaction of the Rating Agency Condition as to S&P. The Reserve Fund Requirement is expected to be initially satisfied by cash and Investment Obligations. See “ESTIMATED SOURCES AND USES OF FUNDS” and “SECURITY FOR THE ISSUE I BONDS AND SOURCES OF PAYMENT—Reserve Fund.”

Use of Bond Proceeds.....

We expect to use the proceeds of the Series 2009 Bonds for some or all of the following purposes: (i) to finance Issue I Loans, as described below; (ii) to refund certain outstanding bonds that were previously issued by the Authority under resolutions that are separate and apart from the Resolution; (iii) to fund some or all of the Capitalized Interest Account deposit for the Series 2009 Bonds; and (iv) to fund some or all of the initial Reserve Fund deposit for the Series 2009 Bonds. See “SECURITY FOR THE ISSUE I BONDS AND SOURCES OF PAYMENT — Issue I Loans,” “PLAN OF FINANCING” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

Issue I Loans.....

“Issue I Loans” are MEFA Loans that are funded through application of the proceeds of, or other funds allocated to, Issue I Bonds. All Issue I Loans are pledged as security for the payment of Issue I Bonds and no other MEFA Loans are pledged for this purpose.

We currently expect that all Issue I Loans will be MEFA Loans that bear interest at a fixed rate (“Fixed Rate MEFA Loans”) and will be credit-based loans with terms and conditions that are

substantially similar to those described herein. We reserve the right, however, to apply proceeds of the Series 2009 Bonds and of any subsequently issued Issue I Bonds and Revenues to finance MEFA Loans with terms and conditions that vary from those described herein, upon compliance with certain requirements of the Issue I General Resolution, including the requirements of Prior Rating Agency Notice and, in certain cases, satisfaction of the Rating Agency Condition as to S&P.

MEFA Loan Program.....

We have established a number of proprietary, unsecured consumer loan programs for financing loans for undergraduate and graduate students, including credit-based and need-based loans that bear interest on a fixed rate or variable rate basis (collectively, the “MEFA Loan Program” and the “MEFA Loans”).

We have previously issued numerous series of bonds that were, or that are, secured under resolutions other than the Issue I General Resolution to fund education loans under the MEFA Loan Program. In addition, we may issue additional separately secured series of bonds for this purpose in the future. MEFA Loans that were originated, or that in the future may be originated, from funds that we obtain from the issuance of such separately secured series of bonds may have terms and conditions that are different from the terms and conditions of Issue I Loans. See “THE MEFA LOAN PROGRAM” and “RISK FACTORS — Redemption of Bonds” and “— Composition and Characteristics of the Issue I Portfolio May Change.”

The description of the current MEFA Loan Program included in this Official Statement does not address every type of MEFA Loan, but it does describe the types of Fixed Rate MEFA Loans that are currently expected to be originated for the 2009-2010 and 2010-2011 academic years. As noted herein, not all types of Fixed Rate MEFA Loans are expected to become Issue I Loans. Certain additional information included in this Official Statement concerning MEFA Loans, other than Issue I Loans, is included for general reference purposes only and is not intended to suggest that the performance of Issue I Loans will be similar to that of other MEFA Loans. Capitalized terms used herein to identify certain components of the MEFA Loan Program and the MEFA Loans financed thereunder, and not otherwise defined, are defined in “APPENDIX B — DEFINITIONS OF CERTAIN TERMS.”

We regularly review the terms and conditions of the MEFA Loan Program and reserve the right to alter such terms and conditions with respect to Issue I Loans, or with respect to other MEFA Loans, at any time. See “SECURITY FOR THE ISSUE I BONDS AND SOURCES OF PAYMENT,” “RISK

FACTORS — Performance of the Issue I Loan Portfolio May Differ From Historical Fixed Rate MEFA Loan Performance,” “— Composition and Characteristics of the Issue I Loan Portfolio May Change” and “— Changes in Relevant Laws” and “THE MEFA LOAN PROGRAM.”

Servicing

ACS Education Services, Inc. currently acts as Servicer for the MEFA Loan Program and as originator for all MEFA Loans. The Resolution permits additional or successor servicers and originators to be appointed. See “AUTHORITY LOAN ORIGINATION AND SERVICING,” and “APPENDIX C — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — Covenants as to the Program.”

Additional Bonds.....

The Series 2009 Bonds are the first series of Bonds to be issued under the Resolution. The Resolution provides for the issuance of additional Issue I Bonds secured under the Resolution on a parity basis with or on a basis subordinate to the Series 2009 Bonds from time to time. We have issued debt, and reserve the right to issue further debt, that is secured on a basis separate and apart from the Issue I Bonds under bond resolutions or trust documents other than the Issue I General Resolution. See “SECURITY FOR THE ISSUE I BONDS AND SOURCES OF PAYMENT — Additional Bonds” and “—Subordinated Bonds.”

Risk Factors.....

Certain factors that you should consider prior to making any investment decision concerning the Series 2009 Bonds are identified herein under the caption “RISK FACTORS.” These factors do not constitute the only factors that you should consider and do not address the only risks of ownership of the Series 2009 Bonds. The descriptions included under that caption of these factors are intended only to indicate the nature of the factors identified and not as exhaustive discussions of the potential effects of such factors. See “RISK FACTORS.”

Ratings

The Series 2009 Bonds are expected to be rated “AA” by Standard & Poor’s Credit Ratings Services, a division of The McGraw-Hill Companies, Inc. (“S&P”), and “A” by Fitch, Inc. (“Fitch”). Assignment of such ratings is a precondition to issuance of the Series 2009 Bonds. Neither we nor the Underwriters have undertaken any responsibility either to directly notify you of any proposed change in or withdrawal of such ratings or to oppose any such proposed revision, although certain rating changes are reportable under the proposed Continued Disclosure Agreement for the Series 2009 Bonds. See “RATINGS” and “CONTINUING DISCLOSURE.”

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MASSACHUSETTS EDUCATIONAL FINANCING AUTHORITY

Members of the Authority

Joseph F. Hunt, Esq., Chair
Keith C. Shaughnessy, Vice Chair
Gary Bailey
Mary Egan Boland
Matthew P. Keswick
Gary E. Martinelli
William J. Papp, Jr.
Secretary of the Executive Office
for Administration and Finance, *ex officio*
Secretary of the Executive Office
of Housing and Economic Development, *ex officio*

160 Federal Street
Boston, Massachusetts 02110
Thomas M. Graf,
Executive Director

**OFFICIAL STATEMENT
Relating to
\$289,005,000
MASSACHUSETTS EDUCATIONAL FINANCING AUTHORITY
EDUCATION LOAN REVENUE BONDS,
ISSUE I, SERIES 2009**

The purpose of this Official Statement is to set forth information in connection with the sale of \$289,005,000 aggregate principal amount of Education Loan Revenue Bonds, Issue I, Series 2009 (the "Series 2009 Bonds") by the Massachusetts Educational Financing Authority ("we" or the "Authority"), pursuant to Chapter 15C of the General Laws of The Commonwealth of Massachusetts (the "Commonwealth"), as amended (the "Act"), and a resolution dated as of June 30, 2009 (the "Issue I General Resolution"), as supplemented by a Series Resolution dated as of June 30, 2009 (the "Series Resolution," and, together with the Issue I General Resolution, the "Resolution").

The Resolution constitutes a contract among the Authority, U.S. Bank National Association, Boston, Massachusetts, as trustee (the "Trustee") and the holders from time to time of the Issue I Bonds issued thereunder. The Series 2009 Bonds will be the first issue of Issue I Bonds under the Issue I General Resolution. Additional Series of Issue I Bonds, either secured on a parity basis with the Series 2009 Bonds or secured on a subordinate basis to the Series 2009 Bonds, may be issued under the Issue I General Resolution. The Series 2009 Bonds, and any other bonds which may be issued in the future under the Issue I General Resolution are referred to herein as the "Issue I Bonds." Certain capitalized terms used in this Official Statement have the meanings set forth in APPENDIX B hereto.

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

There follows in this Official Statement certain information concerning the Authority and certain other MEFA Loan Program participants, together with descriptions of the terms of the Series 2009 Bonds, the terms and conditions that are currently expected to be applicable to Issue I Loans to be funded for the 2009-2010 and the 2010-2011 academic years, the Act, the Resolution, and certain other documents related to the security for the Series 2009 Bonds, and of certain applicable laws. All references herein to laws and documents are qualified in their entirety by reference to such laws and to such documents, as in effect on the date of issuance of the Series 2009 Bonds, and all references to the Series 2009 Bonds are qualified in their entirety by reference to the definitive form thereof and to the Resolution. This Official

Statement is intended for use in connection with the sale of the Series 2009 Bonds and may not be reproduced or used, in whole or in part, for any other purpose.

INTRODUCTORY STATEMENT

The Authority is issuing the Series 2009 Bonds for the principal purpose of funding education loans to undergraduate and graduate students who are Massachusetts residents or who attend Participating Institutions within the Commonwealth, and to others borrowing for the benefit of such students. Education loans funded with the proceeds of Issue I Bonds and the Revenues received by the Authority from such education loans are the primary expected source of debt service for the Series 2009 Bonds. The Authority currently expects that all education loans funded with the proceeds of Issue I Bonds will be credit-based Fixed Rate MEFA Loans, as described herein.

The Authority is a body politic and corporate, constituting a public instrumentality of the Commonwealth. The Authority was established pursuant to the Act to assist students, their parents and others responsible for paying the costs of education as well as institutions of higher education in the Commonwealth in the financing and refinancing of the costs of education. The Authority has established a number of proprietary, unsecured consumer loan programs for this purpose, including fixed rate and variable rate, undergraduate and graduate, and credit-based and need-based loans. These loans and programs are referred to as a whole herein as “MEFA Loans” and the “MEFA Loan Program.” The Authority administers the MEFA Loan Program, along with its U. Fund and U. Plan college savings and prepayment plans and certain public service initiatives, as a full service higher education financing organization providing solutions to families and colleges.

The MEFA Loan Program provides supplemental assistance for students receiving other forms of financial aid and primary assistance for students not eligible for other forms of financial aid. MEFA Loans are originated in cooperation with participating non-profit independent and public colleges and universities and other sponsors, if any, designated from time to time by the Authority (collectively, the “Participating Institutions”). The principal components of the existing MEFA Loan Program currently include: (i) the Fixed Rate Undergraduate MEFA Loan Program; (ii) the Variable Rate Undergraduate MEFA Loan Program; and (iii) the MEFA Loans for Graduate Education Program, which are offered as fixed rate and as variable rate education loans. The Authority does not currently expect to offer variable rate MEFA Loans during the 2009-2010 academic year, but reserves the right to again offer such loans when capital market conditions permit. See “THE MEFA LOAN PROGRAM” and “AUTHORITY LOAN ORIGINATION AND SERVICING — The Servicer.”

Fixed Rate Undergraduate MEFA Loans and MEFA Loans for Graduate Students that bear interest at a fixed rate are referred to, collectively, herein as “Fixed Rate MEFA Loans.” “Issue I Loans” are MEFA Loans funded through application of proceeds of, or other funds allocable to, Issue I Bonds, and the subset of the MEFA Loan Program so funded is referred to herein as the “Issue I Loan Program.” Initially, all Issue I Loans will be credit-based Fixed Rate MEFA Loans that require immediate repayment of interest, or of both principal and interest, as described herein. The Resolution permits the Authority to apply Issue I Bond proceeds to finance Issue I Loans with terms and conditions that vary from those described herein upon compliance with certain Resolution requirements, including the requirements of Prior Rating Agency Notice and, in certain cases, satisfaction of the Rating Agency Condition as to S&P. The Authority also reserves the right to fund such loans from other sources.

ACS Education Services, Inc. (“ACS-ES”) currently acts as Servicer for the MEFA Loan Program and as originator of all MEFA Loans. The MEFA Loan origination and servicing process is a joint effort among the Authority, Participating Institutions and the Servicer. Undergraduate MEFA Loan and MEFA Loan for Graduate Education applications are submitted directly to the Servicer by the

applicants for credit analysis. After approval of a borrower's application, confirmation by the Participating Institution and execution by the borrower and co-signer(s), if any, of a promissory note, the promissory note is delivered to the Servicer to be held in custody. The Authority finances MEFA Loans by disbursing funds to the Servicer. The Servicer transfers such funds upon receipt to the Participating Institution for credit to the student's account. See "THE MEFA LOAN PROGRAM" and "AUTHORITY LOAN ORIGINATION AND SERVICING."

The Authority regularly reviews the terms and conditions of its MEFA Loan Program and its administrative arrangements for the origination, servicing and collection of MEFA Loans and reserves the right to alter such terms and conditions, including all terms and conditions described herein as being applicable to Issue I Loans, and such administrative arrangements, at any time; subject, with respect to Issue I Loans, to compliance with certain requirements of the Issue I General Resolution, including the requirements of Prior Rating Agency Notice and, in certain cases that include the replacement or addition of a Servicer, satisfaction of the Rating Agency Condition as to S&P. See "RISK FACTORS — Dependence Upon Cash Flow Projections" and "— Composition and Characteristics of the Issue I Loan Portfolio May Change."

The Authority has determined to make certain modifications to its MEFA Loan Program that will apply to Fixed Rate MEFA Loans for the 2009-2010 and 2010-2011 academic years. These include introducing an interest-only payment option (the "Interest-Only Payment Option") that will be generally available to otherwise qualified borrowers and requiring more favorable credit evaluation as a condition to borrowers exercising an option to defer both principal and interest payments until the scheduled completion of their academic program. Borrowers exercising the Interest-Only Payment Option will be required to pay interest on their Fixed Rate MEFA Loan at a reduced initial fixed rate, but not principal, until expiration of a period (the "Interest-Only Period") that is determined by the Authority upon loan origination on the basis of the then anticipated remaining duration of the student's current academic program, and thereafter to pay interest at a higher fixed rate, along with principal. It is currently expected that no Fixed Rate MEFA Loans upon which both interest and principal payment is deferred will be included in Issue I Trust Assets. See "THE MEFA LOAN PROGRAM — Loan Terms."

This Official Statement contains certain historical information relative to the origination and payment experience of the Authority in connection with its previously originated Fixed Rate MEFA Loans and relative to the general terms of the MEFA Loan Program. Such information is included for general reference purposes only and is not intended as a representation that the origination and payment experience or composition of the Issue I Loan Portfolio will be similar to that of previously originated Fixed Rate MEFA Loans during any period or over the respective lives of such MEFA Loans. There can be no assurance that the performance of Issue I Loans will be consistent with that of previously originated Fixed Rate MEFA Loans. See "RISK FACTORS — "Redemption of Bonds," "Performance of the Issue I Loan Portfolio May Differ From Historical Fixed Rate MEFA Loan Performance," "— Composition and Characteristics of the Issue I Loan Portfolio May Change" and "—General Economic Conditions" and "THE MEFA LOAN PROGRAM — General" and "AUTHORITY FIXED RATE MEFA LOAN PORTFOLIO."

The Series 2009 Bonds are being issued for some or all of the following purposes: (i) to make moneys available to finance Issue I Loans; (ii) to refund certain outstanding bonds that were previously issued by the Authority under resolutions that are separate and apart from the Resolution; (iii) to fund some or all of the Capitalized Interest Account deposit for the Series 2009 Bonds; and (iv) to fund some or all of the initial Reserve Fund deposit for the Series 2009 deposit for the Series 2009 Bonds. All Issue I Loans are pledged as security for Bonds and no other MEFA Loans are pledged for this purpose. See "PLAN OF FINANCING" and "ESTIMATED SOURCES AND USES OF FUNDS."

The Authority currently expects, based upon its projections of demand for Fixed Rate MEFA Loans during the next two academic years, that it will be able to fully apply, or commit for application, all available proceeds of the Authority's Education Loan Revenue Bonds, Issue H, Series 2008 (the "Series 2008 Bonds") and all available proceeds of the Series 2009 Bonds prior to September 30, 2010. However, due to a variety of factors that may influence demand for Fixed Rate MEFA Loans, including, without limitation, general economic conditions, the seasonal nature of education loan demand and the current or potential availability of competing education loans or other forms of financial aid under the Federal Family Education Loan Program, the Federal Direct Student Loan Program and other federal or Commonwealth programs, as well as student and parent loans offered by other parties and, potentially, variable rate MEFA Loans, there can be no assurance that the actual demand for Fixed Rate MEFA Loans will be sufficient to fully expend the funds available to the Authority to fund such loans from sources that include, but are not limited to, the Series 2009 Bonds. The Resolution does not require or prevent the application of Series 2009 Bond proceeds prior to the application of other funds available to the Authority to make Fixed Rate MEFA Loans or require the Authority to apply all funds available to the Authority to make Fixed Rate MEFA Loans prior to making variable rate MEFA Loans.

The Resolution requires that any original proceeds of the Series 2009 Bonds not used to finance Issue I Loans by September 30, 2010 (the "Series 2009 Origination Period") be used to redeem Series 2009 Bonds by November 30, 2010 (except with respect to the subsequent application of any amounts reserved in the Series 2009 Purchase Account to fund Issue I Loans that the Authority is committed, as of the end of the Series 2009 Origination Period, to originate or acquire), unless such dates are extended in accordance with the Resolution. Any extension would require Prior Rating Agency Notice. An extension for greater than six months would also require satisfaction of the Rating Agency Condition with respect to S&P. The Authority reserves the right to apply available proceeds of other financings to fund Fixed Rate MEFA Loans or variable rate MEFA Loans, during the period in which Series 2009 Bond proceeds are to be applied to finance Issue I Loans. See "THE SERIES 2009 BONDS — Redemption Provisions — *Special Optional Redemption From Excess Revenues*" and "*— Special Mandatory Redemption From Excess Revenues*," "THE MEFA LOAN PROGRAM — General" and "*— Participating Institutions*" and "*— Historical Program Financing Special Redemption Experience*" and "RISK FACTORS — Redemption of Bonds," "*— Competition May Reduce Demand or Increase Prepayments on Issue I Loans*" and "*— Changes in Relevant Laws.*"

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

THE AUTHORITY

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

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

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

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

Members and Staff

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

The members, the Executive Director and other staff of the Authority 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.

GARY BAILEY, M.S.W.; term expires July 1, 2013.

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

MARY EGAN BOLAND, ESQ.; term expires July 1, 2011.

Ms. Boland is senior counsel in the law firm of Egan, Flanagan and Cohen, P.C. She was formerly a member and president of the Springfield City Council. Ms. Boland remains active on a number of local boards serving as a trustee/director.

MATTHEW P. KESWICK; term expires July 1, 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.

GARY E. MARTINELLI, ESQ.; term expires July 1, 2014.

Mr. Martinelli is the Chairman of Martinelli Discenza P.C. where he is the senior corporate lawyer and of Martinelli Discenza Investment Counsel, Inc. where he serves as chief portfolio manager. He has spent his career in business law and investment management as a leading advisor to western Massachusetts families and businesses on both legal and investment matters.

WILLIAM J. PAPP, JR.; term expired; serving in a holdover capacity.

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

ELIZABETH K. FONTAINE, Assistant Executive Director.

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

JAMES S. LEIGHTON, Chief Financial Officer.

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

THOMAS G. MURPHY, Director of Programs and Operations.

Mr. Murphy joined the Authority in September, 1996. Previously he was Regional Representative for the Health Professions Loan program and Assistant Supervisor in the Authority'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 Authority in May, 2000. Formerly, he held several positions in the Commonwealth of Massachusetts including serving as the Director, Commonwealth Information Warehouse for the Commonwealth of Massachusetts and Systems Programmer/Systems Supervisor for the Fiscal Affairs Division of the Commonwealth of Massachusetts. Mr. Smith received his B.A. from the College of the Holy Cross and his M.ED. from Providence College.

THE SERIES 2009 BONDS

The Series 2009 Bonds will be issued in denominations of \$5,000 and in integral multiples thereof, will be dated the date of delivery, and will bear interest from their date, payable on January 1, 2010 and on each January 1 and July 1 thereafter. The Series 2009 Bonds bear interest at the rate and mature on the dates set forth on the cover of this Official Statement.

So long as the Series 2009 Bonds are registered in the name of Cede & Co., as nominee of DTC, interest on and principal of the Series 2009 Bonds will be payable to Cede & Co., and will be redistributed by DTC and the DTC Participants as described herein under "BOOK-ENTRY ONLY SYSTEM."

Redemption Provisions

General. The Series 2009 Bonds are subject to optional redemption, mandatory redemption resulting from non-origination, special optional redemption from excess revenues and special mandatory redemption from excess revenues, as described below. Certain maturities of the Series 2009 Bonds are also subject to cumulative mandatory sinking fund redemption, as described below. All such redemptions result in the payment to the holder of a Redemption Price equal, except as described under "*Mandatory Redemption Resulting From Non-Origination*," to the principal amount of the Series 2009 Bonds being redeemed, without premium, plus accrued interest, if any, to the redemption date. There are numerous factors that may affect the likelihood that any Series 2009 Bond may be called for redemption prior to

maturity, including certain factors that may be related to financial market and economic conditions. See “RISK FACTORS — Redemption.”

Optional Redemption. The Series 2009 Bonds maturing on or after January 1, 2023 will be subject to redemption prior to maturity, in whole or in part, on any date on or after January 1, 2020, at the option of the Authority, at a Redemption Price equal to the principal amount thereof being redeemed, without premium, plus accrued interest, if any, to the redemption date. Any such redemption will be applied to each such maturity on a pro rata basis (or in such other manner as the Authority, consistent with a Projection of Revenues, may direct). No such redemption, however, shall cause the Issue I Bonds of any maturity that remain Outstanding to be in an amount other than an Authorized Denomination and the amount to be so redeemed shall be increased or decreased as directed by the Authority to avoid such a result. See “RISK FACTORS — Certain Actions May be Permitted Without Bondholder Approval.” Any such redemption of Issue I Bonds of a maturity that is subject to cumulative mandatory sinking fund redemption is to be credited against Sinking Fund Installments applicable to such maturity as described in the third paragraph under “ — *Cumulative Mandatory Sinking Fund Redemption.*”

Cumulative Mandatory Sinking Fund Redemption. The Series 2009 Bonds maturing on January 1, 2023 (the “2023 Term Bonds”) are subject to cumulative mandatory sinking fund redemption, to the extent that moneys are available therefor, pursuant to the provisions of the Resolution, in the respective amounts and on January 1 in each of the respective years set forth below (each a “Sinking Fund Installment”), at a Redemption Price equal to the principal amount thereof being redeemed, without premium, plus accrued interest, if any, to the redemption date.

Term Bonds Due January 1, 2023

Date (<u>January 1</u>)	Sinking <u>Fund Installment</u>
January 1, 2021	\$18,075,000
January 1, 2022	23,795,000
January 1, 2023 [†]	-0-

[†] Final maturity.

If, on the second to last Business Day of the second calendar month preceding the due date of any Sinking Fund Installment, prior to January 1, 2023, the amounts available to make the Sinking Fund Installment are less than the scheduled Sinking Fund Installment, the amount of the insufficiency will be due on the next Sinking Fund Installment due date, to the extent funds are available therefor, until paid in full. A failure to make a Sinking Fund Installment, prior to the scheduled maturity of the 2023 Term Bonds on January 1, 2023, that results from insufficient Revenues being available to fund such payment in accordance with the Resolution is not a default and will not give rise to an Event of Default under the Resolution. The amounts which would otherwise be available for a Sinking Fund Installment may be applied, prior to notice of cumulative mandatory sinking fund redemption, to the purchase, for cancellation, of the 2023 Term Bonds subject to such redemption at prices not exceeding par, plus accrued interest to the date of purchase, in which event the principal amount of 2023 Term Bonds scheduled to be redeemed on the immediately succeeding Sinking Fund Installment due date will be reduced by the principal amount of 2023 Term Bonds so purchased.

The Series 2009 Bonds maturing on January 1, 2028 (the “2028 Term Bonds”) are subject to cumulative mandatory sinking fund redemption, to the extent that moneys are available therefor, pursuant to the provisions of the Resolution, in the respective amounts and on January 1 in each of the respective years set forth below (each a “Sinking Fund Installment”), at a Redemption Price equal to the principal amount thereof being redeemed, without premium, plus accrued interest, if any, to the redemption date.

Term Bonds Due January 1, 2028

Date (<u>January 1</u>)	Sinking <u>Fund Installment</u>
January 1, 2023	\$25,735,000
January 1, 2024	27,965,000
January 1, 2025	29,390,000
January 1, 2026	27,335,000
January 1, 2027	4,280,000
January 1, 2028 [†]	-0-

[†] Final maturity.

If, on the second to last Business Day of the second calendar month preceding the due date of any Sinking Fund Installment, prior to January 1, 2028, the amounts available to make the Sinking Fund Installment are less than the scheduled Sinking Fund Installment, the amount of the insufficiency will be due on the next Sinking Fund Installment due date, to the extent funds are available therefor, until paid in full. A failure to make a Sinking Fund Installment, prior to the scheduled maturity of the 2028 Term Bonds on January 1, 2028, that results from insufficient Revenues being available to fund such payment in accordance with the Resolution is not a default and will not give rise to an Event of Default under the Resolution. The amounts which would otherwise be available for a Sinking Fund Installment may be applied, prior to notice of cumulative mandatory sinking fund redemption, to the purchase, for cancellation, of the 2028 Term Bonds subject to such redemption at prices not exceeding par, plus accrued interest to the date of purchase, in which event the principal amount of 2028 Term Bonds scheduled to be redeemed on the immediately succeeding Sinking Fund Installment due date will be reduced by the principal amount of 2028 Term Bonds so purchased.

Any redemption of Series 2009 Bonds maturing on January 1, other than by operation of cumulative mandatory sinking fund redemption, or delivery by the Authority to the Trustee for cancellation of Series 2009 Bonds purchased by the Authority, shall result in the reduction of the remaining Sinking Fund Installments of the Series 2009 Bonds of such maturity on a pro rata basis (or in such other manner as the Authority, consistent with a Projection of Revenues, may direct). No such reduction, however, shall cause any Sinking Fund Installment to be in an amount other than an Authorized Denomination and reductions shall be increased or decreased as directed by the Authority to avoid such a result. See “RISK FACTORS — Certain Actions May be Permitted Without Bondholder Approval.”

Mandatory Redemption Resulting From Non-Origination. The Series 2009 Bonds are subject to redemption prior to maturity, in whole or in part, on any date, from original proceeds of the Series 2009 Bonds initially available to fund Issue I Loans upon issuance of the Series 2009 Bonds and remaining in

the Series 2009 Purchase Account at the expiration of the Origination Period (except with respect to the retention for subsequent application of any amounts reserved in the Series 2009 Purchase Account to fund Issue I Loans that the Authority is committed, as of the end of the Series 2009 Origination Period, to originate or acquire). With respect to the Series 2009 Bonds maturing on January 1, 2015, January 1, 2016, January 1, 2018, January 1, 2019 and January 1, 2020 with offering prices in excess of 100%, as set forth on the inside cover of this Official Statement, the Redemption Price applicable to such redemption will be equal to the sum of: (i) the principal amount thereof to be redeemed, plus accrued interest to the date of redemption; and (ii) the unamortized portion of the amount by which the applicable offering price exceeded 100%. The methodology to calculate the unamortized portion of such amount for a maturity will use the yield of the Series 2009 Bonds stated on the inside cover page of this Official Statement to calculate a price based on the redemption date, semi-annual compounding and a 360-day year consisting of twelve 30-day months. The excess of the calculated price over 100% will be the unamortized portion. With respect to all other Series 2009 Bonds, the Redemption Price will be equal to the principal amount thereof to be redeemed, without premium, plus accrued interest to the date of redemption. As of the date of delivery of the Issue I Bonds, the Series 2009 Origination Period will end on September 30, 2010, unless extended, upon compliance with certain requirements of the Issue I General Resolution. Any such extension would require Prior Rating Agency Notice. An extension of greater than six months would also require satisfaction of the Rating Agency Condition as to S&P. Unless the Origination Period is extended, any such redemption would take place by November 30, 2010. Any such redemption will be applied to each maturity of Series 2009 Bonds on a pro rata basis (or in such other manner as the Authority, consistent with a Projection of Revenues, may direct). No such redemption, however, shall cause the Issue I Bonds of any maturity that remain Outstanding to be in an amount other than an Authorized Denomination and the amount to be so redeemed shall be increased or decreased as directed by the Authority to avoid such a result. See “RISK FACTORS — Certain Actions May be Permitted Without Bondholder Approval.” Any such redemption of Issue I Bonds of a maturity that is subject to cumulative mandatory sinking fund redemption is to be credited against Sinking Fund Installments applicable to such maturity as described in the third paragraph under “—*Cumulative Mandatory Sinking Fund Redemption.*”

Special Optional Redemption From Excess Revenues. The Series 2009 Bonds (excluding Series 2009 Bonds maturing on January 1, 2015, January 1, 2016, January 1, 2018, January 1, 2019 and January 1, 2020 with offering prices in excess of 100%, as set forth on the inside cover of this Official Statement), together with any Additional Bonds that may be issued in the future, are subject to optional redemption prior to maturity, in whole or in part, on each Interest Payment Date on which (i) the aggregate Outstanding principal amount of the Issue I Bonds equals or exceeds \$28,900,500, and (ii) either (a) such Interest Payment Date occurs during the Recycling Period or (b) the Parity Ratio exceeds 112% (each such Interest Payment Date being a “Potential Special Optional Excess Revenues Redemption Date”), at a Redemption Price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest, if any, to the redemption date, in such amounts as the Authority may direct, from any Excess Revenues derived from or allocable to any Series of Bonds and any moneys transferred from the Reserve Fund available in the Redemption Fund on the second to last Business Day of the second prior calendar month. Any such redemption will be applied to each maturity of Series 2009 Bonds on a pro rata basis (or in such other manner as the Authority, consistent with a Projection of Revenues, may direct). No such redemption, however, shall cause the Issue I Bonds of any maturity that remain Outstanding to be in an amount other than an Authorized Denomination and the amount to be so redeemed shall be increased or decreased as directed by the Authority to avoid such a result. See “RISK FACTORS — Certain Actions May be Permitted Without Bondholder Approval.” Any such redemption of Issue I Bonds of a maturity that is subject to cumulative mandatory sinking fund redemption is to be credited against Sinking Fund Installments applicable to such maturity as described in the third paragraph under “—*Cumulative Mandatory Sinking Fund Redemption.*” See “RISK FACTORS — Redemption of Bonds,” “APPENDIX B — DEFINITIONS OF CERTAIN TERMS — Excess Revenues” and “APPENDIX C —

“SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — Establishment of Funds and Accounts,” “—Monthly Transfers from Revenue Funds” and “—Semi-Annual Transfers from Revenue Funds.”

Special Mandatory Redemption From Excess Revenues. The Series 2009 Bonds (excluding Series 2009 Bonds maturing on January 1, 2015, January 1, 2016, January 1, 2018, January 1, 2019 and January 1, 2020 with offering prices in excess of 100%, as set forth on the inside cover of this Official Statement), together with any Additional Bonds that may be issued in the future, are subject to mandatory redemption prior to maturity, in whole or in part, on each Interest Payment Date that is not a Potential Special Optional Excess Revenues Redemption Date (and with respect to certain amounts transferred from the Reserve Fund as described under “SECURITY FOR THE ISSUE I BONDS AND SOURCES OF PAYMENT — Reserve Fund,” on any date), at a Redemption Price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest, if any, to the redemption date, in such amounts as the Authority may direct to be applied to the redemption of Series 2009 Bonds, from all Excess Revenues derived from or allocable to any Series of Bonds and any moneys transferred from the Reserve Fund available in the Redemption Fund, on the second to last Business Day of the second prior calendar month. Any such redemption will be applied to each maturity of Series 2009 Bonds on a pro rata basis (or in such other manner as the Authority, consistent with a Projection of Revenues, may direct). No such redemption, however, shall cause the Issue I Bonds of any maturity that remain Outstanding to be in an amount other than an Authorized Denomination and the amount to be so redeemed shall be increased or decreased as directed by the Authority to avoid such a result. See “RISK FACTORS — Certain Actions May be Permitted Without Bondholder Approval.” Any such redemption of Issue I Bonds of a maturity that is subject to cumulative mandatory sinking fund redemption is to be credited against Sinking Fund Installments applicable to such maturity as described in the third paragraph under “—Cumulative Mandatory Sinking Fund Redemption.” See “RISK FACTORS — Redemption of Bonds,” “APPENDIX B — DEFINITIONS OF CERTAIN TERMS — Excess Revenues” and “APPENDIX C — “SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — Establishment of Funds and Accounts,” “—Monthly Transfers from Revenue Funds” and “—Semi-Annual Transfers from Revenue Funds.”

Selection of Series 2009 Bonds, to be Redeemed. If less than all of the Series 2009 Bonds of a particular maturity shall be redeemed, the particular Series 2009 Bonds of such maturity to be redeemed shall be selected at random by the Trustee in such manner as the Trustee in its discretion may deem fair and appropriate; provided, that, so long as DTC or its nominee is the Bondholder, if less than all of the Series 2009 Bonds of such maturity are redeemed, the particular Bonds or portions of such Bonds to be redeemed shall be selected by DTC in such other customary manner as DTC may determine. For the purpose of such selection, any Series 2009 Bond of a denomination greater than the minimum denomination permitted shall be deemed to consist of several Bonds each in the minimum denomination and shall be redeemable in part in multiples of such minimum denomination or in whole in accordance with the results of such selection process.

Notice of Redemption of Series 2009 Bonds. At least 10 days prior to the date fixed for the redemption of any Series 2009 Bonds, notice of redemption shall be mailed by first-class mail to the Registered Owner (which initially will be DTC or its nominee) of such Series 2009 Bonds or portions thereof to be redeemed at its last address as it appears on the books of registry, stating the Series 2009 Bonds to be redeemed, the redemption date, the place or places where the amounts due upon such redemption will be paid and the redemption price of such Series 2009 Bonds to be redeemed and, if less than all of the Series 2009 Bonds are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds to be redeemed, and in the case of Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice

shall further state that on the redemption date each affected Series 2009 Bond, or portion thereof to be redeemed shall be due and payable at the applicable redemption price, plus accrued interest to the redemption date and that interest on such Series 2009 Bonds to be redeemed shall cease to accrue from and after the redemption date.

Notice having been given as provided above, the Series 2009 Bonds or portions thereof designated in the notice shall become due and payable at the applicable redemption price, plus interest accrued thereon to the redemption date, and, upon surrender in accordance with the notice, shall be paid, together with interest accrued thereon to the date fixed for redemption; provided, however, that failure so to provide such notice to any one or more owners of any Bonds designated for redemption will not affect the sufficiency of the proceedings for redemption of Bonds with respect to owners to whom such notice was made.

BOOK-ENTRY ONLY SYSTEM

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

The Authority and the Underwriters cannot and do not give any assurances that DTC, Participants or others will properly distribute: (i) payments of debt service on the Series 2009 Bonds paid to DTC, or its nominee owner, as the registered owners; or (ii) any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis or that DTC will serve and act in the manner described in this Official Statement.

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Series 2009 Bonds. The Series 2009 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2009 Bond certificate will be issued for the Series 2009 Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

For all purposes under the Resolution, DTC will be and will be considered by the Authority and the Trustee to be the owner or holder of the Series 2009 Bonds.

Owners of book-entry interests in the Series 2009 Bonds (book-entry interest owners) will not receive or have the right under the Resolution to receive physical delivery of the Series 2009 Bonds.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers,

banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of the Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: “AAA”. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Series 2009 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2009 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2009 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2009 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2009 Bonds, except in the event that use of the book-entry system for the Series 2009 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2009 Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2009 Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2009 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2009 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Series 2009 Bonds within a maturity are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to Series 2009 Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Series 2009 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments and redemption proceeds on the Series 2009 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts, upon DTC’s receipt of funds and corresponding

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

DTC may discontinue providing its services as securities depository with respect to the Series 2009 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2009 Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository) with respect to the Series 2009 Bonds. In that event, Series 2009 Bond certificates will be printed and delivered. See "— Certificated Series 2009 Bonds."

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

NEITHER THE AUTHORITY NOR THE TRUSTEE HAS ANY RESPONSIBILITY OR OBLIGATION TO ANY PARTICIPANT OR THE PERSONS TO WHOM THEY ACT AS NOMINEES WITH RESPECT TO: THE ACCURACY OF THE RECORDS MAINTAINED BY DTC, CEDE & CO. OR ANY PARTICIPANT; PAYMENTS TO, OR THE PROVIDING OF NOTICE FOR, ANY PARTICIPANT OR ANY INDIRECT PARTICIPANT OR BENEFICIAL OWNER; THE SELECTION BY DTC OR ANY PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2009 BONDS; OR ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED OWNER OF SERIES 2009 BONDS.

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

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

The preceding information in this subsection "Book-Entry Only System" was provided by DTC for inclusion herein, and has not been independently verified by the Authority. No representation is made by the Authority as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

Certificated Series 2009 Bonds

In addition, the Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository) with respect to the Series 2009 Bonds. If for any reason the Book-Entry Only System is discontinued, the Series 2009 Bond certificates will be delivered as described in the Resolution and the Beneficial Owner, upon registration of certificates held in the Beneficial Owner’s name, will become the Bondholder. Thereafter Series 2009 Bonds may be exchanged for an equal aggregate principal amount of Series 2009 Bonds in other authorized denominations, upon surrender thereof at the principal corporate trust office of the Trustee. The transfer of any Series 2009 Bond may be registered on the books maintained by the Trustee for such purpose only upon the surrender thereof to the Trustee with a duly executed assignment in form satisfactory to the Trustee. For every exchange or registration of transfer of Series 2009 Bonds, the Authority and the Trustee may make a charge sufficient to reimburse them for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer, but no other charge may be made to the owner for any exchange or registration of transfer of the Series 2009 Bonds.

PLAN OF FINANCING

Upon issuance and delivery of the Series 2009 Bonds, the proceeds of the sale thereof, along with certain additional funds to be deposited by the Authority with the Trustee from other sources, are expected to be applied or deposited by the Trustee as follows: (i) \$280,620,000 for deposit directly to the Series 2009 Purchase Account; (ii) \$20,700,000 to redeem, or purchase and retire, a portion of the Authority’s Education Loan Revenue Bonds (the “Refunded Obligations”), resulting in the transfer to the Trustee from the trustee for the Refunded Obligations of an equivalent amount for deposit to the Series 2009 Purchase Account; (iii) \$5,780,100 for deposit to the Series 2009 Reserve Account; and (iv) \$17,500,000 for deposit to the Series 2009 Capitalized Interest Account.

ESTIMATED SOURCES AND USES OF FUNDS

Sources of Funds:

Principal Amount of Series 2009 Bonds.....	\$289,005,000.00
Net Premium on Series 2009 Bonds	1,691,334.85
Other Available Funds ¹	33,903,765.15
Total	<u>\$324,600,100.00</u>

Uses of Funds:

Deposit to Series 2009 Purchase Account	\$280,620,000.00
Refunding of Refunded Obligations	20,700,000.00
Deposit to the Series 2009 Reserve Account.....	5,780,100.00
Deposit to Series 2009 Capitalized Interest Account.....	17,500,000.00
Total	<u>\$324,600,100.00</u>

¹ Reflects the net effect under the bond resolution governing the Refunded Obligations after the application of Series 2009 Bond proceeds to the redemption or purchase of the Refunded Obligations and related transfers and the deposit of an equity contribution of approximately \$13,203,765.15.

SECURITY FOR THE ISSUE I BONDS AND SOURCES OF PAYMENT

The Series 2009 Bonds are special obligations of the Authority payable from and secured solely by a pledge and grant of a security interest in: (i) all Revenues; (ii) all Issue I Loans and promissory notes or other documentation evidencing the Authority’s interest in Issue I Loans, and any other

Revenue-producing contracts and all rights and interests of the Authority incident thereto, excluding certain indemnifications payable to the Authority; (iii) all moneys and securities on deposit in the funds and accounts established pursuant to the Resolution, except the Rebate Fund; (iv) all general intangibles (including payment intangibles) comprising or relating to any of the foregoing; and (v) proceeds of any of the foregoing (collectively, the “Trust Assets”), subject to the application of such amounts for the purposes permitted under the Resolution.

Revenues

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

The Resolution provides that the Revenues shall be deposited in the various funds and accounts established for the particular Series of Issue I Bonds to which such Revenues are allocable to facilitate tracing for tax purposes but such Revenues may, if necessary, be used for the purposes set forth in the Resolution without regard to the particular Series of Issue I Bonds they are allocable to. Revenues allocable to a Series of Issue I Bonds are used to pay Program Expenses, to pay interest on and Principal Installments of the Issue I Bonds, and to make up any deficiency in any fund or account established under the Resolution, including the Reserve Fund and the Rebate Fund. Any Revenues allocable to a Series of Issue I Bonds that are available after such payments and transfers may be applied to finance additional Issue I Loans (but only until the end of the Recycling Period for the applicable Series of Issue I Bonds established upon issuance or such other date as may be established by the Authority upon compliance with certain requirements of the Issue I General Resolution, including Prior Rating Agency Notice) or, otherwise, transferred to the Redemption Fund account for the applicable Series to be used either to purchase or to redeem Bonds. Upon initial delivery of the Series 2009 Bonds, the end of the Recycling Period under the Issue I General Resolution will be January 31, 2011. In lieu of a transfer to the Redemption Fund, the Authority may direct the Trustee, subject to certain Resolution requirements including that the Parity Ratio would be 112% or higher upon completion of such transfer, to transfer all or part of such balance to the Authority free and clear of the lien of the Resolution. See “—Release of Excess Trust Estate Assets.”

If Revenues are not sufficient to pay scheduled principal maturities of and interest on the Issue I Bonds of a Series or to pay Program Expenses as required for any semi-annual period, moneys in the Redemption Account (other than amounts then committed to the redemption of specific Issue I Bonds as to which notice has been given), the Capitalized Interest Account (but only with respect to interest and Program Expenses), the Purchase Account (other than amounts then contractually committed to the origination or acquisition of specific Issue I Loans and without requiring the liquidation of Issue I Loans) and the Reserve Fund will be applied, in that order of priority, to make up the deficiency. See “APPENDIX C — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — Monthly Transfers from Revenue Funds” and “—Semi-Annual Transfers from Revenue Fund.”

The Authority expects that Revenues and other available moneys held in the funds and accounts under the Resolution will be sufficient to pay when due the Principal Installments of and interest on all Bonds, including the Series 2009 Bonds, and Program Expenses. This expectation is based, among other things, on the assumptions that: (i) the Issue I Loans will be credit-based Fixed Rate MEFA Loans and will include origination fees and bear interest at rates which the Authority currently believes to be reasonable; (ii) Issue I Loans to which an initial Interest-Only Payment Option applies will be amortized

over a maximum of 15 years commencing on the date 45 days after final disbursement; (iii) initial Interest-Only Payment Option periods will conform to current Authority volume and academic class distribution expectations; (iv) all original proceeds of the Series 2009 Bonds to be deposited to the Purchase Account and all other amounts becoming available under the Issue I General Resolution to fund Issue I Loans upon issuance of the Series 2009 Bonds will be applied, or committed for application, to finance Issue I Loans by September 30, 2010; and (v) all available Revenues are recycled and used to finance additional Issue I Loans until January 31, 2011. The Authority has also assumed that moneys in the various funds and accounts established under the Resolution will be invested prior to application, in accordance with Issue I General Resolution requirements, at rates that the Authority currently believes to be reasonable based upon current market conditions. The Authority has made additional assumptions with respect to the amounts and timing of prepayments, the level of borrower delinquency and default and the amount of Program Expenses to be due in each year. The Resolution limits the amounts of Program Expenses that may be paid annually. The assumptions relating to Issue I Loans described in this paragraph relate solely to Issue I Loans financed by the Authority with moneys allocable to the Series 2009 Bonds. There can be no assurance that the actual experience of the Issue I Loans and of other Trust Assets will in fact conform to these assumptions. However, the Authority believes that these assumptions are reasonable. The Authority has prepared projections of revenues testing a range of assumptions in order to determine the effect of variation of these assumptions on the sufficiency of Revenues to be generated under the Loan Program to pay Principal Installments of and interest on the Issue I Bonds and Program Expenses as part of the process of obtaining the credit ratings on the Series 2009 Bonds. See “RISK FACTORS — Redemption of Bonds,” “— Performance of the Issue I Loan Portfolio May Differ From Historical Fixed Rate MEFA Loan Experience,” “— Certain Factors Could Potentially Affect Timing and Receipt of Revenues” and “— Composition and Characteristics of the Issue I Loan Portfolio May Change,” “—General Economic Conditions” and “THE MEFA LOAN PROGRAM — General,” “— Loan Terms” and “AUTHORITY FIXED RATE MEFA LOAN PORTFOLIO.”

Issue I Loans

The Issue I Bonds are secured by a pledge of and lien upon all Issue I Loans, as evidenced by Issue I Loan Notes or by other appropriate documentation, which are financed with proceeds of the Issue I Bonds or other moneys available therefor under the Resolution. The Authority has covenanted in the Issue I General Resolution that it will use and apply funds made available in connection with the issuance of the Issue I Bonds, to the extent not reasonably required for other Program purposes of the Authority, to finance Issue I Loans, in a manner consistent with the Act and with the provisions of the Resolution. In addition, in order to receive and collect Revenues, the Authority has covenanted to do all such acts and things necessary and to take all steps, actions and proceedings necessary in the judgment of the Authority to enforce all terms, covenants and conditions of Issue I Loans in a manner consistent with the Act and with the provisions of the Resolution. The Issue I General Resolution requires that all Issue I Loans financed by the Authority have terms of repayment which, together with other moneys available therefor, shall be at least sufficient to pay Principal Installments of and interest on the Issue I Bonds when due and all reasonably anticipated Program Expenses. For a further description of the Issue I Loans to be made under the Loan Program see “THE MEFA LOAN PROGRAM.”

The Authority anticipates, in part based on its experience with the MEFA Loan Program, that a portion of the Issue I Loans allocable to the Series 2009 Bonds will be partially or completely prepaid prior to their respective final maturity dates as a result of borrower prepayment. However, the Authority cannot predict the actual average life of the portfolio of Issue I Loans allocable to the Series 2009 Bonds. A portion of the Series 2009 Bonds are likely to be redeemed prior to maturity pursuant to the special optional redemption or special mandatory redemption provisions of the Resolution. See “THE SERIES 2009 BONDS — Redemption Provisions — *Optional Redemption*,” “— *Special Optional Redemption From Excess Revenues*” and “— *Special Mandatory Redemption From Excess Reserves*,” “THE MEFA

LOAN PROGRAM — Historical Program Financing Special Redemption Experience,” “AUTHORITY FIXED RATE MEFA LOAN PORTFOLIO” and “RISK FACTORS — Redemption of Bonds,” “— General Economic Conditions” and “—Prepayment of Issue I Loans is Subject to Uncertainty.”

