

\$400,000,000

SOUTH CAROLINA STUDENT LOAN CORPORATION

(A nonprofit, public benefit corporation organized pursuant to the laws of the State of South Carolina)

**EDUCATION LOAN REVENUE BONDS, 2001 SERIES**

consisting of

\$200,000,000
2001 Series L
LIBOR Indexed Bonds
CUSIP 83714RAM5
ISIN US83714RAM51

\$200,000,000
2001 Series CP
CP Indexed Bonds
CUSIP 83714RAN3
ISIN US83714RAN35

Dated: Date of delivery**Price:** 100%**Due:** June 1, 2012

The following limited summary information is provided for convenient reference only and is subject in all respects to more complete information contained in this Official Statement. The offering of the 2001 Bonds to potential investors is made only by means of this entire Official Statement.

- Denominations** \$1,000 and integral multiples thereof.
- Book-Entry** Issued in fully registered book-entry only form without coupons and registered initially in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchasers will not receive certificates representing their interests except as described herein. For so long as the book-entry only system is in effect payments of principal of and interest are to be made to DTC or, in certain instances, participants of DTC. See "THE 2001 BONDS - Book-Entry Only System" herein.
- Interest** *2001L Bonds* - a three-month LIBOR indexed rate, as adjusted quarterly, plus 0.13% as herein described.
2001CP Bonds - a ninety-day AA Financial Commercial Paper indexed rate, as adjusted weekly, plus 0.25% as herein described.
 Interest is payable quarterly on the first Business Day of each March, June, September and December commencing on the first Business Day of September, 2001, until maturity or earlier payment, as herein described.
- Principal** Principal is due at stated maturity but is also payable prior to stated maturity from available funds and on a *pro rata* basis between the 2001L Bonds and the 2001CP Bonds through principal reduction payments as further herein described.
- Seniority** Senior Lien Bonds on a parity with the Corporation's Outstanding 1996 Bonds, 1997 Bonds, 1998 Bonds, 1999 Bonds and 2000 Bonds (as herein defined and described).
- Security** Limited obligations payable solely from revenues to be derived with respect to financed Guaranteed Loans (as herein defined) made pursuant to Title IV of the United States Higher Education Act of 1965, as amended, and other assets and amounts, if any, pledged to such payment. The 2001 Bonds are not a debt, liability or obligation of the State of South Carolina. The Corporation has no taxing power.
- Additional Bonds** Additional Senior Lien Bonds and Subordinate Lien Bonds are permitted as herein described.

The 2001 Bonds are offered when, as and if issued and received by the Underwriters, subject to prior sale, withdrawal or modification of the offer without notice and to the approval of legality by McNair Law Firm, P.A., Charleston, South Carolina, as Bond Counsel. Bond Counsel will also pass on certain legal matters for the Corporation. Certain legal matters will be passed on for the Underwriters by their counsel, Robertson, Ingram & Overbey, Knoxville, Tennessee. It is expected that the delivery of the 2001 Bonds will be made through the facilities of The Depository Trust Company, and in Europe through Clearstream Banking and the Euroclear System (as herein described) on or about May 23, 2001.

William R. Hough & Co.**Banc of America Securities LLC****First Union Securities, Inc.****Salomon Smith Barney****Wachovia Securities, Inc.**

SOUTH CAROLINA STUDENT LOAN CORPORATION

BOARD OF DIRECTORS

Fred L. Green, III, *Chairman*
G. Lee Cory, *Vice Chairman*
Robert W. Derrick, *Vice Chairman*
H. Roderick Murchison, *Treasurer*
William M. Mackie, Jr., *Secretary*
Melvin E. Barnette, *Director*
Sharon W. Bryant, *Director*
R. Thornwell Dunlap, Jr., *Director*
J. Thorton Kirby, *Director*
James C. McColl, *Director*
Lisa P. Montgomery, *Director*
Dr. Dennis A. Pruitt, Sr., *Director*