Certain Resolution Requirements

The Resolution requires that the Authority satisfy certain conditions prior to undertaking certain actions. These requirements include: (i) the requirement of Prior Rating Agency Notice and satisfaction of the Rating Agency Condition as to each Nationally Recognized Rating Agency prior to the issuance of Additional Bonds; (ii) the requirement of Prior Rating Agency Notice and satisfaction of the Rating Agency Condition as to S&P prior to any extension of greater than six months of the period during which sale proceeds of Issue I Bonds or during which otherwise available Revenues may be applied to finance Issue I Loans, any change in the level at which assets may be released from the Issue I General Resolution, certain derivative transactions, certain changes to the Reserve Fund Requirement, any sale or transfer of Issue I Loans from the Issue I General Resolution for a price that is less than par plus accrued interest or if the aggregate outstanding principal amount to be sold or transferred, along with all previous sales or transfers, exceeds ten percent of the aggregate original principal amount or, if applicable, accreted value of all Issue I Loans originated prior to that date, certain changes to the terms and conditions of Issue I Loans and changes in the Servicer; and (iii) satisfying the requirement for Prior Rating Agency Notice prior to any substitution or replacement of the Trustee, certain amendments to the Resolution and any other extension of the period during which sale proceeds of Issue I Bonds or during which otherwise available Revenues may be applied to finance Issue I Loans. See “RISK FACTORS — Redemption of Bonds” and “— Certain Actions May be Permitted Without Bondholder Approval” and “APPENDIX C — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION.”

Capitalized Interest Account

The Resolution establishes a Series 2009 Capitalized Interest Account, which is to be funded in the amount of \$17,500,000. Moneys on deposit in the Capitalized Interest Account shall be used to pay interest on the Series 2009 Bonds if amounts in the Debt Service Fund and the Revenue Fund are insufficient therefor and, upon direction of the Authority, Program Expenses, if amounts in the Program Expense Fund and the Revenue Fund are insufficient therefor. See “—Revenues.” Amounts in the Capitalized Interest Account in excess of the then applicable Capitalized Interest Account Requirement on each Interest Payment Date shall be transferred to the Revenue Fund. See “ESTIMATED SOURCES AND USES OF FUNDS,” “APPENDIX B — DEFINITIONS OF CERTAIN TERMS — Capitalized Interest Account Requirement” and “APPENDIX C — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — Program Fund” and “ — Capitalized Interest Account.”

Reserve Fund

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

therefor. Under the Issue I General Resolution, the Reserve Fund Requirement means, as of any date of calculation on and after the date of initial delivery of the Series 2009 Bonds, the amount specified in the most recently adopted Series Resolution authorizing Outstanding Issue I Bonds or Supplemental Resolution.

The Series Resolution establishes a Series 2009 Reserve Account and provides that the Reserve Fund Requirement under the Issue I General Resolution will be equal at all times to 2.00% of the Issue I Bonds secured thereby, subject to a minimum balance requirement of \$3,000,000. The Reserve Fund Requirement is subject to change upon compliance with certain requirements of the Issue I General Resolution, including the requirements of Prior Rating Agency Notice and, in certain cases, satisfaction of the Rating Agency Condition as to S&P. Upon issuance of the Series 2009 Bonds, it is expected that the Reserve Fund Requirement will be initially satisfied by cash and Investment Obligations.

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

Additional Bonds

The Issue I General Resolution permits the issuance of Additional Bonds thereunder (including Parity Bonds and Subordinate Bonds) for the purpose of providing funds for the Program and, in addition, to refund Outstanding Bonds issued under the Issue I General Resolution or other bonds or notes of the Authority issued to finance Fixed Rate MEFA Loans qualifying under the Resolution. Any Additional Bonds issued under the Issue I General Resolution (other than Subordinate Bonds) will be on a parity basis with the Outstanding Bonds and will be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Issue I General Resolution. The Issue I General Resolution provides that upon the issuance of any such Additional Bonds there is to be deposited in the Reserve Fund, if necessary, an amount sufficient to increase the amount therein to be equal to the Reserve Fund Requirement, calculated after such issuance. In addition, the Authority is required to obtain satisfaction of the Rating Agency Condition with respect to each applicable Nationally Recognized Rating Agency and to satisfy other additional conditions contained in the Issue I General Resolution prior to the delivery of any Additional Bonds. The Resolution provides that the Authority shall not create or permit the creation of any obligations or additional indebtedness secured by a lien on the revenues and assets pledged as security for the Series 2009 Bonds under the Resolution except for Additional Bonds.

Release of Excess Trust Estate Assets

Upon issuance of the Series 2009 Bonds, the initial Parity Ratio will be 105.15%. The Resolution provides that the Trustee shall transfer to the Authority from time to time, at the direction of the Authority, free and clear of the lien of the Resolution, amounts held in the Revenue Fund on each Interest Payment Date, after all payments and transfers required by the Resolution to be made prior thereto on such date have been made; provided, that the Parity Ratio after completion of such transfer is at least 112%. The Resolution permits the Authority to change this minimum Parity Ratio upon satisfaction of the requirement of Prior Rating Agency Notice and satisfaction of the Rating Agency Condition as to S&P. See “APPENDIX C — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — Semi-Annual Transfers from Revenue Fund.”

RISK FACTORS

Attention should be given to the risk factors identified below, which, among others, could adversely affect the sufficiency of Revenues and other Trust Assets held under the Resolution to fund the timely payment of Principal Installments of and interest on Bonds, including the Series 2009 Bonds, and Program Expenses or could adversely affect the market value of, or the existence of a secondary market for, the Series 2009 Bonds. See “SECURITY FOR THE ISSUE I BONDS AND SOURCES OF PAYMENT.” **This section of this Official Statement does not include all risk factors and does not constitute a comprehensive description of the risk factors addressed, but is an attempt to describe in summary fashion certain such risk factors. Investors should read this Official Statement in its entirety, including the Appendices hereto.**

Redemption of Bonds

Fixed Rate MEFA Loans to be funded by the Authority with the proceeds of the Series 2009 Bonds are expected to bear effective interest rates and to offer other terms and conditions that are competitive with fixed rate education loans that are currently made available by other lenders. However, interest rates applicable to fixed rate loans made to fund the costs of post-secondary education, or interest rates applicable to other loans available to borrowers, may decline significantly during the loan origination period or other material changes may occur in competing education loan programs. In addition, Fixed Rate MEFA Loans compete with variable rate loans, which might potentially include variable rate MEFA Loans, as well as grants and other forms of student assistance. As of May 31, 2009, approximately \$339,000,000 of original proceeds of the Authority’s Education Loan Revenue Bonds, Issue H Series 2008 (the “Series 2008 Bonds”) also remain available to fund Fixed Rate MEFA Loans. The origination period applicable to the Series 2008 Bonds currently permits the application of such funds during the 2009-2010 academic year and the Authority currently expects to fully apply such funds during such period to the purchase of Fixed Rate MEFA Loans, including all Fixed Rate MEFA Loans for the 2009-2010 academic year upon which both interest and principal payment is deferred, as well as all Fixed Rate MEFA Loans that are immediately repayable as to both interest and principal to be originated while original proceeds of the Series 2008 Bonds remain available. There is no assurance that the Authority will be able to apply the full amount of Series 2009 Bond proceeds and allocable Revenues which are currently expected to be made available therefor to the purchase of Fixed Rate MEFA Loans. The demand for education loans is affected by a number of factors, including general economic conditions, student perceptions of the value of post-secondary education and their ability to participate in post-secondary education programs on at least a half-time basis, factors affecting the costs of post-secondary education and the availability of other forms of financial assistance, the ability of borrowers and cosigners to satisfy credit criteria and the schedule upon which students and their families must pay post-secondary

education costs, which is generally based upon an academic year commencing in September, or upon semesters commencing in September and January. See “—General Economic Conditions.”

The Series 2009 Origination Period as of the date of issuance of the Series 2009 Bonds will expire on September 30, 2010, subject to continued funding of Issue I Loans to borrowers to whom commitments have been made prior to the end of the Series 2009 Origination Period, unless extended upon compliance with certain requirements of the Issue I General Resolution. Any such extension would require Prior Rating Agency Notice. An extension greater than six months also requires satisfaction of the Rating Agency Condition as to S&P. There can be no assurance that an extension of the Series 2009 Origination Period would, in fact, occur if the Authority were to be unable to fully apply all amounts available in the Series 2009 Purchase Account to the purchase of Issue I Loans prior to its expiration. In this event, unexpended and uncommitted moneys in the Series 2009 Purchase Account would be transferred to the Redemption Fund and used to redeem, or purchase and retire, Series 2009 Bonds. The Authority reserves the right to apply moneys in the Series 2009 Purchase Account and other moneys available to it to originate MEFA Loans in the manner it deems most advantageous to MEFA Loan borrowers and the Authority. The Series 2009 Bonds are also subject to redemption prior to maturity as a result of Excess Revenues. Excess Revenues may result from Issue I Loan portfolio payment performance that exceeds assumptions utilized by the Authority for purposes of structuring the Series 2009 Bonds. In addition, Issue I Loans are subject to prepayment, without penalty. Numerous sources of such prepayment, including loans from lenders other than the Authority, are available to Issue I Loan Borrowers. See “THE SERIES 2009 BONDS — Redemption Provisions — *Optional Redemption*,” “—*Special Optional Redemption From Excess Revenues*” and “—*Special Mandatory Redemption From Excess Revenues*,” “PLAN OF FINANCING,” “SECURITY FOR THE ISSUE I BONDS AND SOURCES OF PAYMENT” and “—General Economic Conditions”, “—Prepayment of Issue I Loans is Subject to Uncertainty” and “—Competition May Reduce Demand or Increase Prepayment on Issue I Loans” and “THE MEFA LOAN PROGRAM — Historical Program Financing Special Redemption Experience.”

Certain Actions May be Permitted Without Bondholder Approval

The Resolution provides that the Authority and the Trustee may take, or refrain from taking, various actions that may materially affect the interests of Bondholders without Bondholder approval upon compliance with certain requirements that may include, for specific actions, one or more of the following: (i) satisfying the Rating Agency Condition with respect to one or more applicable Nationally Recognized Rating Agencies; (ii) satisfying the requirement for Prior Rating Agency Notice with respect to one or more applicable Nationally Recognized Rating Agencies; and (iii) delivering to the Trustee a Projection of Revenues. Such actions include, but are not limited to, the issuance of Additional Bonds, release of assets from the Resolution, changes to required levels of reserves, changes to periods for applying Bond sale proceeds or Revenues to originate Issue I Loans, sale or transfer of Issue I Loans, changes to the terms and conditions of Issue I Loans, approval of Projections of Revenues that are required under the Resolution in connection with the selection of Series 2009 Bond maturities for redemption in certain circumstances or of Sinking Fund Installments to be credited with respect to certain redemptions and certain other actions. To the extent such actions are taken, investors in the Series 2009 Bonds will be relying on the evaluation by the Authority and by one or more of the Nationally Recognized Rating Agencies (excluding Fitch) of the potential impact of such actions upon the ability of the Trust Assets to provide for the full and timely payment of scheduled principal and interest on the Issue I Bonds and of Program Expenses. To the extent that such Authority actions are taken on the basis of satisfying the requirement for Prior Rating Agency Notice with respect to one or more Nationally Recognized Rating Agency, rather than of satisfying the Rating Agency Condition with respect to such Nationally Recognized Rating Agency, a subsequent adverse rating action by such Rating Agency in response to such Authority action could materially decrease the market value of or existence of a secondary market

for the Issue I Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE ISSUE I BONDS — Certain Resolution Requirements” and “APPENDIX C — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION.”

Student Loan Auction Rate Securities, Interest Rate Exchange Agreements and Investment Agreements of the Authority Could Affect the Authority’s Overall MEFA Loan Financing Program

The Series 2009 Bonds are fixed rate securities and will be the first series of Issue I Bonds to be issued under the Resolution. No interest rate exchange agreements have been entered into by the Authority with respect to Issue I Bonds. The Issue I General Resolution permits the Authority to issue variable rate Issue I Bonds upon compliance with certain requirements of the Issue I General Resolution, including the requirement of Prior Rating Agency Notice and satisfaction of the Rating Agency Condition as to each Nationally Recognized Rating Agency. The Authority may enter into interest rate exchange agreements with respect to Issue I Bonds upon compliance with certain requirements of the Issue I General Resolution, including the requirement of Prior Rating Agency Notice and satisfaction of the Rating Agency Condition as to S&P. The Authority does not currently plan to take such actions, but reserves the right to do so in the future to provide funding for MEFA Loans.

The Authority has previously issued a number of series of currently outstanding student loan auction rate securities that are insured by monoline insurers (“MEFA Auction Rate Securities”) under trust documents that are separate and apart from the Resolution and has entered into certain outstanding interest rate exchange agreements with respect to certain series of MEFA Auction Rate Securities. The Authority has obtained ratings upon each series of MEFA Auction Rate Securities that are based solely upon the expected performance of the applicable trust estate assets pledged to secure such series, without taking into account the claims paying ability of the respective monoline insurers who have issued policies with respect to such series. Such stand alone ratings are currently more favorable than those that the Authority understands would be assigned to such series solely on the basis of the claims paying ability of the respective monoline insurers. None of the series of MEFA Auction Rate Securities or related interest rate exchange agreements are payable from the general funds of the Authority or from any asset pledged under the Resolution. There can be no assurance as to the nature or timing of any future ratings actions that might directly affect the respective ratings that are currently assigned to one or more series of such MEFA Auction Rate Securities.

The interest rate exchange agreements that relate to such MEFA Auction Rate Securities are subject to early termination at the option of the Authority or of its financial institution counterparty upon the occurrence of various events affecting the Authority or such counterparty. Such early termination of one or more of the Authority’s interest rate exchange agreements could obligate the Authority to pay a market-based termination fee from assets pledged to secure the affected series of MEFA Auction Rate Securities, which may adversely affect the security for such series or one or more ratings currently assigned to such series. This net exposure changes on a continual basis. In addition, even if no such termination fee is payable by the Authority, such early termination could cause the effective interest rate payable by the Authority with respect to the affected series of MEFA Auction Rate Securities to accrue on a different basis than was assumed by the Authority in structuring such series, which could expose such series to sufficient basis risk to adversely affect the security for such series or one or more ratings currently assigned to such series.

The Authority has also entered into investment agreements with various financial institution counterparties with respect to certain series of its bonds and may enter into such an agreement with respect to the Series 2009 Bonds. A default under one or more such interest rate exchange agreements could result in a loss to the trust estate securing the affected series of bonds that could adversely affect the security for such series or one or more ratings currently assigned to such series.

An adverse rating action by one or more rating agencies regarding MEFA bonds, whether or not based upon the factors described above, could adversely affect the Authority's overall MEFA Loan financing program or the secondary market price of or existence of a secondary market for Issue I Bonds. Such an adverse affect upon the Authority's overall MEFA Loan financing program or the secondary market for Issue I Bonds could also occur without the occurrence of a rating action. See "APPENDIX A — AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY — Note 7 — *Bonds Payable*," "—Note 8 — *Derivatives Disclosure*" and "—Note 15 — *Subsequent Events*."

Uncertainty as to Available Remedies

In the event that Revenues to be received under the Resolution are insufficient to pay when due the Principal Installments of and interest on the Issue I Bonds, the Resolution authorizes, and under certain circumstances requires, the Trustee, to declare an Event of Default and accelerate the payment of the Issue I Bonds, including the Series 2009 Bonds.

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

The remedies available to owners of the Issue I Bonds upon an Event of Default under the Resolution are dependent upon regulatory and judicial actions which often are subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, the remedies specified by the Resolution and such other documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the issuance of the Series 2009 Bonds will be qualified, as to the enforceability of the various legal instruments and by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

This Official Statement contains certain information concerning the origination and performance of the Authority with respect to Fixed Rate MEFA Loans that have been originated historically. Such information is included for reference purposes only and is not intended to constitute a representation as to the future origination and performance of Issue I Loans.

Performance of the Issue I Loan Portfolio May Differ From Historical Fixed Rate MEFA Loan Performance

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

There can be no assurance that the performance of Issue I Loans will in fact be consistent with that of previously originated Fixed Rate MEFA Loans. Previously originated Fixed Rate MEFA Loans bear a variety of interest rates. In addition, the Authority has from time to time modified the credit criteria and certain other origination and repayment terms applicable to Fixed Rate MEFA Loans. As a

result, the majority of previously originated Fixed Rate MEFA Loans were originated on the basis of credit criteria that differ and bear terms that differ in certain respects from those expected to be applicable to newly originated Issue I Loans. Although the Authority believes that such differences have proven to not have a material effect on the overall performance to date of Fixed Rate MEFA Loans that have been originated during different periods, there can be no assurance that no such effect will result in the future. There can be no assurance that the ability of borrowers of newly originated Issue I Loans to repay such loans, or their propensity to prepay such loans, may not differ materially from that of borrowers of previously originated Fixed Rate MEFA Loans. The 2009-2010 academic year will be first for which the Authority will offer Fixed Rate MEFA Loans with an Interest-Only Payment Option. In addition, the Resolution permits MEFA to apply proceeds of the Series 2009 Bonds and Revenues to purchase Fixed Rate MEFA Loans with terms and conditions that vary from those described herein, upon compliance with certain requirements of the Resolution, including the requirements of Prior Rating Agency Notice and, in certain cases, satisfaction of the Rating Agency Condition as to S&P. See “—Certain Factors Could Potentially Affect Timing and Receipt of Revenues,” “—Composition and Characteristics of the Issue I Loan Portfolio May Change” and “—General Economic Conditions May Deteriorate.”

Certain Factors Could Potentially Affect Timing and Receipt of Revenues

The Authority expects that the Revenues and other moneys held in certain funds and accounts under the Resolution will be sufficient to pay when due the Principal Installments of and interest on the Issue I Bonds and the Program Expenses. This expectation is based upon projections and cash flow assumptions, which the Authority believes are reasonable, regarding the financing and repayment performance of Issue I Loans, and the occurrence of certain future events and conditions.

There can be no assurance, however, that interest and principal payments from the Issue I Loans will be received as anticipated, that the projected yield on the Issue I Loans will be realized, that the reinvestment rates assumed with respect to the investment of various funds and accounts will be realized, or that Program Expenses will be incurred at the levels and on the schedule anticipated. Such projections are based upon the Authority’s prior experience with Fixed Rate MEFA Loan origination and performance. There can be no assurance, however, that the origination and performance experience of Issue I Loans will conform to that of previously originated Fixed Rate MEFA Loans. Furthermore, future events over which the Authority has no control, such as general economic conditions, military and national emergencies and regulatory changes among others, may adversely affect the Authority’s actual receipt of Revenues pursuant to the Resolution. See “— Performance of the Issue I Loan Portfolio May Differ From Historical Fixed Rate MEFA Loan Performance,” “— General Economic Conditions,” “— Certain Military and National Emergency Events Could Delay Borrower Payments,” “— Prepayment of Issue I Loans is Subject to Uncertainty” and “— Changes in Relevant Laws.”

Receipt of principal and interest on Issue I Loans may be accelerated, causing an unanticipated redemption of Bonds, including the Series 2009 Bonds, due to various factors, including, without limitation: (i) faster than anticipated Issue I Loan origination; (ii) the commencement of principal repayment by borrowers on earlier dates than are assumed; and (iii) economic conditions that induce borrowers to refinance or repay their loans prior to maturity. See “— Redemption of Bonds” and “— Prepayment of Issue I Loans is Subject to Uncertainty.”

Delay in the receipt of principal of and interest on Issue I Loans may adversely affect the availability of Revenues to fund payment when due of the Principal Installments of and interest on the Issue I Bonds, including the Series 2009 Bonds, and Program Expenses. Principal of and interest on Issue I Loans may be delayed due to numerous factors, including, without limitation: (i) more borrowers electing initial Interest-Only Payment Options than are assumed, or longer than assumed option duration; (ii) slower than assumed Issue I Loan origination; (iii) less than projected total Issue I Loan origination;

and (iv) loans in forbearance, modified payment or delinquency more frequently or for periods longer than assumed. Additional factors which may have a material effect on the sufficiency of Revenues include, but are not limited to, Program Expenses or Fund investment results which vary materially from those projected by the Authority.

Revenues actually received with respect to Issue I Loans may vary greatly in both timing and amount from the payments due on such Issue I Loans as a result of a variety of economic, social and other factors, including both individual factors, such as loan defaults, consolidations or refundings, and general factors, such as a change in federal law that may affect the demand for non-federal loans such as the Issue I Loans or a general economic downturn which could increase the amount of delinquent or defaulted Issue I Loans. The effect of these factors, including the effect on the timing and amount of available Revenues and the payment of Principal Installments of and interest on the Series 2009 Bonds and Program Expenses, is impossible to predict. See “— Redemption of Bonds,” “— Composition and Characteristics of the Issue I Loan Portfolio May Change,” “— General Economic Conditions,” “Certain Military and National Emergency Events Could Delay Borrower Payments,” “— Changes in Relevant Laws,” and “— Uncertainty as to Available Remedies.”

Composition and Characteristics of the Issue I Loan Portfolio May Change

The Issue I Loans that the Authority currently intends to finance with the proceeds of the Series 2009 Bonds are described in this Official Statement. Certain amounts received with respect to the Issue I Loans may be recycled and proceeds of additional Bonds may be used to finance additional Issue I Loans in the future. The characteristics of the Issue I Loan Portfolio will change as new Issue I Loans are financed with Bond proceeds and as Issue I Loans are repaid, and may also change as a result of changes in the MEFA Loan Program. The Authority regularly reviews the terms and conditions of its MEFA Loan Program and reserves the right to alter such terms and conditions at any time subject, with respect to Issue I Loans, to compliance with certain requirements of the Issue I General Resolution, including, the requirements of Prior Rating Agency Notice and, in certain cases, satisfaction of the Rating Agency Condition as to S&P. See “— Certain Factors Could Potentially Affect Timing and Receipt of Revenues,” “— Prepayment of Issue I Loans is Subject to Uncertainty,” “— Competition May Reduce Demand or Increase Prepayments on Issue I Loans” and “— Changes in Relevant Laws.”

General Economic Conditions

The Authority’s current projections of the performance of Issue I Loans are based upon historical MEFA Loan performance. The MEFA Loan Program was established in 1983. Regional and national economic developments over the past two years have, by a number of measures, resulted in a greater reduction in household wealth and in the availability of civilian employment than during any comparable period during which the MEFA Loan Program has operated. Such developments have also resulted in a reduction in the availability of consumer credit and of general financial market liquidity. It is impossible to predict how long such conditions may continue or whether such conditions may worsen during the period for which they continue. Future performance of Issue I Loans may be adversely affected by the current severe economic recession or by subsequent economic and other events affecting the employment prospects of borrowers or otherwise affecting their ability and willingness to incur and to repay Issue I Loans. High levels of unemployment, either regionally or nationally, may result in increased borrower delinquency and default. Failures by borrowers to pay the principal of and interest on the Issue I Loans in a timely fashion or an increase in deferments or forbearances could affect the timing and amount of available funds for any collection period. The effect of these factors on the timing and amount of available funds for any collection period, the ability of the Authority to pay the Principal Installments of and interest on the Series 2009 Bonds and Program Expenses and the incidence of redemption of the Series 2009 Bonds prior to their maturity, is impossible to predict. See “— Redemption of Bonds,” “—

Certain Factors Could Potentially Affect Timing and Receipt of Revenues,” “Certain Military and National Emergency Events Could Delay Borrowers Payments,” and “— Changes in Relevant Law.”

Certain Military and National Emergency Events Could Delay Borrower Payments

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

Prepayment of Issue I Loans is Subject to Uncertainty

Issue I Loans may be prepaid by borrowers at any time prior to their respective final maturity dates. For this purpose the term “prepayments” includes repayments in full or in part. The rate of prepayments on the Issue I Loans may be influenced by a variety of economic, social and other factors affecting borrowers, including interest rates, the availability of alternative financing and the general job market for graduates of institutions of higher education. The Authority cannot predict with certainty the actual average life of the Issue I Loans. In addition, the availability of education loan consolidation financing from other sources may materially increase the rate of prepayment actually experienced by the Authority with respect to Issue I Loans. An increase in the rate of Issue I Loan repayment actually experienced by the Authority could result in increased redemption of Bonds prior to maturity and could have a material and adverse affect upon the sufficiency of Revenues and other moneys held under the Resolution to pay when due the Principal Installments of and interest on the Issue I Bonds and Program Expenses. See “— Redemption of Bonds,” “— General Economic Conditions,” “— Competition May Reduce Demand or Increase Prepayments on Issue I Loans” and “— Changes in Relevant Laws.”

The Authority reserves the right to finance MEFA Loans or other loans, the proceeds of which are to be applied, in whole or in part, to fund the prepayment of Issue I Loans. The Authority further reserves the right to fund such MEFA Loans or other loans through the issuance of Bonds or other obligations. See “SECURITY FOR THE ISSUE I BONDS AND SOURCES OF PAYMENT” and “— Redemption of Bonds,” “— Composition and Characteristics of the Issue I Loan Portfolio May Change” and “— Competition.”

To the extent that Issue I Loans are prepaid, the proceeds of such prepayments may be used to redeem Series 2009 Bonds prior to maturity pursuant to the special optional redemption, special mandatory redemption or optional redemption provisions of the Resolution. See “THE SERIES 2009 BONDS — Redemption Provisions — *Optional Redemption*,” “— *Special Optional Redemption From Excess Revenues*” and “— *Special Mandatory Redemption From Excess Revenues*.”

Dependence Upon Third-Party Servicers and Originators

The Authority is currently dependent upon third parties to originate and service MEFA Loans. As of the date of this Official Statement, ACS-ES, a wholly-owned subsidiary of Affiliated Computer Services, Inc., is acting as originator, servicer and custodian with respect to MEFA Loans pursuant to an agreement that 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 ninety days prior to the then scheduled expiration date. The Authority reserves the right, however, to establish different Issue I Loan origination and servicing arrangements in accordance with the Resolution. Appointment of a successor or additional Servicer is subject to satisfaction certain requirements of the Issue I General Resolution, including the requirement of Prior Rating Agency Notice and satisfaction of the Rating Agency Condition as to S&P. The cash flow projections relied upon by the Authority in structuring the bond issue were based upon assumptions with respect to servicing costs which the Authority based upon these existing agreements. No assurance can be given that the Authority will be able to extend the term of the agreement, or to enter into agreements with other Servicers acceptable to the Rating Agencies at the assumed level of servicing cost upon scheduled expiration of the current agreements. Although ACS-ES is obligated to cause the Issue I Loans to be originated and serviced in accordance with the terms of the respective servicing agreements, the timing of payments to be actually received with respect to Issue I Loans will be dependent upon the ability of ACS-ES, to adequately originate and service the Issue I Loans. In addition, investors and the Authority will be relying on ACS-ES's compliance with applicable federal and state laws and regulations.

In the event of default by ACS-ES resulting solely from certain events of insolvency or bankruptcy, a court, conservator, receiver or liquidator may have the power to prevent the appointment of either a successor Servicer or originator, as the case may be, and delays in origination or collections in respect of the Issue I Loans may occur. Delays in the receipts of payments with respect to Issue I Loans in excess of the delinquency and default assumptions adopted by the Authority for purposes of preparing cash flow projections as a basis for structuring the issue may delay the timely payment of scheduled principal of and interest on the Series 2009 Bonds and of Program Expenses. See “— Changes in Relevant Laws” and “AUTHORITY LOAN ORIGATION AND SERVICING — The Servicer.”

Competition May Reduce Demand or Increase Prepayments on Issue I Loans

In addition to the MEFA Loan Program, there are a number of other sources available to students and/or their parents to finance or refinance the costs of higher education. Such other sources include, but are not limited to, loans offered pursuant to the Federal Family Education Loan Program and the Federal Direct Student Loan Program and by other education lenders generally. The terms and availability of education loan financing, and of education loan consolidation financing, from sources other than the Authority vary and are subject to change from time to time. Although the Authority believes that Issue I Loans will be competitive in the currently prevailing market for education loans, the availability of such other lending sources in general and of the federal programs described herein in particular may impact adversely the number and amount of loans which may be financed under the MEFA Loan Program. In addition, the availability of education loan consolidation financing from other sources may materially increase the rate of prepayment actually experienced by the Authority with respect to Issue I Loans. There can be no assurance as to the availability to students of other forms of financial assistance that may reduce demand for Education Loans. Potential sources of such financial assistance include the Commonwealth and the federal government, as well as public and private Participating Institutions. See “— Redemption of Bonds,” “— Prepayment of Issue I Loans is Subject to Uncertainty” and “— Changes in Relevant Laws,” and “THE MEFA LOAN PROGRAM.”

Consumer Protection Lending Laws Could Change

MEFA Loans are subject to applicable laws regulating loans to consumers. Numerous federal and state consumer protection laws and related regulations impose substantial requirements upon lenders and servicers involved in consumer finance. Some state and federal laws impose finance charge restrictions and other restrictions on certain consumer transactions and require certain disclosures of legal rights and obligations. Furthermore, to the extent applicable, these laws can impose specific statutory liabilities upon creditors who fail to comply with their provisions and may affect the enforceability of the loan. In addition, the remedies available to the Trustee or the Bondholders upon an Event of Default under the Resolution may not be readily available or may be limited by applicable state and federal laws. If the application of consumer protection laws were to cause the Issue I Loans, or any of the terms of the Issue I Loans, to be unenforceable against the borrowers or co-signers, the Authority's ability to pay when due the Principal Installments of and interest on the Issue I Bonds, including the Series 2009 Bonds, and Program Expenses could be adversely affected. See "— Changes in Relevant Laws."

Changes in Relevant Laws

The Higher Education Opportunity Act of 2008 (P.L. 110-315) (the "2008 Higher Education Reauthorization") expands the availability of a number of federal grant and loan programs to provide financial assistance to current and former students and, in certain instances, amends the terms of such financial assistance and other related federal requirements. In addition, Title X of the 2008 Higher Education Reauthorization imposes certain new marketing practices, documentation, disclosure and other administrative requirements upon lenders making loans expressly to fund postsecondary educational expenses, other than pursuant to certain federal loan programs. The Authority has reviewed such requirements and does not currently believe that compliance with such requirements would adversely affect its ability to fully expend the 2009 Purchase Account to finance Issue I Loans in accordance with the Resolution or would materially increase the cost of administering such Issue I Loans. No assurance can be given, however, of the long-term effect of the provisions of the 2008 Higher Education Reauthorization, as a whole, upon borrower demand for Fixed Rate MEFA Loans or upon the market value of Fixed Rate MEFA Loans.

Congress is currently considering legislation that is intended to implement Executive Budget proposals to increase federal grant aid to post-secondary students under the Pell program and to fully replace the Federal Family Education Loan Program with a federal program under which all federally supported post-secondary education loans would be financed directly by the federal government. No assurance can be given as to the eventual enactment of such legislation or of its form should it become law. Elimination of the Federal Family Education Loan Program may, over time, reduce the number of qualified providers of third party servicing for education loans such as MEFA Loans or may increase the cost of such servicing. The availability to substantially all post-secondary students of direct federal lending may reduce demand for MEFA Loans.

A number of bankruptcy reform proposals that would alter the treatment of student loans similar to MEFA Loans under the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 have been discussed and/or introduced in the Congress of the United States in recent years, including proposals to liberalize the current general non-dischargeability of such student loans in bankruptcy. No assurance can be given as to whether bankruptcy reform legislative proposals will be enacted at the federal level in a manner that might affect the Authority's ability to enforce collection of MEFA Loans.

There can be no assurance that changes to other relevant federal or state laws will not prospectively or retroactively affect the terms and conditions under which Issue I Loans are made, affect

Issue I Loan performance, affect the costs of administering Issue I Loans or affect demand for Fixed Rate MEFA Loans.

THE MEFA LOAN PROGRAM

General

Under the MEFA Loan Program, the Authority finances MEFA Loans in cooperation with the Participating Institutions. The MEFA Loan Program has been implemented in accordance with the provisions of the Servicing Agreement and the provisions of certain other related documents (collectively, the “MEFA Program Documents”). The MEFA Loan Program currently offers borrowers only Fixed Rate MEFA Loans. From the 1994-1995 through the 2007-2008 academic years, the MEFA Loan Program also offered borrowers variable rate MEFA Loans. Borrowers are free to choose between MEFA Loans for which they qualify based on current credit criteria.

This Official Statement contains certain historical information relative to the origination and payment experience of the Authority in connection with its previously originated Fixed Rate MEFA Loans. Such information is included for general reference purposes only and is not intended as a representation that the origination and payment experience of the Issue I Loan Portfolio will be similar to that of previously originated Fixed Rate MEFA Loans during any period or over the respective lives of such MEFA Loans. There can be no assurance that actual Issue I borrowers will not be subject to different economic conditions than prior Fixed Rate MEFA Loans borrowers have been or will be, that the timing of the issuance of the Series 2009 Bonds may not cause the creditworthiness of Issue I Loan applicants to vary from that of prior Fixed Rate MEFA Loan applicants or that the actual performance of Issue I Loans will not be different from that of prior Fixed Rate MEFA Loans as a whole as a result of these or other factors. The Authority reserves the right to vary the terms and conditions of Fixed Rate MEFA Loans upon satisfaction certain requirements of the Resolution, including the requirements of Prior Rating Agency Notice and, in certain cases, satisfaction of the Rating Agency Condition as to S&P. Any Issue I Loans so funded would secure the Issue I Bonds. Any such Issue I Loans may have credit and repayment characteristics which differ substantially from the Fixed Rate MEFA Loans described herein. See “RISK FACTORS — Performance of the Issue I Loan Portfolio May Differ From Historical Fixed Rate Loan Performance,” “— Composition and Characteristics of the Issue I Loan Portfolio May Change” and “— General Economic Conditions.”

MEFA Loans will be purchased by the Authority under the MEFA Loan Program, from moneys in the Series 2009 Purchase Account and other Purchase Accounts that may be established under the Issue I General Resolution in connection with the issuance of Additional Bonds during the respective loan origination periods applicable thereto and from other funds available therefor under the Issue I General Resolution. MEFA Loans will also be purchased from sale proceeds of and amounts allocable to other Bonds, sale proceeds of and amounts allocable to other Authority bonds, recycled funds made available by the repayment or prepayment of MEFA Loans and other moneys available to the Authority therefor. The Authority has implemented the MEFA Loan Program as described herein with the assistance of Participating Institutions and the MEFA Servicer, which will perform credit evaluations during the origination process and thereafter service MEFA Loans purchased by the Authority.

The Authority believes that Fixed Rate MEFA Loans will continue to be an attractive source of financial assistance to parents, students and others responsible for paying the costs of education and that the Authority will be able to purchase additional Fixed Rate MEFA Loans under the MEFA Loan Program notwithstanding the availability of education financing from other sources. The Authority believes that there are several sources of competition to the Fixed Rate MEFA Loans, including, but not

limited to, the federal Higher Education Act student assistance programs. In addition, there are, or may in the future be, other Authority loan programs offering assistance to finance education costs of students attending school in the Commonwealth. See “SECURITY FOR THE ISSUE I BONDS AND SOURCES OF PAYMENT” and “RISK FACTORS — Competition.”

Eligible Borrowers

Borrowers in the MEFA Loan Program have generally been individuals meeting the credit standards established by the Authority for this program. Typically, a parent or other credit-worthy individual will be the borrower and the student will be a co-signer on the Undergraduate MEFA Loan. The Authority does not require a co-signer on MEFA Loans for Graduate Education if the student meets the Authority’s credit standards, but students may choose to rely on a co-signer who meets certain credit standards established by the Authority. In all cases, the student must be enrolled or admitted to a degree program on at least a half-time basis at an educational institution and be in good standing and making satisfactory academic progress, as defined by such institution. Students in the MEFA Loans for Graduate Education Program must be in a program of study leading to a post-baccalaureate degree or engaged in post-doctoral study at an educational institution. The Authority has established credit guidelines for applicants for specific types of MEFA Loans under the MEFA Loan Program. Certain information concerning the distribution of currently outstanding Fixed Rate MEFA Loans, at the time of loan origination, between undergraduate and graduate students and concerning the distribution of currently outstanding Fixed Rate MEFA Loans that were made to borrowers with and without co-signers, at the time of origination, between graduate and to undergraduate students in Institutions is contained under “THE AUTHORITY FIXED RATE MEFA LOAN PORTFOLIO.” Such information is included herein for general informational purposes and is not intended as a representation that the distribution of Issue I Loans will resemble that of previously originated Fixed Rate MEFA Loans. See “AUTHORITY LOAN ORIGINATION AND SERVICING — MEFA Loan Origination — *Credit Evaluation by the Servicer*,” “SECURITY FOR THE ISSUE I BONDS AND SOURCES OF PAYMENT” and “THE MEFA LOAN PROGRAM — Loan Terms.”

Loan Terms

The Authority has covenanted in the Resolution that Issue I Loans will have scheduled payments of principal and interest or other legally enforceable payment requirements which, together with other money available therefor under the Resolution, will be at least sufficient to pay when due the Principal Installments or redemption price of and interest on the Issue I Bonds and Program Expenses. The Authority’s policy is to set the interest rate and other terms on newly originated Fixed Rate MEFA Loans on an annual basis for Fixed Rate MEFA Loans to be originated during the next academic year, although the Authority reserves the right to vary the interest rate or other terms offered on newly originated MEFA Loans during an academic year and reserves the right to apply amounts available therefor under the Resolution, including proceeds of additional Bonds, to finance Fixed Rate MEFA Loans with interest rate or other terms which vary from those described herein upon compliance with certain requirements of the Resolution, including the requirements of Prior Rating Agency Notice and, in certain cases, satisfaction of the Rating Agency Condition as to S&P. The Authority disburses nearly all MEFA Loans in multiple segments. See “THE AUTHORITY,” “PLAN OF FINANCING,” “SECURITY FOR THE ISSUE I BONDS AND SOURCES OF PAYMENT,” “RISK FACTORS — Composition and Characteristics of Issue I Loans May Change” and “— Competition,” “THE MEFA LOAN PROGRAM — Participating Institutions” and “APPENDIX C — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — Issuance of Additional Bonds.”

The Authority currently expects to apply, or to commit for application, all available original proceeds of the Series 2009 Bonds and all available Revenues prior to September 30, 2010, to finance

credit based Fixed Rate Undergraduate MEFA Loans or MEFA Loans for Graduate Education bearing interest at a fixed rate, and having the applicable terms and conditions described in the following chart. As of May 31, 2009, approximately \$339,000,000 of the original proceeds of the Series 2008 Bonds also remained available for this purpose. The Authority currently expects to fully apply the remaining proceeds of the Series 2008 Bonds to finance Fixed Rate MEFA Loans for the 2009-2010 academic year including, but not limited to, all Fixed Rate MEFA Loans upon which both interest and principal payment is deferred and all other Fixed Rate MEFA Loans to be originated while any such proceeds remain available. No such deferred Fixed Rate MEFA Loans are currently expected to become Issue I Trust Assets. See “PLAN OF FINANCING,” “RISK FACTORS — Redemption of Bonds” and “THE MEFA LOAN PROGRAM — Participating Institutions.”

Fixed Rate MEFA Loan Programs — Academic Year 2009-2010¹

Name	Currently expected to be included in Issue I Trust Assets	Interest Rate	Origination Fee	Borrowing Limit	Repayment Terms
Fixed Rate Undergraduate MEFA Loan Program (Immediate Repayment)	Yes	7.75% ⁷	4% with co-applicant; 7% without a co-applicant	Cost of attendance less other financial aid	Interest payment and principal repayment begin 45 days after final disbursement. The loan must be fully repaid within 15 years of final disbursement.
Fixed Rate Undergraduate MEFA Loan Program (Deferment Option)	No	8.89%	4% with co-applicant; 7% without a co-applicant	Cost of attendance less other financial aid	Full in school payment deferment option ² , with interest payment and principal repayment beginning 6 months after the student graduates, leaves the program or reduces his/her hours to less than half-time status while in school. The loan must be fully repaid within 15 years of entering principal repayment, exclusive of any applicable deferment period.
Fixed Rate Undergraduate MEFA Loan Program (Interest-Only Payment Option)	Yes	7.25% during the Interest-Only Period; and 8.5%, thereafter	4% with co-applicant; 7% without a co-applicant	Cost of attendance less other financial aid	Interest payment begins 45 days after final disbursement in any academic year and principal repayment begins after the end of the undergraduate Interest-Only Period ³ ; interest accrues at a higher rate after the end of the undergraduate Interest-Only Period. The loan must be fully repaid within 15 years of final disbursement. ⁶

¹ Includes only Fixed Rate MEFA Loans pursuant to programs expected to be offered during the 2009-2010 academic year.

² Subject to a maximum 5-year deferment period.

³ The undergraduate Interest-Only Period begins on the initial disbursement date of the loan and ends on the date which is expected, at the time of origination, to be the first anniversary of the final disbursement date of the loan on which the student will have completed his or her current course of study (e.g. for a loan for a freshman, four years from the final disbursement date of the loan), but no later than the fourth anniversary.

⁴ Subject to a maximum 3-year deferment period.

⁵ The graduate Interest-Only Period begins on the initial disbursement date of the loan and ends on the date which is expected, at the time of origination, to be the first anniversary of the final disbursement date of the loan on which the student will have completed his or her current course of study (e.g. for a loan for a first year graduate student, three years from the final disbursement date of the loan), but no later than the third anniversary.

⁶ The Interest-Only Payment Option does not extend the overall repayment period.

⁷ The interest rate for the Fixed Rate Undergraduate (Immediate Repayment) MEFA Loans included in the Issue I Trust Assets is expected to be 7.85%.

Fixed Rate MEFA Loan Programs — Academic Year 2009-2010¹

Name	Currently expected to be included in Issue I Trust Assets	Interest Rate	Origination Fee	Borrowing Limit	Repayment Terms
MEFA Loan for Graduate Education - Fixed Rate (Deferment Option)	No	8.89%	4% with co-applicant; 7% without a co-applicant	Cost of attendance less other financial aid	Full in school payment deferment option ⁴ , with interest payment and principal repayment beginning 6 months after the student graduates, leaves the program or reduces his/her hours to less than half-time status while in school. The loan must be fully repaid within 15 years of entering principal repayment, exclusive of any applicable deferment period.
MEFA Loan for Graduate Education - Fixed Rate (Interest-Only Payment Option)	Yes	7.25%, during the Interest-Only Period; and 8.5%, thereafter	4% with co-applicant; 7% without a co-applicant	Cost of attendance less other financial aid	Interest payment begins 45 days after final disbursement in any academic year and principal repayment begins after the end of the graduate Interest-Only Period ⁵ ; interest accrues at a higher rate after the end of the graduate Interest-Only Period. The loan must be fully repaid within 15 years of final repayment. ⁶

¹ Includes only Fixed Rate MEFA Loans pursuant to programs expected to be offered during the 2009-2010 academic year.

² Subject to a maximum 5-year deferment period.

³ The undergraduate Interest-Only Period begins on the initial disbursement date of the loan and ends on the date which is expected, at the time of origination, to be the first anniversary of the final disbursement date of the loan on which the student will have completed his or her current course of study (e.g. for a loan for a freshman, four years from the final disbursement date of the loan), but no later than the fourth anniversary.

⁴ Subject to a maximum 3-year deferment period.

⁵ The graduate Interest-Only Period begins on the initial disbursement date of the loan and ends on the date which is expected, at the time of origination, to be the first anniversary of the final disbursement date of the loan on which the student will have completed his or her current course of study (e.g. for a loan for a first year graduate student, three years from the final disbursement date of the loan), but no later than the third anniversary.

⁶ The Interest-Only Payment Option does not extend the overall repayment period.

⁷ The interest rate for the Fixed Rate Undergraduate (Immediate Repayment) MEFA Loans included in the Issue I Trust Assets is expected to be 7.85%.

Fixed Rate Undergraduate MEFA Loans and MEFA Loans for Graduate Education may be originated in amounts from a minimum of \$2,000 (\$1,500 at Public Participating Institutions) (or such lesser amounts as the Authority may determine from time to time) to a maximum of the cost of attendance for the academic year at the institution in which the student is enrolled, less other financial aid for the year and may be prepaid in full or in part at any time without penalty. Borrowers are generally required to repay the principal of Undergraduate MEFA Loans and MEFA Loans for Graduate Education in level monthly installments sufficient to amortize the loan over a maximum of 15 years, commencing within forty-five (45) days of the final loan disbursement. For MEFA Loans originated for academic years prior to 2009-2010, the commencement of such repayment period was generally subject to full deferment with respect to principal and interest payment at the option of the Borrower. If such a deferment was elected, the principal amount of the MEFA Loan at the start of repayment would include interest accrued thereon during the applicable deferral period. The deferral period ordinarily ended six (6) months following the student's graduation or other change in enrollment status to less than half-time subject, however, to a generally applicable limit of 5 years. This full deferment option remains available for certain Fixed Rate MEFA Loans to qualifying Borrowers that are currently expected to be funded for academic year 2009-2010 from Series 2008 Bond proceeds. For Fixed Rate MEFA Loans that are currently expected to become Issue I Trust Assets, the commencement of such repayment is not subject to deferment, but is subject to an initial Interest-Only Payment Option of the Borrower. If such an option is elected, the borrower will be required to pay interest at a reduced initial rate, but not principal, during an Interest-Only Period commencing 45 days after final disbursement and ending with the first anniversary of the final disbursement date of the loan upon which the student is expected, on the initial disbursement date, to have completed his or her current course of study. This Interest-Only Period is limited to four years for undergraduate, and three years for graduate students. After the Interest-Only Period, such borrowers will pay interest at a higher fixed rate, along with principal, on their Fixed Rate MEFA Loans. The Authority reserves the right, however, to originate MEFA Loans with longer total repayment terms in the future, including MEFA Loans funded through application of proceeds of the Issue I Bonds and of Revenues, and to extend, in its discretion, the maximum total repayment term of individual outstanding MEFA Loans subject, in certain cases, to satisfaction of certain requirements of the Resolution including the requirement of Prior Rating Agency Notice and satisfaction of the Rating Agency Condition as to S&P.

Participating Institutions

Any non-profit, post-secondary, degree-granting educational institution may participate in the MEFA Loan Program. Educational institutions located outside of the Commonwealth may participate in the MEFA Loan Program with respect to students who are Commonwealth residents.

The one hundred two (102) Massachusetts institutions currently participating in the MEFA Loan Program represent an enrollment of at least 94% of the total enrollment of post-secondary students in the Commonwealth and are among a total of 111 eligible institutions of higher education located in the Commonwealth. The Authority expects that all 102 such institutions will participate in the MEFA Loan Program financed with the proceeds of the Series 2009 Bonds. This group of Participating Institutions has remained generally stable over time. Certain information concerning the distribution of currently outstanding Fixed Rate MEFA Loans at the time of loan origination among students attending different Participating Institutions is contained under "THE AUTHORITY FIXED RATE MEFA LOAN PORTFOLIO." Such information is included herein for general informational purposes and is not intended as a representation that the distribution of Issue I Loans will resemble that of previously originated Fixed Rate MEFA Loans.

Historical Program Financing Special Redemption Experience

The following chart contains historical information concerning the special redemption experience of all publicly marketed fixed rate bonds issued by the Authority to date to fund Fixed Rate MEFA Loans. Such information is included in this Official Statement for general reference purposes only and not as a representation that the special redemption experience, if any, of the Series 2009 Bonds will be consistent with that of bonds that were previously issued by the Authority. The portfolios of MEFA Loans securing such previously issued fixed rate bonds contain or contained MEFA Loans that were originated on the basis of criteria, and that had terms and conditions, that differ from those of current Issue I Loans. The 2009-2010 academic year will be the first for which the Authority will offer Fixed Rate MEFA Loans with an Interest-Only Payment Option.

In addition, the availability to potential borrowers of other loans, including MEFA Loans, or of other types of student assistance has changed a number of times during the period shown. There can be no assurance that these factors may not affect special redemption experience. See “RISK FACTORS — Redemption of Bonds,” “— General Economic Conditions” and “— Changes in Relevant Law.”

Massachusetts Educational Financing Authority
Special Redemption Experience – Fixed Rate Bonds
(As of March 31, 2009) (\$000's) ⁽¹⁾

Calendar Year	Issue E⁽²⁾⁽³⁾ (1992)	Issue E⁽⁴⁾ (1994)	Issue E (1995)	Issue E (1996)	Issue E (1997)	Issue G (1998)
Original Principal Amount	\$ 60,000	\$ 52,100	\$ 50,000	\$ 60,000	\$ 65,000	\$ 119,800
1992	-	-	-	-	-	-
1993	-	-	-	-	-	-
1994	30,870 (51.5%)	-	-	-	-	-
1995	875 (1.5%)	-	-	-	-	-
1996	1,025 (1.7%)	-	-	-	-	-
1997	1,755 (2.9%)	1,235 (2.4%)	-	-	-	-
1998	885 (1.5%)	4,480 (8.6%)	8,100 (16.2%)	-	-	-
1999	1,340 (2.2%)	3,670 (7.0%)	3,320 (6.6%)	7,655 (12.8%)	-	-
2000	1,820 (3.0%)	4,535 (8.7%)	3,295 (6.6%)	4,810 (8.0%)	4,910 (7.6%)	-
2001	1,575 (2.6%)	2,820 (5.4%)	2,900 (5.8%)	3,065 (5.1%)	3,240 (5.0%)	8,020 (6.7%)
2002	12,775 (21.3%)	3,355 (6.4%)	3,760 (7.5%)	4,240 (7.1%)	4,760 (7.3%)	11,085 (9.3%)
2003	-	4,430 (8.5%)	4,780 (9.6%)	6,080 (10.1%)	7,180 (11.0%)	17,475 (14.6%)
2004	-	4,545 (8.7%)	4,750 (9.5%)	6,115 (10.2%)	8,675 (13.3%)	13,425 (11.2%)
2005	-	11,330 (21.7%)	2,510 (5.0%)	3,105 (5.2%)	4,195 (6.5%)	8,680 (7.2%)
2006	-	-	2,070 (4.1%)	2,495 (4.2%)	3,375 (5.2%)	6,390 (5.3%)
2007	-	-	1,780 (3.6%)	2,135 (3.6%)	2,340 (3.6%)	9,040 (7.5%)
2008	-	-	780 (1.6%)	2,165 (3.6%)	2,880 (4.4%)	1,500 (1.3%)
2009	-	-	-	705 (1.2%)	1,200 (1.8%)	-
Total	\$52,920	\$40,400	\$38,045	\$42,570	\$42,755	\$75,615
Outstanding Principal Amount	\$0	\$0	\$0	\$0	\$3,445	\$17,210

- (1) Percentages are calculated on original issuance amounts.
(2) Issue E of 1992 was optionally refunded in 2002.
(3) The Issue E of 1992 redemption in 1994 represents unexpended proceeds.
(4) Issue E of 1994 was optionally refunded in 2004.

Massachusetts Educational Financing Authority
Special Redemption Experience – Fixed Rate Bonds
(As of March 31, 2009) (\$000's) ⁽¹⁾

Calendar Year	Issue E (1999)	Issue G (2000)	Issue E (2001)	Issue E (2002)	Issue E (2007)	Issue H (2008)
Original Principal Amount	\$ 98,065	\$ 139,800	\$ 66,775	\$ 74,565	\$ 200,000	\$ 400,000
1992						
1993						
1994						
1995						
1996						
1997						
1998						
1999	-					
2000	-	-				
2001	-	-	-			
2002	16,070 (16.4%)	7,990 (5.7%)	-	-		
2003	10,910 (11.1%)	19,830 (14.2%)	-	-		
2004	12,385 (12.6%)	17,325 (12.4%)	13,245 (19.8%)	2,090 (2.8%)		
2005	7,705 (7.9%)	13,245 (9.5%)	4,905 (7.3%)	5,220 (7.0%)		
2006	5,310 (5.4%)	9,170 (6.6%)	-	-		
2007	5,230 (5.3%)	6,725 (4.8%)	-	-	-	
2008	4,265 (4.3%)	1,000 (0.7%)	1,500 (2.2%)	-	-	-
2009	1,800 (1.8%)	-	-	-	-	-
Total	\$63,675	\$75,285	\$19,650	\$7,310	\$0	\$0
Outstanding Principal Amount	\$15,790	\$40,940	\$32,610	\$40,405	\$200,000	\$400,000

(1) Percentages are calculated on original issuance amounts.

AUTHORITY LOAN ORIGINATION AND SERVICING

The Servicer

ACS-ES currently acts as Servicer for the MEFA Loan Program pursuant to an agreement dated as of June 1, 2008 (the “MEFA Loan Servicing Agreement”) that 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 ninety days prior to the then scheduled expiration date. In such capacity, ASC-ES has been responsible for the origination processing, custody and servicing of MEFA Loans since January 1, 2003. The Resolution permits the appointment of other or additional Servicers, subject to compliance with certain requirements of the Issue I General Resolution, including the requirement of Prior Rating Agency Notice and satisfaction of the Rating Agency Condition as to S&P, and the Authority reserves the right to establish other MEFA Loan origination, custody and servicing arrangements in compliance with such requirements.

The following information has been furnished by Affiliated Computer Services, Inc. (“ACSI”) for use in this Official Statement. The Authority does not guarantee or make any representation as to the accuracy or completeness thereof or the absence of material adverse change in such information or in the condition of 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; Lombard, Illinois; and Aberdeen, South Dakota.

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 May 2009, the Guaranteed Loan Servicing Group of ACS-ES currently services approximately 4.3 million education loan accounts with loans valued at approximately \$50 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 guaranty agency for review and guarantee payment, if applicable.

ACSI files periodic reports with the Securities and Exchange Commission (the "Commission") as required by the Securities Exchange Act of 1934, as amended. Reports filed with the Commission are available for inspection without charge at the public reference facilities maintained by the Commission at 100 F Street, N.E., Washington, D.C. 20549, and at its regional offices located as follows: Midwest Regional Office, Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511; and Northeast Regional Office, 233 Broadway, New York, New York 10279. Copies of periodic reports and exhibits thereto may be obtained at the above locations at prescribed rates. Information as to the operation of the public reference facilities is available by calling the Commission at 1-800-SEC-0330. Information filed with the Commission can also be inspected at the Commission site on the World Wide Web at "<http://www.sec.gov>". ACSI also currently provides information through ACSI's website at "<http://www.acs-inc.com>". Information filed by ACSI with the Commission or contained on ACSI's website is not intended to be incorporated as part of this Official Statement and information contained on ACSI's website is not a part of the documents that ACSI files with the Commission.

MEFA Loan Origination

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

Applications for MEFA Loans are submitted directly to the Servicer and are processed according to guidelines established by the Authority. The Servicer completes a credit evaluation for the Fixed Rate Undergraduate MEFA Loan applicants, the Variable Rate Undergraduate MEFA Loan applicants and the MEFA Loans for Graduate Education applicants. For any subsequent MEFA Loan, except for MEFA Loans to which a multi-year funding commitment applies, a previously eligible borrower is again subject to credit evaluation by the Servicer.

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

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

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

In conducting its credit analysis, the Servicer will use a combination of credit scoring and a review of application data*. For the Issue I Loans, unless changed by the Authority upon compliance with certain Resolution requirements, including the requirements of Prior Rating Agency Notice and, in certain cases, satisfaction of the Rating Agency Condition as to S&P, the credit requirements include that each qualified borrower or a co-signer must have a minimum FICO Score of 670. See “AUTHORITY FIXED RATE MEFA LOAN PORTFOLIO — The Authority Fixed Rate MEFA Loan Portfolio.” A FICO Score is any of several generally similar numeric measures of projected consumer credit risk, each of which was created by Fair Isaac Corporation for use by one of several consumer credit reporting agencies on the basis of information concerning an individual borrowing and repayment history that has been received by the respective consumer credit reporting agency from lenders. FICO Scores are based upon a number of time-weighted factors and range from 300-850, with higher scores reflecting more favorable projected credit risk. The use of FICO Scores, or of a particular FICO Score threshold in connection with credit analysis for loan origination purposes does not, however, guarantee any particular level of repayment performance for the resulting loan portfolio. MEFA reserves the right to increase or, upon compliance with certain requirements of the Resolution, including the requirements of Prior Rating Agency Notice and, in certain cases, satisfaction of the Rating Agency Condition as to S&P, to decrease the FICO Score threshold used in connection with Issue I Loan credit analysis, or to otherwise change the credit analysis procedures applicable to MEFA Loans, including Issue I Loans. Certain information concerning the average FICO score of currently outstanding Fixed Rate MEFA Loans at the time of loan origination is contained under “THE AUTHORITY FIXED RATE MEFA LOAN PORTFOLIO.” Such information is included herein for general informational purposes and is not intended as a representation that the credit characteristics of Issue I Loans will resemble those of previously originated Fixed Rate MEFA Loans.

If any of the following circumstances exist without an explanation satisfactory to the Servicer, the Servicer may in its reasonable judgment reject the application: excessive payment delinquencies; garnishment; attachment; foreclosure; repossession; or legal proceedings against the applicant or co-applicant which may affect the borrower’s ability to repay or the Authority’s ability to collect a MEFA Loan. In addition, the absence of a credit history may be grounds for denial of a Fixed Rate Undergraduate MEFA Loan or a Variable Rate Undergraduate MEFA Loan, but may not alone be grounds for denial of a MEFA Loan for Graduate Education.

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

Evaluation and Certification by the Participating Institution. Participating Institutions are required to reject, or to cause the Servicer to reject, an application for a MEFA Loan, if the information contained in the application indicates that the applicant, co-applicant and/or student has ever defaulted on any educational assistance loans or failed to refund an educational grant required to be refunded or is currently in arrears to the Participating Institution in an amount in excess of \$100 and the Participating Institution has demanded payment. The authorized representatives of the Participating Institutions certify certain information regarding the loans, including: (i) that the student is enrolled on at least a half-time basis, is in good standing and is not known to have defaulted, or to be more than \$100 delinquent on any other education loan; and (ii) that the loan applied for does not exceed the difference between the student’s cost of attendance and other financial aid. After such certification, the loan is processed through the Servicer’s origination system. Subsequent to such loan processing by the Authority, the Authority will direct the Trustee to transfer funds to the Servicer. The Servicer will then transfer such funds

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received from the Authority to the Participating Institution for credit to the student's account. All promissory notes of borrowers are delivered by such borrowers directly to the Servicer which holds such promissory notes in its custody on behalf of the Trustee.

MEFA Loan Servicing

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

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

As described above under “— Loan Origination — Credit Evaluation by the Servicer,” the Servicer assists the Authority in the evaluation of applicants for MEFA Loans by performing a credit analysis of each applicant. After MEFA Loans have been purchased by the Authority, the Servicer is required to prepare and deliver to each borrower a periodic billing invoice, or coupon books, for the repayment of MEFA Loans and to use its best efforts to collect all payments of principal of and interest on the MEFA Loans.

A Servicer is required to service delinquent MEFA Loans so as to enable, to the maximum extent possible, payment in full of such notes on their respective original repayment schedules. The Servicer must notify the borrower of the delinquency by repeated telephone calls and letters at specified intervals, with copies of all servicer aging reports produced going to the applicable Participating Institution when and after any payment is forty-five (45) days overdue, all as set forth in the Operations Manual.

A Servicer's duties include recording all payments and all adjustments including overpayments and prepayments of MEFA Loans and forgiveness of MEFA Loans. A Servicer is also required to maintain files concerning each MEFA Loan, preparing and maintaining appropriate accounting records with respect to all transactions related to each MEFA Loan, preparing various reports to the Authority of the status and activity of each application for a MEFA Loan, and updating weekly and maintaining an off-site duplicate of the computer file pertaining to each MEFA Loan.

Defaults. When a MEFA Loan is one hundred eighty (180) days past due (or such later date as the Authority may determine in compliance with applicable Resolution requirements) it is deemed to be “Defaulted” and a Servicer is required to cease contact with the borrower unless and until instructed otherwise by the Authority or the Trustee. When a MEFA Loan becomes Defaulted it is the Authority's practice to refer the default to a collection agent or an attorney. The Authority retains continuous oversight and responsibility for enforcement and settlement decisions related to defaulted and delinquent accounts. See “AUTHORITY FIXED RATE MEFA LOAN PORTFOLIO.”

AUTHORITY FIXED RATE MEFA LOAN PORTFOLIO

The historical information relative to the origination, distribution and payment experience of the Authority in connection with its previously originated Fixed Rate MEFA Loans contained in

this Official Statement is included for general reference purposes only and is not intended as a representation that the origination, distribution or payment experience of the Issue I Loan Portfolio will be similar to that of previously originated Fixed Rate MEFA Loans during any period or over the respective lives of such Fixed Rate MEFA Loans. See “RISK FACTORS — Performance of the Issue I Loan Portfolio May Differ From Historical Fixed Rate MEFA Loan Performance,” “— Composition and Characteristics of the Issue I Loan Portfolio May Change” and “—General Economic Conditions May Deteriorate” and “APPENDIX F — INITIAL FORM OF PERIODIC ISSUE I LOAN PORTFOLIO INFORMATION TO BE MADE AVAILABLE.”

The Authority’s Fixed Rate MEFA Loan Portfolio

The Authority began purchasing Fixed Rate MEFA Loans in 1983 and since that time has issued numerous series of Prior Obligations to finance Fixed Rate MEFA Loan purchases. This section provides information relating to the historical results of the Fixed Rate MEFA Loan Portfolio. The distribution, default and delinquency information included relates to Fixed Rate MEFA Loans originated through application of proceeds of the Authority’s Issue E Bonds, Issue G Bonds and Issue H Bonds. The Authority has compared the performance of Fixed Rate MEFA Loans originated through application of proceeds of its Issue A Bonds, Issue B Bonds, Issue C Bonds and Issue D Bonds, all of which have been fully retired, to the performance to date of Fixed Rate MEFA Loans originated through application of proceeds of its Issue E Bonds, Issue G Bonds and Issue H Bonds. Based upon this review, the Authority believes that Fixed Rate MEFA Loans originated throughout the history of the MEFA Loan Program have experienced to date substantially similar patterns and rates of delinquency and gross default. See “RISK FACTORS — Certain Factors Could Potentially Affect Timing and Receipt of Revenues” and “— General Economic Conditions” and “THE MEFA LOAN PROGRAM — General.”

As of May 31, 2009, approximately \$339,000,000 of the proceeds of the Series 2008 Bonds remained available to finance additional Fixed Rate MEFA Loans. Substantially all of the other original lendable proceeds and recycled proceeds of the bonds that were previously issued by the Authority to fund MEFA Loans or Authority FFELP Loans have been or will shortly be fully expended to purchase MEFA Loans or Authority FFELP Loans or to redeem or retire bonds. See “RISK FACTORS — Redemption.”

The table on the following page shows the status of MEFA Loan purchases by the Authority from Prior Obligations proceeds as of March 31, 2009. All information presented is based on Authority records. Generally, the total lendable proceeds for each Issue shown in the table exceeds the original lendable proceeds because the Authority has been able to apply certain revenues derived from loan prepayments, certain defaulted loan sales and other sources during the applicable loan origination period to purchase additional MEFA Loans. See “PLAN OF FINANCING.” The aggregate original note amounts (face value) exceed the total lendable proceeds because the note amounts include origination fees and interest capitalized during the applicable Deferral Periods.

Massachusetts Educational Financing Authority
Historic Loan Purchases
(As of March 31, 2009)
(\$000's)

Prior Bonds	Amount of Original Lendable Proceeds	Total Amount of Lendable Proceeds (and percentage) Expended	Total Accreted Note Amount	Number of Loans
Issue A ¹ (1983)	\$ 15,308	\$ 15,374 100%	\$ 16,444	2,407
Issue B ^{1,2} (1984)	\$ 16,877	\$ 16,640 99%	\$ 18,365	2,376
Issue C ¹ (1985)	\$ 71,021	\$ 76,549 108%	\$ 87,031	10,570
Issue D ¹ (1989-91)	\$ 110,461	\$ 123,812 112%	\$ 139,123	14,488
Issue E ^{1,3,4,5} (1992-97, 99, 2001-07)	\$ 1,818,459	\$ 2,093,363 115%	\$ 2,210,194	182,660
Issue G (1998, 2000)	\$ 252,364	\$ 288,564 114%	\$ 309,508	23,955
Issue H ⁶ (2008)	\$ 375,300	\$ 33,578 9%	\$ 34,067	3,089
Total Bonds	\$ 2,659,790	\$ 2,647,880	\$ 2,814,732	239,545

¹ The Authority has fully paid the Issue A Bonds, the Issue B Bonds, the Issue C Bonds, the Issue D Bonds, and Series 92, 94, 95, and 96 of the Issue E Indenture, and any remaining current loans made with the proceeds of these issues, except Issue 1996 Loans, have been forgiven or refunded into an existing series of bonds.

² Unexpended proceeds of the Issue B Bonds in the amount of \$237,153 were used to redeem Issue B Bonds.

³ Includes approximately \$417 million Authority FFELP Loans.

⁴ Approximately \$30,546,500 of the remaining lendable proceeds of the Series 1992A Bonds were transferred to the Series 1994 purchase account and the reserve fund in connection with the refunding of \$30,870,000 of the Series 1992A Bonds.

⁵ Remaining lendable proceeds of \$ 58,950,000 of the Series 2005 Bonds and \$55,050,000 of the Series 2006 Bonds were transferred to the Series 2007 purchase account in connection with the refunding of \$114,000,000 of the Series 2005 and the Series 2006 Bonds.

⁶ Includes approximately \$342 million of Original Lendable Proceeds scheduled to be disbursed during the 2009-2010 academic year.

Since the inception of the MEFA Loan Program in 1983, the volume, number of borrowers, number of Participating Institutions, and the types of MEFA Loans offered have expanded significantly. In 1983, thirteen (13) independent institutions participated in the program and 1,230 borrowers received MEFA Loans financed through the Authority. Public institutions began participating in 1984. In the same year, the Authority introduced the MEFA Loans for Graduate Education Program for independent institutions. Participation by students at public institutions in the MEFA Loan Program has generally increased since 1984. As of the 2008-2009 academic year, one hundred and two (102) independent and public Massachusetts institutions are participating in the MEFA Loan Program. Annual MEFA Loan volume grew from approximately \$7.5 million in loan purchases for the 1983-84 academic year to approximately \$400 million in loan purchases for the last full academic year of 2007-2008.

The average size of MEFA Loans has grown steadily since 1983, reflecting rising education costs. The average initial principal amount of MEFA Loans financed during the 1983-84 academic year was \$6,120. The average initial principal amounts of Undergraduate MEFA Loans and of MEFA Loans for Graduate Education financed during the past 2007-2008 academic years were \$13,300 and \$18,200, respectively. During the same period, the average MEFA Loan size at public institutions was \$8,800. The average FICO score that was applicable to approved Fixed Rate MEFA Loans, at the time of origination, was 744 for the 2006-2007 academic year, 741 for the 2007-2008 academic year and 748 for the 2008-2009 academic year. For Issue I Loans, the minimum FICO score will be 670, unless changed by the Authority upon compliance with certain requirements of the Resolution, including the requirements of Prior Rating Agency Notice and, in certain cases, satisfaction of the Rating Agency Condition as to S&P.

The following chart contains information concerning the distribution of currently outstanding Fixed Rate MEFA Loans among students attending different Participation Institutions.

Distribution of the Fixed Rate MEFA Loan Portfolio by Participating Institution
(As of 03/31/2009)⁽¹⁾

Participating Institution Name ⁽²⁾	Number of Loans	Approximate Principal Balance	Approximate Percent by Principal
1. Boston University	7,978	\$109,238,000	12.87%
2. Boston College	4,297	60,330,000	7.11%
3. University of Massachusetts Amherst	6,814	50,870,000	5.99%
4. Northeastern University	4,091	49,366,000	5.82%
5. Harvard University	3,004	40,951,000	4.83%
6. Suffolk University	2,402	30,039,000	3.54%
7. College of the Holy Cross	2,062	26,130,000	3.08%
8. Tufts University	1,506	24,265,000	2.86%
9. Babson College	1,388	19,080,000	2.25%
10. Massachusetts Institute of Technology	1,012	16,005,000	1.89%
11. Bentley College	1,369	15,504,000	1.83%
12. University of Massachusetts Dartmouth	2,168	15,195,000	1.79%
13. Brandeis University	1,234	15,151,000	1.79%
All Others	<u>36,913</u>	<u>376,470,000</u>	<u>44.36%</u>
Total	<u>76,238</u>	<u>\$848,594,000</u>	<u>100.00%</u>

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

⁽²⁾ Listed Participating Institutions represent approximately 56% of Principal Balance Outstanding.

The following chart contains information concerning the distribution of currently outstanding Fixed Rate MEFA Loans, at the time of loan origination, between undergraduate and graduate students.

**Distribution of the Fixed Rate MEFA Loan Portfolio by Undergraduate and Graduate Status
(As of 03/31/2009)⁽¹⁾**

Academic Program Type	Number of Loans	Approximate Principal Balance	Approximate Percent by Principal
Undergraduate	63,264	\$665,490,000	78.42%
Graduate	<u>12,974</u>	<u>183,104,000</u>	<u>21.58%</u>
Total	<u>76,238</u>	<u>\$848,594,000</u>	<u>100.00%</u>

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

The following chart contains information concerning the distribution of currently outstanding Fixed Rate MEFA Loans that were made to borrowers with and without co-signers, at the time of origination, between graduate and to undergraduate students.

**Distribution of the Fixed Rate MEFA Loan Portfolio by Co-Signer Status
(As of 03/31/2009)⁽¹⁾**

Co-Signer Status	Number of Loans	Approximate Principal Balance	Approximate Percent by Principal
<u>Co-Signer</u>			
Undergraduate	60,924	\$652,990,000	76.95%
Graduate	<u>9,365</u>	<u>133,264,000</u>	<u>15.70%</u>
Subtotal	<u>70,289</u>	<u>786,254,000</u>	<u>92.65%</u>
<u>Non Co-Signer</u>			
Undergraduate	2,340	\$12,500,000	1.47%
Graduate	<u>3,609</u>	<u>49,840,000</u>	<u>5.87%</u>
Subtotal	<u>5,949</u>	<u>62,340,000</u>	<u>7.35%</u>
Total	<u>76,238</u>	<u>\$848,594,000</u>	<u>100.00%</u>

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

It is the Authority's usual practice to treat a MEFA Loan as Defaulted when such loan becomes up to 180 days past due. However, in certain limited circumstances, the Authority will not treat a MEFA Loan as Defaulted during a period of up to two years following the date it becomes up to 180 days past due if: (i) the borrower has agreed to, and is complying with, a modified payment plan that is acceptable

to the Authority and has agreed to bring the MEFA Loan current by the end of such two year period; or (ii) the Authority has reason to believe the delinquency is due to temporary circumstances and that the delinquency is likely to be cured during such two year period. It is also the Authority's practice, in certain circumstances, not to treat a MEFA Loan as Defaulted while a bankruptcy proceeding involving the borrower is pending. Such MEFA Loans are generally classified as delinquent. However, because MEFA Loans generally are nondischargeable in bankruptcy, payments on MEFA Loans of some borrowers in bankruptcy proceedings are kept current, and in such cases it is the Authority's practice not to treat such MEFA Loans as Defaulted or delinquent. The Authority and the Servicer continuously work with individual borrowers in order to bring MEFA Loans current. See "RISK FACTORS — Changes in Relevant Laws."

Massachusetts Educational Financing Authority
Default Experience (Fixed Rate MEFA Loans with FICO Score of 670 and Greater)
(As of March 31, 2009)⁽¹⁾
(\$000's)

<i>Private-Fixed</i>	<i>Original Accreted Loan Value</i>		<i>Gross Defaults</i>				<i>Defaults Net of Recoveries</i>			
	31-Mar-08	31-Mar-09	31-Mar-08		31-Mar-09		31-Mar-08		31-Mar-09	
Prior Bonds										
Issue E (1997, 1999, 2001-2007)	\$ 994,413	\$1,008,282	\$ 5,712	0.57%	\$ 9,875	0.98%	\$ 2,334	0.23%	\$6,480	0.64%
Issue G (1998, 2000)	\$ 276,102	\$ 259,034	\$ 2,847	1.03%	\$ 3,346	1.29%	\$ 631	0.23%	\$1,130	0.44%
Issue H (2008) ⁽²⁾	\$ 0	\$ 51,931	\$ 0	0.00	\$ 0	0.00%	\$ 0	0.00%	\$ 0	0.00%
Total Bonds	\$1,270,515	\$1,319,247	\$ 8,559	0.67%	\$ 13,221	1.00%	\$ 2,965	0.23%	\$7,610	0.58%

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

(2) No March 31, 2008 Data Available for Issue H, which was closed on September 15, 2008.

Massachusetts Educational Financing Authority
Delinquency Experience (Fixed Rate MEFA Loans with a FICO Score of 670 or Greater)
(As of March 31, 2009)⁽¹⁾
(\$000's)

	<i>Original Accreted Note</i>		<i>Outstanding Loan Balance</i>		<i>Delinquent 31 to 90 days</i>		<i>Delinquent 91 to 180 days</i>		<i>Delinquent >180 days</i>	
	31-Mar-08	31-Mar-09	31-Mar-08	31-Mar-09	31-Mar-08	31-Mar-09	31-Mar-08	31-Mar-09	31-Mar-08	31-Mar-09
Prior Bonds										
Issue E (1992-97, 99, 2001-07)	\$ 994,413	\$ 1,008,282	\$ 431,168	\$ 442,741	\$ 10,594 2.46%	\$ 14,647 3.31%	\$ 2,405 0.56%	\$ 6,296 1.42%	\$ 354 0.08%	\$ 1,574 0.36%
Issue G (1998, 2000)	\$ 276,102	\$ 259,034	\$ 72,588	\$ 50,743	\$ 1,377 1.90%	\$ 1,717 3.38%	\$ 164 0.32%	\$ 409 0.81%	\$ 108 0.15%	\$ 82 0.16%
Issue H (2008) ⁽²⁾	\$ 0	\$ 51,931	\$ 0	\$ 19,612	\$ 0 0.00%	\$ 604 3.08%	\$ 0 0.00%	\$ 22 0.11%	\$ 0 0.00%	\$ 0 0.00%
Total Bonds	\$ 1,270,515	\$ 1,319,247	\$ 503,756	\$ 513,096	\$ 11,971 2.38%	\$ 16,968 3.31%	\$ 2,569 0.51%	\$ 6,727 1.31%	\$ 462 0.09%	\$ 1,656 0.32%

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

(2) No March 31, 2008 Data Available for Issue H, which was closed on September 15, 2008.

LEGALITY OF BONDS FOR INVESTMENT

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

BONDS AS SECURITY FOR DEPOSIT

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

LITIGATION

At the time of delivery of and payment for the Series 2009 Bonds, the Authority's general counsel will deliver an opinion to the effect that there is no litigation, inquiry or investigation before or by any court, public board or body known to be pending or, to the best of such counsel's knowledge, threatened against the Authority affecting the creation, organization or corporate existence of the Authority or the title of its present members or officers to their respective offices; seeking to prohibit, restrain or enjoin the issuance or delivery of the Series 2009 Bonds or the collection of Revenues of the Authority or the pledge of assets and Revenues under the Resolution; in any way contesting or affecting the validity or enforceability of the Series 2009 Bonds, the Resolution, the Servicing Agreement, or the Operations Manual; or contesting in any material respect the completeness or accuracy of this Official Statement.

Such opinion shall also be to the effect that the Authority is not unreasonable in its opinion that any litigation which is pending against the Authority is routine litigation incidental to the operations of the Authority unlikely to have a material effect on its power or authority to satisfy its obligations with respect to the Series 2009 Bonds.

CERTAIN LEGAL MATTERS

All legal matters related to the authorization, issuance, sale and delivery of the Series 2009 Bonds are subject to the approval of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Bond Counsel and general counsel to the Authority. The unqualified approving opinion of such Bond Counsel, substantially in the form set forth in APPENDIX D hereto, will be delivered upon the issuance of the Series 2009 Bonds. Certain legal matters will be passed upon for the Underwriters by their Counsel, Hawkins Delafield & Wood LLP, New York, New York.

TAX MATTERS

Bond Counsel is of the opinion that, under existing law, interest on the Series 2009 Bonds will not be included in the gross income of holders of such Series 2009 Bonds for federal income tax purposes. Bond Counsel's opinion is expressly conditioned upon continued compliance by the Authority with certain requirements imposed by the Internal Revenue Code of 1986, as amended (the "Code"), which requirements must be satisfied subsequent to the date of issuance of the Series 2009 Bonds in order

to ensure that the interest on the Series 2009 Bonds is and continues to be excludable from the gross income of the holders of the Series 2009 Bonds. In particular, and without limitation: (i) section 144(b) of the Code imposes requirements for a “qualified student loan bond”; and (ii) section 148 of the Code requires that certain proceeds of the Series 2009 Bonds be invested at a yield not materially higher than the yield on the Series 2009 Bonds (as calculated pursuant to the Code) and that certain profits earned from investment of proceeds of the Series 2009 Bonds be rebated to the United States. The Authority has provided certifications and covenants as to its continued compliance with such requirements. Failure to so comply could cause the interest on the Series 2009 Bonds to be included in the gross income of the holders thereof retroactive to the date of issuance of the Series 2009 Bonds.

In the opinion of bond counsel, interest on the Series 2009 Bonds will not constitute a preference item under section 57(a)(5) of the Code for purposes of computation of the alternative minimum tax imposed on certain individuals and corporations under section 55 of the Code and will not be included in adjusted current earnings when calculating corporate alternative minimum taxable income under section 56(g) of the Code. The foregoing opinions reflect the enactment of the American Recovery and Reinvestment Act of 2009 (the “Recovery Act”), which includes provisions that modify the treatment under the alternative minimum tax of interest on certain bonds, such as the Series 2009 Bonds, issued in 2009 and 2010.

Bond Counsel has not opined as to other federal tax consequences of holding the Series 2009 Bonds. However, prospective purchasers of the Series 2009 Bonds should also be aware that: (i) section 265 of the Code generally denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Series 2009 Bonds and, in the case of a financial institution, that portion of the holder’s interest expense allocated to the Series 2009 Bonds; provided, however, that, under the Recovery Act, 92.8% of each Series 2009 Bond and certain other similar bonds issued in 2009 or 2010 and held by such financial institution may not be required to be taken into account in such allocation to the extent that they do not in the aggregate exceed 2% of the average adjusted bases of the assets of the holder, subject to the requirement that interest on indebtedness otherwise allocable to bonds which are for that reason excluded from such allocation be treated as a financial institution preference item as to which deductibility is reduced by 20%; (ii) with respect to insurance companies subject to the tax imposed by section 831 of the Code, section 832(b)(5)(B)(i) reduces the deduction for losses incurred by 15 percent of the sum of certain items, including interest on the Series 2009 Bonds; (iii) interest on the Series 2009 Bonds earned by certain foreign corporations doing business in the United States could be subject to a foreign branch profits tax imposed by section 884 of the Code; (iv) passive investment income, including interest on the Series 2009 Bonds, may be subject to federal income taxation under section 1375 of the Code for an S Corporation that has Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such S Corporation is passive investment income; (v) section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest on the Series 2009 Bonds; and (vi) receipt of investment income, including interest on the Series 2009 Bonds, may, pursuant to section 32(i) of the Code, disqualify the recipient thereof from obtaining the earned income credit provided by section 32(a) of the Code. Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Series 2009 Bonds may affect the tax exempt status of interest on the Series 2009 Bonds or the tax consequences of ownership of the Series 2009 Bonds. No assurance can be given that future legislation, or amendments to the Code, if enacted into law, will not contain provisions which could directly or indirectly reduce the benefit of the exclusion of the interest on the Series 2009 Bonds from gross income for federal income tax purposes. Holders should consult their own tax advisors with respect to any of the foregoing tax consequences.

Interest paid on tax-exempt obligations such as the Series 2009 Bonds is now generally required to be reported by payors to the Internal Revenue Service (“IRS”) and to recipients in the same manner as

interest on taxable obligations. In addition, such interest may be subject to “backup withholding” if the Bond owner fails to provide the information required on IRS Form W-9, Request for Taxpayer Identification Number and Certification, as ordinarily would be provided in connection with establishment of a brokerage account, or the IRS has specifically identified the Bond owner as being subject to backup withholding because of prior underreporting. Neither the information reporting requirement nor the backup withholding requirement affects the excludability of interest on the Series 2009 Bonds from gross income for federal tax purposes.

In the opinion of Bond Counsel, under existing law, interest on the Series 2009 Bonds and any profit made on the sale thereof are also exempt from Massachusetts personal income taxes, and the Series 2009 Bonds are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to the other Massachusetts tax consequences arising with respect to the Series 2009 Bonds. Prospective purchasers should be aware, however, that the Series 2009 Bonds are included in the measure of Massachusetts estate and inheritance taxes, and the Series 2009 Bonds and the interest thereon are included in the measure of Massachusetts corporate excise and franchise taxes. Bond Counsel has not opined as to the taxability of the Series 2009 Bonds, their transfer and the income therefrom, including any profit made on the sale thereof, under the laws of any state other than the Commonwealth of Massachusetts.

For federal and Massachusetts tax purposes, interest includes original issue discount. Original issue discount with respect to a Series 2009 Bond is equal to the excess, if any, of the stated redemption price at maturity of such Series 2009 Bond, over the initial offering price thereof to the public, excluding underwriters and other intermediaries, at which price a substantial amount of all Series 2009 Bonds of the same Series with the same maturity were sold. Original issue discount accrues actuarially over the term of a Series 2009 Bond. Holders should consult their own tax advisers with respect to the computations of original issue discount on such accruals of interest during the period in which any such Series 2009 Bond is held.

An amount equal to the excess, if any, of the purchase price of a Series 2009 Bond over the principal amount payable at maturity constitutes amortizable bond premium for federal and Massachusetts tax purposes. The required amortization of such premium during the term of a Series 2009 Bond will result in the reduction of the holder’s tax basis in such Series 2009 Bond. Such amortization also will result in reduction of the amount of the stated interest on the Series 2009 Bond taken into account as interest for tax purposes. Holders of Series 2009 Bonds purchased at a premium should consult their own tax advisers with respect to the determination and treatment of such premium for federal income tax purposes and with respect to state or local tax consequences of owning such Series 2009 Bonds.

On the date of delivery of the Series 2009 Bonds the original purchasers will be furnished with an opinion of Bond Counsel substantially in the applicable form attached hereto as APPENDIX D.

UNDERWRITING

The Series 2009 Bonds are being purchased by Morgan Stanley & Co. Incorporated, as representative of the underwriters listed upon the front cover of this Official Statement (collectively, the “Underwriters”). The Underwriters have agreed, subject to certain conditions, to purchase all of the Series 2009 Bonds at par in exchange for an aggregate fee equal to \$2,019,911. The initial public offering prices of the Series 2009 Bonds set forth on the inside front cover page hereof may be changed without notice by the Underwriters. The Underwriters may offer and sell the Series 2009 Bonds to certain dealers (including dealers depositing the Series 2009 Bonds into investment trusts, certain of which may be sponsored or managed by the Underwriters) and others at prices lower than or yields higher than the offering prices or yields set forth on the inside front cover page hereof.

Morgan Stanley, parent company of Morgan Stanley & Co. Incorporated, an underwriter of the Issue I Bonds, has entered into a retail brokerage joint venture with Citigroup Inc. As part of the joint venture, Morgan Stanley & Co. Incorporated will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Morgan Stanley & Co. Incorporated will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Issue I Bonds.

J.P. Morgan Securities Inc., one of the underwriters of the Series 2009 Bonds, has entered into an agreement (the "Distribution Agreement") with UBS Financial Services Inc. for the retail distribution of certain municipal securities offerings at the original issue prices. Pursuant to the Distribution Agreement (if applicable to this transaction), J.P. Morgan Securities Inc. will share a portion of its underwriting compensation with respect to the Series 2009 Bonds with UBS Financial Services Inc.

RATINGS

At the time of issuance, the Series 2009 Bonds are expected to be rated "AA" by S&P and "A" by Fitch. Assignment of such ratings and underlying ratings to the Series 2009 Bonds is a precondition to delivery of the Series 2009 Bonds.

Such ratings reflect only the views of each rating agency at the time such ratings were given and the Authority makes no representation as to the appropriateness of the ratings. An explanation of the significance of such ratings can only be obtained from the rating agency furnishing the same. There is no assurance that a particular rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency if, in the judgment of Fitch or S&P, as the case may be, circumstances so warrant. Any such downward revision or withdrawal of any such rating may have an adverse effect on the market price of the Series 2009 Bonds or on the existence of a secondary market for the Series 2009 Bonds. The ratings are not a recommendation to buy or sell the Series 2009 Bonds, and are not a comment as to the suitability of the Series 2009 Bonds for any investor.

NEGOTIABLE INSTRUMENTS

Pursuant to the Act, the Series 2009 Bonds are negotiable instruments, subject only to the provisions for registration of the Issue I Bonds.

COMMONWEALTH NOT LIABLE ON BONDS

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

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission (the “Rule”), the Authority will enter into continuing disclosure agreements, with respect to each Series of the Series 2009 Bonds (each a “Continuing Disclosure Agreement”) with the Trustee for the benefit of owners of such Series of the Series 2009 Bonds setting forth the undertaking of the Authority regarding continuing disclosure with respect to such Bonds. The proposed form of the Continuing Disclosure Agreement is set forth in APPENDIX E. The Authority has not failed to comply with any previous undertaking to provide annual reports or notices of material events in accordance with the Rule.

AVAILABILITY OF FINANCIAL AND OTHER AUTHORITY INFORMATION

The financial statements of the Authority as of and for the years ended June 30, 2008 and June 30, 2007 included in APPENDIX A of this Official Statement have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report appearing in APPENDIX A of this Official Statement.

Such financial statements include information with respect to the Authority Loan Program generally, and with respect to Authority programs which are unrelated to education lending, as well as with respect to the Loan Program. Since the Series 2009 Bonds are special obligations of the Authority, payable only from the Revenues and other Loan Program assets pledged under the Issue I General Resolution, the overall financial status of the Authority, or that of the Authority Loan Program, does not indicate and does not necessarily affect whether the Revenues and other assets so pledged will be sufficient to fund the timely payment of principal installments, premium, if any, and interest on the Series 2009 Bonds. See “SECURITY FOR THE ISSUE I BONDS AND SOURCES OF PAYMENT.”

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

Under the Resolution, the Authority is also required to make certain periodic Issue I Loan Portfolio Information publicly available no less frequently than quarterly. See “APPENDIX F—INITIAL FORM OF PERIODIC ISSUE I LOAN PORTFOLIO INFORMATION TO BE MADE AVAILABLE.”

The Authority currently follows a practice of regularly releasing certain information concerning the portfolios of education loans included in certain of its trust estates, including the Issue I trust estate, and concerning its overall education loan financing program, by posting such information on a publicly accessible Internet web site maintained by or on behalf of the Authority for such purpose. Such information is currently posted to www.mefa.org. Such information may include some or all of the information described in APPENDIX F of this Official Statement and may include other factual information concerning the education loans or the Authority’s education loan financing program that the Authority believes to be appropriate. The Authority has not, however, contractually agreed to release such information with respect to the Issue I Trust Estate and does not currently expect to enter into such a contract. The Authority reserves the rights: (i) to alter or discontinue this policy at any time without notice; and (ii) to satisfy contractual secondary market disclosure obligations with respect to the Issue I Bonds in part by reference to information that is posted in this manner without thereby becoming

contractually obligated to continue releasing such information in this manner. See “CONTINUING DISCLOSURE.”

FINANCIAL ADVISOR

Public Financial Management, Inc. (“PFM”) has acted as independent financial advisor to the Authority with respect to the Series 2009 Bonds. 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 adequacy of the information contained in this Official Statement and the appendices hereto. PFM is an independent financial advisory firm and is not engaged in the business of underwriting, trading or distributing securities.

MISCELLANEOUS

The references to the Act, the Resolution, the Servicing Agreements, the MEFA Loan Program and the MEFA Program Documents are brief summaries of certain provisions thereof. Such summaries do not purport to be complete, and reference is made thereto for full and complete statements of such and all provisions. The agreements of the Authority with the holders of the Series 2009 Bonds are fully set forth in the Resolution, and neither any advertisement of the Series 2009 Bonds nor this Official Statement is to be construed as constituting an agreement with the purchasers of the Series 2009 Bonds. So far as any statements are made in this Official Statement involving matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact. Copies of the documents, other than the Higher Education Act and administrative regulations and pronouncements thereunder, mentioned in this paragraph are on file at the offices of the Authority.

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

MASSACHUSETTS EDUCATIONAL FINANCING AUTHORITY

By: /s/ Thomas M. Graf
Executive Director

Dated: June 26, 2009

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APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY

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Massachusetts Educational Financing Authority

**Financial Statements with Management's
Discussion and Analysis
June 30, 2008 and 2007**

Massachusetts Educational Financing Authority
Index
June 30, 2008 and 2007

	Page(s)
Report of Independent Auditors	1
Management's Discussion and Analysis	2-11
Financial Statements	
Balance Sheets.....	12
Statements of Revenues, Expenses and Changes in Net Assets	13
Statements of Cash Flows.....	14-15
Notes to Financial Statements.....	16-43
Supplemental Schedules	44-51

Report of Independent Auditors

To the Members of the Agency
Massachusetts Educational Financing Authority

In our opinion, the accompanying balance sheets and the related statements of revenues, expenses and changes in net assets and of cash flows present fairly, in all material respects, the financial position of the Massachusetts Educational Financing Authority (the "Authority") at June 30, 2008 and 2007, and its revenues, expenses and changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The Management's Discussion and Analysis on pages 2 through 11 is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of the Authority taken as a whole. The supplemental information on pages 44 through 51 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP

January 30, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

This discussion and analysis of the financial position and performance of the Massachusetts Educational Financing Authority (the "Authority") is intended to provide an introduction and analytical overview of the basic financial statements of the Authority on a comparative basis for the fiscal years ended June 30, 2008, 2007 and 2006. This unaudited management's discussion and analysis should be read in conjunction with the attached audited financial statements and the notes thereto in its entirety.

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

Since inception, the Authority has been engaged in loan purchase programs under which participating colleges and universities originate student loans, in accordance with common criteria and procedures, for sale to the Authority. The programs are funded using proceeds from Educational Loan Revenue Bonds issued by the Authority (the "Bonds"). The primary goal of these programs is to provide education loans to eligible students and families which will assist them with the cost of attendance at eligible higher education institutions within the Commonwealth and beyond.

In addition to the proprietary, unsecured consumer loan programs, the Authority began participating in the Federal Family Education Loan Program (the "FFELP") in July 2002. The FFELP is a federal program that allows undergraduate and graduate borrowers at eligible postsecondary schools to obtain low cost education loans. The Authority offers five types of loans in the FFELP: Subsidized Stafford, Unsubsidized Stafford, Parent Loan for Undergraduate Students (PLUS), Graduate and Professional Students and Consolidation Loans. The interest rate charged to the borrower varies based upon the type of loan and the regulations in effect at the time the loan was originated. The FFELP is also funded using proceeds from the Bonds.

As part of the FFELP, the U.S. Department of Education (the "ED") makes special allowance payments that could result in the loan yield to the lender being higher than the rate charged to the borrowers. The lender yield is variable and not dependent on whether the underlying loan to the borrower is fixed or variable. The amount of special allowance payments is based upon the type of loan and regulations in effect at the time of origination.

In February 2006, the President of the United States signed The Deficit Reduction Act of 2005. Included in this Act is The Higher Education Reconciliation Act of 2005. Several provisions of the Higher Education Act governing the FFELP were amended including the extension of origination of FFELP loans through September 30, 2012. Beginning July 1, 2006, the origination fee became 2% (from 3%) and tiers down annually to 0% for loans made on or after July 1, 2010. The amount guaranteed by the ED also changed to 97% (from 98%) and for exceptional servicing performers (as defined by ED) to 99% (from 100%). Also, a 1% default fee became a mandatory charge by ED on all new FFELP originations. Within the Stafford program, the annual loan limits for first and second year undergraduate students have been increased. As part of the PLUS program, the eligible pool of borrowers has been expanded to include a graduate or professional student or the parents of that student. The Stafford and PLUS programs moved to fixed interest rates for all borrowers while the lender yield remained variable with no changes to the spread above the three-month commercial paper (financial) index. The lender is also now required to make payments on their individual FFELP portfolios to the ED for the difference when the rate to the borrower is in excess of the stated lender yield for that particular FFEL program.