SENIOR MANAGEMENT

William M. Mackie, Jr., *President and CEO*
J. Kenneth Player, *Executive Vice President and COO*
Norma M. Bowman, *Vice President-Human Resources*
Michael E. Fox, *Vice President-Guaranty Agency Services*
Jennifer A. Jones-Gaddy, *Vice President-Loan Originations*
Marsha B. King, *Vice President-Support Services*
Wayne R. Kirby, *Vice President-Information Systems*
Gerald I. Long, *Vice President-Repayment Services*
Laura J. Rowell, *Vice President-Fiscal Operations*

BOND COUNSEL

McNair Law Firm, P.A.
Charleston, South Carolina

TRUSTEE

The Bank of New York
New York, New York

THE REGISTRATION, QUALIFICATION OR EXEMPTION OF THE 2001 BONDS IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE SECURITIES HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREON. NEITHER THESE JURISDICTIONS NOR ANY OF THEIR AGENCIES HAVE GUARANTEED OR PASSED UPON THE SAFETY OF THE 2001 BONDS AS AN INVESTMENT UPON THE PROBABILITY OF ANY EARNINGS THEREON OR UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT.

No dealer, broker, salesman or other person has been authorized by the Corporation or the Underwriters to give any information or to make any representations, other than those 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 2001 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. 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 the Corporation since the date hereof.

The Underwriters have provided the following sentence for inclusion in this Official Statement:

The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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SUMMARY STATEMENT

This Summary Statement is subject in all respects to more complete information contained in this Official Statement. The offering of the 2001 Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this Summary Statement from this Official Statement or to otherwise use it without this entire Official Statement. To the extent not otherwise herein defined, initially capitalized terms used herein are defined in the Resolution (as herein defined), some of which are contained in EXHIBIT II.

Issuer The South Carolina Student Loan Corporation (the “Corporation”) is a nonprofit, public benefit corporation incorporated on November 15, 1973 pursuant to the laws of the State of South Carolina. Under its Restated and Amended Articles of Incorporation the Corporation has the power to receive, invest, administer and disburse funds for educational purposes so as to enable persons to attend eligible educational institutions beyond the secondary school level and to make, handle, service and deal with student and parent loans as provided in the Higher Education Act of 1965, as amended (the “Higher Education Act”). The Corporation has been designated by the South Carolina State Education Assistance Authority (the “Authority”) as an “Eligible Lender” pursuant to Title IV of the Higher Education Act and, as agent of and independent contractor with the Authority, serves as the principal originator and servicer of Guaranteed Loans (as hereinafter defined) guaranteed by the Authority.

The 2001 Bonds \$400,000,000 principal amount of 2001 Series Bonds maturing on June 1, 2012 (the “2001 Bonds”), bearing interest and payable, all as herein set forth. The 2001 Bonds are issued in two series, in the respective principal amounts shown on the cover hereof, as LIBOR indexed bonds and as Commercial Paper indexed bonds (respectively, the “2001L Bonds” and the “2001CP Bonds”). The 2001 Bonds are Senior Lien Bonds pursuant to a June 7, 1996, General Resolution (the “General Resolution”) and a Series Resolution effective as of May 16, 2001 (the “2001 Series Resolution”) (collectively, the “Resolution”), each adopted by the Corporation's Board of Directors.

Outstanding Parity Bonds The 2001 Bonds are issued as Senior Lien Bonds on a parity and equality of lien with the Corporation's other Senior Lien Bonds Outstanding as of the date hereof and such Additional Bonds which may be hereafter issued by the Corporation as Senior Lien Bonds. See “CORPORATION DEBT OUTSTANDING” herein and “Priority of Security and Additional Bonds” below. The Corporation's Outstanding Senior Lien Bonds are referred to herein as the “Prior Bonds” and are Outstanding in the total principal amount of \$849,287,650 as of the date hereof. The Prior Bonds, the 2001 Bonds and such Additional Bonds as may hereafter be issued under the General Resolution are referred to herein as the “Bonds.”