In July 2006, the Authority introduced a new Stafford benefit program that replaces the prior offering. The Authority now pays on behalf of the borrowers the full origination fee due (as described above) for disbursements on or after July 1, 2006. This allows students to receive the full 100% of the funds at disbursement for application towards the cost of attendance. This borrower benefit that is remitted to the ED is capitalized and expensed using the straight-line method over the expected average life, which approximates the effective interest method, of each Stafford loan, similar to the prior program offering.

In September 2007, the College Cost Reduction and Access Act was signed into law by the President. This Act was effective October 1, 2007 and resulted in the following changes to the FFEL program for lenders. For Stafford and Consolidation loans first disbursed on or after October 1, 2007, special allowance payments to not-for-profit lenders were decreased .40%. For PLUS loans first disbursed on or after October 1, 2007, special allowance payments to not-for-profit lenders were lowered .70%. For all loans first disbursed on or after October 1, 2007, lender origination fees paid to ED increased from 0.50% to 1.0%. Effective October 1, 2007, the exceptional performer section of the law was eliminated for organizations servicing FFEL program loans. Also, effective October 1, 2012, lender insurance for loans first disbursed on or after October 1, 2012 will decrease from 97% to 95%. Finally, effective July 1, 2009, the Parent PLUS Program will be converted to an auction process for annual origination rights of lenders.

In April 2008, the Authority announced its decision to suspend accepting FFEL applications for the 2007/2008 academic year effective June 30, 2008 due to the changes in lender yield provisions of the College Cost Reduction and Access Act combined with the continued dislocation in the global capital and credit markets.

In May 2008, the Ensuring Continued Access to Student Loans Act was signed into law by the President. This Act amended the Higher Education Act to increase annual loan and aggregate loan limits on federal unsubsidized loans, provided deferrals to parent borrowers to begin repayment of PLUS loans until up to six months after the student leaves 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. No assurance can be given that relevant federal laws, including the Higher Education Act, or regulations, will not be changed in the future in a manner that might adversely affect the Authority.

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

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

USING THE FINANCIAL STATEMENTS

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

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

FISCAL YEAR DEVELOPMENTS

In the fall of 2007, disruptions in the global capital markets began affecting the pricing of \$1.2B of auction rate securities utilized to finance the education loan portfolio. In February of 2008, with a decline in investor demand for both taxable and tax-exempt securities, the weekly, monthly and annual auctions failed and remained in this status for the remainder of the fiscal year. The failure of the auctions does not constitute a default on the bonds and all principal and interest due has been paid to date. With the occurrence of a failed auction, the bondholders are entitled to receive a maximum rate of interest as described in the related bond documents. The formulaic maximum rate is greater than the historical market rates achieved through the successful auctions prior to the failures. The Authority continues to evaluate the strategic options to restructure or refinance the auction rate securities to provide liquidity to the auction rate investors and mitigate the earnings compression for the outstanding trust estates. For further information, please see the Recent Developments section of this report.

On March 16, 2008 JPMorgan Chase & Co. announced that it was acquiring The Bear Stearns Companies Inc. and on May 31, 2008 announced the completion of the acquisition. As a result of the transaction, JPMorgan Chase, which has a long term debt rating of "Aaa" from Moody's and "AA-" from Standard & Poor's, is guaranteeing the trading obligations of Bear Stearns and its subsidiaries. At June 30, 2008 the Authority had \$67M in notional amount of swaps outstanding with Bear Stearns Financial Products Inc. which had an "Aaa" rating from Moody's and "AAA" from Standard & Poor's.

FINANCIAL HIGHLIGHTS

In the financial operations of the Authority, there are principal operating and non-operating components that make up a significant portion of the overall activities. During 2008, under the loan programs, the Authority disbursed \$500M in loans, with the FFELP representing about 22% of the overall loans disbursed. For the U.Plan program, the Authority had \$9M of matured tuition certificates on its financial statements as a liability to program participants, an increase of 4% from 2007. In the U.Fund, net assets increased by 6% as contributions remained steady and market based returns were consistent with the portfolios' asset allocations and risk levels. The principal operating revenues for the Authority continue to be interest on education loans. Non-operating revenues are primarily composed of investment income. The principal operating expenses are bond interest expense and general and administrative costs. During fiscal year 2008, non-operating expenses are primarily composed of investment losses and commitment fee refunds.

The total net assets of \$124.9M at the end of 2008 represented a 7% increase from the beginning of the fiscal year. This increase was the result of the following principal operating and non-operating activities at the Authority. Interest income on education loans was \$85.5M and represents 72% of total revenues in a competitive product and pricing environment. Interest expense on bonds outstanding, including any net swap payments, was \$80.2M, or 72% of total expenses. This ratio increased from 62% in the prior year due to a change from the prior year in total expenses as non-operating expenses decreased by \$9.2M related primarily to yield restriction and arbitrage rebate accruals. Investment interest income was \$19.8M, with assets invested in a portfolio of vehicles providing short-term flexibility and long-term yield enhancement. General and administrative expenses increased by 13% to \$18M which represents 17% of total operating expenses, a decrease from 19% of the total operating expenses in 2007. The fair value of equity

investments show a decrease of \$1.3M, a reduction of 198% from the prior year non-operating activities. During fiscal year 2008, the non-operating activities related to the tax-exempt bond portfolio for the arbitrage rebate calculation was \$2.9M in income, the yield restriction adjustment was \$504K of income and the expense accrual for the commitment fees due to participating institutions was \$1.4M. Based on these operating and non-operating activities, the Authority reflected an increase in net assets for the year of \$8.2M.

OPERATING AND NON-OPERATING RESULTS

The following illustrates the comparative results of total revenues from fiscal years ended June 30, 2008, 2007 and 2006, respectively:

(in thousands)	2008	2007	2006
Operating revenues			
Interest on educational loan notes receivable	\$ 85,533	\$ 66,254	\$ 48,074
Non-interest revenues	10,296	8,907	7,420
Total operating revenues	95,829	75,161	55,494
Non-operating revenues	23,130	28,736	15,633
Total revenues	<u>\$ 118,959</u>	<u>\$ 103,897</u>	<u>\$ 71,127</u>

Total revenues for the Authority were \$119M. The Authority continues to see growth in both variable and fixed rate products in its underlying loan portfolio. In 2008, interest income on education loan notes receivable increased by 29% from 2007 with a corresponding increase to approximately 89% of operating revenues. Non-interest revenues, which are comprised of loan origination & application fees and college savings plan revenues, increased by 16% to \$10.3M in 2008. Loan origination and application fees increased by 12% to \$4.2M in 2008 and represented approximately 41% of non-interest revenues for the three years presented. College savings plan revenues increased by 16% to \$4.9M in 2008 and represent approximately 48% of non-interest revenues for the three years presented. Other non-interest operating revenues were \$1.2M, an increase of 29% over last year, and have held relatively consistent at approximately 11% of non-interest revenues over the three years presented.

Non-operating revenues were \$23.1M which is a 20% decrease from 2007 due to the disruption in the financial markets resulting in a reduction in short term interest rates and equity market values. Also, without a capital markets transaction in 2008 and an increase in loan disbursements, the cash available for investment was 48% lower at year end in 2008. The investment portfolio reacted accordingly and produced \$19.8M in interest and dividend income in 2008, a decrease of 28% from 2007. The Trustee investment income decreased by 29% to \$18.2M and the Authority and college savings investment income decreased 13% to \$1.6M as the investment strategy related to the yield curve was maintained. Interest and dividend income was 85%, 95% and 95% of non-operating revenues for the years ended June 30, 2008, 2007 and 2006, respectively. The change in fair market value of equity investments decreased 198% to an unrealized loss of \$1.3M during 2008. This performance is contrary to the positive market returns on the equity investment portfolio of the previous two years and is attributed to the dislocation in the global financial markets during 2008. In addition, the annual arbitrage rebate liability calculation (due to the increased cost of funds for tax exempt bonds) and Treasury regulation yield restriction liability calculation both resulted in lower estimates as of year end which partially offset the decrease from the investment income in the non-operating revenue total for fiscal year 2008.

The following illustrates the comparative results of total expenses from fiscal years ended June 30, 2008, 2007 and 2006, respectively:

(in thousands)

	2008	2007	2006
Operating expenses			
Interest expense on bonds outstanding	\$ 80,215	\$ 59,399	\$ 39,158
Non-interest expenses	27,854	23,804	15,892
Total operating expenses	108,069	83,203	55,050
Non-operating expenses	2,690	11,867	2,760
Total expenses	<u>\$ 110,759</u>	<u>\$ 95,070</u>	<u>\$ 57,810</u>

For the year ending June 30, 2008, expenses totaled \$110.8M. Interest expense for bonds outstanding increased by 35% from 2007 and represented 74% of operating expenses in 2008. The increase in the bond interest expense is attributable to the dislocation in the auction rate debt markets, the increase in interest rate swap expense due to the reduction in short term interest rates the trades are structured with and the annualized recognition of the April 2007 debt issuance activity of the Authority.

Non-interest operating expenses increased by 17% to \$27.9M in 2008. General and administrative expenses increased by 13% in 2008 to \$18M and represented 65%, 67% and 83% of non-interest expenses for the years ended June 30, 2008, 2007 and 2006, respectively. In response to the 24% increase in loans disbursed during 2008, servicing costs increased by 28% on the loan portfolio. Administrative costs corresponding to office space increased by \$1M to \$1.6M related to the relocation of the corporate offices in February 2008 and personnel expenses increased by 18% due to an increase in headcount from the prior year. In addition, \$6.2M in expenses related to the provision for doubtful education loan notes receivables contributed to the non-interest operating expense increase in 2008. Lastly, an increase of 33% in bond insurance expense contributed to the overall increase in non-interest operating expenses in 2008.

Non-operating expenses decreased by \$9.1M to \$2.7M in fiscal year 2008 primarily due to adjustments related to the tax-exempt bond portfolio yield restriction and arbitrage rebate accruals at year end. The annual change in estimate of the Treasury regulations for yield restrictions on tax-exempt financed loan portfolio assets produced an income adjustment of \$504K for 2008 related to an expense of \$5.5M in 2007. Arbitrage rebate estimates for the tax-exempt bond portfolio decreased \$2.9M in 2008. Included in the current year's non-operating expense results is \$1.3M in equity investment fair value decreases as a result of equity market volatility. Lastly, \$1.4M in commitment fee expenses relating to the anticipated repayment of such fees to participating institutions was accrued in fiscal year 2008. As a result of these operating and non-operating activities during fiscal year 2008, total expenses for the Authority increased by 17% from the prior year.

CHANGE IN NET ASSETS

The following illustrates the comparative results of increases in net assets from fiscal years ended June 30, 2008, 2007 and 2006, respectively:

(in thousands)	2008	2007	2006
Operating revenues	\$ 95,829	\$ 75,161	\$ 55,494
Operating expenses	108,069	83,203	55,050
Operating (loss)	(12,240)	(8,042)	444
Non-operating revenues	23,130	28,736	15,633
Non-operating expenses	2,690	11,867	2,760
Non-operating income	20,440	16,869	12,873
Increase in net assets	\$ 8,200	\$ 8,827	\$ 13,317

The operating loss totaled \$12.2M for the year ending June 30, 2008. As reflected above, net assets increased by \$8.2M. A key driver in the change to net assets is the relationship of bonds interest expense to loan interest income that was 94%, 90% and 81% at June 30, 2008, 2007 and 2006, respectively. Due to the failure of the auction rate securities market in February, 2008, 76% of bonds outstanding were impacted as the cost of funds moved from a market driven rate to a formulaic penalty rate reflective of the illiquid security market. The private loan program interest income increased by 33% to \$71.7M during fiscal year 2008 representing 84% of total interest income recognized. This ratio increased from 81% in 2007. The continued growth in college savings revenues to \$4.9M in 2008 continues to offset the current and long-term expenses to operate the savings programs at the Authority. Significant expense components of the operating loss include the increase in bond interest expenses, the increase in the reserve for doubtful education loan notes receivables of \$6.2M, increased office space costs associated with the relocation in February 2008 and increased servicing costs related to the 36% growth in education loan receivables.

Non-operating income increased by 21% to \$20.4M in 2008 from \$16.9M in 2007. The non-operating revenues decreased 20% as investment income decreased with no capital markets activity offsetting new originations which resulted in investable cash decreasing by 48% at year end and the short end of the yield curve decreasing over the fiscal year in response to the global financial markets dislocation. Offsetting this change, non-operating expenses decreased \$9.2M from 2007 due to the decreases in the estimated arbitrage rebate and yield restriction accruals recorded on the tax exempt financed loan portfolio assets. As a result of these activities, the net assets increased \$8.2M during fiscal year 2008.

FINANCIAL POSITION

The following table reflects the condensed Balance Sheet at June 30, 2008 compared to the prior fiscal years ended 2007 and 2006. The Balance Sheet presents the financial position and financial strength of the Authority at the end of the fiscal year and includes all of the assets and liabilities of the Authority with the residual being classified as net assets.

(in thousands)

	2008	2007	2006
Assets			
Education loan notes receivable	\$ 1,429,762	\$ 1,052,205	\$ 776,646
Cash and investments	309,335	726,859	680,001
Other assets	63,178	40,413	22,620
Total assets	1,802,275	1,819,477	1,479,267
Liabilities			
Bonds payable	1,589,910	1,632,000	1,315,645
Accrued bond interest payable	35,296	23,288	18,779
Other liabilities	52,169	47,489	36,970
Total liabilities	1,677,375	1,702,777	1,371,394
Net assets			
Invested in capital assets	1,857	903	975
Restricted	73,636	95,922	86,453
Unrestricted	49,407	19,875	20,445
Total net assets	\$ 124,900	\$ 116,700	\$ 107,873

The total net assets were \$124.9M at June 30, 2008. Education loan notes receivable increased by 36% from 2007 to \$1,430M at June 30, 2008 in a competitive product and pricing environment. The three-year ratio trend of education loan note receivables to total assets was 79%, 58% and 52% at June 30, 2008, 2007 and 2006, respectively. A key component for these ratio changes is that cash and investments decreased in fiscal year 2008 as \$500M in loans were disbursed from capital markets transactions completed in prior years. Other assets continued its trend with an increase to interest receivable on education loan notes of 93% to \$42.8M, a 2% increase to deferred financing costs to \$14M and an increase in capital equipment of \$954K to \$1.9M due primarily to the relocation of the Authority offices in February of 2008.

The Authority continued managing to its long-term capital plan during 2008, but did not execute a capital market transaction in the fiscal year. Bonds were redeemed during the year in the amount of \$42.1M resulting in an overall decrease in bonds payable of 3%. Accrued bond interest payable increased by 52% due primarily to the annualization of the 2007 capital markets transaction and the failure of the auction rate securities market.

Other liabilities increased by 10% to \$52M. The change was driven by a \$3.7M increase in accounts payable & other accrued expenses primarily related to costs of issuance of the Floating Rate Note transaction, which closed in July 2008, and a \$1.4M increase in accrued commitment fees due to participating institutions. In addition, deferred loan origination and other fees increased 10% with the increase in volume for the portfolio of loan products.

Within net assets, 59% is comprised of assets that are restricted through bond resolutions and program specific regulations. Restricted assets decreased by 23% over the prior year while unrestricted net assets increased to \$49.4M as the Authority negotiated the release of restricted trust estate net assets in the amount of \$26.2M to support the increased capital contribution structuring requirements to finance education loans in the current capital markets environment. Please see the Subsequent Events section of this report for additional information on the unrestricted net assets.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows presents information showing how the Authority's cash and cash equivalents position changed during the fiscal year. The Statement of Cash Flows classifies cash receipts and cash payments as resulting from operating activities, capital and related financing activities, and investing activities. Cash and cash equivalents were \$176.4M, \$341.7M, and \$430.6M at June 30, 2008, 2007 and 2006, respectively. This cash ending balance reflects the net activity of raising proceeds in the capital markets, disbursing that cash into education loans and collecting the loan payments over the assets' life to pay debt service and operating expenses.

EDUCATIONAL LOAN NOTES ALLOWANCE ANALYSIS

As of and for the years ending June 30, 2008, 2007 and 2006, respectively, the activity for the Authority's Education Loan Notes Allowance for Doubtful Accounts was as follows:

(in thousands)

Education Loan Note Defaulted Loans Provision

	<u>FY2008</u>	<u>FY2007</u>	<u>FY2006</u>
Allowance at beginning of period	\$10,536	\$5,663	\$5,426
Provision for Education Loan Losses	<u>\$6,229</u>	<u>\$4,873</u>	<u>\$237</u>
Allowance at end of period	<u>\$16,765</u>	<u>\$10,536</u>	<u>\$5,663</u>
Gross Loan Defaults	\$8,118	\$4,994	\$3,444
Recoveries	\$3,747	\$2,589	\$2,221
Net Loan Defaults	<u>\$4,371</u>	<u>\$2,405</u>	<u>\$1,223</u>
Net Loan Defaults as a percentage of average loans in repayment	0.57%	0.37%	0.22%
Allowance multiple of Average Non-Current Loans in Repayment (90+ days)	1.73	1.70	1.80
Allowance as a percentage of the ending total loan balance	1.16%	0.99%	0.72%
Allowance as a percent of ending loans in repayment	2.02%	1.54%	0.98%
Ending total loans, gross	\$1,446,841	\$1,067,777	\$784,020
12 Month Average in repayment	\$770,361	\$648,823	\$557,699
Ending loans in repayment	\$829,126	\$685,919	\$580,787
12 Month Average 90+ Days delinquent	\$9,686	\$6,211	\$3,147
90+ Days delinquent % of Avg Repayment	1.26%	0.96%	0.56%

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

During fiscal year 2008, the Authority continued to refine its methodology for estimating the allowance for doubtful accounts while following the concept originally implemented in fiscal year 2004. The defaulted loans provision for doubtful accounts increased \$6.2M to \$16.8M as the education loan notes gross receivable continued to increase over the three years presented. The loan originations in fiscal year 2008 increased the amount of loans in deferment by \$236M (62%) to \$618M or 43% of gross education loan receivables. In recognition of this, \$4.8M of the increase in defaulted loan provision allowance is allocated to education loans in deferment. The methodology for the defaulted loan allowance is derived from

historical information based on the loan portfolios performance and utilized to determine estimated future results.

DEBT ADMINISTRATION

During 2008, the Authority had \$1.6B of debt outstanding representing a small decrease from the prior year. All of the Authority's outstanding debt is rated by the nationally recognized rating agencies of Standard and Poors and Moody's. The Issue G indenture, insured by MBIA Insurance Corporation, is rated AA by S&P and A2 by Moody's. The Issue E indenture, insured by Ambac Assurance Corporation, is rated AA by S&P and Aa3 by Moody's. The following is the segmentation of the bonds' outstanding portfolio:

- Fixed rate tax-exempt revenue bonds that were issued to fund fixed rate loans represents 24% of the outstanding bond portfolio (decrease from 26% in 2007)
- One-year tax-exempt auction rate bonds that were issued to fund the one-year variable rate loans accounted for 6% of the outstanding bond portfolio (consistent with 2007)
- 35 day tax-exempt auction rate bonds that were issued to fund FFELP loan products, variable rate private loans and to be swapped to synthetic fixed rates to fund fixed rate loans were 51% of the outstanding bond portfolio (increase from 49% in 2007)
- 28 day taxable auction rate bonds that were issued to fund variable rate private loans were 16% of the outstanding bond portfolio (increase from 15% in 2007)
- 7 day taxable auction rate bonds that were issued to fund variable rate private loans were 3% of the outstanding bond portfolio (decrease from 4% in 2007)

The Authority uses interest rate exchange agreements with four counterparties to lower its cost of funds and to provide a cap on the bonds interest rate. The use of derivatives has multiple risks inherent in their overall structure. Such risks include credit risk, basis risk, termination risk, origination risk, tax risk and prepayment risk. To mitigate some of the risks, the Authority has insured the swap termination payments, implemented credit support annexes and limited the option of termination by the counterparties to defined events in the International Swap Dealers Association ("ISDA") agreements. At June 30, 2008, the Authority had outstanding \$753M, a decrease in notional derivative products of \$19M from 2007, with 65% being tax-exempt variable rate bonds swapped to a synthetic fixed rate and 35% being tax-exempt and taxable bonds with a cap on the variable interest rate. Please see the Subsequent Events section of the footnotes for further disclosure on the swap termination risk.

CAPITAL ASSETS

For the year ended June 30, 2008, the Authority had \$1.9M invested in capital assets. This amount represents a net increase (additions, disposals and depreciation) of \$954K in such assets. The following reconciliation summarizes the change in capital assets. The Authority purchased \$1.6M of new capital assets during fiscal year 2008 and disposed of \$92K of capital assets. In 2008, the capital asset purchases were related to the build-out and furniture purchases for the new office space. In prior years, the capital asset purchases were primarily related to computer hardware and software development projects.

(in thousands)	2008	2007	2006
Beginning balance, net	\$ 903	\$ 975	\$ 622
Additions	1,628	435	643
Disposals	(92)	-	-
Depreciation	(582)	(507)	(290)
Ending balance, net	<u>\$ 1,857</u>	<u>\$ 903</u>	<u>\$ 975</u>

FINANCIAL CONTACT

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

Massachusetts Educational Financing Authority
Balance Sheets
As of June 30, 2008 and 2007
(in thousands)

	2008	2007
Assets		
Current assets		
Cash and cash equivalents (Notes 3 and 4)	\$ 151,568	\$ 123,827
Investments, at fair value (Notes 3 and 4)	79,950	75,464
Education loan notes receivable, net (Notes 5 and 11)	105,160	86,858
Interest receivable on educational loan notes	42,777	22,160
Prepaid expenses and other assets	4,406	3,377
Deferred financing costs, net (Notes 3 and 6)	1,579	1,639
Interest receivable for cash, cash equivalents and investments	110	193
Total current assets	<u>385,550</u>	<u>313,518</u>
Non-current assets		
Cash and cash equivalents (Notes 3 and 4)	24,846	217,852
Investments, at fair value (Notes 3 and 4)	52,971	309,716
Education loan notes receivable, net (Notes 5 and 11)	1,324,602	965,347
Deferred financing costs, net (Notes 3 and 6)	12,449	12,141
Capital equipment, net of accumulated depreciation (Note 14)	1,857	903
Total assets	<u>\$ 1,802,275</u>	<u>\$ 1,819,477</u>
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	\$ 17,126	\$ 13,428
Bonds payable – current portion (Note 7)	399,080	41,590
Certificates payable (Note 10)	4,709	4,358
Accrued bond interest payable	35,296	23,288
Deferred loan origination and other fees	4,326	4,066
Total current liabilities	<u>460,537</u>	<u>86,730</u>
Non-current liabilities		
Bonds payable – net of current portion (Note 7)	1,190,830	1,590,410
Deferred loan origination and other fees	21,654	19,612
Other liabilities	4,354	6,025
Total liabilities	<u>1,677,375</u>	<u>1,702,777</u>
Net assets		
Invested in capital assets	1,857	903
Restricted	73,636	95,922
Unrestricted	49,407	19,875
Total net assets	<u>124,900</u>	<u>116,700</u>
Total liabilities and net assets	<u>\$ 1,802,275</u>	<u>\$ 1,819,477</u>

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

Massachusetts Educational Financing Authority
Statements of Revenues, Expenses and Changes in Net Assets
For the years ended June 30, 2008 and 2007
(in thousands)

	2008	2007
Operating revenues		
Interest on education loan notes receivable (Note 3)	\$ 85,533	\$ 66,254
Loan origination and other fees, net	4,224	3,774
College savings plan interest and fees	4,912	4,232
Other revenue	1,160	901
Total operating revenues	95,829	75,161
Operating expenses		
Bond interest expense	80,215	59,399
Bond insurance	1,403	1,058
Deferred financing costs, amortized	1,639	1,447
Provision for doubtful education loan notes receivable	6,229	4,873
Credit decision fees	635	454
General and administrative (Notes 3, 12, 13, and 14)	17,977	15,944
Other (income)/expense	(29)	28
Total operating expenses	108,069	83,203
Operating loss	(12,240)	(8,042)
Non-operating revenues/(expenses)		
Interest and dividends	19,762	27,380
Arbitrage rebate income/(expense)	2,864	(4,708)
(Decrease)/increase of fair value of investments, net	(1,331)	1,356
Commitment fees to participating schools, incurred (Note 9)	(1,359)	(1,645)
Yield restriction on education loan notes receivable	504	(5,514)
Increase in net assets	8,200	8,827
Net assets, beginning of year	116,700	107,873
Net assets, end of year	\$ 124,900	\$ 116,700

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

Massachusetts Educational Financing Authority
Statements of Cash Flows
For the years ended June 30, 2008 and 2007 (in thousands)

	2008	2007
Cash flows from operating activities:		
Payments for disbursed loans	\$ (500,098)	\$ (402,353)
Payments received on outstanding loan principal	137,087	134,811
General and administrative payments	(23,770)	(21,971)
Interest received on education loans	56,451	47,173
Proceeds from other sources	6,051	5,057
Net cash used in operating activities	(324,279)	(237,283)
Cash flows from non-capital financing activities		
Proceeds from issuance of bonds	-	485,400
Proceeds from issuance of savings certificates	4,709	4,358
Purchase of savings certificates	(4,358)	(4,727)
Deferred financing costs	-	(4,657)
Bond interest paid	(68,207)	(54,890)
Principal payments on bonds payable	(42,090)	(169,045)
Net cash (used in) provided by non-capital financing activities	(109,946)	256,439
Cash flows from capital financing activities		
Purchase of capital equipment and software development	(1,628)	(434)
Net cash used in capital financing activities	(1,628)	(434)
Cash flows from investing activities		
Proceeds from maturity/sale of investments	403,415	496,502
Purchase of investments	(152,488)	(630,931)
Interest and dividends received on cash and investments	19,844	27,315
Arbitrage rebate payments	(183)	(538)
Net cash provided by (used in) investing activities	270,588	(107,652)
Net decrease in cash and cash equivalents	(165,265)	(88,930)
Cash and cash equivalent, beginning of year	341,679	430,609
Cash and cash equivalent, end of period	\$ 176,414	\$ 341,679

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

Massachusetts Educational Financing Authority
Statements of Cash Flows, continued
For the years ended June 30, 2008 and 2007
(in thousands)

Reconciliation of operating loss to net cash used in operating activities	<u>2008</u>	<u>2007</u>
Operating loss	\$ (12,240)	\$ (8,042)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation expense	582	507
Loss on disposal of capital equipment	92	-
Provision for doubtful education loan notes receivable	6,229	4,873
Amortization of deferred financing costs	1,639	1,447
Bond interest expense	80,215	59,399
Change in assets and liabilities:		
Education loan notes receivable, net	(383,282)	(285,950)
Deferred loan origination and other fees	1,542	4,314
Interest receivable on education loan notes	(20,617)	(13,758)
Accounts payable and accrued expenses	2,590	761
Prepaid expenses and other assets	(1,029)	(834)
Net cash used in operating activities	<u>\$(324,279)</u>	<u>\$(237,283)</u>

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

NOTES TO FINANCIAL STATEMENTS

1. THE AUTHORITY

The Massachusetts Educational Financing Authority (the "Authority") is a body politic and corporate, constituting a public instrumentality of The Commonwealth of Massachusetts (the "Commonwealth"). The Authority was established as the Massachusetts College Student Loan Authority pursuant to Chapter 803 of the Acts of 1981, as amended (the "Act"), in recognition of the increasing costs of higher education, to assist students, their parents and institutions of higher education in the Commonwealth in financing, refinancing, and saving for the costs of such education.

In furtherance of the purposes of the Act, the Authority is engaged in loan purchase programs under which participating institutions originate loans, in accordance with common criteria and procedures, for sale to the Authority. The programs are carried out using proceeds from Education Loan Revenue Bonds and Auction Rate Securities (the "Bonds") (see *Note 7*). The programs incorporate the following features: prudent lending standards, fixed and variable rate loans, financing programs open concurrently to a number of educational institutions, including public, private and out-of-state, and various reserves established as security for the loan programs. A primary goal of the programs is to provide education loans on terms and conditions to finance the costs of attendance of as many students as possible at as many not-for-profit institutions in the Commonwealth as well as Commonwealth residents attending higher education institutions out of the state. During fiscal year 2008, 113 Massachusetts and 397 out of state public and private institutions participated in the loan programs.

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

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

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

In July 2002, the Authority, introduced the Federal Family Education Loan Program (the "FFELP") as a means to compliment the existing proprietary consumer loan products and enhance the potential borrowing options available to students attending educational institutions within the Commonwealth, residents of the Commonwealth who choose to attend college out of state and parents of students.

The Authority offered five types of FFELP loans:

- Subsidized Stafford: the federal government pays the interest on these loans while the student is in school and the principal is in deferment.
- Unsubsidized Stafford: the student is responsible for all the interest while the principal balance of the loan is in deferment

- Parent Loan for Undergraduate Students (“PLUS”): these are loans offered to parents of students; whereas, the previous two loan types are offered to the students.
- Graduate and Professional Students: these are loans offered to graduate and professional degree students under the same terms and conditions as the Parent Loan for Undergraduate Students above.
- Consolidation Loan: this loan offers both parents and students the opportunity to refinance existing FFELP loans into a new loan with a different set of repayment terms

FFELP regulations require up-front origination fees be deducted from the proceeds of the student loans and remitted to the federal government. In the case of defaults on FFELP loans, the federal government guarantees to the participating lenders 98% of the principal and interest outstanding for those loans originated prior to July 1, 2006. Beginning with disbursements on or after April 1, 2006, the U.S. Department of Education (the “ED”) is requiring lenders to make payment on their individual FFELP portfolios to the ED for the difference when the rate to the borrower is in excess of the stated lender yield for that particular FFEL program. As part of the FFELP, the ED makes special allowance payments that could result in the loan yield to the lender being higher than the rate charged to the borrowers. The lender yield is variable and not dependent on whether the underlying loan to the borrower is fixed or variable. The amount of special allowance payments is based upon the type of loan and regulations in effect at the time of origination.

In February 2006, the President of the United States signed The Deficit Reduction Act of 2005. Included in this Act is The Higher Education Reconciliation Act of 2005. During fiscal year 2007, several provisions of the Higher Education Act governing the FFELP were amended including the extension of origination of FFELP loans through September 30, 2012. Beginning July 1, 2006, the origination fee became 2% (from 3%) and tapers down annually to 0% for loans made on or after July 1, 2010. The amount guaranteed by ED also changed to 97% and for exceptional servicing performers (as defined by ED) to 99% (from 100%). Also, a 1% default fee became a mandatory charge by ED on all new FFELP originations. Within the Stafford program, the annual loan limits for first and second year undergraduate students have been increased. As part of the PLUS program, the eligible pool of borrowers has been expanded to include a graduate or professional student or the parents of that student. The Stafford and PLUS programs moved to fixed interest rates for all borrowers while the lender yield remained variable with no changes to the spread above the three-month commercial paper (financial) index. No assurance can be given that relevant federal laws, including the Higher Education Act, or regulations, will not be changed in the future in a manner that might adversely affect the Authority.

In July 2006, the Authority introduced a new Stafford benefit program that took the place of the prior offering. The Authority pays on behalf of the borrowers the full origination fee (as described above) for the disbursements on or after July 1, 2006. This allows students to receive the full 100% of the funds at disbursement for application toward the cost of attendance. This borrower benefit that is remitted to the ED is capitalized and expensed using the straight-line method over the expected average life which approximates the effective interest method.

On September 27, 2007, the College Cost Reduction and Access Act (“Access Act”) was signed into law by the President. This Act was effective October 1, 2007 and resulted in the following changes to the FFEL program for lenders. For Stafford and Consolidation loans first disbursed on or after October 1, 2007, special allowance payments were decreased .40% to lenders. For PLUS loans first disbursed on or after October 1, 2007, special allowance payments were lowered .70% to lenders. For all loans first disbursed on or after October 1, 2007, lender origination fees paid to ED increased from 0.5% to 1.0%. Effective October 1, 2007, the exceptional performer section of the law was eliminated for organizations servicing FFEL program loans. Effective October 1, 2012, lender insurance for loans first disbursed on or after October 1, 2012 will decrease from 97% to 95%. Effective July 1, 2009, the Parent PLUS Program will be converted to an auction process for annual origination rights of lenders.

In April 2008, the Authority announced its decision to suspend accepting applications for the 2007/2008 academic year effective June 30, 2008 due to the changes in lender yield provisions of the College Cost Reduction and Access Act combined with the continued dislocation in the global capital and credit markets.

2. BASIS OF PRESENTATION

Accounting and Reporting Standards

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

Beginning on July 1, 1995, the Authority elected to apply all GASB pronouncements and Financial Accounting Standards Board ("FASB") pronouncements issued before November 30, 1989 that do not conflict with GASB pronouncements, under the provisions of GASB Statement No. 20 "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting".

The GASB defines the basic financial statements of a business type activity as the: Balance Sheet, Statement of Revenues, Expenses and Changes in Net Assets, the Statement of Cash Flows and Management's Discussion and Analysis as required supplemental information. The GASB also requires the categorization of the formerly fund balance section of the balance sheet into three net asset components. The balance sheet is presented to illustrate both the current and non-current balances of each asset and liability. Also, all revenue and expenses are classified as either operating or non-operating activities in the statement of revenues, expenses and changes in net assets. Operating activities are those that support the mission and purpose of the Authority. Non-operating activities represent transactions that are capital, investing, legislative or regulated in nature.

Net assets represent the residual interest in the Authority's assets after liabilities are deducted. For external accounting and reporting purposes, net assets are classified in the following three categories:

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

- **Trusteed Funds**

The Bond Resolutions for the Trusteed Funds establish various funds and accounts, the primary purpose of which is to (i) provide a basis for the allocation and disbursement of monies received by the Bond Funds; (ii) pay issuance costs; (iii) provide for the periodic payment of principal and interest; and (iv) establish reserves to provide for the timely servicing of debt obligations (see *Note 5*). The use of the assets of the various funds and accounts is governed and restricted by the Trusteed Fund Resolutions (see *Note 7*).

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

- **U.Plan**

The College Savings Funds (the "Fund") consist of the U.Plan and the U.Fund. The U.Plan is governed by the terms and conditions of participation described in the Program Description and Offering Statement, including the Enrollment Agreement that is in effect for each enrollment year. The Fund accounts for fee income and for the operating expenses of the U.Plan as well as all monies received from the program investors and other deposits (see *Note 10*).

- **Participation Fund for Public Colleges and Universities of the Commonwealth**

Pursuant to Chapter 65, Section 3, of the Acts of 1984, the Authority established the State Colleges and Universities Participation Fund. Moneys in the participation fund may be used solely for the purpose of supporting the participation of public colleges and

universities in the Authority's education loan programs. The contingent liabilities of participating public educational institutions are supported by the participation fund.

- **Program Reserve Fund**

Pursuant to Chapter 15C, Section 5C, of the General Laws as established by Chapter 803 of the Acts of 1981, and as amended by Chapter 133, Section 12, of the Acts of 1992 (the "Act"), the program reserve fund was established by the Authority. The Act authorized the Authority to develop and establish a comprehensive state-supported supplemental education loan program. The program consists of lending medium and long-range fixed rate and variable rate loans. These programs were structured to operate as a line of credit or other programs and options as the Authority may determine to be useful and feasible. These programs shall operate at effective rates of interest and other feasible terms.
- **Unrestricted net assets:** net assets that are not subjected to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties. The Authority's unrestricted net assets include the general fund, where operational expenses and purchases of capital assets are paid, and the U.Fund.
 - **General Fund**

The General Fund, through monthly draws from the Trusteed Funds, Program Reserve Fund and College Savings Funds, maintains the funds available for paying the operating expenses of the Authority, purchasing the capital assets for the Authority on an as needed basis and supporting the capital market activities through direct contributions for cost of issuance and over collateralization requirements of structured transactions.
 - **U.Fund**

The U.Fund is governed by the terms and conditions of participation described in the Fidelity Brokerage Services, Inc. Customer Agreement and the U.Fund Supplemental Information. While the beneficial interests of the participants of the U.Fund (or overall aggregate value of these funds) are not included in the financial statements, the Authority does receive certain fees and incurs related operating expenses in connection with the U.Fund that are included in these financial statements. The related revenue earned and expenses incurred by the Authority in offering the U.Fund program are not subject to externally imposed stipulations and therefore the aggregate net assets of the program are classified on the Balance Sheet as unrestricted (*see Note 10*).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Authority follows the accrual basis of accounting whereby revenues are recognized when earned and expenses are recorded when incurred. The use of various funds and accounts in the Trusteed Funds is specified in the respective Bond Resolutions (*see Note 7*). Other significant accounting policies are as follows:

Management Estimates

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

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

Cash, Cash Equivalents and Investments

The Authority classifies all short-term investments with original maturities of three months or less when purchased as cash and cash equivalents. The investments of the Authority are carried at fair value.

Investment agreements, which include guaranteed investment contracts, are held at contract value, which approximates fair value.

Purchase Discounts

Through the purchases of education loan notes receivable, the associated premium or discount is netted against the face value of the notes purchased. These premiums and discounts are amortized, net of certain direct loan origination costs, to loan origination and other fees over the estimated life of the related debt issue utilizing the straight-line method, which approximates the effective interest method.

Interest and Fees on Education Loan Notes Receivable

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

Deferred Financing Costs

Deferred financing costs are composed of underwriters' discounts and costs of issuance and are amortized to expense over the estimated life of the related debt utilizing the straight-line method, which approximates the effective interest method.

Allowance for Doubtful Education Loan Notes Receivable

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

In accordance with the Internal Revenue Code of 1986 (the "Code") and the related Treasury regulations, the Authority is required to keep the yield to the Authority on student loans within a designated percentage of the interest cost of the related tax-exempt borrowing. The Authority has traditionally selected to utilize loan forgiveness at the retirement of the bonds to keep the yield within the designated percentage of the interest costs of the related tax-exempt borrowing. A separate method of reducing yield is to make yield reduction payments to the United States Treasury. These estimated yield reduction payments may be made by the end of the tenth year and every fifth year thereafter during the life of each bond issue and when the bonds are retired. Each fiscal year, the management of the Authority calculates the estimated liability of the yield restrictions which are recorded as an adjustment to the net realizable value of the loan portfolio. The factors used in determining this estimate are sensitive to change in the future and consequently the change in estimate may be material to the financial statement results.

Arbitrage Rebate

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

Depreciation

Capital equipment, including: computer hardware and software development costs, furniture and fixtures, office equipment and leasehold improvements, is recorded at cost less accumulated depreciation computed using the straight-line method over an estimated useful life of 3 to 10 years (*see Note 14*).

Investment Earnings

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

Deferred Loan Origination and Other Fees

Within the financial statements of the Authority, there are recorded items that required capitalization and are being recognized on a straight-line amortization basis over the term of the individual contracts, which approximates the effective interest method.

Advertising

The Authority expenses advertising as incurred. For the years ended June 30, 2008 and 2007, advertising expense (included in general and administrative expenses) was \$704K and \$798K respectively.

General and Administrative Expenses

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

New Accounting Pronouncement

In June 2008, the GASB issued Statement No. 53 ("GASB 53"), *Accounting and Financial Reporting for Derivative Instruments*. GASB 53 is intended to improve how state and local governments report information about derivative instruments, financial arrangements used by governments to manage specific risks or make investments, in their financial statements. GASB 53 specifically requires governments to measure most derivative instruments at fair value on the balance sheet and to measure the annual change in the fair value of non-hedging derivatives as investment income or loss in the statement of revenues, expenses, and changes in net assets. GASB 53 also provides guidance addressing hedge accounting requirements. This standard is effective for the Authority in fiscal year 2010, and the Authority is in the process of evaluating its impact on its financial statements.

4. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

The following summarize the cash, cash equivalents and investments of the Authority and identifies certain types of investment risk as defined by Governmental Accounting Standards Board No. 40 Deposit and Investment Risks Disclosures ("GASB 40") at June 30, 2008 and 2007, respectively.

In thousands	Fair Value June 30, 2008	Fair Value June 30, 2007
Cash deposits	\$ 17,236	\$ 9,497
Investment agreements	64,041	340,156
Mutual funds:		
Fidelity U.S. Government Fund	60,983	36,175
Trusteed Money Market Funds	159,178	332,182
Vanguard S&P 500 Index Fund	7,681	8,849
Certificate of Deposit	216	-
Total cash, cash equivalents and investments	<u>\$ 309,335</u>	<u>\$ 726,859</u>

Interest Rate Risk

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

Custodial and Credit Risk

Custodial credit risk is the risk that in the event of a financial institution counterparty failure, the Authority's deposits or investments may not be returned to it. As of June 30, 2008 and June 30, 2007, \$17,136K and \$9,397K were exposed to custodial credit risk as uninsured and uncollateralized deposits, respectively. As stated in the investment policy, depository banks are rated in the top three rating categories by S&P or Moody's. GASB 40 does not require disclosure of credit risk for the investment types held by the Authority.

As of June 30, 2008, the Authority had guaranteed investment contracts with the following financial institutions:

Investment Agreement Contract Provider	Current S&P Ratings
Aegon Institutional Markets	AA
BayernLB	AAA
GE Capital Corporation	AAA
Morgan Stanley & Co. Incorporated	A
Natixis Funding Corp	A+
Rabobank	AAA
Trinity Funding Company, LLC	AAA

As of June 30, 2008, the Authority had the following cash and investments by financial institution within each outstanding trust and the Authority:

Authority and College Savings Funds	Cash and Investments	% of Total
Bank of America	\$64,562,516	81%
Fidelity Investments	\$13,827,398	17%
U.S. Bank	\$1,296,955	2%
Issue E Indenture	Cash and Investments	% of Total
BayernLB	\$1,729,188	1%
Morgan Stanley & Co. Incorporated	\$1,997,116	1%
Natixis Funding Corp	\$44,723,921	20%
Rabobank	\$7,539,623	3%
Trinity Funding Company, LLC	\$1,192,175	1%
Bank of America	\$6,833,218	3%
U.S. Bank	\$157,388,528	71%
Issue F Indenture	Cash and Investments	% of Total
Bank of America	\$9,306	8%
U.S. Bank	\$106,759	92%
Issue G Indenture	Cash and Investments	% of Total
Aegon Institutional Markets	\$2,459,692	30%
GE Capital Corporation	\$1,246,470	15%
Natixis Funding Corp	\$3,152,864	39%
Bank of America	\$883,708	11%
U.S. Bank	\$385,810	5%

5. EDUCATIONAL FINANCINGS

During the years ended June 30, 2008 and 2007, respectively, the activity for the Authority's Education Loan Notes receivable was as follows:

(in thousands)

	2008	2007
Outstanding education loan notes receivable (beginning) gross	\$1,075,705	\$ 789,756
Increases to education loan notes receivable	520,390	420,770
Decreases of education loan notes receivable	(137,108)	(134,821)
Outstanding education loan notes receivable (ending) gross	1,458,987	1,075,705
Allowance for doubtful accounts (beginning)	23,500	13,110
Increases to allowance for doubtful education loan notes receivable	5,725	10,390
Allowance for doubtful accounts (ending)	29,225	23,500
Outstanding education loan notes receivable, net (ending)	\$1,429,762	\$1,052,205

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

The Allowance for Doubtful Accounts is derived from historical information based on the loan portfolios past performance and utilizes certain assumptions to determine estimated future results. In fiscal year 2008, the allowance for doubtful accounts increased by \$5.7M. The change is the result of a \$6.2M increase to the provision for doubtful education loan notes receivable in response to the continued growth in education loan notes receivable, an increase of 28% over last year, as well as a \$504K decrease to the tax-exempt yield restriction on the education loan notes receivable. In the prior fiscal year, 2007, the allowance for doubtful accounts increased \$10.4M, the result of a \$4.9M increase to the provision for doubtful loan notes receivables and a \$5.5M increase to the tax-exempt yield restriction calculation.

The Authority has expensed historically in aggregate \$40.1M and \$40.6M of education loan notes related to the tax-exempt yield restrictions through fiscal years ended 2008 and 2007, respectively. The Authority has established an allowance for estimated tax-exempt yield restrictions in the amount of \$12.5M and \$13.0M at June 30, 2008 and 2007, respectively. The yield restriction expense is required in order to maintain the tax-exempt status of the bonds under Federal IRS regulations.

The Authority purchases loans from participating educational institutions in Massachusetts, which have students from throughout the United States. Further, it purchases loans from higher educational institutions from outside of the Commonwealth for those Massachusetts residents attending schools out of state. Through June 30, 2008, the Authority had originated loans through 533 out of state higher education institutions since 1998 when the program was implemented.

Repurchase obligation terms are defined by the resolutions that govern the various loan programs. As defined in the Issue E resolutions, participating institutions in the MEFA Aspire Loan program are required to repurchase 50% of the aggregate original amount of all defaulted loans. Also, loans originated under The Educational Loan Rewards program have a default reserve account, funded by the Commonwealth of Massachusetts, of \$200K.

In 2007 the Authority, as specified in the Issue E Resolutions, established a Loan Default Reserve Fund in connection with the two new credit ready loan programs in the amount of \$10M. The Trust Estate will utilize this fund for liquidity to repurchase defaulted loans in the credit ready programs. Once the Loan Default Reserve Fund is depleted, the Authority is under no obligation to replenish the fund. In May of 2008, the Authority negotiated the release from the trust of \$8.4M of the reserve amount back to the Authority.

As specified in the Issue G resolutions, an institution is required to repurchase any loan notes they have originated that go into default if the aggregate amount of defaulted loans originated by the institution, within the individual Trusteed fund, exceeds the loan default repurchase threshold, which is currently 5%. This provision is subject to the minimum loan default repurchase threshold, which is defined in the resolutions. An institution is only required to repurchase defaulted MEFA Loans until such default repurchases, in the aggregate, reach 20% to 25% (depending on the Trusteed Fund and loan program) of the original face value of notes transferred by the institution to the Authority. In fiscal year 2007, the Authority negotiated the release of this obligation with the Insurer of the bonds outstanding.

The loan and debt service reserve funds are designed and funded to provide another level of support for defaulted loans and debt service payments that provide stability to the cash flow of the bond issuance. On an annual basis, the reserve requirements are reviewed and funded by cash balances or surety bond agreements at levels approved by the insurer of each specific bond issue. The fund balance of the loan and debt service reserve requirement in aggregate was \$1.6M and \$10M for fiscal years 2008 and 2007, respectively.

6. DEFERRED FINANCING COSTS

At June 30, 2008 and 2007, deferred financing costs were as follows:

(in thousands)

	<u>2008</u>	<u>2007</u>
Deferred financing costs	\$ 35,903	\$ 31,246
Increases to deferred financing costs	1,887	4,657
Total deferred financing costs	<u>37,790</u>	<u>35,903</u>
Less: accumulated amortization	<u>(23,762)</u>	<u>(22,123)</u>
Net unamortized deferred financing costs	<u>\$ 14,028</u>	<u>\$ 13,780</u>

No new bond issuances were completed during fiscal year 2008 (see Note 7), yet \$1.9M in deferred financing costs were incurred in fiscal year 2008 related to the Series 2008 Floating Rate Note transaction which closed in fiscal year 2009.

7. BONDS PAYABLE

The activity related to the Authority's bonds payable for the years ended 2008 and 2007 was as follows:

(in thousands)

	<u>2008</u>	<u>2007</u>
Bonds outstanding, beginning balance	\$ 1,632,000	\$ 1,315,645
Bonds issued	-	485,400
Bonds redeemed	(42,090)	(169,045)
Bonds outstanding, ending balance	<u>\$ 1,589,910</u>	<u>\$ 1,632,000</u>

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

As of June 30, 2008 mandatory annual maturities of bonds payable for the next five fiscal years and thereafter are as follows:

(in thousands)

<u>June 30, 2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>Remaining Schedule</u>	<u>Total Payable</u>
1995 Issue E	115	130	135	90	125		595
1996 Issue E	530	565	475	230	230	725	2,755
1997 Issue E	955	1,010	1,050	1,115	1,165	1,670	6,965
1998 Issue G	2,470	2,650	2,770	2,965	2,300	10,425	23,580
1999 Issue E	2,210	2,325	2,445	2,580	2,720	9,305	21,585
2000 Issue G	3,870	4,135	4,450	4,780	5,160	23,415	45,810
2001 Issue E	3,610	3,860	4,135	4,455	4,780	98,780	119,620
2002 Issue E	5,120	5,555	5,955	6,365	6,860	142,520	172,375
2003 Issue E	200	1,850	2,550	2,800	2,900	149,650	159,950
2004 Issue E		10,000				135,000	145,000
2005 Issue E		1,450	1,450	5,900	5,650	134,000	148,450
2006 Issue E			600	3,250	3,325	250,650	257,825
2007 Issue E				1,225	2,075	482,100	485,400
	<u>\$19,080</u>	<u>\$33,530</u>	<u>\$26,015</u>	<u>\$35,755</u>	<u>\$37,290</u>	<u>\$1,438,240</u>	<u>\$1,589,910</u>

The Authority redeemed, in addition to those with scheduled maturities, bonds outstanding of \$379M in October 2008 and \$1.5M in November 2008. The Authority redeemed, in addition to those with scheduled maturities, bonds outstanding of \$5.4M in July 2007.

The following is a summary of the maturities and estimated interest expense for the bonds payable outstanding at June 30, 2008.

(in thousands)

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2009	\$19,080	\$70,619	\$89,699
2010	33,530	63,613	97,143
2011	26,015	62,451	88,466
2012	35,755	60,894	96,649
2013	37,290	59,244	96,534
2014-2018	152,255	270,036	422,291
2019-2023	51,320	252,257	303,577
2024-2028	66,420	239,088	305,508
2029-2033	289,245	214,555	503,800
Thereafter	<u>879,000</u>	<u>79,398</u>	<u>958,398</u>
	<u>\$1,589,910</u>	<u>\$1,372,155</u>	<u>\$2,962,065</u>

Total interest expense for the years ended June 30, 2008 and 2007 was \$80.2M and \$59.4M, respectively.

Issue E Series 1995A and 1995B

On April 6, 1995, under the Issue E Series 1995 Bond Resolution, the Authority issued \$50M principal amount of bonds dated March 15, 1995 requiring annual principal payments each July 1 commencing on July 1, 1998. Semiannual interest payments are required each January 1 and July 1 commencing on July 1, 1995. Issue E Series 1995B Bonds mature as follows: \$50M serial bonds which mature annually from fiscal 1999 to 2013 in annual amounts ranging from \$315K to \$4.8M with interest at rates ranging from 5.10% to 6.30%. Bonds maturing on or after July 1, 2005 are redeemable at the option of the Authority at prescribed redemption prices ranging from 102% to 100% of the principal amount.

On April 5, 1995, under the Issue E Series 1995 Bond Resolution, the Authority issued \$46M principal amount of bonds dated April 5, 1995 bearing an interest rate, which changed weekly. Under certain circumstances, the interest on all or a portion of the Series 1995A Bonds could be converted to a fixed rate. Interest on the Series 1995A Bonds was payable on each January 1 and July 1 commencing on July 1, 1995 and on any conversion date. Final maturity of all Series 1995A Bonds was scheduled for July 1, 2013. All bonds of the 1995A series have been refunded.

On March 28, 1996, the Authority refunded the \$46M of variable rate Issue E Series 1995A Bonds into fixed rate Issue E Series 1996B Bonds. As a result of scheduled maturities and special redemption, including payments of \$1.5M in 2008, the ending balance of this series at June 30, 2008 is \$595K.

Issue E Series 1996A, 1996B, and 1996C

On March 28, 1996, under the Issue E Series 1996 Bond Resolution, the Authority issued \$60M principal amount of bonds dated March 1, 1996 requiring annual principal payments each July 1 commencing on July 1, 1999. Semiannual interest payments are required each January 1 and July 1 commencing on July 1, 1996. Issue E Series 1996B Bonds mature as follows: \$48.5M serial bonds which mature annually from fiscal 1999 to 2013 in annual amounts ranging from \$1.2M to \$5.8M and \$11.4M of term bonds maturing in 2010 subject to mandatory redemptions commencing in fiscal 2009 in annual amounts ranging from \$5.2M to \$6.2M with interest at rates ranging from 4.55% to 6.20%. Bonds maturing on or after July 1, 2006 are redeemable at the option of the Authority at prescribed redemption prices ranging from 102% to 100% of the principal amount.

On March 28, 1996, under the Issue E Series 1996 Bond Resolution, the Authority issued \$47M principal amount of bonds dated March 28, 1996 bearing an interest rate, which changed weekly. Under certain circumstances, the interest on all or a portion of the Series 1996A Bonds could be converted to a fixed rate. Interest on the Series 1996A Bonds was payable on each January 1 and July 1 commencing on July 1, 1996 and on any conversion date. Final maturity of all Series 1996A Bonds was scheduled for July 1, 2014. All bonds of the 1996A series have been refunded.

On March 28, 1996, under the Issue E Series 1996 Bond Resolution, the Authority issued \$10M principal amount of bonds dated March 28, 1996 bearing an interest rate which changes not less than 7 days nor more than 373 days (as of June 30, 2008, the rate was 5.53%). Under certain circumstances, the interest on all or a portion of the Series 1996C Bonds may be converted to a fixed rate. Interest on the Series 1996C Bonds is payable on each January 1 and July 1 commencing on July 1, 1996 and on any conversion date. Final maturity of all Series 1996C Bonds is scheduled for July 1, 2014.

On March 25, 1997, the Authority refunded the \$47.2M of variable rate Issue E Series 1996A Bonds into fixed rate Issue E Series 1997B Bonds. As a result of scheduled maturities and special redemption, including payments of \$3.7M in 2008, the ending balance of this series at June 30, 2008 is \$2.8M.

Issue E Series 1997A and 1997B

On March 25, 1997, under the Issue E Series 1997 Bond Resolution, the Authority issued \$65M principal amount of bonds dated March 1, 1997 requiring annual principal payments each July 1 commencing on July 1, 2000. Semiannual interest payments are required each January 1 and July 1 commencing on July 1, 1997. Issue E Series 1997B Bonds mature as follows: \$56.6M serial bonds which mature annually from fiscal 2000 to 2012 in annual amounts ranging from \$2.5M to \$5.7M and \$8.3M of term bonds maturing in 2014 subject to mandatory redemptions commencing in fiscal 2013 in annual amounts ranging from \$2.6M to \$5.6M with interest at rates ranging from 4.50% to 5.85%. Bonds maturing on or after July 1, 2006 are redeemable at the option of the Authority at prescribed redemption prices ranging from 102% to 100% of the principal amount.

On March 25, 1997, under the Issue E Series 1997 Bond Resolution, the Authority issued \$54.2M principal amount of bonds dated March 25, 1997 bearing an interest rate, which changes weekly. Under certain circumstances, the interest on all or a portion of the Series 1997A Bonds could be converted to a fixed rate. Interest on the Series 1997A Bonds is payable on each January 1 and July 1 commencing on July 1, 1997 and on any conversion date. Final maturity of all Series 1997A Bonds is scheduled for July 1, 2015.

On March 19, 1998, the Authority refunded the \$54.2M of variable rate Issue E Series 1997A Bonds into fixed rate Issue G Series 1998A Bonds. As a result of scheduled maturities and special redemption, including payments of \$3.7M in 2008, the ending balance of this series at June 30, 2008 is \$7M.

Issue G Series 1998A, 1998B, and 1998C

On March 18, 1998, under the Issue G Series 1998 Bond Resolution, the Authority issued \$69.3M principal amount of bonds dated February 1, 1998 requiring annual principal payments each December 1 commencing on December 1, 2001. Semiannual interest payments are required each December 1 and June 1 commencing on June 1, 1998. Issue G Series 1998A Bonds mature as follows: \$69.3M serial bonds which mature annually from fiscal 2002 to 2015 in annual amounts ranging from \$795K to \$6.9M with interest at rates ranging from 4.10% to 5.15%. Bonds maturing on or after 2007 are redeemable at the option of the Authority at prescribed redemption prices ranging from 102% to 100% of the principal amount.

On March 18, 1998, under the Issue G Series 1998 Bond Resolution, the Authority issued \$10M principal amount of bonds dated March 18, 1998 bearing an interest rate which changes not less than 7 days nor more than 373 days (as of June 30, 2008, the rate was 5.53%). Under certain circumstances, the interest on all or a portion of the Series 1998B Bonds may be converted to a fixed rate. Interest on the Series 1998B Bonds is payable on each December 1 and June 1 commencing on June 1, 1998 and on any conversion date. Final maturity of all Series 1998B Bonds is scheduled for December 1, 2016.

On March 18, 1998, under the Issue G Series 1998C Bond Resolution, the Authority issued \$50.5M principal amount of bonds dated March 18, 1998 bearing an interest rate, which changes weekly. Under certain circumstances, the interest on all or a portion of the Series 1998C Bonds could be converted to a fixed rate. Interest on the Series 1998C Bonds is payable on each December 1 and June 1 commencing on June 1, 1998 and on any conversion date. Final maturity of all Series 1998C Bonds is scheduled for December 1, 2017.

On September 24, 1998, the Authority converted \$50.5M principal amount of bonds dated September 24, 1998, requiring semiannual principal and interest payments each December 1 and June 1. Issue G Series 1998C Converted Bonds mature as follows: \$50.5M serial bonds which mature semiannually from fiscal 2002 to 2017 in annual amounts ranging from \$1.5M to \$4.8M with interest rates ranging from 4.00% to 5.20%. Bonds maturing on or after 2007 are redeemable at the option of the Authority at prescribed redemption prices ranging from 102% to 100% of the principal amount. As a result of scheduled maturities and special redemption, including payments of \$5.9M in 2008, the ending balance of this series at June 30, 2008 is \$23.6M.

Issue E Series 1999A

On April 6, 1999, under the Issue E 1999 Bond Resolution, the Authority issued \$98M principal amount of bonds dated February 24, 1999, requiring annual principal payments each July 1 commencing on July 1, 2002. Semiannual interest payments are required each January 1 and July 1 commencing on July 1, 1999. Issue E 1999A Bonds mature as follows: \$98M serial bonds which mature annually from fiscal 2003 to 2018 in annual amounts ranging from \$680K to \$9.6M with interest at rates ranging from 3.75% to 5.10%. Bonds maturing on or after January 1, 2009, are redeemable at the option of the Authority at prescribed redemption prices ranging from 102% to 100% of the principal amount. As a result of scheduled maturities and special redemption, including payments of \$7.3M in 2008, the ending balance of this series at June 30, 2008 is \$21.6M.

Issue G Series 2000A

On April 4, 2000, under the Issue G 2000 Bond Resolution, the Authority issued \$139.8M principal amount of bonds dated March 2, 2000, requiring annual principal payments each December 1 commencing on December 1, 2003. Semiannual interest payments are required each December 1 and June 1 commencing on June 1, 2000. Issue G 2000A Bonds mature as follows: \$139.8M serial bonds which mature annually from fiscal 2003 to 2018 in annual amounts ranging from \$2.5M to \$24.3M with interest at rates ranging from 5.00% to 6.10%. Bonds maturing on or after December 1, 2010, are redeemable at the option of the Authority at prescribed redemption prices ranging from 101% to 100% of the principal amount. As a result of scheduled maturities and special redemption, including payments of \$7.5M in 2008, the ending balance of this series at June 30, 2008 is \$45.8M.

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

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

On April 4, 2001, under the Issue E Series 2001 Bond Resolution, the Authority issued \$10M principal amount of bonds dated April 4, 2001 bearing an interest rate which changes not less than 7 days nor more than 373 days (as of June 30, 2008, the rate was 7.03%). Under certain circumstances, the interest on all or a portion of the Series 2001B Bonds may be converted to a fixed rate. Interest on the Series 2001B Bonds is payable on each January 1 and July 1 commencing on July 1, 2001 and on any conversion date. The Authority has entered into an interest rate cap transaction with UBS AG, London Branch for the entire \$10M of Series 2001B Bonds with a maturity of March 3, 2010. The final maturity of the Series 2001B Bonds is scheduled for January 1, 2036.

On April 4, 2001, under the Issue E Series 2001 Bond Resolution, the Authority issued \$58.2M principal amount of bonds dated April 4, 2001 bearing an interest rate, which changes every 35 days (as of June 30, 2008, the rate was 2.80%). Under certain circumstances, the interest on all or a portion of the Series 2001C Bonds could be converted to a fixed rate. Interest on the Series 2001C Bonds is payable on each January 1 and July 1 commencing on July 1, 2001 and on any conversion date. The final maturity of the Series 2001C Bonds is scheduled for January 1, 2036.

On April 4, 2001, under the Issue E Series 2001 Bond Resolution, the Authority issued \$18.2M principal amount of bonds dated April 4, 2001 bearing an interest rate, which changes every 35 days (as of June 30, 2008, the rate was 3.15%). Under certain circumstances, the interest on all or a portion of the Series 2001D Bonds could be converted to a fixed rate. Interest on the Series 2001D Bonds is payable on each January 1 and July 1 commencing on July 1, 2001 and on any conversion date. The Authority has entered into an interest rate swap transaction with UBS AG, London Branch for the entire \$18.2M of Series 2001D Bonds with a maturity of January 1, 2011. The final maturity of the Series 2001D Bonds is scheduled for January 1, 2036. As a result of scheduled maturities and special redemption, including payments of \$3.3M in 2008, the ending balance of this series at June 30, 2008 is \$119.6M.

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

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

On April 11, 2002, under the Issue E Series 2002 Bond Resolution, the Authority issued \$15M principal amount of bonds dated April 11, 2002 bearing an interest rate, which changes not less than 7 days nor more than 373 days (as of June 30, 2008, the rate was 7.00%). Under certain circumstances, the interest on all or a portion of the Series 2002B Bonds may be converted to a fixed rate. Interest on the Series 2002B Bonds is payable on each January 1 and July 1 commencing on July 1, 2002 and on any conversion date. The Authority has entered into an interest rate cap transaction with UBS AG, Stamford Branch for the entire \$15M of Series 2002B Bonds with a maturity of March 4, 2011. The final maturity of the Series 2001B Bonds is scheduled for January 1, 2037.

On April 11, 2002, under the Issue E Series 2002 Bond Resolution, the Authority issued \$35.1M principal

amount of bonds dated April 11, 2002 bearing an interest rate, which changes every 35 days (as of June 30, 2008, the rate was 4.08%). Under certain circumstances, the interest on all or a portion of the Series 2002C Bonds could be converted to a fixed rate. Interest on the Series 2002C Bonds is payable on each January 1 and July 1 commencing on July 1, 2002 and on any conversion date. The final maturity of the Series 2001C Bonds is scheduled for January 1, 2037.

On April 11, 2002, under the Issue E Series 2002D Bond Resolution, the Authority issued \$35.1M principal amount of bonds dated April 11, 2002 bearing an interest rate, which changes every 35 days (as of June 30, 2008, the rate was 2.62%). Under certain circumstances, the interest on all or a portion of the Series 2002D Bonds could be converted to a fixed rate. Interest on the Series 2002D Bonds is payable on each January 1 and July 1 commencing on July 1, 2002 and on any conversion date. The final maturity of the Series 2002D Bonds is scheduled for January 1, 2037.

On April 11, 2002, under the Issue E Series 2002 Bond Resolution, the Authority issued \$42.5M principal amount of bonds dated April 11, 2002 bearing an interest rate, which changes every 35 days (as of June 30, 2008, the rate was 3.15%). Under certain circumstances, the interest on all or a portion of the Series 2002E Bonds could be converted to a fixed rate. Interest on the Series 2002E Bonds is payable on each January 1 and July 1 commencing on July 1, 2002 and on any conversion date. The Authority has entered into an interest rate swap transaction with UBS AG, Stamford Branch and Bear Stearns Financial Products Inc. for the entire \$42.5M of Series 2002E Bonds with a maturity of January 1, 2020. The final maturity of the Series 2002E Bonds is scheduled for January 1, 2037. As a result of scheduled maturities and special redemption, including payments of \$6.5M in 2008, the ending balance of this series at June 30, 2008 is \$172.4M.

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

On March 13, 2003, under the Issue E Series 2003 Bond Resolution, the Authority issued \$45M principal amount of bonds dated March 13, 2003 bearing an interest rate, which changes every 35 days (as of June 30, 2008, the rate was 2.69%). Under certain circumstances, the interest on all or a portion of the Series 2003A Bonds may be converted to a fixed rate. Interest on the Series 2003A Bonds is payable on each January 1 and July 1 commencing on July 1, 2003 and on any conversion date. The Issue E Series 2003A Bonds are subject to mandatory sinking fund redemptions totaling \$24.9M from fiscal 2010 to 2020 in annual amounts ranging from \$200K to \$3.5M. The Authority has entered into an interest rate swap transaction with UBS AG, Stamford Branch and Bear Stearns Financial Products Inc. for the entire \$45M of Series 2003A Bonds with a maturity of January 1, 2024. The final maturity of the Series 2003A Bonds is scheduled for January 1, 2038.

On March 13, 2003, under the Issue E Series 2003 Bond Resolution, the Authority issued \$30M principal amount of bonds dated March 13, 2003 bearing an interest rate, which changes not less than 7 days nor more than 373 days (as of June 30, 2008, the rate was 7.00%). Under certain circumstances, the interest on all or a portion of the Series 2003B Bonds may be converted to a fixed rate. Interest on the Series 2003B Bonds is payable on each January 1 and July 1 commencing on July 1, 2003 and on any conversion date. The Authority has entered into an interest rate cap transaction with UBS AG, Stamford Branch for the entire \$30M of Series 2003B Bonds with a maturity of January 1, 2027. The final maturity of the Series 2003B Bonds is scheduled for January 1, 2038.

On March 13, 2003, under the Issue E Series 2003 Bond Resolution, the Authority issued \$20M principal amount of bonds dated March 13, 2003 bearing an interest rate, which changes every 35 days (as of June 30, 2008, the rate was 4.08%). Under certain circumstances, the interest on all or a portion of the Series 2003C Bonds could be converted to a fixed rate. Interest on the Series 2003C Bonds is payable on each January 1 and July 1 commencing on July 1, 2003 and on any conversion date. On March 10, 2004, the Authority entered into an interest rate swap transaction with UBS AG, Stamford Branch, for the entire \$20M Series 2003C bonds with a maturity of January 1, 2026. The final maturity of the Series 2003C bonds is scheduled for January 1, 2038.

On March 13, 2003, under the Issue E Series 2003 Bond Resolution, the Authority issued \$20M principal amount of bonds dated March 13, 2003 bearing an interest rate, which changes every 35 days (as of June 30, 2008, the rate was 4.08%). Under certain circumstances, the interest on all or a portion of the Series 2003D Bonds could be converted to a fixed rate. Interest on the Series 2003D Bonds is payable on each January 1 and July 1 commencing on July 1, 2003 and on any conversion date. The final maturity of the Series 2003D Bonds is scheduled for January 1, 2038.

On March 13, 2003, under the Issue E Series 2003 Bond Resolution, the Authority issued \$44.9M principal amount of bonds dated March 13, 2003 bearing an interest rate, which changes every 35 days. As of March 18, 2004, the Authority changed the auction mode of the total \$44.9M to bear an interest rate, which changes not less than 7 days nor more than 373 days (as of June 30, 2008 the rate was 6.55%). Under certain circumstances, the interest on all or a portion of the Series 2003E Bonds could be converted to a fixed rate. Interest on the Series 2003E Bonds is payable on each January 1 and July 1 commencing on July 1, 2003 and on any conversion date. On March 10, 2004, the Authority entered into an interest rate cap transaction with UBS AG, Stamford Branch, for \$42M of Series 2003E bonds with a maturity of January 1, 2026. The final maturity of the Series 2003E Bonds is scheduled for January 1, 2038. The ending balance of this series at June 30, 2008 is \$160M.

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

On December 2, 2004, under the Issue E Series 2004 Bond Resolution, the Authority issued \$65M principal amount of bonds dated December 2, 2005 bearing an interest rate, which changes every 35 days (as of June 30, 2008, the rate was 3.24%). Under certain circumstances, the interest on all or a portion of the Series 2004A Bonds may be converted to a fixed rate. Interest on the Series 2004A Bonds is payable on each January 1 and July 1 commencing on July 1, 2005 and on any conversion date. The Issue E Series 2004A Bonds are subject to a mandatory sinking fund redemption totaling \$10M for the period ending 2010. The Authority has entered into an interest rate swap transaction with UBS AG, Stamford Branch and Bear Stearns Financial Products Inc. on \$54M of the Series 2004A Bonds with a maturity of January 1, 2027. The Authority also has entered into an interest rate cap transaction with UBS AG, Stamford Branch for \$10M of the Series 2004A Bonds with a maturity of July 1, 2009. The final maturity of the Series 2004A Bonds is scheduled for January 1, 2038.

On December 2, 2004, under the Issue E Series 2004 Bond Resolution, the Authority issued \$40M principal amount of bonds dated December 2, 2004 bearing an interest rate, which changes every 35 days (as of June 30, 2008, the rate was 3.12%). Under certain circumstances, the interest on all or a portion of the Series 2004B Bonds may be converted to a fixed rate. Interest on the Series 2004B Bonds is payable on each January 1 and July 1 commencing on July 1, 2005 and on any conversion date. On March 31, 2005, the Authority entered into an interest rate cap transaction with UBS AG, Stamford Branch for the entire \$40M of Series 2004B Bonds with a maturity of April 2006. On March 31, 2005, the Authority also entered into an interest rate cap transaction with UBS AG, Stamford Branch for the entire \$40M of Series 2004B Bonds with a maturity of April 2026. The final maturity of the Series 2004B Bonds is scheduled for January 1, 2038.

On December 2, 2004, under the Issue E Series 2004 Bond Resolution, the Authority issued \$20M principal amount of bonds dated December 2, 2004 bearing an interest rate, which changes every 35 days (as of June 30, 2008, the rate was 4.20%). Under certain circumstances, the interest on all or a portion of the Series 2004C Bonds could be converted to a fixed rate. Interest on the Series 2004C Bonds is payable on each January 1 and July 1 commencing on July 1, 2005 and on any conversion date. The final maturity of the Series 2004C bonds is scheduled for January 1, 2038.

On December 2, 2004, under the Issue E Series 2004 Bond Resolution, the Authority issued \$20M principal amount of bonds dated December 2, 2004 bearing an interest rate, which changes every 35 days (as of June 30, 2008, the rate was 3.12%). Under certain circumstances, the interest on all or a portion of the Series 2004D Bonds could be converted to a fixed rate. Interest on the Series 2004D Bonds is payable on each January 1 and July 1 commencing on July 1, 2005 and on any conversion date. The final maturity of the Series 2004D Bonds is scheduled for January 1, 2038. The ending balance of this series at June 30, 2008 is \$145M.

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

On October 20, 2005, under the Issue E Series 2005 Bond Resolution, the Authority issued \$100M principal amount of bonds dated October 20, 2005 bearing an interest rate, which changes every 35 days (as of June 30, 2008, the rate was 4.25%). Under certain circumstances, the interest on all or a portion of the Series 2005A Bonds may be converted to a fixed rate. Interest on the Series 2005A Bonds is payable on each January 1 and July 1 commencing on January 1, 2006 and on any conversion date. The Issue E Series 2005A Bonds are subject to a mandatory sinking fund redemption totaling \$51.9M from fiscal 2006 to 2019 in annual amounts ranging from \$250K to \$8.5M. The Authority has entered into an interest rate

swap transaction with Morgan Stanley Capital Services, Inc. on \$100M of the Series 2005A Bonds with a maturity of July 1, 2028. The final maturity of the Series 2005A Bonds is scheduled for July 1, 2040.

On October 20, 2005, under the Issue E Series 2005 Bond Resolution, the Authority issued \$50M principal amount of bonds dated October 20, 2005 bearing an interest rate, which changes every 35 days (as of June 30, 2008, the rate was 2.82%). Under certain circumstances, the interest on all or a portion of the Series 2005B Bonds may be converted to a fixed rate. Interest on the Series 2005B Bonds is payable on each January 1 and July 1 commencing on January 1, 2006 and on any conversion date. In accordance with the bond documents, \$11.2M of the series 2005B Bonds were optionally redeemed on May 15, 2007. The final maturity of the Series 2005B Bonds is scheduled for July 1, 2040.

On October 20, 2005, under the Issue E Series 2005 Bond Resolution, the Authority issued \$33.7M principal amount of bonds dated October 20, 2005 bearing an interest rate, which changes every 35 days. Under certain circumstances, the interest on all or a portion of the Series 2005C Bonds may be converted to a fixed rate. Interest on the Series 2005C Bonds is payable on each January 1 and July 1 commencing on January 1, 2006 and on any conversion date. The final maturity of the Series 2005C Bonds is scheduled for July 1, 2040. In accordance with the bond documents, the series 2005C Bonds totaling \$33.7M were optionally redeemed on May 15, 2007.

On October 20, 2005, under the Issue E Series 2005 Bond Resolution, the Authority issued \$28.2M principal amount of bonds dated October 20, 2005 bearing an interest rate, which changes every 35 days (as of June 30, 2008, the rate was 4.08%). Under certain circumstances, the interest on all or a portion of the Series 2005D Bonds may be converted to a fixed rate. Interest on the Series 2005D Bonds is payable on each January 1 and July 1 commencing on January 1, 2006 and on any conversion date. In accordance with the bond documents, \$14.2M of the series 2005D Bonds were redeemed on May 15, 2007. The final maturity of the Series 2005D Bonds is scheduled for July 1, 2040. As a result of scheduled maturities and optional redemption, including payments of \$2.7M in 2008, the ending balance of this series at June 30, 2008 is \$148.5M.

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

On June 13, 2006, under the Issue E Series 2006 Bond Resolution, the Authority issued \$75M for the 2006A-1 series and \$75M for the 2006A-2 series for a total of \$150M principal amount of bonds dated June 13, 2006 bearing an interest rate, which changes every 35 days (as of June 30, 2008, the rate for 2006A-1 was 2.63% and the rate for the 2006A-2 was 2.89%). Under certain circumstances, the interest on all or a portion of the Series 2006A Bonds may be converted to a fixed rate. Interest on the Series 2006A Bonds is payable on each January 1 and July 1 commencing on July 1, 2006 and on any conversion date. The Issue E Series 2006A Bonds are subject to a mandatory sinking fund redemption totaling \$17.9M from fiscal 2011 to 2017 in annual amounts ranging from \$600K to \$4.4M. The Authority has entered into an interest rate swap transaction with Morgan Stanley Capital Services, Inc. and Goldman Sachs Mitsui Marine Derivative Products, L.P. on \$150M of the Series 2006A Bonds with a maturity of July 1, 2028. The final maturity of the Series 2006A Bonds is scheduled for January 1, 2036.

On June 13, 2006, under the Issue E Series 2006 Bond Resolution, the Authority issued \$57.9M principal amount of bonds dated June 13, 2006 bearing an interest rate, which changes every 35 days (as of June 30, 2008, the rate was 2.85%). Under certain circumstances, the interest on all or a portion of the Series 2006B Bonds may be converted to a fixed rate. Interest on the Series 2006B Bonds is payable on each January 1 and July 1 commencing on July 1, 2006 and on any conversion date. In accordance with the bond documents, \$55.1M of the series 2006B Bonds were optionally redeemed on May 4, 2007. The final maturity of the Series 2006B Bonds is scheduled for January 1, 2036.

On June 13, 2006 under the Issue E Series 2006 Bond Resolution, the Authority issued \$55M principal amount of taxable bonds dated June 13, 2006 bearing an interest rate, which changes every 28 days (as of June 30, 2008, the rate was 8.73%). Under certain circumstances, the interest on all or a portion of the Series 2006C Bonds may be converted to a fixed rate. Interest on the Series 2006C Bonds is payable every 28 days commencing on July 12, 2006 and upon any conversion date. The Authority also has entered into an interest rate cap transaction with UBS AG, Stamford Branch for \$50M of the Series 2006C Bonds with a maturity of July 1, 2027. The final maturity of the Series 2006C Bonds is scheduled for January 1, 2036.

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

June 30, 2008, the rate was 8.64%). Under certain circumstances, the interest on all or a portion of the Series 2006D Bonds may be converted to a fixed rate. Interest on the Series 2006D Bonds is payable every 28 days commencing on July 14, 2006 and upon any conversion date. The final maturity of the Series 2006D Bonds is scheduled for January 1, 2036. The ending balance of this series at June 30, 2008 is \$257.8M.

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

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

On April 5, 2007, under the Issue E Series 2007 Bond Resolution, the Authority issued \$85.4M principal amount of bonds dated April 5, 2007 bearing an interest rate, which changes every 35 days (as of June 30, 2008, the rate was 4.25%). Under certain circumstances, the interest on all or a portion of the Series 2007B Bonds may be converted to a fixed rate. Interest on the Series 2007B Bonds is payable on each January 1 and July 1 commencing on July 1, 2007 and on any conversion date. The Issue E Series 2007B Bonds are subject to a mandatory sinking fund redemption totaling \$17.4M from fiscal 2011 to 2017 in annual amounts ranging from \$600K to \$6.2M. The Authority has entered into an interest rate swap transaction with Goldman Sachs Mitsui Marine Derivative Products, L.P. on \$85.4M of the Series 2007B Bonds with a maturity of January 1, 2033. The final maturity of the Series 2007 Bonds is scheduled for January 1, 2037.

On April 5, 2007 under the Issue E Series 2007 Bond Resolution, the Authority issued \$85M principal amount of taxable bonds dated April 5, 2007 bearing an interest rate, which changes every 28 days (as of June 30, 2008, the rate was 0.00%). Under certain circumstances, the interest on all or a portion of the Series 2007C Bonds may be converted to a fixed rate. Interest on the Series 2007C Bonds is payable every 28 days commencing on May 4, 2007 and upon any conversion date. The Authority also has entered into an interest rate cap transaction with UBS AG, Stamford Branch for \$85M of the Series 2007C Bonds with a maturity of July 1, 2033. The final maturity of the Series 2007C Bonds is scheduled for January 1, 2037.

On April 5, 2007 under the Issue E Series 2007 Bond Resolution, the Authority issued \$60M principal amount of taxable bonds dated April 5, 2007 bearing an interest rate, which changes every 28 days (as of June 30, 2008, the rate was 0.00%). Under certain circumstances, the interest on all or a portion of the Series 2007D Bonds may be converted to a fixed rate. Interest on the Series 2007D Bonds is payable every 28 days commencing on May 4, 2007 and upon any conversion date. The final maturity of the Series 2007D Bonds is scheduled for January 1, 2037.

On April 5, 2007 under the Issue E Series 2007 Bond Resolution, the Authority issued \$55M principal amount of taxable bonds dated April 5, 2007 bearing an interest rate, which changes every 7 days (as of June 30, 2008, the rate was 2.98%). Under certain circumstances, the interest on all or a portion of the Series 2007E Bonds may be converted to a fixed rate. Interest on the Series 2007E Bonds is payable every 7 days commencing on April 13, 2007 and upon any conversion date. The final maturity of the Series 2007E Bonds is scheduled for January 1, 2037. The ending balance of this series at June 30, 2008 is \$485.4M.

8. DERIVATIVES DISCLOSURE

As a method to manage the debt costs associated with financing fixed and variable rate student loans, the Authority has engaged in the use of derivatives with four counterparties. The two types of derivatives currently used are variable to fixed interest rate swaps and interest rate caps. Each product was structured specifically with regard to its underlying asset portfolio and includes such risks as credit risk, basis risk, termination risk, origination risk, tax risk and prepayment risk. In recognition of these potential risks associated with the products, the Authority has employed certain risk management techniques such as

embedded call options, credit support annexes and amortizing notional amounts that will provide for efficiency and flexibility in its future ability to manage the derivative portfolio. The fair values of the Authority's derivatives are accordingly not recorded in the financial statements. For derivatives, it is the Authority's policy not to engage in trading, market making or other speculative activities.

Interest Rate Swaps

Objective of the interest rate swaps

As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance, the Authority entered into variable to fixed interest rate swaps in connection with a portion of its variable-rate revenue bonds. The purpose of the swap is to effectively change the Authority's variable interest rate on the swapped bonds to a synthetic fixed payer rate in connection with the origination of fixed rate loans. There were no up-front payments made to the counterparties at the time the derivative trade was executed. The swapped bonds' variable rate coupons are based on 35-day tax-exempt auction rates.

Terms, fair value and credit risk

The terms and fair values of the outstanding swaps as of June 30, 2008 were as follows. The credit ratings of counter-parties are from Moody's and Standard & Poor's respectively in the tables illustrated below. The notional amounts of the swaps may not match the principal amounts of the associated debt outstanding.

June 30, 2008

(in thousands)

Associated Bond Issue	Notional Amounts	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values	Swap Maturity Date	6/30/08	Current
							Counterparty Credit Rating	Counterparty Credit Rating
Issue E 2001D	\$18,250	4/4/2001	4.41%	SIFMA	(\$951)	January 2011	(Aa1/AA-)	(Aa2/A+)
Issue E 2002E	\$21,275	4/11/2002	4.59%	SIFMA	(\$2,085)	January 2020	(Aa1/AA-)	(Aa2/A+)
Issue E 2002E	\$21,275	4/11/2002	4.59%	SIFMA	(\$2,085)	January 2020	(Aaa/AAA)	(Aaa/AAA)
Issue E 2003A	\$20,190	3/13/2003	3.77%	SIFMA	(\$457)	January 2024	(Aa1/AA-)	(Aa2/A+)
Issue E 2003A	\$20,190	3/13/2003	3.77%	SIFMA	(\$457)	January 2024	(Aaa/AAA)	(Aaa/AAA)
Issue E 2003C	\$17,780	3/10/2004	3.74%	SIFMA	(\$371)	January 2026	(Aa1/AA-)	(Aa2/A+)
Issue E 2004A	\$25,550	12/2/2004	4.03%	SIFMA	(\$1,483)	January 2027	(Aa1/AA-)	(Aa2/A+)
Issue E 2004A	\$25,550	12/2/2004	4.03%	SIFMA	(\$1,483)	January 2027	(Aaa/AAA)	(Aaa/AAA)
Issue E 2005A	\$95,820	10/20/2005	3.98%	SIFMA	(\$3,554)	July 2027	(Aa3/A+)	(A2/A)
Issue E 2006A	\$57,200	6/13/2006	4.16%	69.6% LIBOR + .20	(\$1,394)	July 2028	(Aa3/A+)	(A2/A)
Issue E 2006A	\$85,800	6/13/2006	4.16%	69.6% LIBOR + .20	(\$2,070)	July 2028	(Aaa/AAA)	(Aaa/AAA)
Issue E 2007B	\$85,400	4/5/2007	3.93%	SIFMA	(\$379)	January 2033	(Aaa/AAA)	(Aaa/AAA)
	<u>\$494,280</u>				<u>(\$16769)</u>			

June 30, 2007

(in thousands)

Associated Bond Issue	Notional Amounts	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values	Swap Maturity Date	6/30/07
							Counterparty Credit Rating
Issue E 2001D	\$18,250	4/4/2001	4.41%	BMA	(\$475)	January 2011	(Aaa/AA+)
Issue E 2002E	\$21,275	4/11/2002	4.59%	BMA	(\$1,087)	January 2020	(Aaa/AA+)
Issue E 2002E	\$21,275	4/11/2002	4.59%	BMA	(\$1,087)	January 2020	(Aaa/AAA)
Issue E 2003A	\$21,090	3/13/2003	3.77%	BMA	\$392	January 2024	(Aaa/AA+)
Issue E 2003A	\$21,090	3/13/2003	3.77%	BMA	\$392	January 2024	(Aaa/AAA)
Issue E 2003C	\$18,620	3/10/2004	3.74%	BMA	\$332	January 2026	(Aaa/AA+)
Issue E 2004A	\$26,600	12/2/2004	4.03%	BMA	(\$300)	January 2027	(Aaa/AA+)
Issue E 2004A	\$26,600	12/2/2004	4.03%	BMA	(\$300)	January 2027	(Aaa/AAA)
Issue E 2005A	\$100,000	10/20/2005	3.98%	BMA	\$3,620	July 2027	(Aa3/A+)
Issue E 2006A	\$57,200	6/13/2006	4.16%	69.6% LIBOR + .20	\$187	July 2028	(Aa3/A+)
Issue E 2006A	\$85,800	6/13/2006	4.16%	69.6% LIBOR + .20	\$281	July 2028	(Aaa/AAA)
Issue E 2007B	\$85,400	4/5/2007	3.93%	BMA	\$3,519	January 2033	(Aaa/AAA)
	<u>\$503,200</u>				<u>\$5,474</u>		

Fair value: The fair value was developed using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve as of June 30, 2008 and June 30, 2007, respectively, correctly anticipate future spot interest rates. These payments were then discounted using the spot rates implied by such yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swap.

Risks

Credit risk: As of June 30, 2008, the Authority's credit risk exposure was to counterparties with ratings of at least A1/A+ by Moody's and S&P, respectively. As interest rates change and the fair value of the swaps may become positive, the Authority would be exposed to credit risk in the amount of the derivative's fair

value. The Authority has executed swap transactions with four counterparties. The percentage of the notional amount outstanding and ratings of each counterparty was 31% at A1/A+, 21% at Aa2/AA- and 48% at Aaa/AAA. For the counterparties rated below Aaa/AAA, the Authority has entered into credit support annex agreements that further mitigate any potential credit risk.

Basis risk: The swap portfolio exposes the Authority to basis risk due to the relationship between the Securities Industry and Financial Markets Association (“SIFMA”) Municipal Swap Index (formerly “BMA”) and the tax-exempt variable rate bonds and also the London Interbank Offered Rate (“LIBOR”) and the tax-exempt variable rate bonds. If the historical relationships are not maintained, the projected cost savings in each trade may not be realized.

Tax Risks: There is inherent tax risk with the issuance of tax-exempt variable rate debt due to any changes that may occur in marginal income tax rates. Decreases in marginal income tax rates could result in tax-exempt variable rates rising faster than taxable variable rates which could create a divergence from historical relationships. The trading value of tax-exempt bonds is impacted by the tax code.

Termination risk: The interest rate swap contracts employ the International Swap Dealers Association (“ISDA”) Master Agreement, which includes standard termination events, such as decrease in credit ratings, failure to pay and bankruptcy. The counterparties must maintain a long-term debt rating of at least A2 from Moody’s and/or at least A from S&P. A swap may be terminated at the option of the Authority at any time with Insurer approval. However, the counterparty’s rights to terminate are limited to certain defined events. Upon termination, security of any net payment due from the Authority is provided through the trust estate and insurance agreements on the swap termination payments. If a swap were terminated, the variable-rate bonds would no longer carry a synthetic fixed interest rate. Also, if at the time of termination, a swap has a fair value that is negative, the trust estate would be liable to the counterparty for the payment equal to the swap’s fair value.

Termination risk also exists in the event the Insurer of the swap termination payments is unable to maintain its payment obligations on behalf of the Authority. The Insurer as part of the derivative documentation must maintain a long-term debt rating of at least A3 from Moody’s, A- from S&P and A- from Fitch. To date, the Insurer has not defaulted on any payment obligations related to the insured swaps or consented to an early termination date designation that would lead to an additional termination event. Please see the Subsequent Events footnote for more information on the Insurer ratings.

Rollover risk: Upon maturity or termination of a swap, the associated variable rate debt would no longer benefit from the synthetic fixed rate created by the swap. If the Authority decides to enter into a new derivative contract at maturity or termination, market-access risk may exist; otherwise, the variable rate bonds will be subject to the prevailing interest rate and the subsequent auctions until the associated debt matures. At maturity or termination, there could be a change in the asset/liability match since the variable rate bonds were originally swapped to fund fixed rate loans. The following swaps have maturity dates different from the final bond maturity date.

<u>Associated Debt Issuance</u>	<u>Debt Maturity Date</u>	<u>Swap Termination Date</u>
Issue E Series 2001D	January 1, 2036	January 1, 2011
Issue E Series 2002E	January 1, 2037	January 1, 2020
Issue E Series 2003A	January 1, 2038	January 1, 2024
Issue E Series 2003C	January 1, 2038	January 1, 2026
Issue E Series 2004A	January 1, 2038	January 1, 2027
Issue E Series 2005A	July 1, 2040	July 1, 2027
Issue E Series 2006A	January 1, 2036	July 1, 2028
Issue E Series 2007B	January 1, 2037	January 1, 2033

Interest Rate Caps

Objective of interest rate caps

The purpose of the cap is to place a ceiling on the debt service payments associated with the variable rate bonds. Capping the variable rate debt allows the Authority to offer variable rate loans to borrowers with the assurance that the interest rate assessed on their loans will not exceed a specific rate. It is the intent that the caps will remain in effect until the maturity date of the derivative trade.

Terms, fair value and credit risk

As of June 30, 2008 47% of the portfolio of interest rate caps consisted of a strike rate of 75% of one year USD-LIBOR-BBA as the underlying interest rate with a cap rate of 9%, while 52% of the portfolio had a strike rate of 100% of one-month USD-LIBOR-BBA and a cap rate of 9.40%. All interest rate caps have been purchased with a one time, up-front payment generally upon the closing of each individual bond issuance. The total cost of all caps purchased was \$4.1 Million. Of the \$260.2M in notional outstanding, 90% amortizes until final maturity while 10% does not amortize.

Upon issuance of the Issue E 2004A bonds, a portion of the series entered into an interest rate cap with an amortizing notional amount with a strike of 5% of USD-BMA Municipal Swap Index, which currently represents 1% of the interest rate cap portfolio.

As of June 30, 2008 the fair values of the interest rate caps were as follows:

June 30, 2008

(in thousands)

Associated Bond Issue	Notional Amounts	Effective Date	Fair Values	Cap Maturity Date	6/30/08	Current
					Counterparty Credit Rating	Counterparty Credit Rating
Issue E 2001B	\$10,000	4/4/2001	\$0	March 2010	(Aa1/AA-)	(Aa2/A+)
Issue E 2002B	\$15,000	4/11/2002	\$0	March 2011	(Aa1/AA-)	(Aa2/A+)
Issue E 2003B	\$24,940	3/13/2003	\$51	January 2027	(Aa1/AA-)	(Aa2/A+)
Issue E 2003E	\$36,140	3/10/2004	\$69	January 2026	(Aa1/AA-)	(Aa2/A+)
Issue E 2004A	\$3,350	12/2/2004	\$0	July 2009	(Aa1/AA-)	(Aa2/A+)
Issue E 2004B	\$35,730	3/31/2005	\$80	January 2026	(Aa1/AA-)	(Aa2/A+)
Issue E 2006C	\$50,000	6/13/2006	\$650	July 2027	(Aa1/AA-)	(Aa2/A+)
Issue E 2007C	\$85,000	4/5/2007	\$2,094	January 2033	(Aa1/AA-)	(Aa2/A+)
	<u>\$260,160</u>		<u>\$2,944</u>			

June 30, 2007

(in thousands)

Associated Bond Issue	Notional Amounts	Effective Date	Fair Values	Cap Maturity Date	6/30/07
					Counterparty Credit Rating
Issue E 2001B	\$10,000	4/4/2001	\$0	March 2010	(Aaa/AA+)
Issue E 2002B	\$15,000	4/11/2002	\$0	March 2011	(Aaa/AA+)
Issue E 2003B	\$26,240	3/13/2003	\$14	January 2027	(Aaa/AA+)
Issue E 2003E	\$38,850	3/10/2004	\$19	January 2026	(Aaa/AA+)
Issue E 2004A	\$5,700	12/2/2004	\$0	July 2009	(Aaa/AA+)
Issue E 2004B	\$38,050	3/31/2005	\$23	January 2026	(Aaa/AA+)
Issue E 2006C	\$50,000	6/13/2006	\$353	July 2027	(Aaa/AA+)
Issue E 2007C	\$85,000	4/5/2007	\$1,110	January 2033	(Aaa/AA+)
	<u>\$268,840</u>		<u>\$1,519</u>		

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

Credit Risk: As of June 30, 2007, the counterparty rating for the cap portfolio was at least Aa2/AA- by Moody's and S&P, respectively. Credit risk may occur if the auction rate exceeds the cap and the counterparty is unable to fulfill its obligation to reimburse the Authority the difference between the market interest rate and the cap. If this was to occur and trust assets could not cover debt service expenses, the insured trust estate would be responsible for all debt payments on the bonds.