Interest Rates on the 2001L Bonds The 2001L Bonds bear interest at a LIBOR Indexed Rate equal to the LIBOR Rate plus a spread factor of 0.13%. The LIBOR Rate is the per annum rate fixed on each Interest Rate Determination Date (as defined below in this heading) by the British Bankers' Association at 11:00 a.m., London time (BBA Libor rate), relating to quotations for London Interbank Offered Rates on U.S. dollar deposits for a three month period. The LIBOR Indexed Rate will be initially determined on the second Business Day prior to delivery of the 2001L Bonds, and thereafter will be determined on the second Business Day prior to each Interest Payment Date (each an “Interest Rate Determination Date”

for Series 2001L Bonds) by The Bank of New York or its successor(s) as Calculation Agent. Each change in the LIBOR Indexed Rate will be effective on the immediately ensuing Interest Payment Date. If any Interest Rate Determination Date is not a business day in London, then the most recently fixed LIBOR Rate shall be used. Such rate may be available on the Internet at <http://www.bba.org.uk/media/>. If the rate is no longer available from such source, the Calculation Agent will ascertain the rate in good faith from such sources as it shall determine to be comparable to such source.

**Interest Rates on
the 2001CP Bonds**

The 2001CP Bonds bear interest at a CP Indexed Rate which is the sum of the CP Rate plus a spread factor of 0.25%. The CP Rate is the 90-day AA Financial Commercial Paper rate posted on each Interest Rate Determination Date (as defined below in this heading) in the Federal Reserve Release entitled "Commercial Paper Rates and Outstandings" (converted if necessary from a discount basis to a bond equivalent yield as herein described - see definition of "CP Rate" in EXHIBIT II hereto). The CP Indexed Rate will be initially determined on the second Business Day prior to delivery of the 2001CP Bonds, and thereafter on the first Business Day of each calendar week (each an "Interest Rate Determination Date" for Series 2001CP Bonds) by The Bank of New York or its successor(s) as Calculation Agent. Each change in the CP Indexed Rate will be effective on the day after the applicable Interest Rate Determination Date unless such Interest Rate Determination Date occurs not more than five (5) calendar days prior to an Interest Payment Date in which case the change will be effective on the immediately ensuing Interest Payment Date. As of the date hereof, the CP Rate is posted periodically on a discount basis on the Federal Reserve Internet page at <http://www.federalreserve.gov/releases/cp/>. If the rate is no longer available from such source, the Calculation Agent will ascertain the rate in good faith from such sources as it shall determine to be comparable to such source.

**Maximum Interest
Rate**

The maximum interest rate with respect to the 2001 Bonds is the maximum rate permitted by applicable law. As of the date hereof, there is no applicable law which restricts the interest rate with respect to the 2001 Bonds.

**Interest Computations
and Payments**

Interest on the Outstanding principal balance of the 2001 Bonds will be computed on the basis of the actual number of days elapsed in each Interest Period divided by 360 and is payable quarterly on the first Business Day of each March, June, September and December, commencing on the first Business Day of September, 2001, until maturity or earlier payment in full. Interest payable on the 2001 Bonds on each such interest payment date will be the interest which has accrued (at the LIBOR Indexed Rate or the CP Indexed Rate, as applicable) from the later of the date of delivery or the most recent interest payment date for which interest has been duly paid or for which provision has been made. On each such interest payment date, interest on the 2001 Bonds is payable on behalf of the Corporation at the principal corporate trust office of The Bank of New York, New York, New York, as Trustee, or its successor as trustee, (the "Trustee") to the person appearing as registered owner on the registration books of the Trustee. For so long as the book-entry only system is in effect, the registered owner for purposes of the receipt of all payments of principal of and interest on the 2001 Bonds shall be Cede & Co., as nominee of The Depository Trust Company.

**Redemption or Other
Payment Prior to
Maturity**

The 2001 Bonds are not subject to redemption prior to maturity but are subject to *pro-rata* principal reduction payments prior to maturity based upon a Targeted Amortization Schedule adopted by the Corporation ("Principal Reduction Payments"). In no event will Principal Reduction Payments for the 2001 Bonds exceed the amounts specified in

the Targeted Amortization Schedule for the 2001 Bonds, subject to adjustments as described in the immediately succeeding paragraph.

Certain of the Prior Bonds are also subject to Principal Reduction Payments based upon other Targeted Amortization Schedules adopted by the Corporation. Failure by the Corporation to make any Principal Reduction Payment set forth in any Targeted Amortization Schedule applicable to the 2001 Bonds or any Prior Bonds will not constitute a payment default. However, to the extent any such Principal Reduction Payment is less than that contemplated by the applicable Targeted Amortization Schedule, such deficiency is added to the next payment contemplated by such Targeted Amortization Schedule.