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

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

<u>Associated Debt Issuance</u>	<u>Debt Maturity Date</u>	<u>Cap Termination Date</u>
Issue E Series 2001B	January 1, 2036	March 3, 2010
Issue E Series 2002B	January 1, 2037	March 4, 2011
Issue E Series 2003B	January 1, 2038	January 1, 2027
Issue E Series 2003E	January 1, 2038	January 1, 2026
Issue E Series 2004A	January 1, 2038	July 1, 2009
Issue E Series 2004B	January 1, 2038	January 1, 2026
Issue E Series 2006C	January 1, 2036	July 1, 2027
Issue E Series 2007C	January 1, 2037	January 1, 2033

9. COMMITMENT FEES FROM PARTICIPATING INSTITUTIONS

For the fiscal years ended June 30, 2008 and 2007, the Authority has not recognized any commitment fee revenue from participating private institutions. The Trusteed Fund Resolutions restrict the use of those funds that have been historically received. Commencing in March 2003, commitment fees were no longer charged to the participating institutions under the Issue E indenture. Under the Bond Resolutions, after all Bonds under each Issue have been retired and program expenses paid, any residual funds may be used to repay participating institutions commitment fees at the discretion of the Authority.

In fiscal years 2008 and 2007, the Authority incurred an expense of \$1.4M and \$1.7M respectively for commitment fees due to participating institutions related to the projected retirement of tax-exempt debt outstanding. The fees related to this expense are projected to be paid back to the participating institutions in the next twelve months and are included in the Accounts Payable and Accrued Expenses section of the balance sheet.

10. COLLEGE SAVINGS INVESTING PROGRAMS

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

As of June 30, 2008 and 2007, the Authority has deposits of \$4.7M and \$4.4M respectively, for the purchase of tuition certificates under the Commonwealth of Massachusetts General Obligation Bonds, effective August 1, 2008 and August 1, 2007, respectively. As part of the annual cycle of the U.Plan program, Commonwealth of Massachusetts General Obligation Bonds were purchased as follows:

(in thousands)

	Bonds Purchased	Issue Date	Maturity Dates From/Through
1995 College Opportunity Bonds, Series A	\$26,122	August 1, 1995	August 1, 2000 / 2015
1996 College Opportunity Bonds, Series A	\$18,970	August 1, 1996	August 1, 2001 / 2016
1997 College Opportunity Bonds, Series A	\$19,902	August 1, 1997	August 1, 2002 / 2017
1998 College Opportunity Bonds, Series A	\$17,683	August 1, 1998	August 1, 2003 / 2018
1999 College Opportunity Bonds, Series A	\$12,862	August 1, 1999	August 1, 2004 / 2019
2000 College Opportunity Bonds, Series A	\$6,626	August 1, 2000	August 1, 2005 / 2020
2001 College Opportunity Bonds, Series A	\$5,636	August 1, 2001	August 1, 2006 / 2021
2002 College Opportunity Bonds, Series A	\$5,970	August 1, 2002	August 1, 2007 / 2022
2003 College Opportunity Bonds, Series A	\$6,343	August 1, 2003	August 1, 2008 / 2023
2004 College Opportunity Bonds, Series A	\$7,118	August 1, 2004	August 1, 2009 / 2024
2005 College Opportunity Bonds, Series A	\$7,078	August 1, 2005	August 1, 2010 / 2025
2006 College Opportunity Bonds, Series A	\$5,763	August 1, 2006	August 1, 2011 / 2026
2007 College Opportunity Bonds, Series A	\$6,028	August 1, 2007	August 1, 2012 / 2027
Total	\$146,101		

The tuition certificates represent a beneficial ownership interest in these bonds. The bonds bear interest at a rate equal to the annual increase in the consumer price index plus 2.5%. Between the date deposits are collected and the purchase of the bonds, the amounts collected and a related liability to participants are recorded on the balance sheet of the College Savings Funds as certificates payable. Once bonds are purchased, the liability is removed from the balance sheet of the Authority.

As of June 30, 2008 and 2007, included in accounts payable and accrued expenses, were certificate redemptions to U.Plan participants in the amounts of \$9M and \$8.7M, respectively.

The U.Fund was developed by the Authority on behalf of the Commonwealth of Massachusetts under section 529 of the Internal Revenue Code of 1986, as amended. The purpose of the U.Fund is to allow families to save for higher education expenses through the investment in mutual funds, which are professionally managed by Fidelity Investments. The U.Fund is composed of twenty seven mutual fund portfolios generally comprised of stock, bond, and money market funds. Each portfolio is designed to accommodate the asset allocation based on the risk profile of the participants. As of June 30, 2008 and 2007 net assets for the U.Fund were \$2,817M and \$2,663M, respectively.

11. RELATED PARTIES

During fiscal years 2008 and 2007, two Members of the Authority were officers/trustees of participating institutions. During the years ended June 30, 2008 and 2007, the Authority purchased loans totaling \$45.8M and \$32.1M, respectively, in principal balance, from the institutions. At June 30, 2008 and 2007, \$124.8M and \$103.6M, respectively, of loans purchased from those institutions were outstanding.

12. DEFINED CONTRIBUTION PLAN

All employees of the Authority participate in a defined contribution plan, the Massachusetts Educational Financing Authority Pension Plan and Trust (the "Plan"). The Authority annually contributes an amount equal to 11% of an employee's annual gross salary. Effective in 2007, the Authority also matches 50% of employee contributions up to a maximum of 4% to the MEFA Deferred Compensation Plan. It is the Authority's policy to fund contributions on a current basis. Total pension expense for the years ended June 30, 2008 and 2007 was \$497K and \$407K, respectively. Vesting at 100% occurs in the Plan after two years of employment. The Authority pays administrative expenses of the Plans for the plan participants and Fidelity Investments is the custodian of the plan's assets.

13. LEASE COMMITMENT

The Authority entered into a ten year lease agreement for its current office space which commenced in February 2008. The Authority is also obligated for prior office space through the lease expiration of May 2010 as well as other operating lease agreements for office equipment. The Authority is exploring options to sub-lease or negotiate a return of the prior office space to the building's landlord. The office lease payments are subject to the Authority paying certain operating costs, such as annual escalation for increases in real estate taxes and operating expenses.

As of June 30, 2008, annual minimum operating lease payments for the office space are as follows for the following five fiscal years and thereafter:

(in thousands)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>Thereafter</u>
Minimum operating lease payments	\$1,290	\$1,271	\$833	\$833	\$833	\$4,233

The following schedule shows the composition of total operating lease expenses for the years ended June 30:

(in thousands)

	<u>2008</u>	<u>2007</u>
Minimum operating lease expenses	\$1,493	\$491
Additional operating lease expenses	138	88
Total operating lease expenses	<u>\$1,631</u>	<u>\$579</u>

14. CAPITAL EQUIPMENT

The activity related to the Authority's capital assets for the years ended 2008 and 2007, respectively, was as follows:

(in thousands)

	<u>June 30, 2007</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2008</u>
Computer hardware	\$ 821	\$ 16	\$ 606	\$ 231
Computer software	2,194	337	672	1,859
Furniture	308	722	270	760
Equipment	210	73	166	117
Leasehold improvements	386	480	386	480
Total capital equipment (at cost)	3,919	1,628	2,100	3,447
Accumulated depreciation	(3,016)	(582)	(2,008)	(1,590)
Capital equipment, net	\$ 903	\$ 1,046	\$ 92	\$ 1,857

	<u>June 30, 2006</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2007</u>
Computer hardware	\$ 762	\$ 59	\$	\$ 821
Computer software	1,821	373		2,194
Furniture	306	2		308
Equipment	209	1		210
Leasehold improvements	386	0		386
Total capital equipment (at cost)	3,484	435		3,919
Accumulated depreciation	(2,509)	(507)		(3,016)
Capital equipment, net	\$ 975	\$ (72)	\$	\$ 903

The \$1.6M in capital additions in FY2008 was related to the relocation of the Authority's offices and the build-out and furniture purchases for the new corporate office space. Included in general and administrative expenses are depreciation expenses of \$582K and \$507K for the years ended June 30, 2008 and June 30, 2007, respectively.

15. SUBSEQUENT EVENTS

During the course of fiscal year 2008, the ratings of the Authority's outstanding trust estate Insurers have been under pressure due to the underlying deteriorating performance of the portfolio of assets it has insured beyond the Authority. Due to the capital requirement strains this has had on both Ambac Assurance Corp. ("Ambac") and MBIA Insurance Corp. ("MBIA"), Standard & Poor's on June 5, 2008 lowered the financial strength ratings of each entity to "AA" from "AAA" and placed each on credit watch negative. On June 19, 2008 Moody's lowered the financial strength ratings of Ambac to "Aa3" from "Aaa" and MBIA to "A2" from "Aaa". Subsequent to this event, on August 14, 2008 Standard & Poor's affirmed the Ambac and MBIA "AA" ratings and removed the credit watch negative while maintaining a negative outlook for the companies. As a result of the actions by Standard & Poor's and Moody's, the outstanding Authority trust estates insured by each insurer were downgraded to the same levels.

On November 5, 2008 Moody's lowered the financial strength rating of Ambac to "Baa1" from "Aa3" and stated that the forward outlook was developing. Also, on November 7, 2008, Moody's lowered the financial strength rating of MBIA to "Baa1" from "A2" and stated that the forward outlook was developing. On November 10, 2008, Moody's announced an amendment to its' structured finance rating methodology in which if a security is wrapped by an Insurer, the Moody's rating will be the higher of the Insurer's financial strength rating or the current underlying rating (absent consideration of the insurance) on the security regardless if the rating is published or not. If Moody's is unable to determine the underlying rating or an issuer requests that the insurance constitute the sole credit consideration, the wrapped security will take the rating of the Insurer. Moody's plans to complete the majority of the reviews under this modified approach in the next 60 days. On November 19, 2008 Standard & Poor's lowered from "AA" to "A" the financial strength rating of Ambac and stated that the forward outlook on the rating is negative.

This action by the rating agencies is important for the Authority's outstanding trust estates that have failed auction rate securities outstanding. The failed auction formula for bond interest expense is tied to the rating of each Insurer. With the downgrade by Standard & Poor's, the formula for the taxable failed auction rate securities adjusts upward and may further impact the earnings compression on the outstanding trust depending on the relationship and nominal level of certain interest rate indices. If the Moody's review culminates with a rating lower than "A3" for the bonds outstanding, the tax-exempt failed auction rate securities formula adjusts upward and may further impact the earnings compression on the outstanding trust. As part of the Authority's derivative documentation, Ambac is also the insurer of the termination payments for the outstanding interest rate swaps the Authority has entered into with the counterparties. The Authority is in dialogue and analysis with the counterparties, Rating Agencies and Ambac to explore the options available in the documents to meet the rating requirements for the bonds of the Insured trust estate and mitigate any potential cash settlement termination payments to the counterparties. As an update to the Derivatives Disclosure section in these footnotes, the fair value of the variable to fixed rate swaps as of December 31, 2008 was (\$55.9M).

On June 26, 2008, Fitch Ratings made the decision to withdraw all outstanding ratings on MBIA Insurance Corp. and other related entities. On the same date, Fitch made the decision to also withdraw the outstanding ratings on Ambac Assurance Corp. and other related entities. In addition, Fitch has withdrawn all the ratings based on insurance policies from both Ambac and MBIA. Prior to this decision, Fitch had rated the outstanding trust estates of the Authority that were insured by Ambac and MBIA.

On July 2, 2008 the Authority closed the Series 2008 taxable Floating Rate Note transaction in the amount of \$296M. This capital markets deal refinanced the approximately \$295M in outstanding FFEL program assets under the Issue E indenture into the new trust estate at the purchase price of 95% of par value. This negotiated discount with the Issue E Insurer decreased net assets in that outstanding trust estate but provided for additional credit enhancement in the FRN trust estate structure.

On September 16, 2008 the Authority closed the Issue H Series 2008 tax-exempt fixed rate transaction in the amount of \$400M. This capital markets deal will provide Private education loan funding capacity to the Authority. As part of the transaction, the Authority negotiated with the outstanding Issue G insurer the release and transfer of approximately \$10M in seasoned loan net assets to provide for additional credit

enhancement in the Issue H trust estate structure. The new Issue H trust estate is insured by Assured Guaranty Corp. which is "AAA" rated by all three major rating agencies. Prior to the closing, on July 21, 2008 Moody's placed under review for possible downgrade the financial strength rating of Assured. On November 21, 2008 Moody's lowered the financial strength rating of Assured from "AAA" to "Aa2" and stated that the forward outlook for the rating is stable.

With the closing of each capital markets transaction described above, the \$49.4M in unrestricted net assets of the Authority at June 30, 2008 was decreased. For the \$296M Floating Rate Note transaction, the Authority paid approximately \$1.9M in cost of issuance expenses. As part of the \$400M Issue H transaction, the Authority contributed \$8M to partially fund the reserve fund requirement to meet investor demands and then paid approximately \$3.8M in cost of issuance expenses. The two transactions combined were the primary contributors to the decrease in 2008 fiscal year end unrestricted net assets of approximately \$14M or 29%.

In August of 2008, the College Opportunity and Affordability Act was signed by the President. This act had the purpose of amending the Higher Education Act of 1965 to revise and reauthorize the HEA programs. The act created new requirements on the relationships allowable between schools and lenders in the FFEL program. It also established new requirements for schools in regards to FFELP and Private loan lenders and the endorsement of specific loan products through the preferred lender lists and the development of a model for the marketing and disclosure of loans terms to potential borrowers. The act increases the dollar amount of Pell Grant awards which will have the effect of limiting the unmet financing need of families. Also, the act required lenders and guaranty agencies to work more diligently to prevent delinquencies and defaults for current and prospective borrowers in the FFEL program. The act directs the Secretary of Education to annually submit to Congress an evaluation of the voluntary flexibility agreements with guarantors like American Student Assistance (who guarantees all MEFA FFELP loans) and providing them with waivers to continue in current form.

On October 24, 2008 Fitch Ratings lowered the long term issuer rating of UBS AG to "A+" from "AA-". The outlook for the rating is stable. UBS is a counter-party to the Authority for approximately \$363M in derivative products notional value at June 30, 2008.

As a result of the closing of both the Floating Rate Note and Issue H transactions during 2008, the Authority was able to successfully redeem \$379M in outstanding auction rate securities during the month of October 2008. These redemptions decreased the outstanding auction rate securities from approximately \$1.2B at June 30, 2008 to \$821M, a reduction of 32%. This was important to the Authority as management continues to review and execute upon opportunities to mitigate the balance sheet position of the failed auction rate securities portfolio and provide liquidity to the investors. The remaining exposure has no timetable for mitigation and is dependent upon access to the capital markets and investors' willingness to invest in education loan assets that is economically beneficial to all constituencies.

On November 25, 2008 the Federal Reserve Board announced the creation of the Term Asset-Backed Securities Loan Facility ("TALF"), a facility that is anticipated to help market participants meet the credit needs of families and small businesses by supporting the issuance of asset-backed securities ("ABS") collateralized by, among other items, student loans. Under TALF, the Federal Reserve Bank of New York will lend up to \$200 billion on a non-recourse basis to holders of certain AAA rated ABS backed by newly and recently originated consumer and small business loans.

On December 31, 2008 the Authority purchased in lieu of retirement from one investor approximately \$14M in Issue E tax-exempt auction rate debt outstanding at a price of 83% of par plus accrued interest. This trade produced approximately \$2.4M in additional net assets for the outstanding trust. On January 9, 2009 the Authority purchased in lieu of retirement from a separate investor approximately \$52M in Issue E tax-exempt and taxable auction rate debt outstanding at a weighted average price of 90.50% of par plus accrued interest. This trade produced approximately \$4.9M in additional net assets for the outstanding trust.

On January 7, 2009 Fitch Ratings affirmed the "AAA" ratings of the Issue G series 1998 and Issue G series 2000 outstanding trust estates issued by the Authority. The ratings action followed a review of the trust structure and collateral performance and is not dependent on the guaranty from the insurer MBIA.

As was discussed earlier in this section, the Authority has completed the process with the rating agencies to review the Issue E Trust and the following ratings actions were finalized. On January 14, 2009 Fitch

Ratings affirmed the “AA” ratings of nine outstanding series of the Issue E 1992 General Resolution Trust which was amended and restated as of February 15, 2007. The ratings action followed a review of the trust structure and collateral performance and is not dependent on the guaranty from the insurer Ambac. On January 21, 2009 Standard & Poor’s affirmed the “AA” ratings of nine outstanding series of the Issue E 1992 General Resolution Trust which was amended and restated as of February 15, 2007. The ratings action followed a review of the trust structure and collateral performance and is not dependent on the guaranty from the insurer Ambac. On January 29, 2009 Moody’s affirmed the “Aa3” ratings of nine outstanding series of the Issue E 1992 General Resolution Trust which was amended and restated as of February 15, 2007. The ratings action followed a review of the trust structure and collateral performance and is not dependent on the guaranty from the insurer Ambac. With the conclusion of these actions, the formulas for the failed auction rate debt outstanding have been stabilized and the termination risk for the interest rate swaps associated with the Insurer has been mitigated.

Massachusetts Educational Financing Authority

Balance Sheets

June 30, 2008 and 2007

	2008				2007			
	Trusteed Funds	College Savings Funds	Authority Funds	Total	Trusteed Funds	College Savings Funds	Authority Funds	Total
Assets								
Current assets								
Cash and cash equivalents (Notes 3 and 4)	\$ 142,058	3,596	5,914	\$ 151,568	\$ 123,525	84	218	\$ 123,827
Investments, at fair value (Notes 3 and 4)	64,037	15,913	-	79,950	60,652	14,812	-	75,464
Education loan notes receivable, net (Notes 5 and 11)	105,160	-	-	105,160	86,858	-	-	86,858
Interest receivable on educational loan notes	42,777	-	-	42,777	22,160	-	-	22,160
Prepaid expenses and other assets	2,269	1,589	548	4,406	1,541	1,594	242	3,377
Deferred financing costs, net (Notes 3 and 6)	1,579	-	-	1,579	1,639	-	-	1,639
Interest receivable for cash and investments	110	-	-	110	192	-	1	193
Interfund balances	(385)	15	370	-	(1,347)	18	1,329	-
Total current assets	357,605	21,113	6,832	385,550	295,220	16,508	1,790	313,518
Noncurrent assets								
Cash and cash equivalents (Notes 3 and 4)	23,549	-	1,297	24,846	216,607	-	1,245	217,852
Investments, at fair value (Notes 3 and 4):	3	14,787	38,181	52,971	279,504	13,939	16,273	309,716
Educational loan notes receivable, net (Notes 5 and 11)	1,324,602	-	-	1,324,602	965,347	-	-	965,347
Deferred financing costs, net (Notes 3 and 6)	10,562	-	1,887	12,449	12,141	-	-	12,141
Capital equipment, net of accumulated depreciation (Note 14)	-	-	1,857	1,857	-	-	903	903
Total assets	\$ 1,716,321	\$ 35,900	\$ 50,054	\$ 1,802,275	\$ 1,768,819	\$ 30,447	\$ 20,211	\$ 1,819,477
Liabilities								
Current liabilities								
Accounts payable and accrued expenses	\$ 5,076	9,056	2,994	\$ 17,126	\$ 4,235	8,651	542	\$ 13,428
Bonds payable - current portion (Note 7)	399,080	-	-	399,080	41,590	-	-	41,590
Certificates payable (Note 10)	-	4,709	-	4,709	-	4,358	-	4,358
Accrued bond interest payable	35,296	-	-	35,296	23,288	-	-	23,288
Deferred loan origination and other fees	4,326	-	-	4,326	3,951	86	29	4,066
Total current liabilities	443,778	13,765	2,994	460,537	73,064	13,095	571	86,730
Noncurrent liabilities								
Bonds payable - net of current portion (Note 7)	1,190,830	-	-	1,190,830	1,590,410	-	-	1,590,410
Deferred loan origination and other fees	21,654	-	-	21,654	18,598	956	58	19,612
Other liabilities	3,221	869	264	4,354	6,025	-	-	6,025
Total liabilities	1,659,483	14,634	3,258	1,677,375	1,688,097	14,051	629	1,702,777
Net assets								
Invested in capital assets	-	-	1,857	1,857	-	-	903	903
Restricted	56,722	10,295	6,619	73,636	80,606	8,970	6,346	95,922
Unrestricted	116	10,971	38,320	49,407	116	7,426	12,333	19,875
Total net assets	56,838	21,266	46,796	124,900	80,722	16,396	19,582	116,700
Total liabilities and net assets	\$ 1,716,321	\$ 35,900	\$ 50,054	\$ 1,802,275	\$ 1,768,819	\$ 30,447	\$ 20,211	\$ 1,819,477

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

Massachusetts Educational Financing Authority
Statements of Revenues, Expenses and Changes in Net Assets
For the years ended June 30, 2008 and 2007

	2008				2007			
	Trusteed Funds	College Savings Funds	Authority Funds	Total	Trusteed Funds	College Savings Funds	Authority Funds	Total
Operating revenues								
Interest on education loans (Note 3)	\$ 85,533	-	-	\$ 85,533	\$ 66,254	-	-	\$ 66,254
Loan origination and application fees	4,137	87	-	4,224	3,688	86	-	3,774
College savings plan interest and fees	-	4,912	-	4,912	-	4,232	-	4,232
Other revenue	-	1,102	58	1,160	-	879	22	901
Total operating revenues	89,670	6,101	58	95,829	69,942	5,197	22	75,161
Operating expenses								
Bond interest expense	80,215	-	-	80,215	59,399	-	-	59,399
Bond insurance	1,403	-	-	1,403	1,058	-	-	1,058
Deferred financing costs, amortized	1,639	-	-	1,639	1,447	-	-	1,447
Provision for doubtful educational loan notes receivable	6,229	-	-	6,229	4,873	-	-	4,873
Credit decision fees	635	-	-	635	454	-	-	454
General and administrative (Notes 3, 12, 13, and 14)	17,454	1,759	(1,236)	17,977	13,868	1,390	686	15,944
Other expenses	(29)	-	-	(29)	28	-	-	28
Total operating expenses	107,546	1,759	(1,236)	108,069	81,127	1,390	686	83,203
Operating (loss)/income	(17,876)	4,342	1,294	(12,240)	(11,185)	3,807	(664)	(8,042)
Nonoperating revenues (expenses)								
Interest and dividends	18,162	803	797	19,762	25,531	710	1,139	27,380
Arbitrage expense	2,864	-	-	2,864	(4,708)	-	-	(4,708)
Decrease/increase of fair value of investments, net	-	(275)	(1,056)	(1,331)	-	284	1,072	1,356
Commitment fees refunded to participating schools (Note 9)	(1,359)	-	-	(1,359)	(1,645)	-	-	(1,645)
Yield restriction on educational loan notes receivable	504	-	-	504	(5,514)	-	-	(5,514)
Authority contributions	(26,179)	-	26,179	-	10,964	(2,220)	(8,744)	-
Increase (decrease) in net assets	(23,884)	4,870	27,214	8,200	13,443	2,581	(7,197)	8,827
Net assets, beginning of year	80,722	16,396	19,582	116,700	67,279	13,815	26,779	107,873
Net assets, end of year	\$ 56,838	\$ 21,266	\$ 46,796	\$ 124,900	\$ 80,722	\$ 16,396	\$ 19,582	\$ 116,700

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

Massachusetts Educational Financing Authority

Statements of Cash Flows

For the years ended June 30, 2008 and 2007

	2008				2007			
	Trusteed Funds	College Savings Funds	Authority Funds	Total	Trusteed Funds	College Savings Funds	Authority Funds	Total
Cash flows from operating activities:								
Payments for disbursed loans	\$ (500,098)	-	-	\$ (500,098)	\$ (402,353)	-	-	\$ (402,353)
Payments received on outstanding loan principal	137,087	-	-	137,087	134,811	-	-	134,811
General & administrative payments	(24,703)	(1,415)	2,348	(23,770)	(20,937)	(785)	(249)	(21,971)
Interest received on loans	56,451	-	-	56,451	47,173	-	-	47,173
Proceeds (expenditures) from other sources	-	5,993	58	6,051	-	5,035	22	5,057
Net cash (used in) provided by operating activities	(331,263)	4,578	2,406	(324,279)	(241,306)	4,250	(227)	(237,283)
Cash flows from non-capital financing activities:								
Proceeds from issuance of bonds	-	-	-	-	485,400	-	-	485,400
Proceeds from issuance of savings certificates	-	4,709	-	4,709	-	4,358	-	4,358
Purchase of savings certificates	-	(4,358)	-	(4,358)	-	(4,727)	-	(4,727)
Deferred financing costs	-	-	-	-	(4,657)	-	-	(4,657)
Bond interest paid	(68,207)	-	-	(68,207)	(54,890)	-	-	(54,890)
Principal payments on bonds payable	(42,090)	-	-	(42,090)	(169,045)	-	-	(169,045)
Authority contributions	(27,140)	3	27,137	-	6,219	(1,108)	(5,111)	-
Net cash (used in) provided by non-capital financing activities	(137,437)	354	27,137	(109,946)	263,027	(1,477)	(5,111)	256,439
Cash flows from capital financing activities:								
Purchase of capital equipment and software development	-	-	(1,628)	(1,628)	-	-	(434)	(434)
Net cash (used in) capital financing activities	-	-	(1,628)	(1,628)	-	-	(434)	(434)
Cash flows from investing activities:								
Proceeds from maturity/sale of investments	381,610	21,085	720	403,415	464,036	19,610	12,856	496,502
Purchases of investments	(105,496)	(23,308)	(23,684)	(152,488)	(595,595)	(25,368)	(9,968)	(630,931)
Interest and dividends received on cash and investments	18,244	803	797	19,844	25,467	709	1,139	27,315
Arbitrage rebate payments	(183)	-	-	(183)	(538)	-	-	(538)
Net cash provided by (used in) investing activities	294,175	(1,420)	(22,167)	270,588	(106,630)	(5,049)	4,027	(107,652)
Net (decrease) increase in cash and cash equivalents	(174,525)	3,512	5,748	(165,265)	(84,909)	(2,276)	(1,745)	(88,930)
Cash and cash equivalents, beginning of year	340,132	84	1,463	341,679	425,041	2,360	3,208	430,609
Cash and cash equivalents, end of period	\$ 165,607	\$ 3,596	\$ 7,211	\$ 176,414	\$ 340,132	\$ 84	\$ 1,463	\$ 341,679

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

Massachusetts Educational Financing Authority
Statements of Cash Flows, Continued
For the years ended June 30, 2008 and 2007

	2008				2007			
	Trusteed Funds	College Savings Funds	Authority Funds	Total	Trusteed Funds	College Savings Funds	Authority Funds	Total
Reconciliation of operating (loss) income to net cash (used in) provided by operating activities:								
Operating (loss) income	\$ (17,876)	4,342	1,294	\$ (12,240)	\$ (11,185)	3,807	(664)	\$ (8,042)
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:								
Depreciation expense	-	-	582	582	-	-	507	507
Loss on Disposal of Capital Asset	-	-	92	92	-	-	-	-
Provision for doubtful educational loan notes receivable	6,229	-	-	6,229	4,873	-	-	4,873
Amortization of deferred financing costs	1,639	-	-	1,639	1,447	-	-	1,447
Bond interest expense	80,215	-	-	80,215	59,399	-	-	59,399
Changes in assets and liabilities:								
Educational loan notes receivable, net	(383,282)	-	-	(383,282)	(285,950)	-	-	(285,950)
Deferred loan origination and other fees	3,429	-	(1,887)	1,542	4,428	(86)	(28)	4,314
Interest receivable on educational loan notes	(20,617)	-	-	(20,617)	(13,758)	-	-	(13,758)
Accounts payable and accrued expenses	(275)	232	2,633	2,590	50	868	(157)	761
Prepaid expenses and other assets	(725)	4	(308)	(1,029)	(610)	(339)	115	(834)
Net cash (used in) provided by operating activities	\$ (331,263)	\$ 4,578	\$ 2,406	\$ (324,279)	\$ (241,306)	\$ 4,250	\$ (227)	\$ (237,283)

Massachusetts Educational Financing Authority

Balance Sheets

June 30, 2008 and 2007

	2008						2007					
	Issue C of 1985	Issue D Total	Issue E Total	Issue F of 1993	Issue G Total	Trusteed Funds	Issue C of 1985	Issue D Total	Issue E Total	Issue F of 1993	Issue G Total	Trusteed Funds
Assets												
Current assets												
Cash and cash equivalents (Notes 3 and 4)	\$ -	-	140,673	116	1,269	\$ 142,058	\$ -	-	121,328	116	2,081	\$ 123,525
Investments, at fair value (Notes 3 and 4)	-	-	57,178	-	6,859	64,037	-	-	47,613	-	13,039	60,652
Education loan notes receivable, net (Notes 5 and 11)	-	-	94,152	-	11,008	105,160	-	-	75,592	-	11,266	86,858
Interest receivable on educational loan notes	-	-	42,437	-	340	42,777	-	-	21,776	-	384	22,160
Prepaid expenses and other assets	-	-	2,260	-	9	2,269	-	-	1,531	-	10	1,541
Deferred financing costs, net (Notes 3 and 6)	-	-	1,349	-	230	1,579	-	-	1,409	-	230	1,639
Interest receivable for cash and investments	-	-	29	-	81	110	-	-	131	-	61	192
Interfund balances	-	-	(385)	-	-	(385)	-	-	(1,034)	-	(313)	(1,347)
Total current assets	-	-	337,693	116	19,796	357,605	-	-	268,346	116	26,758	295,220
Noncurrent assets												
Cash and cash equivalents (Notes 3 and 4)	-	-	23,549	-	-	23,549	-	-	216,607	-	-	216,607
Investments, at fair value (Notes 3 and 4)	-	-	3	-	-	3	-	-	279,504	-	-	279,504
Educational loan notes receivable, net (Notes 5 and 11)	-	-	1,254,917	-	69,685	1,324,602	-	-	879,185	-	86,162	965,347
Deferred financing costs, net (Notes 3 and 6)	-	-	10,147	-	415	10,562	-	-	11,496	-	645	12,141
Total assets	\$ -	\$ -	\$ 1,626,309	\$ 116	\$ 89,896	\$ 1,716,321	\$ -	\$ -	\$ 1,655,138	\$ 116	\$ 113,565	\$ 1,768,819
Liabilities												
Current liabilities												
Accounts payable and accrued expenses	\$ -	-	4,950	-	126	\$ 5,076	\$ -	-	3,820	-	415	\$ 4,235
Bonds payable - current portion (Note 7)	-	-	392,740	-	6,340	399,080	-	-	28,235	-	13,355	41,590
Accrued bond interest payable	-	-	34,975	-	321	35,296	-	-	22,911	-	377	23,288
Deferred loan origination and other fees	-	-	3,488	-	838	4,326	-	-	3,113	-	838	3,951
Total current liabilities	-	-	436,153	-	7,625	443,778	-	-	58,079	-	14,985	73,064
Noncurrent liabilities												
Bonds Payable - net of current portion (Note 7)	-	-	1,127,780	-	63,050	1,190,830	-	-	1,521,020	-	69,390	1,590,410
Deferred loan origination and other fees	-	-	20,025	-	1,629	21,654	-	-	16,131	-	2,467	18,598
Other liabilities	-	-	2,819	-	402	3,221	-	-	5,783	-	242	6,025
Total liabilities	\$ -	\$ -	\$ 1,586,777	\$ -	\$ 72,706	\$ 1,659,483	\$ -	\$ -	\$ 1,601,013	\$ -	\$ 87,084	\$ 1,688,097
Net assets												
Restricted	\$ -	-	39,532	-	17,190	\$ 56,722	\$ -	-	54,125	-	26,481	\$ 80,606
Unrestricted	-	-	-	116	-	116	-	-	-	116	-	116
Total net assets	-	-	39,532	116	17,190	56,838	-	-	54,125	116	26,481	80,722
Total liabilities and net assets	\$ -	\$ -	\$ 1,626,309	\$ 116	\$ 89,896	\$ 1,716,321	\$ -	\$ -	\$ 1,655,138	\$ 116	\$ 113,565	\$ 1,768,819

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

Massachusetts Educational Financing Authority
Statements of Revenues, Expenses and Changes in Net Assets
For the years ended June 30, 2008 and 2007

	2008						2007					
	Issue C of 1985	Issue D Total	Issue E Total	Issue F of 1993	Issue G Total	Trusteed Funds	Issue C of 1985	Issue D Total	Issue E Total	Issue F of 1993	Issue G Total	Trusteed Funds
Operating revenues												
Interest on education loans (Note 3)	\$ -	-	79,057	-	6,476	\$ 85,533	\$ -	-	58,548	-	7,706	\$ 66,254
Loan origination and application fees	-	-	3,299	-	838	4,137	-	-	2,850	-	838	3,688
Other revenue	-	-	-	-	-	-	-	-	-	-	-	-
Total operating revenues	-	-	82,356	-	7,314	89,670	-	-	61,398	-	8,544	69,942
Operating expenses												
Bond interest expense	-	-	76,106	-	4,109	80,215	-	-	54,175	-	5,224	59,399
Bond insurance	-	-	1,348	-	55	1,403	-	-	987	-	71	1,058
Deferred financing costs, amortized	-	-	1,409	-	230	1,639	-	-	1,217	-	230	1,447
Provision for doubtful educational loan notes receivable	-	-	6,336	-	(107)	6,229	-	-	5,008	-	(135)	4,873
Credit decision fees	-	-	635	-	-	635	-	-	454	-	-	454
General and administrative (Notes 3, 12, 13, and 14)	-	-	15,605	4	1,845	17,454	-	-	11,443	5	2,420	13,868
Other expenses	-	-	(30)	-	1	(29)	-	-	27	-	1	28
Total operating expenses	-	-	101,409	4	6,133	107,546	-	-	73,311	5	7,811	81,127
Operating (loss)/income	-	-	(19,053)	(4)	1,181	(17,876)	-	-	(11,913)	(5)	733	(11,185)
Nonoperating revenues (expenses)												
Interest and dividends	-	-	17,251	4	907	18,162	-	-	24,406	5	1,120	25,531
Arbitrage expense	-	-	2,907	-	(43)	2,864	-	-	(4,570)	-	(138)	(4,708)
Commitment fees refunded to participating schools (Note 9)	-	-	(1,359)	-	-	(1,359)	-	-	(1,645)	-	-	(1,645)
Yield restriction on educational loan notes receivable	-	-	504	-	-	504	-	-	(5,514)	-	-	(5,514)
Authority contributions	-	-	(14,843)	-	(11,336)	(26,179)	(3)	(58)	11,025	-	-	10,964
(Decrease) increase in net assets	-	-	(14,593)	-	(9,291)	(23,884)	(3)	(58)	11,789	-	1,715	13,443
Net assets, beginning of year	-	-	54,125	116	26,481	80,722	-	-	42,336	116	24,766	67,279
Net assets, end of year	\$ -	\$ -	\$ 39,532	\$ 116	\$ 17,190	\$ 56,838	\$ -	\$ -	\$ 54,125	\$ 116	\$ 26,481	\$ 80,722

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

Massachusetts Educational Financing Authority

Statements of Cash Flows

For the years ended June 30, 2008 and 2007

	2008					2007						
	Issue C of 1985	Issue D Total	Issue E Total	Issue F of 1993	Issue G Total	Trusteed Funds	Issue C of 1985	Issue D Total	Issue E Total	Issue F of 1993	Issue G Total	Trusteed Funds
Cash flows from operating activities:												
Payments for disbursed loans	\$ -	-	(500,098)	-	-	\$ (500,098)	\$ -	-	(402,353)	-	-	\$ (402,353)
Payments received on outstanding loan principal	-	-	120,198	-	16,889	137,087	-	-	116,311	1	18,499	134,811
General & administrative payments	-	-	(22,811)	(4)	(1,888)	(24,703)	-	-	(18,396)	(5)	(2,536)	(20,937)
Interest received on loans	-	-	49,978	-	6,473	56,451	-	-	39,486	-	7,687	47,173
Cash flows from operating activities	-	-	(352,733)	(4)	21,474	(331,263)	-	-	(264,952)	(4)	23,650	(241,306)
Cash flows from non-capital financing activities												
Proceeds from issuance of bonds	-	-	-	-	-	-	-	-	485,400	-	-	485,400
Deferred financing costs	-	-	-	-	-	-	-	-	(4,657)	-	-	(4,657)
Bond interest paid	-	-	(64,041)	-	(4,166)	(68,207)	-	-	(49,561)	-	(5,329)	(54,890)
Principal payments on bonds payable	-	-	(28,735)	-	(13,355)	(42,090)	-	-	(144,220)	-	(24,825)	(169,045)
Authority contributions	-	-	(15,491)	-	(11,649)	(27,140)	(3)	(58)	11,496	-	(5,216)	6,219
Net cash (used in) provided by non-capital financing activities	-	-	(108,267)	-	(29,170)	(137,437)	(3)	(58)	298,458	-	(35,370)	263,027
Cash flows from investing activities:												
Proceeds from maturity/sale of investments	-	-	351,780	-	29,830	381,610	-	-	433,543	-	30,493	464,036
Purchases of investments	-	-	(81,846)	-	(23,650)	(105,496)	-	-	(569,554)	-	(26,041)	(595,595)
Interest and dividends received on cash and investments	-	-	17,353	4	887	18,244	-	-	24,306	6	1,155	25,467
Arbitrage rebate payments	-	-	-	-	(183)	(183)	-	-	(538)	-	-	(538)
Net cash (used in) provided by investing activities	-	-	287,287	4	6,884	294,175	-	-	(112,243)	6	5,607	(106,630)
Net (decrease) increase in cash and cash equivalents	-	-	(173,713)	-	(812)	(174,525)	(3)	(58)	(78,737)	2	(6,113)	(84,909)
Cash and cash equivalents, beginning of year	-	-	337,935	116	2,081	340,132	3	58	416,672	114	8,194	425,041
Cash and cash equivalents, end of period	\$ -	\$ -	\$ 164,222	\$ 116	\$ 1,269	\$ 165,607	\$ -	\$ -	\$ 337,935	\$ 116	\$ 2,081	\$ 340,132

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

Massachusetts Educational Financing Authority
Statements of Cash Flows, Continued
For the years ended June 30, 2008 and 2007

	2008						2007					
	Issue C of 1985	Issue D Total	Issue E Total	Issue F of 1993	Issue G Total	Trusteed Funds	Issue C of 1985	Issue D Total	Issue E Total	Issue F of 1993	Issue G Total	Trusteed Funds
Reconciliation of operating (loss) income to net cash (used in) provided by operating activities:												
Operating (loss) income	\$ -	-	(19,053)	(4)	1,181	\$ (17,876)	\$ -	-	(11,913)	(5)	733	\$ (11,185)
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities:												
Provision for doubtful educational loan notes receivable	-	-	6,336	-	(107)	6,229	-	-	5,008	-	(135)	4,873
Amortization of deferred financing costs	-	-	1,409	-	230	1,639	-	-	1,217	-	230	1,447
Bond interest expense	-	-	76,106	-	4,109	80,215	-	-	54,175	-	5,224	59,399
Changes in assets and liabilities:												
Educational loan notes receivable, net	-	-	(400,125)	-	16,843	(383,282)	-	-	(304,341)	1	18,390	(285,950)
Deferred loan origination and other fees	-	-	4,267	-	(838)	3,429	-	-	5,265	-	(837)	4,428
Interest receivable on educational loan notes	-	-	(20,661)	-	44	(20,617)	-	-	(13,846)	-	88	(13,758)
Accounts payable and accrued expenses	-	-	(286)	-	11	(275)	-	-	99	-	(49)	50
Prepaid expenses and other assets	-	-	(726)	-	1	(725)	-	-	(616)	-	6	(610)
Net cash (used in) provided by operating activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (352,733)</u>	<u>\$ (4)</u>	<u>\$ 21,474</u>	<u>\$ (331,263)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (264,952)</u>	<u>\$ (4)</u>	<u>\$ 23,650</u>	<u>\$ (241,306)</u>

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DEFINITIONS OF CERTAIN TERMS

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

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

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

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

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

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

Authority Expenses means the Authority’s reasonable and necessary expenses of carrying out and administering the Program under the Resolution, including without limitation fees incurred in preparing cash flow models and a properly allocable portion of its general overhead and operating expenses, as reasonably determined by the Authority, but in no event exceeding on a cumulative basis the amount set forth in the Loan Program Certificate.

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

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

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

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

Bondholder or Holder means, when used with reference to Bonds, the registered owner of any Bond or Bonds, and for the purpose of paying interest on any Interest Payment Date, means the Holder at the close of business on the record date specified in the applicable Series Resolution.

Bond Year means, unless otherwise specified in a Series Resolution with respect to a Series of Bonds, each year beginning on April 1 and ending on the next succeeding March 31; provided that the first Bond Year shall begin June 30, 2009 and end March 31, 2010.

Book-Entry Only System means with respect to a particular Series of Bonds, the registration of the Bonds of such Series in the name of a nominee of the Depository Trust Company or other depository entity pursuant to the provisions of the applicable Series Resolution.

Borrower means an applicant approved in accordance with the Operations Manual who has agreed to repay an Education Loan in accordance with the terms and conditions of an Education Loan Note.

Business Day means any day other than (i) a Saturday or Sunday or any other day on which banks are authorized or required to be closed in the Commonwealth, the State of Maryland or New York City, or (ii) a day on which the offices of the New York Stock Exchange are closed, or (iii) as to a Series of Bonds, any other date specified as not being a Business Day in the Series Resolution for such Series.

Capitalized Interest Account Requirement means, with respect to a Series of Bonds, the amount, as of any Interest Payment Date, set forth in the applicable Series Resolution or Supplemental Resolution.

Code means the Internal Revenue Code of 1986, as amended from time to time, and the Treasury Regulations promulgated thereunder or applicable thereto.

Commonwealth means The Commonwealth of Massachusetts.

Costs of Issuance means the items of expense payable or reimbursable directly or indirectly by the Authority and related to the authorization, sale and issuance of Bonds, which items of expense shall include, but not be limited to, printing costs, costs of reproducing documents, filing and recording fees, initial fees and charges of the Trustee, legal fees and charges, initial premiums, fees and charges of any Reserve Fund Facility provider, initial fees and charges of a provider of a Qualified Hedge Agreement, professional consultants' fees, fees incurred in preparing certain cash flow models, costs of credit ratings, fees and charges for execution, transportation and safekeeping of Bonds, costs and expenses of refunding Bonds and other costs, charges and fees in connection with the foregoing.

Counsel's Opinion means an opinion signed by an attorney or firm of attorneys (who may be general or special counsel to the Authority) selected by the Authority and which attorney or firm is satisfactory to the Trustee.

Custodian shall have the meaning set forth under the definition of "Investment Obligations" in sub-paragraph 10.

Debt Service means with respect to any given period of time, an amount equal to the sum of (a) all interest due and payable on the Bonds during such period at their stated rate of interest, plus (b) the Principal Installments payable during such period. Debt Service and interest on Bonds with respect to which there is a Qualified Hedge Agreement in effect shall be calculated so as to reflect the anticipated effect of such Agreement consistent with the Resolution.

Debt Service Fund means the Debt Service Fund established by the Resolution.

Defaulted means Education Loans or Education Loan Notes which are in default in accordance with their terms and as to which payment has been accelerated or as to which an Education Loan Payment is overdue by 180 days or more or for such lesser or greater period of time as the Authority may hereafter establish.

Education Loan means any loan to or on behalf of a Student originated directly or indirectly by the Authority which loan satisfies the requirements of the Operations Manual and the Loan Program Certificate and is eligible for Purchase or has been Purchased by the Authority from the proceeds of Bonds or other funds and pledged as security for the Bonds hereunder.

Education Loan Note means a promissory note or credit agreement (including without limitation an electronically executed promissory note or credit agreement) or such other evidence as may be described by a certificate of an Authorized Officer to the Trustee evidencing an Education Loan Purchased or to be Purchased with the proceeds of Bonds or other funds pledged as security for the Bonds.

Education Loan Payments means all payments on an Education Loan, including a Defaulted Education Loan, which reduce or eliminate the principal balance or interest due on such Education Loan, including without limitation (1) scheduled payments of principal and interest on such Education Loan and (2) amounts paid with respect to principal or interest on account of (i) voluntary prepayment of all or any portion of an Education Loan by a Borrower, (ii) acceleration of the due date of such Education Loan, (iii) sale or other disposition of such Education Loan (including acquisition or refinancing of such Education Loan by the Authority from moneys other than Bond Proceeds or Trust Assets), and (iv) payments received pursuant to any insurance or guaranty on such Education Loan.

Eligible Collateral shall have the meaning set forth under the definition of “Investment Obligations” in sub-paragraph 10.

Eligible Investment Agreement Provider shall have the meaning set forth under the definition of “Investment Obligations” in sub-paragraph 11.

Eligible Repurchase Agreement Provider shall have the meaning set forth under the definition of “Investment Obligations” in sub-paragraph 10.

Event of Default means an event of default as defined in the section entitled “Summary of Certain Provisions of the Resolution - Events of Default” in Appendix C.

Excess Revenues means any amounts available on any date of calculation after all payments and transfers required by the Resolution to be made from the Revenue Fund on such date have been made (other than Revenues resulting from voluntary sales by the Authority of Education Loans or from transfers by the Authority of Education Loans to trust estates established by the Authority under other bond resolutions or trust agreements), that the Authority determines: (i) if during the Recycling Period, are not to be used to originate or acquire additional Education Loans; and (ii) if the Resolution requirements with respect to a release of moneys to the Authority may be met on such date, are not to be so released.

Favorable Opinion means a Bond Counsel’s Opinion addressed to the Authority and the Trustee, reasonably acceptable to such addressees, to the effect that the action proposed to be taken is authorized or permitted by the Act and the Resolution and will not adversely affect any exclusion of interest of the particular Series of Bonds from gross income for purposes of federal income taxation or the exemption from taxation by the Commonwealth.

Fiduciary means each of the Trustee, the Registrar and the Paying Agent.

Fiscal Year means the period of twelve calendar months ending with June 30, or such other date as the Authority may designate consistent with the Act, of any year.

Fitch means Fitch Ratings and its successors and assigns.

Fixed Rate Bonds means any Bonds the interest rate on which is fixed to maturity.

Hedge Agreement shall mean a payment exchange agreement, interest rate swap agreement, forward purchase agreement or any other hedge agreement entered into by the Authority providing for payments between the parties based on levels of, or changes, in interest rates, stock or other indices or contracts to exchange cash flows or a series of payments or contracts, including without limitation, interest rate floors or caps, options, puts or calls, which allows the Authority to manage or hedge payment, rate, spread or similar risk with respect to any Bonds.

Interest Payment Date means January 1 and July 1 of each year that Bonds are Outstanding except as otherwise specified in the Series Resolution applicable to a particular Series of Bonds.

Investment Obligations means and includes for any Series of Bonds, subject to any restrictions set forth in the Series Resolution for such Series of Bonds, any of the following securities or obligations (any of which may be held in book-entry form):

1. (a) Cash (fully insured by the Federal Deposit Insurance Corporation), (b) Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America (“U.S. Treasury Obligations”), (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (d) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (e) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

2. Federal Housing Administration debentures.
3. The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:
 - a) Federal Home Loan Mortgage Corporation (FHLMC) senior debt obligations and Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)
 - b) Farm Credit System (formerly Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) consolidated system-wide bonds and notes
 - c) Federal Home Loan Banks (FHL Banks) consolidated debt obligations
 - d) Federal National Mortgage Association (FNMA) senior debt obligations and mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)
4. Unsecured certificates of deposit, time deposits, and bankers' acceptances (having maturities of not more than 365 days) of any bank the short-term obligations of which are rated “A-1+” by S&P and “F1” by Fitch.
5. Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation, in banks which have capital and surplus of at least \$15 million.
6. Commercial paper (having original maturities of not more than 270 days) rated “A-1+” by S&P and “F1” by Fitch.
7. Money market funds rated at least “Aam” or “AAM-G” by S&P, and, if rated by Fitch, rated “AAA/V1+” by Fitch.
8. “State Obligations” means:
 - a) Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated at least “AA” by

S&P, and, if rated by Fitch, rated “AA-” by Fitch, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.

- b) Direct general short-term obligations of any state agency or subdivision or agency thereof described in (a) above and rated “A-1+” by S&P and “F1” by Fitch.
 - c) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state or state agency described in (b) above and rated “AA” or better by S&P and Fitch.
9. Pre-refunded municipal obligations rated “AAA” by S&P and at least “AA” by Fitch meeting the following requirements:
- a) the municipal obligations are (1) not subject to redemption prior to maturity or (2) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;
 - b) the municipal obligations are secured by cash or U.S. Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;
 - c) the principal of and interest on the U.S. Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations (“Verification Report”);
 - d) the cash or U.S. Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;
 - e) no substitution of a U.S. Treasury Obligation shall be permitted except with another U.S. Treasury Obligation and upon delivery of a new Verification Report; and
 - f) the cash or U.S. Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.
10. Repurchase agreements: with (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least “AA” by S&P; or (2) any broker-dealer with “retail customers” or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least “AA” by S&P which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated at least “AA” by S&P and acceptable to the Authority (each an “Eligible Repurchase Agreement Provider”), provided that:
- a) (i) permitted collateral shall include U.S. Treasury Obligations, or senior debt obligations of GNMA, FNMA or FHLMC (no collateralized mortgage obligations shall be permitted for these providers), and (ii) collateral levels must be at least 102% of the total principal when the collateral type is U.S. Treasury Obligations, 103% of the total principal when the collateral type is GNMA’s and 104% of the

total principal when the collateral type is FNMA and FHLMC (“Eligible Collateral”);

- b) the Trustee or a third party acting solely as agent therefore or for the Authority (the “Custodian”) has possession of the collateral or the collateral has been transferred to the Custodian in accordance with applicable state and federal laws (other than by means of entries on the transferor's books) and such collateral shall be marked to market;
- c) the collateral shall be marked to market on a daily basis and the provider or Custodian shall send monthly reports to the Trustee and the Authority setting forth the type of collateral, the collateral percentage required for that collateral type, the market value of the collateral on the valuation date and the name of the Custodian holding the collateral;
- d) the repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Custodian has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof;
- e) the repurchase agreement shall provide that if during its term the provider's rating by S&P is withdrawn or suspended or falls below “AA” by S&P, the provider must notify the Authority and the Trustee within five (5) days of receipt of such notice. Within ten (10) days of receipt of such notice, the provider shall either: (i) provide a written guarantee acceptable to the Authority, (ii) post Eligible Collateral, or (iii) assign the agreement to an Eligible Repurchase Agreement Provider. If the provider does not perform a remedy within ten (10) business days, the provider shall, at the direction of the Trustee repurchase all collateral and terminate the repurchase agreement, with no penalty or premium to the Authority or the Trustee.

11. Investment agreements: with a domestic or foreign bank or corporation the short-term debt of which, or, in the case of a guaranteed corporation the short-term debt, or, in the case of a monoline financial guaranty insurance company, financial strength, of the guarantor is rated at least “A/F1” by Fitch and at least “A-1” by S&P or, if the short-term debt or financial strength, as applicable, of which, if not rated by S&P, the long-term debt or financial strength, as applicable, of which is rated at least “A+,” and which is acceptable to the Authority (each an “Eligible Investment Agreement Provider”); provided that:

- a) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the construction fund, construction draws) on the Bonds;
- b) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven (7) days' prior notice;
- c) the provider shall send monthly reports to the Trustee and the Authority setting forth the balance the Authority or Trustee has invested with the provider and the amounts and dates of interest accrued and paid by the provider;
- d) the investment agreement shall state that it is an unconditional and general obligation of the provider, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder

ranks pari passu with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;

- e) the Authority and the Trustee shall receive an opinion of domestic counsel to the provider that such investment agreement is legal, valid, binding and enforceable against the provider in accordance with its terms;
- f) the Authority and the Trustee shall receive an opinion of foreign counsel to the provider (if applicable) that (i) the investment agreement has been duly authorized, executed and delivered by the provider and constitutes the legal, valid and binding obligation of the provider, enforceable against the provider in accordance with its terms, (b) the choice of law of the state set forth in the investment agreement is valid under that country's laws and a court in such country would uphold such choice of law, and (c) any judgment rendered by a court in the United States would be recognized and enforceable in such country;
- g) the investment agreement shall provide that if during its term the provider's rating by S&P falls below the minimum level required in the introductory clause of this item (11) in the definition of "Investment Obligations" or is withdrawn or suspended, the provider shall, at the direction of the Authority or the Trustee, within thirty (30) days of receipt of such direction, either (i) provide a written guarantee acceptable to the Authority from a guarantor with a short-term debt rating of at least "A/F1" by Fitch and "A-1" or better, or, if no short-term debt rating, a long-term debt rating of "A+" or better, by S&P, (ii) assign the agreement to an Eligible Investment Agreement Provider, or (iii) repay the principal of and accrued but unpaid interest on the investment, in either case with no termination, penalty or premium to the Authority or Trustee;
- h) in the event the provider is required to collateralize, permitted collateral shall include U.S. Treasury Obligations, or senior debt obligations of GNMA, FNMA or FHLMC (no collateralized mortgage obligations shall be permitted for these providers) and collateral levels must be 102% of the total principal when the collateral type is U.S. Treasury Obligations, 103% of the total principal when the collateral type is GNMA's and 104% of the total principal when the collateral type is FNMA and FHLMC. In addition, the collateral shall be marked to market on a daily basis and the provider or Custodian shall send monthly reports to the Trustee and the Authority setting forth the type of collateral, the collateral percentage required for that collateral type, the market value of the collateral on the valuation date and the name of the Custodian holding the collateral;
- i) the investment agreement shall state and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Custodian has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof,
- j) the investment agreement must provide that if during its term: (i) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Authority or the Trustee be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Authority or Trustee, as appropriate, and (ii) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc., the provider's obligations shall automatically be

accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Authority or Trustee, as appropriate; and

- k) Prior Rating Agency Notice and satisfaction of the Rating Agency Condition as to S&P shall be required for an investment agreement entered into in connection with a particular Series of Bonds after the date of issuance of such Series.

Late Charges means any charges or penalties which are assessed Borrowers on account of failure to make timely payments of principal or interest on Education Loan Notes pursuant to the terms thereof.

Loan Origination Period means, with respect to each Series of Bonds, the period beginning on the date of issuance of such Bonds and ending on the date specified in the applicable Series Resolution as the latest date on which any unexpended original proceeds of such Bonds may be applied to the Purchase of Education Loans.

Loan Program Certificate means the Loan Program Certificate attached to the most recent Series Resolution setting forth terms and conditions for the Education Loans to be Purchased and for the Loan Program, as the same may be amended from time to time, subject to Prior Rating Agency Notice and satisfaction of the Rating Agency Condition as to S&P.

MEFA Loan means any Education Loan which is described in Section I of the Loan Program Certificate.

MEFA Loan for Undergraduate Education means an Education Loan for a program of study leading to a baccalaureate degree and bearing such further characteristics as are set forth in Section I of the Loan Program Certificate.

MEFA Loan for Graduate Education means an Education Loan for a post-baccalaureate degree, or a post-doctoral program of study and bearing such further characteristics as are set forth in Section I of the Loan Program Certificate.

Nationally Recognized Rating Agency means (1) S&P, (2) Fitch, (3) any other credit rating agency which is nationally recognized for skill and expertise in rating the credit of obligations similar to the Bonds and (4) any successor to any of the foregoing by merger, conversion, consolidation or otherwise; provided in each case that such agency has assigned and is maintaining a rating on the Bonds or any Series of Bonds at the request of the Authority.

Operations Manual means the document on file at the Authority so designated containing the Program guidelines and certain Program forms, as amended from time to time by the Authority in a manner consistent with the covenants contained herein and in any applicable Series Resolution, provided, however, that no such amendment shall (a) reduce in any manner the amount of, or delay the time of, collections of scheduled payments with respect to an Education Loan Purchased or (b) reduce the underwriting standards with respect to an Education Loan or (c) conflict with any provision of the General Resolution or the related Series Resolution, except as specifically authorized by a Loan Program Certificate.

Outstanding, when used with reference to Bonds, means, as of any date, all Bonds theretofore or thereupon being delivered under the Resolution except: (i) any Bonds cancelled by the Trustee or any Paying Agent at or prior to such date; (ii) Bonds in lieu of or in substitution for which other Bonds shall have been executed and delivered pursuant to the Resolution or the provisions of any Series Resolution; and (iii) Bonds deemed to have been paid as provided in the Resolution.

Parity Ratio means, as of any date of calculation, the ratio of the sum of the value of (a) the Education Loans Purchased (valued at par plus accruals), excluding Defaulted Education Loans; (b) all moneys and Investment Obligations held in the Funds and Accounts established under the Resolution (valued as set forth in the Resolution, plus accrued interest), other than the Rebate Fund to the sum of (x) the principal of and accrued interest on all Outstanding Bonds and (y) all accrued but unpaid Program Expenses (as certified by an Authorized Officer).

Parity Ratio Certificate means a certificate of an Authorized Officer of the Authority showing, as of the date of calculation, after giving effect to any proposed transfer or transaction that the Parity Ratio is at least equal to 112%.

Participating Institution means (i) a non profit, degree granting educational institution, whether public or private, in Massachusetts or outside of Massachusetts, authorized by law to provide a program of education beyond the high school level, (ii) the Authority on behalf of a similarly situated educational institution or (iii) person, firm, association, corporation or other entity participating in the Authority's loan programs.

Paying Agent means the Trustee and any other bank or trust company designated as paying agent for the Bonds pursuant to the Resolution, and its successor or successors hereafter appointed in the manner provided herein.

Principal Installment means, as of any date of calculation with respect to a future date, an amount equal to the aggregate of (1) the principal amount of Outstanding Bonds which mature on such future date reduced by the aggregate principal amount of such Outstanding Bonds which would at or before such future date be retired by reason of the payment when due and application in accordance with the Resolution of remaining Sinking Fund Installments (after adjustment for any actual redemptions credited against such Sinking Fund Installments) payable at or before such future date for the retirement of such Outstanding Bonds, plus (2) the amount of any remaining Sinking Fund Installments (after adjustment for any actual redemptions credited against such Sinking Fund Installments) payable on such future date for the retirement of any Outstanding Bonds.

Principal Office, when used with respect to a Fiduciary, means the office where such Fiduciary maintains its principal office or, where different, its principal trust office.

Prior Rating Agency Notice means ten (10) days' prior written notice to all National Recognized Rating Agencies of an action proposed to be taken by the Authority under the Resolution which requires such notice.

Program or Loan Program means the Authority's program of Purchasing Education Loans pursuant to the terms of the Resolution and the Loan Program Certificate.

Program Documents means the Education Loan Note and any security agreement required for an Education Loan pursuant to the Loan Program Certificate, the Operations Manual or the loan servicing agreement between the Authority and the Servicer.

Program Expense Fund means the Program Expense Fund established by the Resolution.

Program Expenses means Authority Expenses and any fee, premium or other item of expense payable or reimbursable directly or indirectly by the Authority and related to (1) the compensation and expenses of the Fiduciaries payable in accordance with the Resolution, (2) the origination or servicing of Education Loans (whether by a Servicer, the Authority or another entity), (3) the fees, premiums and expenses of the provider of any Reserve Fund Facility (but not reimbursement of draws or payments under a Reserve Fund Facility or any interest due thereon); and (4) such other items of expense as may be provided for in a Series Resolution, but not including Subordinated Program Expenses.

Program Fund means the Program Fund established by the Resolution.

Projection of Revenues means the certificate described in the Resolution.

Purchase means, when used in reference to Education Loans or Education Loan Notes pledged as security for the Bonds, the purchase, origination or other acquisition of such Loans or Notes by the Authority, by the Trustee or by a Servicer acting on behalf of the Authority (including without limitation the designation by the Authority of existing loan or notes as Trust Assets), on terms and conditions permitted by the Resolution and the Program Documents.

Qualified Hedge Agreement shall mean a Hedge Agreement as defined in "Summary of Certain Provisions of the Resolution - Hedging Transactions" in Appendix C.

Qualified Institution shall mean (i) a bank, a trust company, a national banking association, a federal branch pursuant to the International Banking Act of 1978 or any successor provisions of law, a domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America, a savings bank, a savings and loan association, or an insurance company or association chartered or organized under the laws of any state of the United States of America, a corporation, a trust, a partnership, an unincorporated organization, or a government or an agency, instrumentality, program, account, fund, political subdivision or corporation thereof, which makes collateralization arrangements consistent with those required under the definition of “Investment Securities” in sub-paragraph 10, or, in each case the unsecured or uncollateralized long-term debt obligations of which, or obligations secured or supported by a letter of credit, contract, agreement or surety bond issued by any such organization, at the time a Qualified Hedge Agreement is entered into by the Authority are rated in a category equal to or higher than “AA” by S&P or (ii) the Government National Mortgage Association or any successor thereto, the Federal National Mortgage Association or any successor thereto, or any other federal agency or instrumentality.

Rating Agency Condition means receipt of the written confirmation from the Nationally Recognized Rating Agency or Agencies then assigning a rating to any Series of Bonds specified in the applicable provision of the Resolution or of any Series Resolution that such rating will not be lowered or withdrawn as a result of an action proposed by the Authority under the Resolution which requires such confirmation.

Rebate Fund means the Rebate Fund established by the Resolution.

Rebate Fund Requirement means, as of any date of calculation, an amount equal to the aggregate of the amounts, if any, specified in each Series Resolution authorizing the issuance of a Series of Bonds or in a certificate of an Authorized Officer as the amount required to be deposited in the Rebate Fund with respect to such Bonds, any such certificate to be accompanied by a Favorable Opinion.

Recycling Period means, with respect to each Series of Bonds, the period beginning on the date of issuance of such Bonds and ending on the date specified in the most current Series Resolution or Loan Program Certificate applicable to such Bonds as the latest date on which Revenues of such Bonds may be applied to the Purchase of Education Loans.

Redemption Fund means the Redemption Fund established by the Resolution.

Redemption Price means, with respect to any Bond the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to the terms of such Bond and the Series Resolution applicable thereto.

Reserve Fund means the Reserve Fund established by the Resolution.

Reserve Fund Facility means a letter of credit, policy of insurance, surety bond, acceptance, guarantee or other similar instrument issued to the Trustee for the account of the Authority under which moneys may be drawn by the Trustee for the purposes of the Reserve Fund and which meets the requirements set forth in the Resolution. Any provider of a Reserve Fund Facility used by the Authority shall be rated “AA” or better by each Nationally Recognized Rating Agency at the time of issuance of the Reserve Fund Facility.

Reserve Fund Requirement means, as of any date of calculation while any Bonds are Outstanding, the amount specified in the most current Series Resolution or Supplemental Resolution.

Resolution means this Education Loan Revenue Bond Resolution, Issue I, as amended or supplemented from time to time by any Series or Supplemental Resolution in accordance with the terms of the Resolution.

Revenue Fund means the Revenue Fund established by the Resolution.

Revenues means (1) all amounts paid or required to be paid with respect to principal and interest from time to time on Education Loans, including without limitation, Education Loan Payments, Late Charges and amounts received upon the sale or other disposition of Education Loan Notes, (2) all amounts received from third parties by the Authority under any security agreement for an Education Loan, excluding any amounts loaned to the Authority thereunder or paid to the Authority as indemnification, (3) all interest, investment gains and other income received on moneys or securities held in Funds or Accounts established under the Resolution, except the Rebate Fund, and (4) payments received by the Authority under and pursuant to a Hedge Agreement, including without limitation a Qualified Hedge Agreement.

S&P means Standard & Poor's Ratings Services and its successors and assigns.

Series means, except as otherwise provided in a Series Resolution, all of the Bonds delivered upon original issuance in a simultaneous transaction, and any Bonds thereafter delivered in lieu of or in substitution for such Bonds pursuant to the Resolution, regardless of variations in maturity, interest rate, Sinking Fund Installments, or other provisions.

Series Resolution means any resolution supplemental to or amendatory of the Resolution adopted by the Authority in connection with the issuance of a Series of Bonds in accordance with the Resolution.

Servicer means (i) any person in the business of servicing loans who enters into a loan servicing agreement with the Authority for the servicing of Education Loans in connection with the Program, or (ii) the Authority, if it provides such services pursuant to the Resolution.

Servicing Agreement means the Private Loan Origination and Servicing Agreement dated June 1, 2008 between the Authority and ACS Education Services, Inc. and any other loan servicing agreement in effect from time to time between the Authority and a Servicer for the servicing of Education Loans in connection with the Program.

Sinking Fund Installment means, with respect to Bonds of any particular Series and stated maturity date and any particular Interest Payment Date, the principal amount thereof required to be redeemed in advance of their stated maturity date on such Interest Payment Date pursuant to the provisions of the applicable Series Resolution, as contemplated by the Resolution.

Student means a person admitted or enrolled or previously enrolled at an institution of higher education that is a Participating Institution who is, will be or was engaged on at least a half-time basis, as determined by the institution, in a program of study leading to a certificate or degree granted or to be granted by such institution or a post-doctoral program, meeting the requirements set forth in the Operations Manual.

Subordinated Bonds means Bonds issued as described under the section entitled "Summary of Certain Provisions of the Resolution - Subordinated Bonds" in Appendix C.

Subordinated Program Expenses means (1) the fees, charges and termination payments relating to a Qualified Hedge Agreement (which need not be included in the Annual Budget or Loan Program Certificate), and (2) such other items of expense as may be provided for in a Series Resolution or Loan Program Certificate, but not including Program Expenses.

Subordinated Program Expense Account means that Subordinated Program Expense Account created by the Resolution within the Program Expense Fund.

Supplemental Resolution means any resolution supplemental to or amendatory of the Resolution other than a Series Resolution, adopted by the Authority in accordance with the Resolution.

Three Month Treasury Bill Yield means the per annum discount rate (expressed as a bond equivalent yield on the basis of 365 or 366 days, as applicable, and applied on a daily basis) for 91-day Treasury Bills set at the most recent 91-day Treasury Bill auction as published by the Board of Governors of the Federal Reserve of the United States Department of Treasury (in Statistical Release H.15 or any successor publication), or, in the event no such rates are published by either of the above, then as quoted or published by any Federal Reserve Bank or any department or agency of the United States of America.

Trust Assets shall have the meaning set forth in the Resolution.

Trustee means the trustee appointed pursuant to the Resolution, and its successor or successors.

UCC means the Uniform Commercial Code as in force in the Commonwealth of Massachusetts, as may be amended from time to time.

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The Resolution contains terms and conditions relating to the issuance and sale of the Series 2009 Bonds, including various covenants and security provisions, certain of which are summarized below. This summary does not purport to be comprehensive or definitive and is subject to all of the provisions of the Resolution, copies of which are available from the Authority or the Trustee. Certain terms and conditions of the Resolution are also described under “THE SERIES 2009 BONDS” and “SECURITY FOR THE ISSUE I BONDS AND SOURCES OF PAYMENT,” and certain terms used therein are defined in Appendix B hereto.

Resolution as Contract with Bondholders

The Resolution constitutes a contract among the Authority, the Trustee and the Holders of the Bonds issued thereunder from time to time, including the Series 2009 Bonds. The pledge made in the Resolution and the covenants and agreements therein are for the benefit, protection and security of the Holders of the Series 2009 Bonds and any additional Bonds issued under the Resolution, all of which, regardless of their maturity, rank equally without preference, priority or distinction of any Bond over another Bond except as expressly provided in or permitted by the Resolution.

Pledge of the Resolution

As security for the payment of the principal or redemption price of and interest on the Bonds the Authority in the Resolution pledges and grants to the Trustee on behalf of the Bondholders a security interest in (1) all Revenues, (2) all Education Loan Notes and any other Revenue-producing contracts or loan guaranties and all rights and interests of the Authority incident thereto, except for amounts loaned to the Authority or the Authority's rights to indemnification under any security agreement required for an Education Loan Note pursuant to the Loan Program Certificate, (3) all moneys and securities on deposit in all funds and accounts created by or pursuant to the Resolution described under “Establishment of Funds and Accounts” below (except for the Rebate Fund), including without limitation any Reserve Fund Facilities, any funds drawn on Reserve Fund Facilities and any Investment Obligations in which such moneys are invested, (4) all general intangibles (including payment intangibles) comprising or relating to any of the foregoing and (5) the proceeds of any of the foregoing, whether any of the foregoing is now existing or is hereafter acquired (collectively the “Trust Assets”). It is expressly understood, however, that the application of amounts held under the Resolution for the purposes and on the terms and conditions set forth therein is permitted. To the extent permitted by law, the foregoing pledge will be valid and binding from the time of delivery by the Authority of the Bonds, will be effective as to all such rights and other pledged property whether now existing or hereafter coming into existence, whether now held or hereafter acquired by the Authority, and whether or not segregated or held in trust by the Authority. The Authority represents and warrants that the Resolution creates a valid and continuing security interest in the Trust Assets in favor of the Trustee, which security interest is prior to all other liens, and is enforceable as such as against creditors of and purchasers from the Authority. The Resolution further states that such rights, Revenues, Education Loan Notes, Reserve Fund Facilities, contracts, guaranties, other property and proceeds so pledged will immediately be subject to the lien of such pledge without any physical delivery or segregation thereof or further act and the lien of such pledge will be valid and binding against any and all parties having a claim of any kind, in tort, contract or otherwise, against the Authority, irrespective of whether such parties have notice thereof.

Hedging Transactions

A Hedge Agreement is a Qualified Hedge Agreement if (i) the provider of the Hedge Agreement is a Qualified Institution or the provider's obligations under the Hedge Agreement are unconditionally guaranteed by a Qualified Institution and (ii) the Authority designates it as such by a certificate of an Authorized Officer. Entering into a Hedge Agreement is subject to Prior Rating Agency Notice and satisfaction of the Rating Agency Condition as to S&P.

If the Authority shall enter into any Qualified Hedge Agreement with respect to any Bonds and the Authority has made a determination that the Qualified Hedge Agreement was entered into for the purpose of hedging or managing the interest due with respect to those Bonds, then during the term of the Qualified Hedge Agreement and so long as the provider of the Qualified Hedge Agreement is not in default:

(1) for purposes of any calculation of Debt Service or interest on Bonds, the interest rate on the Bonds with respect to which the Qualified Hedge Agreement applies shall be determined as if such Bonds had interest payments equal to the interest payable on those Bonds less any payments reasonably expected to be made to the Authority by the provider and plus any payments reasonably expected to be made by the Authority to the provider in accordance with the terms of the Qualified Hedge Agreement (other than fees, charges or termination payments payable to such provider for providing the Qualified Hedge Agreement);

(2) any such payments (other than fees, charges and termination payments, referred to herein as “regular payments”) required to be made by the Authority to the provider pursuant to such Qualified Hedge Agreement shall be made from amounts on deposit in the Debt Service Fund and shall be treated as interest hereunder in an Event of Default;

(3) any such payments received by or for the account of the Authority from the Provider pursuant to such Qualified Hedge Agreement shall be deposited in the Revenue Fund; and

(4) fees, charges and termination payments, if any, payable to the provider may be deemed to be Subordinated Program Expenses and paid from amounts on deposit in the Subordinated Program Expense Account within the Program Expense Fund if and to the extent expressly provided in the Qualified Hedge Agreement (otherwise such fees, charges and termination payments shall be payable solely from general funds of the Authority).

If the Authority enters into a Hedge Agreement with respect to any Bonds and the Authority has made a determination that the Hedge Agreement was entered into for the purpose of hedging or managing the interest due with respect to those Bonds that is not a Qualified Hedge Agreement, then: (1) the interest rate adjustments or assumptions referred to in clause (1) of the second paragraph under this heading “Hedging Transactions” shall not be made; (2) any and all payments required to be made by the Authority to the provider pursuant to such Hedge Agreement (including any fees, charges and termination payments) shall be made only from general funds of the Authority; and (3) any payments received by the Authority from the provider pursuant to such Hedge Agreement shall be treated as Revenues and shall be deposited in the Revenue Fund.

Establishment of Funds and Accounts

The Resolution establishes certain funds and accounts to be held by the Trustee, including:

- (1) Program Fund
 - Purchase Accounts
 - Capitalized Interest Accounts
 - Costs of Issuance Accounts
- (2) Revenue Fund
- (3) Debt Service Fund
- (4) Reserve Fund
- (5) Program Expense Fund
 - Subordinated Program Expense Accounts
- (6) Redemption Fund
- (7) Rebate Fund

The Authority may, by Series Resolution adopted in connection with the issuance of a Series of Bonds under the Resolution, establish additional Funds or Accounts for each such Series and may, pursuant to such Series Resolution or by certificate of an Authorized Officer of the Authority, establish within one or more Funds or Accounts separate subaccounts for each such Series. To the extent such separate subaccounts are so established, the proceeds of a particular Series of Bonds, the revenues from Education Loans acquired with such proceeds and the investment earnings on moneys in such subaccounts relating to a particular Series of Bonds, whenever required to be deposited in any Fund or credited to any Account, shall be deposited or credited to the subaccount established therein for that particular Series of Bonds, if any. To the extent moneys are required to be deposited to or withdrawn from any Fund or Account pursuant to the Resolution and the applicable subaccount does not have adequate amounts on deposit, the Trustee shall, except as otherwise provided in a Series Resolution or a certificate of an Authorized Officer, withdraw pro rata from each other subaccount within the relevant Fund or Account (determined according to the principal amount of then Outstanding Bonds of each Series corresponding to such subaccounts) the amounts necessary to make such deposit or withdrawal.

Program Fund

Purchase Account. A Purchase Account within the Program Fund will be used for the Purchase of Education Loan Notes to the extent provided for by the applicable Series Resolution. The Trustee, upon the written request of the Authority will pay from the Purchase Account the amount stated in such written request to be payable to the Participating Institution(s) or to an intermediary designated by the Authority, the amounts, if any, stated in such written request for or upon the Purchase of the Education Loans specified in such request. In the case of Education Loans, the written request will certify, among other things, the purchase price of the Education Loans specified to be Purchased and that the amount of the payments requested does not exceed the purchase price of the Education Loans to be Purchased.

Capitalized Interest Account. A Capitalized Interest Account within the Program Fund will be used, to the extent provided for by the applicable Series Resolution, for deposit into such account of a portion of the proceeds of such Series of Bonds or other moneys in an amount equal to the applicable Capitalized Interest Account Requirement and to the extent available, for the purpose of paying interest on the applicable Series of Bonds or for paying Program Expenses. Monthly and on the second Business Day before each Interest Payment Date, to the extent funds are not available in the Revenue Fund, the Authority shall furnish the Trustee with a letter of instruction pursuant to which moneys in such Capitalized Interest Account for the applicable Series of Bonds shall be transferred by the Trustee for deposit in the Program Expense Fund the amount of Program Expenses due and payable. Monthly and on the second Business Day before each Interest Payment Date, to the extent funds are not available in the Revenue Fund, the Trustee shall draw from the Capitalized Interest Account for the applicable Series of Bonds, the amount of interest accrued and due thereon. If on any Interest Payment Date there are more funds on deposit in the Capitalized Interest Account for a particular Series of Bonds than needed to satisfy the then applicable Capitalized Interest Account Requirement, any such excess moneys in such account may be transferred to the Revenue Fund.

If at any time there are insufficient amounts in the Debt Service Fund to provide for the payment of interest on the Bonds then due, the Trustee at that time shall transfer from the Capitalized Interest Account and pay into the Debt Service Fund the amount of the deficiency in accordance with the priority set forth in the Resolution. If at any time there shall not be sufficient amounts in the Program Expense Fund to provide for the payment of Program Expenses then due and payable therefrom, the Trustee at that time shall transfer from the Capitalized Interest Account and pay into the Program Expense Fund the amount of the deficiency in accordance with the priority set forth in the Resolution.

Costs of Issuance Account. A Costs of Issuance Account within the Program Fund will be used to pay or reimburse the Authority for Costs of Issuance upon receipt of a requisition signed by an Authorized Officer stating the amount and purpose of any such payment, to the extent provided by the applicable Series Resolution; provided that in the case of Bond proceeds any deposit into the Cost of Issuance Account is included in the latest Projection of Revenues filed pursuant to the Resolution and provided that, except as otherwise provided in the applicable Series Resolution, the total Costs of Issuance paid out of proceeds of such account shall not exceed two percent of the initial principal amount of the applicable Series of Bonds less original issue discount.

All moneys transferred from the Revenue Fund to the Purchase Account pursuant to the Resolution (as described below under “Monthly Transfers from Revenue Fund”) will be used to Purchase Education Loans in the manner provided above, provided that at any time the Authority may direct the Trustee to transfer any such moneys to the Redemption Fund.

When all Education Loans to be Purchased from a Purchase Account have been so Purchased, as evidenced by a certificate of an Authorized Officer, but in any event, in the case of Education Loans to be purchased with the proceeds of each Series of the Series 2009 Bonds by September 30, 2010, any amount of original proceeds remaining unexpended in the Purchase Account, less any amounts which are specified in a certificate of an Authorized Officer as required for the Purchase of Education Loans committed to be originated or acquired after such date shall be transferred by the Trustee to the Redemption Fund for application to the special redemption of any of the Series 2009 Bonds (subject to certain conditions if not applied to the applicable Series), provided that any portion of such amount consisting of moneys of the Authority derived other than from the proceeds of Bonds or of bonds refunded by Bonds may, if permitted under the applicable Series Resolution, be transferred by the Trustee to the Revenue Fund or to the Authority free and clear of the lien and pledge of the Resolution upon written direction of an Authorized Officer if such direction is accompanied by a Parity Ratio Certificate; provided further, that any amounts remaining in the Capitalized Interest Account and the Costs of Issuance Account not required for the purposes thereof shall be transferred by the Trustee to the Redemption Fund or the Debt Service Fund, as the Authority shall instruct the Trustee. The September 30, 2010* date with respect to the Series 2009 Bonds may be extended to later dates with Prior Rating Agency Notice; provided that an extension of more than six months shall be subject to the Rating Agency Condition as to S&P.

Interest or other income derived from the investment or deposit of moneys in the Purchase Account will be transferred to the Revenue Fund unless otherwise specified in the applicable Series Resolution or an Authorized Officer files a certificate with the Trustee directing that such amounts be retained in the Purchase Account. Interest or other income derived from the investment or deposit of moneys in the Capitalized Interest Account and Costs of Issuance Account shall be transferred to the Revenue Fund.

Revenues and Revenue Fund

All Revenues (except those earnings retained in certain funds and accounts as provided in the Resolution) will promptly, upon receipt by the Authority, be deposited in the Revenue Fund. Revenues which have been received by persons collecting Revenues on behalf of the Authority but have not yet been paid over directly to the Authority are deemed to be Revenues and deemed to be received by the Authority, but will not be deposited in the Revenue Fund until paid over to the Authority.

Monthly Transfers from Revenue Fund

The Resolution provides that on the second to last Business Day of each month, the Trustee will apply moneys in the Revenue Fund to make deposits and withdrawals in the following priority:

(1) To the Rebate Fund, the amount necessary so that the balance therein shall equal the Rebate Fund Requirement;

(2) To the Program Expense Fund, an amount certified to the Trustee by an Authorized Officer, which amount together with prior amounts transferred to the Program Expense Fund for such Fiscal Year, is not in excess of the budgeted cumulative year-to-date amount for Program Expenses through the end of the next ensuing month set forth in the most recent Annual Budget of the Authority on file with the Trustee and is not inconsistent on a cumulative basis with the Loan Program Certificate, all as certified by an Authorized Officer;

(3) To the Debt Service Fund, an amount equal to (i) interest accrued and to accrue on the Bonds during the month, including any payments due or to become due under a Qualified Hedge Agreement (other than fees, charges and termination fees), plus (ii) commencing twelve months prior to the first Interest Payment Date on which a Principal Installment is due on the Bonds, such portion of the Principal Installment that would have accrued on the Bonds during the month if amounts due on a Principal Installment accrued during the Bond Year in equal monthly installments;

provided, however, that if there are insufficient funds in the Debt Service Fund for payment in respect of interest on the Bonds pursuant to clause (i) above, the Trustee shall draw the required amounts from the Capitalized Interest Account.

(4) To the Subordinated Program Expense Account, an amount certified to the Trustee by an Authorized Officer sufficient to provide for payment of Subordinated Program Expenses;

(5) To the Reserve Fund, if the amount therein is less than the Reserve Fund Requirement, the lesser of the moneys available therefor or the amount required so that the balance therein shall equal the Reserve Fund Requirement and any amount required to reimburse the provider of a Reserve Fund Facility for a draw or payment thereunder, including any interest thereon;

(6) To the Purchase Account or applicable subaccount therein for each Series of Bonds, to the extent directed by an Authorized Officer in writing, Revenues derived from or allocable to such Series of Bonds, but only during the Recycling Period for such Series of Bonds; and

(7) To the Redemption Fund, the remaining balance in the Revenue Fund; provided, however, that such amounts may be retained in the Revenue Fund until the time of the final transfers to be made under the Resolution from the Revenue Fund preceding the next Interest Payment Date to the extent that an Authorized Officer certifies in writing that, following all other required transfers to be made prior to such next Interest Payment Date, the Authority expects to satisfy the requirements of the last paragraph in the Section entitled "Semi-Annual Transfers from Revenue Fund" below and to authorize transfer of the retained amounts to the Authority.

The Authority expects that any moneys remaining in the Revenue Fund after the foregoing transfers in paragraphs (1) through (5) will be recycled for the Purchase of Education Loan Notes by transfer of such moneys to the Purchase Account, provided that such recycling will take place only during the Recycling Period, as adjusted from time to time, for a Series of Bonds. During the period in which recycling is permitted with respect to a Series of Bonds, only those Revenues that are allocable to such Series of Bonds will be recycled. The Recycling Period for the Series 2009 Bonds will end on January 31, 2011 or any later date with Prior Rating Agency Notice.

During any semi-annual period as to which an Authorized Officer files with the Trustee a certificate stating that no monthly transfers are to be made from the Revenue Fund to the Purchase Account for recycling purposes, only the transfers described in paragraphs (1) through (5) and (7) above will be made on each month.

Semi-Annual Transfers from Revenue Fund

The Resolution provides that, in addition to the monthly transfers from the Revenue Fund, on the second Business Day before each Interest Payment Date on the Outstanding Fixed Rate Bonds, the Trustee will transfer amounts from the Revenue Fund in the following order of priority:

(1) To the Rebate Fund, the amount necessary so that the balance therein equals the Rebate Fund Requirement;

(2) To the Program Expense Fund, to the extent that the amounts transferred thereto from the Revenue Fund or the Capitalized Interest Account since the next preceding Interest Payment Date for Program Expenses through the end of the month in which such Interest Payment Date occurs are less than the amounts required to be transferred thereto in accordance with the Resolution;

(3) To the Debt Service Fund, if and to the extent required so that the balance therein shall equal the sum of all due and unpaid interest and Principal Installments and all interest and Principal Installments to become due on such Interest Payment Date on the Bonds Outstanding (in each case interest includes regular payments due or to become due on Qualified Hedge Agreements);

(4) To the Subordinated Program Expense Account, to the extent that the amounts transferred thereto from the Revenue Fund since the next preceding Interest Payment Date for Subordinated Program Expenses through the

end of the month in which such Interest Payment Date occurs are less than the amounts required to be transferred thereto in accordance with the Resolution;

(5) To the Reserve Fund, if the amount therein is less than the Reserve Fund Requirement, the lesser of the moneys available therefor or the amount required so that the balance therein shall equal the Reserve Fund Requirement and any amount required to reimburse the provider of a Reserve Fund Facility for a draw made thereunder, including any interest thereon;

(6) As directed by an Authorized Officer in writing, to the Purchase Account for each Series of Bonds, Revenues derived from or allocable to such Series of Bonds, but only during the Recycling Period for such Series of Bonds; and

(7) Except as otherwise provided below, to the Redemption Fund, the remaining balance in the Revenue Fund.

Any Revenues or funds derived from proceeds of a Series of Bonds, including payments on Education Loans attributable to such Series, may be transferred after the date on which no Bonds of such Series remain Outstanding to the Authority free and clear of the lien of the Resolution if on or prior to such day of transfer the Authority shall have filed with the Trustee (i) a Parity Ratio Certificate; (ii) an Arbitrage Projection Certificate or a Favorable Opinion; and (iii) a certificate of an Authorized Officer certifying that no payments are due and unpaid to any provider of a Qualified Hedge Agreement or any Fiduciary or account of fees, expenses, reimbursements or any other obligations.

In addition to any monthly or semi-annual transfers to the Debt Service Fund, the Trustee shall, on any Interest Payment Date on which there are insufficient moneys on deposit in the Debt Service Fund to pay Debt Service due on such date, transfer to the Debt Service Fund from the Revenue Fund the lesser of the amount available therein or the amount of any such deficiency. In addition to any monthly or semi-annual transfers to the Rebate Fund pursuant to the Resolution, the Trustee shall, on any Business Day on which such transfer is required under any Series Resolution, transfer from the Revenue Fund to the Rebate Fund the amount necessary so that the balance in the Rebate Fund shall equal the Rebate Fund Requirement.

Unless otherwise provided in a Series Resolution, the Authority may direct the Trustee to transfer to the Authority free and clear of the lien of the Resolution, Revenues from Education Loans acquired with the proceeds of a Series of Bonds which otherwise would be deposited to the Redemption Fund as described in (7) above if the Authority files with the Trustee (i) a Parity Ratio Certificate; (ii) an Arbitrage Projection Certificate or a Favorable Opinion; and (iii) a certificate of an Authorized Officer certifying that no payments are due and unpaid to any provider of a Qualified Hedge Agreement or any Fiduciary or account of fees, expenses, reimbursements or any other obligations.

Priority of Debt Service Draws

Debt Service coming due on the Bonds on any Interest Payment Date shall be payable from funds available therefor in accordance with the Resolution from the following Funds and Accounts in the following order of priority: (1) Debt Service Fund; (2) Redemption Fund; (3) Capitalized Interest Accounts, but only to the extent of interest due and payable on the Bonds, (4) Purchase Accounts; and (5) Reserve Fund.

Priority of Draws for Program Expenses

Program Expenses due and payable from funds available therefor shall be payable in accordance with the Resolution from the following Funds and Accounts in the following order of priority: (1) Program Expense Fund; (2) Redemption Fund; (3) Capitalized Interest Accounts; (4) Purchase Accounts; and (5) Reserve Fund.

Debt Service Fund

The Trustee will pay out of the Debt Service Fund to the appropriate Paying Agent on a timely basis by wire transfer in immediately available funds an amount which, together with any moneys provided from the Redemption Fund in accordance with the Resolution, equals first the Principal Installments of and interest on the Bonds coming due

on any Interest Payment Date or redemption date. The Trustee shall also pay to the provider thereof any payments due by the Authority on a Qualified Hedge Agreement on such date. The Paying Agents will apply such amounts to the payment of Principal Installments of and interest on the Bonds, on and after the due dates thereof. If on any Interest Payment Date on the Bonds the amount accumulated in the Debt Service Fund exceeds the amount required, the Authority by written certificate of an Authorized Officer may direct the Trustee to deposit such excess in the Revenue Fund. The Trustee will also pay out of the Debt Service Fund accrued interest included in the purchase price of Bonds purchased under any provisions of the Resolution.

Amounts in the Debt Service Fund with respect to any Sinking Fund Installment may, and if so directed by the Authority will, be applied by the Trustee prior to the date on which the Trustee gives notice of redemption in connection with such Sinking Fund Installment to the purchase of Bonds of the Series, maturity and tenor for which such Sinking Fund Installment was established at prices not exceeding the applicable sinking fund redemption price plus interest on such Bonds to the first date on which such Bonds could be redeemed or to the redemption of such Bonds then redeemable by their terms. Unless otherwise specified in the applicable Series Resolution, as soon as practicable after the 60th day preceding the due date of any such Sinking Fund Installment and on or before the 30th such day, the Trustee will call for redemption on such due date Bonds of the Series, maturity and tenor for which such Sinking Fund Installment was established in an amount sufficient to complete the retirement of the principal amount of the Bonds of such Series, maturity and tenor as specified for such Sinking Fund Installment.

All interest earned or other income derived from the investment of moneys in the Debt Service Fund will be transferred by the Trustee to the Revenue Fund upon receipt.

Reserve Fund

If on any Interest Payment Date the balance in the Reserve Fund shall exceed the Reserve Fund Requirement, after consideration of any amounts owed to the provider of any Reserve Fund Facility, the Trustee shall, at the direction of the Authority in its discretion, reduce the stated amount of any Reserve Fund Facility or transfer any moneys in the Reserve Fund to the extent of such excess as set forth in the Resolution. Any such excess moneys shall be attributed first to moneys other than Bond proceeds and then to Bond proceeds previously deposited in the Reserve Fund. Excess moneys other than Bond proceeds shall be transferred to the Revenue Fund or, if so directed by the Authority, to the Redemption Fund and excess moneys attributed to Bond proceeds shall be transferred to the Redemption Fund; provided however, that in either case, an amount equal to the excess moneys may instead be transferred during any Recycling Period at the direction of the Authority and upon receipt of an Arbitrage Projection Certificate and a Favorable Opinion, to such Purchase Accounts for the Outstanding Bonds as the Authority may direct.

All interest earned or other income derived from the investment of moneys in the Reserve Fund will be transferred to the Revenue Fund. Notwithstanding the foregoing, at the direction of the Authority in its discretion, any excess moneys in the Reserve Fund, together with any amounts transferred to the Reserve Fund pursuant to the Resolution, shall be applied to substitute for, or reduce the face amount of, any Reserve Fund Facility selected by the Authority in accordance with the terms of the applicable governing instrument.

In the event that a portion of the Reserve Fund Requirement has been funded by a Reserve Fund Facility and a withdrawal from the Reserve Fund is required, the Trustee will draw upon the sources used to fund the Reserve Fund in the following order: (i) proceeds of Bonds; (ii) contributions of moneys from the Authority; and (iii) amounts available under a Reserve Fund Facility and in the case of (i) and (ii), pro rata in accordance with the amount of such sources available in any applicable account in the Reserve Fund. Amounts transferred to the Reserve Fund pursuant to paragraph (5) under the heading "Monthly Transfers from the Revenue Fund" and paragraph (5) under the heading "Semi-Annual Transfers from Revenue Fund" herein shall be applied first to reimburse, pro rata on the basis of unreimbursed draw or payment, the providers of Reserve Fund Facilities for draws or payments thereunder (and shall be applied by the Trustee for such reimbursement in accordance with the terms of the applicable governing instrument without further direction), then to satisfy the Reserve Fund Requirement, and finally to pay, pro rata, any interest due to providers of Reserve Fund Facilities on account of draws or payments made thereunder. The Trustee shall not transfer amounts in excess of the Reserve Fund Requirement if any amount is owed to the provider of a Reserve Fund Facility. In the event a Reserve Fund Facility has been used to fund all or a portion of the Reserve Fund Requirement and such Reserve Fund Facility is about to expire by its terms and may be drawn upon prior to expiration, unless arrangements for a substitute Reserve Fund Facility have been made, the Trustee shall two business days prior to the stated expiration

date of such Reserve Fund Facility draw upon such Reserve Fund Facility in an amount necessary to ensure that, along with other amounts deposited in the Reserve Fund, the Reserve Fund Requirement is satisfied after the expiration of such Reserve Fund Facility.

Program Expense Fund

The Trustee will pay or reimburse the Authority for Program Expenses from time to time from the Program Expense Fund upon receipt of an appropriate requisition signed by an Authorized Officer of the Authority certifying, among other things, that such Program Expenses are consistent on a cumulative basis with amounts authorized to be paid under the Loan Program Certificate. If at any time funds on deposit in the Program Expense Fund are insufficient to pay the aggregate of (i) fees, premiums or other amounts due from the Authority to any Fiduciary and the Servicer and (ii) any Authority Expenses requisitioned by the Authority, the Trustee shall at that time draw the amount of the deficiency from the Funds and Accounts and in the priority set forth in the Resolution. The Trustee will pay from available funds on deposit in the Program Expense Fund on a pro-rata basis, to each Fiduciary and Servicer all amounts due and unpaid thereto prior to making any payment to the Authority with respect to the Authority Expenses.

Subordinated Program Expense Account. The Trustee will pay or reimburse the Authority for Subordinated Program Expenses from time to time from the Subordinated Program Expense Account upon receipt of an appropriate requisition signed by an Authorized Officer of the Authority certifying, among other things, that such expenses are reasonable and proper.