As of the date hereof, all such scheduled Principal Reduction Payments have been made at the times and in the amounts contemplated by such Targeted Amortization Schedules. However, there can be no assurance that such performance will continue in the future with respect to such series of the Prior Bonds or that scheduled Principal Reduction Payments for the 2001 Bonds will be made at the times and in the amounts herein described.

If Revenues Available for Debt Service are not sufficient to fully pay the payments set forth in the Targeted Amortization Schedules for all Outstanding Bonds subject thereto, then payments are to be first made with respect to the 1996 Series A-2 Bonds and the 1997 Series A-2 Bonds before being made with respect to the 1999 Bonds, the 2000 Bonds, the 2001 Bonds and any additional Senior Lien Bonds subject to such payments. For the 1999 Bonds, the 2000 Bonds, the 2001 Bonds and any subsequent Bonds subject to such payments, Principal Reduction Payments are made *pro rata* based upon the amount due, as adjusted, when Revenues Available for Debt Service are not sufficient to fully make such payments. Deficiencies in scheduled Principal Reduction Payments are added to the deposit requirement(s) for the next payment contemplated by such Targeted Amortization Schedules.

The Corporation has covenanted in the Series Resolution that it will not structure the principal payments of additional Bonds issued under the General Resolution (whether by maturity, mandatory or other sinking fund redemptions or Principal Reduction Payments) in ways which would result in a postponement of the Principal Reduction Payments scheduled for the 2001 Bonds as a result of the diversion of Revenues Available for Debt Service to be received from Pledged Assets to the retirement of principal of such additional Bonds. The Corporation is permitted to conclusively rely on a Cash Flow Certificate in complying with this covenant.

**Use of Proceeds
of 2001 Bonds**

The proceeds of the 2001 Bonds are to be initially used (i) to finance and refinance the acquisition and making of Guaranteed Loans, as defined below, guaranteed by the Authority or other qualified guarantee agencies as to unpaid principal and accrued interest at not less than the maximum applicable percentage permitted under the Higher Education Act, all as herein described, (ii) to fund a deposit to the Debt Service Reserve Fund, (iii) to fund a deposit to the Interest Account of the Debt Service Fund, and (iv) to pay costs and expenses associated with the issuance of the 2001 Bonds. Payments, or portions thereof, received with respect to Guaranteed Loans may be used as herein described to finance additional or other education loans guaranteed by the Authority or by other qualified guarantee agencies (each a "Guarantee Agency"), and reinsured by the Secretary of the United States Department of Education (the "Secretary"), or insured by the Secretary, all pursuant to the Higher Education Act (together with the initially acquired Guaranteed Loans, the "Guaranteed Loans"); and, subject to certain limitations including a ratings confirmation, to finance certain alternative education loans which are not so guaranteed, reinsured or insured (the "Alternative Loans"). As of the date hereof,

no Alternative Loans have been financed with proceeds of the Prior Bonds and no Alternative Loans are being financed with the initial proceeds of the 2001 Bonds. The Guaranteed Loans and the Alternative Loans, if any, are herein collectively referred to as the “Education Loans.”

The relative composition of the portfolios of the Guaranteed Loans constituting Pledged Assets heretofore acquired with proceeds of the Prior Bonds and anticipated to be acquired with proceeds of the 2001 Bonds is shown herein under the heading “THE 2001 BONDS--Security for the 2001 Bonds--*The Portfolios of Guaranteed Loans-Summary Information.*” Revenues received with respect to Guaranteed Loans are to be applied in accordance with the Resolution, which under certain circumstances permits such revenues to be used for the acquisition or funding of other Guaranteed Loans and Alternative Loans. See “SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION--Determination of Priority Deposit and Use Amounts.”

**Sources of Revenue
and Security**

Sources of Revenue and Security for the 2001 Bonds include: (1) Education Loans, including Guaranteed Loans and Alternative Loans, pledged under the Resolution. See “EXPECTED APPLICATION OF 2001 BOND PROCEEDS.” Each Guaranteed Loan is to be insured or guaranteed and reinsured as described herein. No Alternative Loan will be so insured or guaranteed and reinsured; provided, however, that Alternative Loans may be made or acquired only upon receipt of a confirmation of rating with respect to all Bonds issued and outstanding under the General Resolution by the Rating Agencies, as herein defined.