Redemption Fund

The Trustee will apply funds deposited in the Redemption Fund to the payment of the Redemption Price of Bonds called for redemption from time to time in accordance with the provisions of the applicable Series Resolution, as directed by an Authorized Officer in writing, all in accordance with the timing, notice and selection provisions set forth in the applicable Series Resolution. Funds for the interest due on such Bonds on the redemption date will be drawn from the Debt Service Fund.

Except as otherwise provided in the Series Resolution applicable to the Bonds to be redeemed, with respect to purchases or redemptions from the Redemption Fund, the Authority will direct the series and maturities of the Bonds to be purchased or redeemed, the aggregate principal amount of the Bonds to be purchased or redeemed, if any of the Bonds to be purchased or redeemed are Bonds for which Sinking Fund Installments have been established, the years in which Sinking Fund Installments are to be reduced and the amounts by which such Sinking Fund Installments are to be reduced, which shall in all cases be consistent with the manner in which Sinking Fund Installments are to be credited in the case of redemption as set forth in the applicable Series Resolution, and if Bonds are to be purchased, which Bonds the Authority has arranged to purchase and the manner and timing of such purchase. In connection with such direction, the Authority will file with the Trustee a Projection of Revenues showing that anticipated Revenues, together with any other moneys available for the purpose remaining after such purchase or redemption, will be sufficient to pay, in the current and each subsequent Bond Year, Debt Service when due after giving effect to such purchase or redemption and all Program Expenses or, if not, that in the judgment of the Authority such purchase or redemption will produce the greatest estimated availability of Revenues in relation to the amount of Debt Service and Program Expenses in each Bond Year for the greatest number of Bond Years. If no such Projection of Revenues is filed, the Trustee, except as otherwise provided in the Series Resolution applicable to the Bonds to be redeemed, will redeem Bonds of each Series, maturity and tenor eligible for redemption, as nearly as practicable, in accordance with the ratio which the aggregate principal amount of the Outstanding Bonds of such Series, maturity and tenor bears to the aggregate principal amount of all Outstanding Bonds eligible for such redemption, and if any of the Bonds to be purchased or redeemed are Bonds for which Sinking Fund Installments have been established, will reduce the Sinking Fund Installments for such Bonds, as nearly as practicable, in accordance with the ratio which the aggregate principal amount of the each Sinking Fund Installment bears to the aggregate principal amount of such Bonds. Purchases and redemptions of Bonds will be made by the Trustee in the manner provided in the Resolution. Notwithstanding the foregoing, the Series Resolution applicable to the Series 2009 Bonds provides that Bonds subject to redemption will be redeemed on a pro-rata basis and any applicable Sinking Fund Installments within a maturity will be credited on a pro-rata basis, or in both cases, in such other manner as the Authority, consistent with a Projection of Revenues, may direct. See "THE SERIES 2009 BONDS - Redemption Provisions" in this Official Statement for additional information concerning the Series 2009 Bonds.

Notwithstanding anything to the contrary, if at any time the amount in the Debt Service Fund is insufficient to pay the Debt Service coming due on the Bonds on the next Interest Payment Date, the Trustee will withdraw from the Redemption Fund, consistent with the priority set forth in the Resolution, any moneys not yet committed to redemptions and deposit in the Debt Service Fund the amount of the deficiency. If the Trustee determines that the amount on deposit and available therefor in the Program Expense Fund is insufficient to pay the expenses due and payable therefrom, the Trustee will withdraw and deposit in the Program Expense Fund the amount necessary to meet the deficiency from the Redemption Fund consistent with the priority set forth in the Resolution.

Interest or other income derived from the investment or deposit of moneys in the Redemption Fund will be transferred by the Trustee to the Revenue Fund upon receipt.

Rebate Fund

Funds on deposit in the Rebate Fund will be applied as set forth in the applicable Series Resolution to the payment of amounts required under the Code to be paid by the Authority to the United States as a rebate of earnings on investments of proceeds of the Bonds.

Application of Certain Funds to Redeem Bonds

If at any time amounts on deposit in the Revenue Fund, Redemption Fund, Reserve Fund and Debt Service Fund applicable to a particular Series of Bonds, and amounts on deposit in any of such funds which after allowing for the redemption contemplated by this paragraph will be in excess of the amounts required to be on deposit therein, all as certified by an Authorized Officer are sufficient to redeem all Bonds Outstanding of such Series, such excess amounts, upon the written instruction in the Authority's discretion of an Authorized Officer to the Trustee, shall be deposited in the Redemption Fund and applied to the optional redemption or purchase in lieu of optional redemption and retirement of Bonds of such Series as provided in the Resolution; provided, that such use is conditioned upon the filing of a Projection of Revenues showing that anticipated Revenues, together with any other moneys available for the purpose remaining after the redemption or purchase of Bonds of such Series, will be sufficient to pay in the then-current and each subsequent Bond Year Debt Service when due and all Program Expenses attributable to all other Outstanding Series of Bonds and, provided further, that no redemption or purchase shall be so made from the Reserve Fund unless the Reserve Fund Requirement shall be satisfied immediately after such redemption or purchase.

Investments and Deposits

Except as otherwise provided in the Resolution or in a Series Resolution, moneys held for the credit of any fund or account under the Resolution will be invested by the Trustee at the direction of an Authorized Officer in Investment Obligations which mature or are redeemable at the option of the holder thereof on such dates and in such amounts as may be necessary to provide moneys to meet the payments required to be made from such funds and accounts; provided that if moneys in two or more funds or accounts are commingled for purposes of investment, the Trustee will maintain appropriate records of the Investment Obligations or portions thereof held for the credit of each such fund or account. Investment Obligations purchased as an investment of moneys in any fund or account shall be deemed at all times to be part of such fund or account until transferred as provided in the Resolution.

Except as otherwise provided in the Resolution or in a Series Resolution with respect to the Purchase Account and the Rebate Fund, interest and other income derived from the investment or deposit of moneys in any Fund or Account shall be transferred upon receipt thereof to the Revenue Fund. Interest or other income derived from the investment or deposit of moneys in the Purchase Account for a Series of Bonds shall be transferred to the Revenue Fund, unless the applicable Series Resolution provides otherwise or the Authority shall direct the Trustee that such interest or income be retained in the Purchase Account. Interest or other income derived from the investment or deposit of moneys in the Rebate Fund shall be retained therein unless otherwise specified in the applicable Series Resolution.

Under current law, certain of the moneys required to be held in the funds and accounts established under the Resolution and the MEFA Program Documents will be subject to yield restriction in order to preserve the exclusion from gross income of the interest on the Bonds.

Reserve Fund Facility

The Reserve Fund Requirement may be funded in whole or in part with a Reserve Fund Facility. Any provider of a Reserve Fund Facility used by the Authority with respect to any portion of the Reserve Fund Requirement shall be rated at least “AA” or better by each National Recognized Rating Agency at the time of the issuance of the Reserve Fund Facility. Funds on deposit in the Reserve Fund in excess of the applicable Reserve Fund Requirement after the deposit with the Trustee of such Reserve Fund Facility will be transferred according to the Resolution, as described under the heading “Reserve Fund” herein.

Issuance of Additional Bonds

The Authority will not create or permit the creation of or issue any obligations or additional indebtedness which will be secured by a charge and lien on the Trust Assets without satisfaction of the Rating Agency Condition as to all Nationally Recognized Rating Agencies, and satisfaction of such other requirements as set forth in the Resolution.

The Authority expressly reserves the right to adopt one or more other general bond resolutions or similar instruments and reserves the right to issue other obligations so long as the same are not a charge or lien prohibited by the preceding paragraph. See also the section entitled “Subordinated Bonds” herein.

Rating Agency Condition and Prior Rating Agency Notice

Prior Rating Agency Notice and satisfaction of the Rating Agency Condition shall be required as to all Nationally Recognized Rating Agencies for any supplement or change to or modification of a Series Resolution or the Resolution in connection with the issuance of additional Bonds under the Resolution. Prior Rating Agency Notice and satisfaction of the Rating Agency Condition as to S&P shall be required for any change in the level at which assets may be released from the Resolution, any supplement or change to or modification of a Series Resolution which shall reduce the Reserve Fund Requirement specified in the latest Series Resolution, any amendment to a Loan Program Certificate, any change to the minimum Parity Ratio, entering into a Hedge Agreement and entering into any investment agreement in connection with a particular Series of Bonds after the date of issuance of such Series. Prior Rating Agency Notice shall be required for any other supplement or change to or modification of a Series Resolution or this Resolution. In addition, with respect to the Series 2009 Bonds, Prior Rating Agency Notice shall be provided upon (i) the extension of the Loan Origination Period for the Series 2009 Bonds, or (ii) the extension of the Recycling Period for the Series 2009 Bonds; provided that an extension of the Loan Origination Period of more than six months shall be subject to the Rating Agency Condition as to S&P.

Subordinated Bonds

The Authority may issue Subordinated Bonds under the Resolution, subject to satisfying the Rating Agency Condition as to all Nationally Recognized Rating Agencies, which are secured by a pledge of Trust Assets that is subordinate to the pledge applicable to Bonds other than Subordinated Bonds. Funds on deposit in the Reserve Fund shall not, unless otherwise provided in the applicable Series Resolution, be applied to the payment of the principal of or interest on Subordinated Bonds. The Series Resolution with respect to any Subordinated Bonds may establish separate reserves for the benefit of such Subordinated Bonds and amend the Resolution to the extent necessary to effect the subordination of payments with respect to Subordinated Bonds.

Tax Covenants

The Authority covenants not to permit the use of any proceeds of the Series 2009 Bonds or any other funds of the Authority to acquire any securities or obligations, and not to take any other action, which would cause any Bond bearing interest at a tax exempt rate to be an “arbitrage bond” as defined in Section 148 of the Code or to violate any of the restrictions contained in Section 144(b) or 147 of the Code. The Authority covenants that it will at all times do and perform all acts and things permitted by law and necessary or desirable in order to comply with the provisions of the Code affecting the exclusion from gross income under the Code of interest paid by the Authority on the Bonds bearing interest at a tax exempt rate.

Whenever an Arbitrage Projection Certificate is required to be filed with any person pursuant to the Resolution, it shall be sufficient, if an Arbitrage Projection Certificate has been filed with the same person within the preceding twelve months, to file a certificate of an Authorized Officer stating that (1) the expectations and assumptions reflected in the most recent Arbitrage Projection Certificate filed with such person have not materially changed and (2) either the transaction then being requested was expected and reflected in all material respects in such Arbitrage Projection Certificate or the transaction then being requested will not materially change the expectations and assumptions reflected in such Arbitrage Projection Certificate provided.

Covenants as to the Program

The Authority will use the proceeds of each Series of Bonds and other moneys held under the Resolution, to the extent not reasonably required for other Program purposes of the Authority, to Purchase Education Loans, and will do all such acts and things necessary to receive and collect Revenues and will take all actions and proceedings reasonably necessary for the enforcement of all terms, covenants and conditions of Education Loan Notes. Education Loan Notes Purchased with the proceeds of Bonds and any other moneys available therefor under the Resolution will have scheduled payments of principal and interest available for payment of Principal Installments of and interest on the Bonds which, together with other moneys reasonably anticipated to be available therefor, will be at least sufficient to pay the Principal Installments of and interest on the Bonds when due and all Program Expenses.

The Authority shall exercise its best efforts to maintain in effect at any time that Bonds are Outstanding under the Resolution a Servicing Agreement or Agreements with a Servicer evidencing, in the judgment of the Authority, the capability and experience necessary to service adequately Education Loans, which contract or contracts shall provide for the proper servicing of all Education Loans and the enforcement of the payment and collection of all Education Loan Payments; provided, however, that the Authority reserves the right to elect at any time to perform all or a portion of the functions of such Servicers of Education Loans for reasonable compensation (not to exceed the amounts permitted under the Loan Program Certificate). During any period in which, notwithstanding the best efforts of the Authority, there is no Servicing Agreement in effect with a Servicer, the Authority shall perform the functions thereof. Each such Servicer (other than the Authority) shall enter into a Servicing Agreement providing, among other things, that:

(1) all Revenues received by such Servicer and required to be remitted to the Authority by the terms of any agreement with it shall be deposited promptly with a Fiduciary subject to and in accordance with the provisions of the Resolution;

(2) such Servicer shall at all times remain qualified to act as such pursuant to such standards as the Authority shall prescribe from time to time and shall determine to be reasonable to maintain the security for the Bonds;

(3) such Servicer shall agree to maintain servicing facilities that are staffed with trained personnel to service adequately Education Loans in accordance with standards normally employed by private professional loan servicers, as determined in the Authority's sole discretion, and shall maintain individual files for Education Loans serviced pursuant to the servicing agreement and provide regular reports to the Authority as to collections and delinquencies with respect to all Education Loans serviced by such Servicer;

(4) any Education Loan Notes pledged by the Authority to the Trustee under the Resolution and held by such Servicer pursuant to a loan servicing agreement shall be held by such Servicer as agent for the Trustee, subject to the rights of the Authority under the Resolution and under such agreement, and the Trustee shall be authorized to designate the Servicer as its agent by a UCC filing or such other manner as the Trustee may determine; and

(5) any Education Loan Notes held by such Servicer upon the termination of a loan servicing agreement shall be delivered by such Servicer to the Trustee, or, upon direction of the Authority, to a successor Servicer that will hold such Education Loan Notes as agent for the Trustee, subject to the rights of the Authority under the Resolution and under the agreement with the applicable successor Servicer, and the Trustee shall be authorized to designate the successor Servicer as its agent by a UCC filing or such other manner as the Trustee may determine.

No Education Loan will be Purchased by the Authority unless:

- (1) the Education Loan is evidenced by an Education Loan Note executed by the Borrower and endorsed to the Authority (without recourse to the endorser);
- (2) the Education Loan is a legal, valid and binding obligation of the Borrower, enforceable in accordance with its terms and conditions and free from any right of set-off, counter-claim or other claim, defense or security interest;
- (3) the Education Loan constitutes an Education Loan within the meaning of the Resolution and the Act; and
- (4) such Education Loan is made only to a Borrower who meets, if applicable, the credit requirements established by the Authority as specified in the Operations Manual.

The Authority will diligently enforce and take all reasonable actions necessary for the enforcement of all terms, covenants and conditions of the Education Loan Notes and other Revenue-producing contracts or guaranties including the prompt payment of all Revenues and all other amounts due thereon and thereunder.

The Authority may dispose of a Defaulted Education Loan in such manner and upon such terms and for such price or prices as it may determine, provided that it certifies to the Trustee that the disposition of such Loan in the manner, upon the terms and for the price proposed will produce the greatest available amount of Revenues in relation to the amount of Debt Service and Program Expenses in each Bond Year for the greatest number of Bond Years. The proceeds of such disposition shall be deposited in the Revenue Fund. Subject to the applicable Series Resolution, the Authority may dispose of any Education Loan which is not Defaulted provided that (i) an Authorized Officer shall have filed with the Trustee on or prior to the date of disposition a Projection of Revenues showing that after giving effect to the disposition expected Revenues and other funds available for the purpose will be at least sufficient to pay, in the current and each subsequent Bond Year, Debt Service when due and all Program Expenses; (ii) such proceeds are deposited in the Redemption Fund and applied to the optional redemption or purchase in lieu of redemption of Bond in accordance with the Resolution; and, unless all Bonds will be paid or defeased as a result of such disposition (iii) if such disposition is for a price less than par plus accrued interest, or if the aggregate outstanding principal amount to be sold or transferred, along with all previous sales or transfers, exceeds ten percent of the aggregate original principal amount or, if applicable, accreted value of all Education Loans originated prior to that date, the Authority shall satisfy the Rating Agency Condition as to S&P and provide Prior Rating Agency Notice.

Representations and Warranties as to Pledged Revenues and Other Funds

The Authority is duly authorized under all applicable laws to pledge the Trust Assets and other moneys purported to be pledged by the Resolution in the manner and to the extent provided in the Resolution. The Authority owns, or will own, and has, or will have, good and marketable title to the Trust Assets. The Trust Assets so pledged are, and will be, free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto other than the pledge created by the Resolution. The Authority shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Trust Assets and all the rights of the Holders of the Bonds under the Resolution against all claims and demands of all persons whomsoever.

Covenant as to Accounts and Reports

The Authority covenants to keep proper books of record and account in which complete and correct entries will be made of all its transactions relating to the Loan Program and all funds and accounts established by the Resolution. Such records at all reasonable times will be subject to inspection of the Trustee and the Holders of at least 5% in principal amount of the Outstanding Bonds. The Authority will annually, within 180 days after the close of each Fiscal Year, file with the Trustee and each Nationally Recognized Rating Agency, and otherwise as provided by law, a copy of an annual report for such year, accompanied by an Accountant's Certificate, including its audited financial statements and information relating to the Program during such Fiscal Year.

Covenant as to Annual Budget

By the beginning of each Fiscal Year the Authority will adopt and file with the Trustee an Annual Budget with respect to the Program for such Fiscal Year. The Annual Budget will include allocations for Debt Service and estimated Program Expenses including Authority Expenses for such Fiscal Year. The Authority may at any time adopt an amended Annual Budget for the remainder of the then current Fiscal Year. If an Annual Budget has not been adopted for a Fiscal Year, the Annual Budget for the prior Fiscal Year, adjusted to reflect current Debt Service, will be in effect.

Projection of Revenues

The Authority shall file a Projection of Revenues with the Trustee at such times as are required by the Resolution or any Series Resolution. The Authority shall provide a copy of each Projection of Revenues filed with the Trustee and to each Nationally Recognized Rating Agency.

A Projection of Revenues will consist of a certificate of an Authorized Officer setting forth for the current and each succeeding Bond Year in which Bonds are scheduled to be Outstanding, the Authority's estimate of:

(1) The Revenues expected to be received on all Education Loans Purchased or expected to be Purchased with funds on deposit in or expected to be deposited in the Program Fund;

(2) All other Revenues, including the interest to be earned and other income to be derived from the Program and the rates or yields used in estimating such amounts; provided that in estimating the interest and other income to be derived from the investment of any moneys held or projected to be held under the Resolution (other than investments in Education Loans), the Projection of Revenues shall only assume (a) the actual rates or yields on moneys under investment (or under contract for investment) at the time of filing of such Projection of Revenues to the maturity dates of such investments (or, if earlier, the first date on which such investments are redeemable at the option of the issuer thereof) or (b) if such moneys are not then under investment (or contract for investment), and following the maturity or redemption of any current investment, the Three Month Treasury Bill Yield in effect as of the date of filing of such Projection of Revenues, in either case not to exceed the applicable adjusted bond yield;

(3) The amounts, if any, expected to be withdrawn from the Reserve Fund;

(4) Other funds expected to be available for and applied to the payment of Debt Service and Program Expenses;

(5) The Debt Service for the current and each succeeding Bond Year, reflecting, in the event any Bonds are subject to a Qualified Hedge Agreement, the anticipated effect of such agreement;

(6) The Program Expenses based upon the Authority's previous experience and reasonable expectations; and

(7) The deposits to the Rebate Fund expected to become due during such year.

In preparing any Projection of Revenues filed after the initial Projection of Revenues supporting the issuance of the Series 2009 Bonds, the Authority will take into account its prior experience with respect to prepayments of and defaults on Education Loans and with respect to the likely schedule of loan origination and any other relevant factors. Every Projection of Revenues will set forth in reasonable detail the relevant financial and other assumptions on which it is based. During such period as any Series of Bonds is Outstanding, any Projection of Revenues affecting such Series of Bonds shall incorporate any additional assumptions or requirements set forth in the Series Resolution applicable to such Series of Bonds. In preparing any Projection of Revenues, the Authority shall use the assumptions and criteria set forth in the Loan Program Certificate.

Whenever a Projection of Revenues is required to be filed with any person pursuant to the Resolution, it will be sufficient, if a Projection of Revenues has been filed within the preceding twelve months, to file a certificate of an Authorized Officer stating that (1) the expectations and assumptions reflected in the most recent Projection of Revenues filed with such person have not materially changed and (2) either the transaction then being requested was expected and reflected in all material respects in such Projection of Revenues or the transaction then being requested will not materially change the expectations and assumptions reflected in such Projection of Revenues, provided, however, that a new Projection of Revenues shall be required in connection with the issuance of any Series of Bonds.

Resignation or Removal of Trustee; Successor Trustee

The Trustee may at any time resign by giving no less than 60 days' notice to the Authority. The Trustee may be removed at any time by an instrument or concurrent instruments in writing, filed with the Trustee, and signed by the Holders of more than 50% in principal amount of the Bonds then Outstanding or their attorneys-in-fact duly authorized, excluding any Bonds held by or for the account of the Authority.

In case at any time the Trustee resigns or is removed or becomes incapable of acting, or is adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, is appointed, or if any public officer takes charge or control of the Trustee, or of its property or affairs, a successor may be appointed by the Holders of more than 50% in principal amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of the Authority, by an instrument or concurrent instruments in writing signed and acknowledged by such Holders of Bonds or by their attorneys-in-fact duly authorized and delivered to such successor Trustee, notification thereof being given to the Authority, each Nationally Recognized Rating Agency and the predecessor Trustee; provided, nevertheless, that the Trustee may not resign nor be removed unless a successor Trustee shall have been appointed as aforesaid and assumed all of the duties and obligations of the Trustee. If no appointment of a successor Trustee is made pursuant to the foregoing provisions within 45 days after the Trustee has given to the Authority written notice of resignation or after a vacancy in the office of the Trustee has occurred, the Trustee, the Authority or the Holder of any Bonds may apply to any court of competent jurisdiction to appoint a successor Trustee. Such court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Trustee. Any successor Trustee shall be a bank or trust company or national banking association having the powers of a trust company within the Commonwealth and capital and surplus aggregating at least \$75,000,000, if there be such a bank or trust company or national banking association within the Commonwealth willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Resolution.

Amendments and Supplemental Resolutions

Certain provisions of the Resolution may be amended by the Authority by a supplemental resolution with Prior Rating Agency Notice and with the written consent (1) of the Holders of at least 60% in principal amount of the Outstanding Bonds at the time such consent is given, and (2) in case the modification or amendment changes the terms of any Sinking Fund Installment, of the Holders of at least 60% in principal amount of the Bonds of the particular Series and maturity entitled to such Sinking Fund Installment and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified Series and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for such purpose. No such modification or amendment will permit a change in the terms of redemption or maturity of the principal of any Outstanding Bonds or of any installment of interest thereon without the consent of the Holder of such Bonds, or will reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or will change or modify any of the rights or obligations of any fiduciary under the Resolution without its written assent.

The Authority may adopt supplemental resolutions to, among other things, authorize the issuance of a Series of Bonds in accordance with the Resolution subject to satisfaction of the Rating Agency Condition as to all Nationally Recognized Rating Agencies; to add to the covenants, agreements, limitations and restrictions of or applicable to the Authority in the Resolution other covenants, agreements, limitations or restrictions which are not contrary to or inconsistent with the Resolution subject to Prior Rating Agency Notice; or to authorize the Authority to enter into a Qualified Hedge Agreement in connection with a Series of Bonds and/or to amend the applicable Series Resolution in connection with such Qualified Hedge Agreement subject to Prior Rating Agency Notice and satisfaction of the Rating Agency Condition as to S&P.

Events of Default

Events of Default specified in the Resolution include (1) failure to pay Principal Installments of or interest on any Bond (other than Subordinated Bonds, except as otherwise provided in the applicable Series Resolution) when due or upon tender for purchase, (2) failure to comply with the provisions of the Resolution, the Loan Program Certificate or any Series Resolution or default in the performance or observance of any of the covenants, agreements or conditions of the Authority contained therein or in the Bonds, and continuance of such failure or default for a period of sixty days after written notice thereof to the Authority by the Trustee or the Holders of more than 50% in principal amount of the Outstanding Bonds, unless such default is capable of being remedied but cannot be diligently remedied within such period, than within an additional 60 days, (3) an order, judgment or decree is entered by a court of competent jurisdiction (a) appointing a receiver, trustee, or liquidator for the Authority or the whole or any substantial part of its assets, (b) granting relief in involuntary proceedings with respect to the Authority under the federal bankruptcy act, or (c) assuming custody or control of the Authority or of the whole or any substantial part of its assets under the provisions of any law for the relief of debtors, and the order, judgment or decree is not set aside or stayed within 60 days from the date of entry of the order, judgment or decree, and (4) the Authority (a) admits in writing its inability to pay its debts generally as they become due, (b) commences voluntary proceedings in bankruptcy or seeking a composition of indebtedness, (c) makes an assignment for the benefit of its creditors, or (d) consents to the assumption by any court of competent jurisdiction under any law for the relief of debtors of custody or control of the Authority or of the whole or any substantial part of its assets.

Acceleration

Upon the happening and continuance of any Event of Default, other than as described in clause (2) above, the Trustee may, and upon the written request of the Holders of more than 50% in principal amount of the Outstanding Bonds, declare the principal of all the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and be immediately due and payable; provided that if, at any time after such declaration, all outstanding Events of Default (other than the payment of principal and interest due and payable solely by reason of such declaration) are cured or provisions deemed adequate by the Trustee are made with respect thereto, the Holders of a majority in principal amount of the Bonds Outstanding may or the Trustee will, if it acted without a direction from Bondholders, annul such declaration, unless a final judgment has been obtained for any principal or interest coming due and payable solely by reason of such declaration.

Other Remedies

Upon the happening and continuance of any Event of Default the Trustee may, and upon the written request of the Holders of more than 50% in principal amount of the Outstanding Bonds shall, proceed, subject to certain rights of the Trustee to receive compensation or indemnification, to protect and enforce the rights of the Bondholders by such of the following remedies as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

(1) by suit, action or proceeding, to enforce all rights of the Bondholders, including the right to require the Authority to carry out the covenants and agreements in the Resolution as to, and the assignment of, the Revenues and Education Loans and to require the Authority to carry out any other covenant or agreement with Bondholders and to perform its duties under the Act;

(2) by bringing suit upon the Bonds;

(3) by action or suit, to require the Authority to account as if it were the trustee of an express trust for the Holders of the Bonds;

(4) by action or suit, to enjoin any acts or things which may be unlawful or in violation of the Resolution or of the rights of the Holders of the Bonds; and

(5) by exercising any and all rights of the Authority with respect to the Revenues and Education Loans.

Priority of Payments After Default

If upon the happening and continuance of any Event of Default, the funds held by the Trustee are insufficient for the payment of principal and interest then due on the Bonds then due, such funds and any other amounts received or collected by the Trustee through the exercise of remedies available under the Resolution, after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interest of the Holders of the Bonds and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee in the performance of its duties under the Resolution, will be applied, as follows:

- (1) Unless the principal of all of the Bonds is or has been declared due and payable:

FIRST: To the payment to the persons entitled thereto of all installments of interest on the Bonds then due or accrued and unpaid as of the next prior Interest Payment Date in the order of the maturity of such installments and, if the amount available is not sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference; provided that scheduled payments on Qualified Hedge Agreements shall be treated as interest for the purpose of this paragraph.

SECOND: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which have become due and, if the amounts available are not sufficient to pay in full all such amounts, then to the payment thereof ratably, according to the amounts due on such date to the persons entitled thereto, without any discrimination or preference.

THIRD: To be held for the payment to the persons entitled thereto as the same shall become due of the principal or Redemption Price of and interest on the Bonds which may thereafter become due, and if the amounts available are not sufficient to pay in full all the Bonds due on any date, together with such interest, payment will be made ratably according to the amount of principal due on such date, to the persons entitled thereto, without any discrimination or preference.

- (2) If the principal of all of the Bonds is or has been declared due and payable to the payment of the principal and interest then due and unpaid upon such Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto, without any discrimination or preference and as to any difference in the respective rates of interest specified in the Bonds; provided that scheduled payments on Qualified Hedge Agreements shall be treated as interest for the purposes of this paragraph.

Defeasance

If the Authority pays or causes to be paid to the Holders of the Bonds the principal and interest due thereon, the pledge of any Trust Assets and other moneys pledged under the Resolution to the payment of the Bonds and all other rights granted by the Resolution securing the Bonds will be discharged and satisfied. Subject to satisfaction of all other obligations secured by the Trust Assets, all amounts held in any funds or accounts (except for such amounts held for the payment of Bonds not yet surrendered for payment) including any Education Loans, will be distributed in accordance with instructions of an Authorized Officer of the Authority to the Trustee.

Bonds or interest installments for the payment of which moneys and investment earnings thereon have been set aside and are held in trust by the Trustee will, at the stated maturity date or redemption thereof, be deemed to have been paid for purposes of the defeasance provisions of the Resolution. All Bonds will, prior to their stated maturity date or redemption date, be deemed to have been paid if (i) in case any of the Bonds are to be redeemed on any date prior to their stated maturity date the Authority has given the Trustee irrevocable instructions to mail notice of redemption on such date of such Bonds, (ii) there are deposited with the Trustee moneys in an amount which will be sufficient, or when invested in obligations described in clauses (1) and (9) of the definition of "Investment Obligations" will, together with the investment earnings thereon, be sufficient to pay when due the principal of and interest due and to become due on such Bonds on and prior to their stated maturity date, and (iii) in the event such

Bonds are not by their terms subject to redemption within the next succeeding sixty days, the Authority gives the Trustee irrevocable instructions to mail, as soon as practicable, a notice to each of the Holders of such Bonds first-class postage prepaid to the address appearing upon the Trustee's registration books, that the deposit required by (ii) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with the Resolution and stating the stated maturity date or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if any, on such Bonds. For any determination with respect to the sufficiency of amounts needed to refund any Bonds more than one Interest Payment Date prior to their redemption date, such determination shall be made in reliance on a verification report of a firm of independent certified public accountants.

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PROPOSED FORM OF OPINION OF BOND COUNSEL

MINTZ LEVIN

One Financial Center
Boston, MA 02111
617-542-6000
617-542-2241 fax
www.mintz.com

Dated the Date of Delivery of the Series 2009 Bonds

Massachusetts Educational Financing Authority
160 Federal Street
Boston, Massachusetts 02110

Re: Massachusetts Educational Financing Authority (the "Authority") Education Loan Revenue Bonds, Issue I, Series 2009 (the "Series 2009 Bonds") issued pursuant to a General Resolution of the Authority dated as of June 30, 2009, entitled "Education Loan Revenue Bond General Resolution, Issue I" (the "General Resolution"), as supplemented by the First Issue I Series Resolution dated as of June 30, 2009 (the "First Series Resolution," and together with the General Resolution, the "Resolution")

Members of the Authority:

We have acted as Bond Counsel in connection with the authorization, sale, issuance and delivery of the Series 2009 Bonds. In that capacity, we have examined the provisions of Chapter 15C of the Massachusetts General Laws, as amended, and we have examined and are familiar with originals or copies, certified or otherwise identified to our satisfaction, of the By-Laws of the Authority and such records of the Authority, certificates of officers of the Authority and other documents and instruments, and have made such other investigation of facts and examination of Massachusetts and federal law, as we have deemed necessary or proper for the purpose of rendering this opinion. We have also examined a record of proceedings relating to the authorization, sale, issuance and delivery of the Series 2009 Bonds. Capitalized terms used herein shall, unless otherwise specified, have the meanings set forth in the Resolution.

The Series 2009 Bonds are being issued to finance education loans, to refund certain bonds previously issued by the Authority, to fund a portion of the Capitalized Interest Account deposit for the Series 2009 Bonds, and to fund a portion of the Reserve Fund for the Series 2009 Bonds.

Based upon our examination, we are of the following opinion:

(a) The Authority is a duly constituted and existing body public and corporate and a public instrumentality of The Commonwealth of Massachusetts, with the power to adopt the Resolution, perform the agreements on its part contained therein and issue the Series 2009 Bonds.

(b) The aforementioned proceedings and proofs show lawful authority for the issuance and sale of the Series 2009 Bonds pursuant to the provisions of law applicable thereto.

(c) The Series 2009 Bonds are special obligations of the Authority secured as provided in the Resolution and payable solely from Revenues received by or for the account of the Authority and moneys on deposit in the funds and accounts established and available therefor under the Resolution, subject to use of such Revenues and moneys for other purposes as permitted under the Resolution.

(d) The Series 2009 Bonds have been duly authorized, executed, authenticated and delivered and are valid and binding special obligations of the Authority enforceable in accordance with their terms and entitled, subject to the limitations described in paragraph (c), to the benefit and security of the Resolution, subject only to applicable bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditors' rights heretofore or hereafter enacted and to general equity principles.

(e) The Resolution has been duly adopted by the Authority, is in full force and effect and is a valid and binding agreement of the Authority enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditors' rights heretofore or hereafter enacted and to general equity principles, and the Resolution creates the valid pledge and lien which it purports to create for the benefit of the Holders of the Series 2009 Bonds.

(f) Under existing law, interest on the Series 2009 Bonds will not be included in the gross income of holders of the Series 2009 Bonds for federal income tax purposes. This opinion is rendered subject to the condition that the Authority comply with various requirements of the Internal Revenue Code of 1986, as amended, which must be satisfied subsequent to the issuance of the Series 2009 Bonds in order that interest thereon is and continues to be excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Series 2009 Bonds to be included in the gross income of holders of the Series 2009 Bonds retroactive to the date of issuance of the Series 2009 Bonds. Interest on the Series 2009 Bonds will not constitute a preference item for purposes of computation of the alternative minimum tax imposed on certain individuals and corporations and will not be included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion as to other federal tax consequences resulting from holding the Series 2009 Bonds.

(g) Under existing law, interest on the Series 2009 Bonds and any profit made on the sale thereof are exempt from Massachusetts personal income taxes, and the Series 2009 Bonds are exempt from Massachusetts personal property taxes. We express no opinion as to other Massachusetts tax consequences arising with respect to the Series 2009 Bonds nor as to the taxability of the Series 2009 Bonds or the income therefrom under the laws of any state other than Massachusetts.

It is to be understood that the rights of the holders of the Series 2009 Bonds, and the enforceability of the Series 2009 Bonds and the Resolutions may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement also may be subject to the exercise of judicial discretion in appropriate cases.

Very truly yours,

Mintz, Levin, Cohn, Ferris,
Glovsky and Popeo, P.C.

PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”) dated _____, 2009 is executed and delivered by the Massachusetts Educational Financing Authority (the “Issuer”) and U.S. Bank National Association, Boston, Massachusetts, as Trustee (the “Trustee”), in connection with the issuance of the Issuer’s Education Loan Revenue Bonds, Issue I, Series 2009 in the aggregate principal amount of \$_____ (the “Bonds”). The Bonds are being issued pursuant to the General Resolution, dated as of June 30, 2009 (the “General Resolution”), as amended and supplemented by the First Issue I Series Resolution dated as of June 30, 2009 (the “First Series Resolution” and, collectively with the General Resolution, the “Resolution”). The Issuer and the Trustee covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer and the Trustee for the benefit of the owners of the Bonds and in order to assist the underwriters in complying with the Rule.

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Issuer Annual Report provided pursuant to and as described in Sections 3 and 5 of this Disclosure Agreement.

“Disclosure Representative” shall mean the Executive Director of the Issuer or his or her designee, or such other officer or employee as the Issuer shall designate in writing to the Trustee from time to time.

“Issuer Annual Report” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 5 of this Disclosure Agreement.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Agreement. MSRB’s website is currently www.msrb.org.

“Official Statement” shall mean the Official Statement of the Issuer relating to the Bonds dated June __, 2009, as supplemented or amended from time to time.

“Owners of the Bonds” shall mean the registered owners and beneficial owners, of the Bonds.

“Repository” shall mean the MSRB.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” shall mean the United States Securities and Exchange Commission.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, not later than 270 days after the end of each fiscal year, provide, or cause to be provided, to the Repository an Issuer Annual Report in all cases consistent with the requirements of Section 5 of this Disclosure Agreement. Not later than fifteen (15) business days prior to said date, the Issuer shall provide the Issuer Annual Report to the Trustee. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 5 of this Disclosure Agreement. If audited financial statements for the preceding fiscal year are not available when the Annual Report is submitted, the Annual Report will include unaudited financial statements for the preceding fiscal year and the Issuer shall provide or cause to be provided the applicable audited financial statements as soon as practicable after the audited financial statements become available.

(b) If by fifteen (15) business days prior to the date specified in subsection (a) for providing the Annual Report to Repositories, the Trustee has not received a copy of the Annual Report, the Trustee shall contact the Issuer to determine if the Issuer is in compliance with subsection (a).

(c) If the Issuer is unable to provide or cause to be provided to the Repositories each applicable Annual Report by the date required in subsection (a), the Issuer shall send a note to the Municipal Securities Rulemaking Board and the State Depository, if any.

SECTION 4. Dissemination Agents. The Issuer may from time to time designate an agent to act on its behalf in providing or filing notices, documents and information as required of the Issuer under this Agreement, and revoke or modify any such designation.

SECTION 5. Content of Annual Reports. The Issuer's Annual Report shall contain or incorporate by reference the following:

(a) Quantitative information for the preceding fiscal year of the type presented in the Official Statement regarding: (i) terms of the Fixed Rate MEFA Loan Programs; (ii) the participating institutions (as defined in the Official Statement); (iii) special redemption experience of MEFA fixed rate bonds; (iv) the status of loan purchases; (v) distribution of Fixed Rate MEFA Loans by participating institutions; (vi) distribution of Fixed Rate MEFA loans by undergraduate and graduate status; (vii) distribution of Fixed Rate MEFA loans by Co-Signer status; and (viii) Fixed Rate MEFA Loan Program delinquency experience and Fixed Rate MEFA Loan Program default experience; and

(b) Periodic Issue I Loan Portfolio Information of the type identified in APPENDIX F to the Official Statement; provided that the Authority reserves the rights: (i) to alter the format in which such periodic information is presented; and (ii) if then permitted by the Rule, to incorporate such periodic information by reference to any publicly accessible website; and

(c) The most recently available audited financial statements of the Issuer, prepared in accordance with generally accepted accounting principles.

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to each of the Repositories or the SEC. If the document incorporated by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Issuer shall clearly identify each such other document so incorporated by reference.

SECTION 6. Reporting of Material Events.

(a) The Issuer shall give notice in accordance with subsection 6(b) below, of the occurrence of any of the following events with respect to the Bonds, if material under applicable federal securities laws:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults.
3. Unscheduled draws on the debt service reserves reflecting financial difficulties.
4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.*
6. Adverse tax opinions or events affecting the tax-exempt status of the Bonds.
7. Modifications to the rights of the Owners of the Bonds.
8. Bond calls.
9. Defeasances.
10. Release, substitution or sale of property securing repayment of the Bonds.
11. Rating changes.

* Not applicable.

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, the Issuer shall as soon as possible determine if such an event would be material under applicable federal securities laws and if so the Issuer shall promptly file a notice of such occurrence with the Municipal Securities Rulemaking Board and the State Depository, if any.

SECTION 7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Agreement shall terminate upon the legal defeasance in accordance with the terms of the Resolution and the Bonds, prior redemption or payment in full of all of the Bonds.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived if such amendment or waiver is permitted by the Rule, as evidenced by an opinion of counsel expert in federal securities law, which may also include bond counsel to the Issuer, to the effect that such amendment or waiver would not cause the Disclosure Agreement to violate the Rule. The first Annual Report filed after enactment of any amendment to or waiver of this Disclosure Agreement shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of information being provided in the Annual Report. Without limiting the foregoing, the Issuer may amend this Disclosure Agreement if (a) such amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change

in the identity, nature or status of the Issuer, (b) this Disclosure Agreement, as so amended, would have complied with the requirements of the Rule at the time the Bonds were issued, taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (c) (i) the Trustee determines, or the Trustee receives an opinion of counsel expert in federal securities laws that is acceptable to the Trustee to the effect that, the amendment does not materially impair the interests of the Bondholders or (ii) the amendment is consented to by the Bondholders as though it were an amendment to the Resolution.

If the amendment pertains to the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall include a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information in order to evaluate the ability of the Issuer to meet its obligations. To the extent reasonably feasible, the comparison shall also be quantitative. A notice of the change in the accounting principles shall be sent to the Repository.

SECTION 9. Default. In the event of a failure of the Issuer or the Trustee to comply with any provision of this Disclosure Agreement the Trustee may (and, at the request of any registered owners of at least 25% aggregate principal amount of Outstanding Bonds, shall), or any Owner of the Bonds may seek a court order for specific performance by the Issuer to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Resolution or the Bonds, and the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer to comply with this Disclosure Agreement shall be an action for specific performance of the defaulted party's obligations hereunder and not for money damages in any amount.

SECTION 10. Duties, Immunities and Liabilities of Trustee. Article VIII of the General Resolution is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the General Resolution.

SECTION 11. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Trustee and the Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 12. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 13. Notices. Unless otherwise expressly provided, all notices to the Issuer and the Trustee shall be in writing and shall be deemed sufficiently given if sent by registered or certified mail, postage prepaid, or delivered during a Business Day to such parties at the addresses specified in the Resolution or to such other address as the addressee shall have indicated by prior written notice to the one giving notice.

SECTION 14. Governing Law. This instrument shall be governed by the laws of The Commonwealth of Massachusetts.

SECTION 15. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this

Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report or notice of the occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of the occurrence of a Listed Event.

SECTION 16. Disclaimer. No Annual Report or notice of a Listed Event filed by or on behalf of the Issuer under this Disclosure Agreement shall obligate the Issuer to file any information regarding matters other than those specifically described in Section 5 and Section 6 hereof, nor shall any such filing constitute a representation by the Issuer or raise any inference that no other material events have occurred with respect to the Issuer or the Bonds or that all material information regarding the Issuer or the Bonds has been disclosed. The Issuer shall have no obligation under this Disclosure Agreement to update information provided pursuant to this Disclosure Agreement except as specifically stated herein.

IN WITNESS WHEREOF, the parties have caused this Disclosure Agreement to be duly executed under seal all as of the date first above written.

**MASSACHUSETTS EDUCATIONAL
FINANCING AUTHORITY**

By: _____
Name: _____
Title: _____

**U.S. BANK NATIONAL ASSOCIATION,
as Trustee**

By: _____
Name: _____
Title: _____

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**INITIAL FORM OF PERIODIC ISSUE I LOAN PORTFOLIO
INFORMATION TO BE MADE AVAILABLE**

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

Composition of the Issue I Loan Portfolio

Total Accrued Interest ¹	\$	
Accrued Interest to be Capitalized	\$	
Aggregate Outstanding Principal Balance	\$	
Number of Borrowers		
Average Outstanding Principal Balance per Borrower	\$	
Number of Loans		
Average Outstanding Principal Balance per Loan	\$	
Weighted Average Annual Interest Rate		%
Weighted Average Remaining Term (Months) ²		

¹ Includes accrued interest to be capitalized.

² Exclusive of Issue I Loans in Deferment Status that have entered repayment.

Distribution of the Issue I Loan Portfolio by Interest Rate

Interest Rate	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Balance
_____ % to _____ %		\$ _____	_____ %
_____ % to _____ %			
_____ % to _____ %			
_____ % to _____ %	_____	_____	_____
Total	=====	\$ =====	===== %

Distribution of the Issue I Loan Portfolio by Borrower Payment Status

Loan Payment Status	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Balance
In School		\$	%
In Grace			
Repayment			
Deferment			
Forbearance	<u>0</u>	_____	_____
Total	=====	\$=====	=====%

Distribution of the Issue I Loan Portfolio by School Type

School Type	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Balance
4 Year		\$	%
2 Year			
Vocational/Trade			
Unidentified	_____	_____	_____
Total	=====	\$=====	=====%

Distribution of the Issue I Loan Portfolio by Number of Days Delinquent¹

Days Delinquent	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Balance
0-30		\$	%
31-60			
61-90			
91-120			
121-150			
151-180	_____	_____	_____
Total	=====	\$=====	=====%

¹ For Financed Eligible Loan in Repayment Status Only.

Distribution of the Issue I Loan Portfolio by Date of Disbursement

Disbursement Date	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Balance
Prior to _____		\$ _____	_____ %
_____ - _____			
_____ - _____			
_____ - _____			
Total	=====	\$=====	===== %

Distribution of the Issue I Loan Portfolio by Range of Principal Balance

Principal Balance	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Balance
Less than \$5,000		\$ _____	_____ %
\$5,000-\$9,999.99			
\$10,000-\$19,999.99			
\$20,000-\$29,999.99			
\$30,000-\$39,999.99			
\$40,000-\$49,999.99			
\$50,000-\$59,999.99			
\$60,000-\$69,999.99			
\$70,000-\$79,999.99			
More than \$79,999.99	_____	_____	_____
Total	=====	\$=====	===== %

**Distribution of the Issue I Loan Portfolio by
Number of Months Remaining Until Scheduled Maturity**

Number of Months	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Balance
Less than 73		\$	%
73 to 84			
85 to 96			
97 to 108			
109 to 120			
121 to 132			
133 to 144			
145 to 156			
157 to 168			
169 to 180			
Greater than 180			
Loans in Deferment	_____	_____	_____
Totals	=====	\$=====	=====%

Distribution of the Issue I Loan Portfolio by Servicer

Location	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Balance
_____	=====	\$	=====%

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

Distribution of the Issue I Loan Portfolio by Geographic Location

Location	Number of Loans	Outstanding Principal Balance	Percent of Loans by Outstanding Balance
AK		\$	%
AL			
AR			
AZ			
CA			
CO			
CT			
DC			
DE			
FL			
GA			
HI			
IA			
IL			
IN			
KS			
KY			
LA			
MA			
MD			
ME			
MI			
MN			
MO			
MT			
NC			
NE			
NH			
NJ			
NM			
NV			
NY			
OH			
OK			
OR			
PA			
RI			
SC			
TN			
TX			
UT			
VA			
VT			
WA			
WI			
Other	_____	_____	_____
Total	=====	\$=====	=====%

Distribution of the Issue I Loan Portfolio by Co-Sign Status
(As of _____)

<u>Co-Sign Status</u>	<u>Number of Loans</u>	<u>Principal Balance</u>	<u>Percent by Principal</u>
<u>Co-Sign</u>			
Graduate		\$	%
Undergraduate	_____		<u>%</u>
Subtotal	_____		<u>%</u>
 <u>Non Co-Sign</u>			
Graduate			%
Undergraduate	_____		<u>%</u>
Subtotal	_____	_____	<u>%</u>
 Total	=====	\$=====	<u>%</u>

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