(2) Interest payments with respect to Education Loans made by or on behalf of borrowers.

(3) All amounts received in respect of payment of principal on Education Loans held by the Corporation, including scheduled, delinquent and advance payments, payouts or prepayments, proceeds from the guarantee, or from the sale, assignment or other disposition of Education Loans.

(4) Any applicable Special Allowance Payments authorized to be made by the Secretary in respect of Guaranteed Loans pursuant to Section 438 of the Higher Education Act or similar allowances authorized from time to time by federal law or regulation.

(5) Any applicable Interest Subsidy Payments payable in respect of any Guaranteed Loans by the Secretary under Section 428 of the Higher Education Act.

(6) Moneys and securities from time to time held by the Trustee under the terms of the Resolution (excluding moneys and securities held, or required to be deposited, in the Rebate Fund) and any and all other real or personal property of every name and nature from time to time by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred as and for additional security under the Resolution.

The foregoing categories of security are herein referred to as “Pledged Assets.”

**Application of
Pledged Assets**

Under the General Resolution, all moneys received by or on behalf of the Corporation as Pledged Assets, and any other moneys or assets so designated by the Corporation from time to time, are to be deposited monthly by the Corporation to the credit of the General Revenue Fund. Moneys in the General Revenue Fund are to be applied monthly first for the payment or provision for payment of interest and then of principal due or next coming due (other than principal reduction payments) on Outstanding Senior Lien Bonds and, thereafter, for interest and principal payments with respect to Subordinate

Lien Bonds, operating expenses of the Corporation, any necessary debt service reserve fund replenishment, Principal Reduction Payments first for Senior Lien Bonds and then for Subordinate Lien Bonds, all as herein more fully described.

After providing for the foregoing payments then, to the extent that the sum of (a) the outstanding principal amount of, and accrued interest on, the Education Loans (as certified by the Corporation on the first day of each calendar month) and (b) all amounts held in the funds and accounts under the Resolution, other than the Operating Fund and the Rebate Fund, calculated in accordance with the Resolution exceeds (i) 112% of the principal amount of all Outstanding Senior Lien Bonds and (ii) 103% of the principal amount of all Outstanding Bonds after such withdrawal, the amount of such excess may be disbursed to the Corporation free from the pledge of the Resolution to the extent requested by the Corporation.

After applying moneys in the General Revenue Fund for the foregoing purposes, the balance, if any, is to be transferred at the direction of the Corporation to the Loan Account of the Program Fund (up to the amount authorized in an applicable Series Resolution) or to the Principal Account of the Debt Service Fund to effect a redemption of Bonds or to make Principal Reduction Payments (as directed in an applicable Series Resolution). The 2001 Series Resolution prohibits any such transfers to the Loan Account after June 1, 2003, unless such date is extended by each Rating Agency. If no such direction is given by the Corporation or if such a direction is given and transferred moneys are not used to acquire Education Loans within six (6) months of the date of transfer, the Trustee will transfer such balance or unapplied balance, as applicable, to the Principal Account of the Debt Service Fund to effect a retirement of Bonds subject to retirement, either by redemption, Principal Reduction Payment or other means. See "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION - Application of Proceeds of Bonds" herein.

**Priority of Security and
Additional Bonds**

The rights of the owners of the 2001 Bonds are on a parity and equality of lien with the rights of the owners of the Prior Bonds and any Additional Bonds issued as Senior Lien Bonds under the General Resolution. Under the General Resolution, Additional Bonds may be issued which are on a parity with the Prior Bonds and the 2001 Bonds if the Corporation provides, *inter alia*, written evidence from each Rating Agency that the issuance of such Additional Bonds shall not result in a reduction or withdrawal of the then current rating on any Bonds Outstanding. Other than such permitted additional parity lien bonds, the rights of the holders of all other notes, bonds and other obligations of the Corporation with respect to the Pledged Assets and the Funds and Accounts created by the General Resolution are to be subordinate in all respects to the pledge or assignment created under the General Resolution for the benefit of the holders of the Prior Bonds and the 2001 Bonds. As of the date hereof, the Corporation has issued no Subordinate Lien Bonds. See "Outstanding Parity Bonds" above and "CORPORATION DEBT OUTSTANDING" herein with respect to the Prior Bonds. While the 2001 Bonds are Outstanding, the Corporation will not issue additional Bonds under the General Resolution if such issuance will cause the assets pledged under the General Resolution to pay the principal of and interest on the Bonds, valued in accordance with the General Resolution, to fall below 103% of the principal amount of, and accrued interest on, the Outstanding Senior Lien Bonds.

**Education Loan
Guarantee, Reinsurance
or Insurance**

All Guaranteed Loans financed or acquired initially by the Corporation with the proceeds of the 2001 Bonds and thereafter acquired with payments in respect of Pledged Assets are to be guaranteed as to unpaid principal and accrued interest by the Authority, or another approved Guarantee Agency, at not less than the maximum percentage

permitted under the Higher Education Act, as the same may be amended from time to time, and reinsured by the Secretary under a formula of reimbursement as provided in the Higher Education Act, as the same may be amended from time to time.

Collateralization	Upon issuance and after initial application of proceeds of the 2001 Bonds, assets pledged under the General Resolution to pay the principal of or interest on the Bonds, valued in accordance with the General Resolution, are expected to equal at least 104.75% of the Outstanding principal amount of and accrued interest on the Bonds.
Risk Factors	For a detailed discussion of risk factors which should be considered by potential purchasers of the 2001 Bonds, see “RISK FACTORS” herein.
Related Parties	Two of the Directors of the Corporation are also employees of an Underwriter of the 2001 Bonds or of a related party to an Underwriter. See “THE CORPORATION” herein and the table therein entitled “Board of Directors of the Corporation.” The adoption of the General Resolution and all subsequent Series Resolutions, including the 2001 Series Resolution, by the Board of Directors of the Corporation was in accordance with Section 33-31-831 of the Code of Laws of South Carolina, 1976, as amended. Also, a substantial portion of the proceeds of the 2001 Bonds will initially be used to refinance Guaranteed Loans originally financed with lines of credit from commercial banks, including three commercial banks which are related parties to Underwriters of the 2001 Bonds.
Continuing Disclosure	In the 2001 Series Resolution, the Corporation has covenanted to provide such continuing, secondary market disclosures and confirmations as are required by Rule 15c2-12 of the Securities and Exchange Commission. As of the date hereof, the Corporation is in compliance with its continuing disclosure undertaking with respect to the Prior Bonds.

THE 2001 BONDS AND ALL BONDS HERETOFORE OR HEREAFTER ISSUED UNDER THE GENERAL RESOLUTION ARE LIMITED OBLIGATIONS OF THE CORPORATION, A NONPROFIT, PUBLIC BENEFIT CORPORATION ORGANIZED PURSUANT TO THE LAWS OF THE STATE OF SOUTH CAROLINA, AND DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE STATE OF SOUTH CAROLINA OR OF ANY AGENCY OR POLITICAL SUBDIVISION THEREOF OR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE OF SOUTH CAROLINA OR OF ANY AGENCY OR POLITICAL SUBDIVISION THEREOF, INCLUDING THE AUTHORITY. THE CORPORATION HAS NO TAXING POWER.

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OFFICIAL STATEMENT

relating to

\$400,000,000

SOUTH CAROLINA STUDENT LOAN CORPORATION

(A nonprofit, public benefit corporation organized pursuant to the laws of the State of South Carolina)

EDUCATION LOAN REVENUE BONDS, 2001 SERIES

consisting of

\$200,000,000
2001 Series L
LIBOR Indexed Bonds

\$200,000,000
2001 Series CP
CP Indexed Bonds

INTRODUCTION

This Official Statement, which includes the cover page, the Summary Statement and the Exhibits hereto, is being provided by the South Carolina Student Loan Corporation (the "Corporation") with respect to the offering and sale of its \$400,000,000 Education Loan Revenue Bonds, 2001 Series, maturing on June 1, 2012 (the "2001 Bonds"). The 2001 Bonds are issued in two series, as shown on the cover hereof, as LIBOR Indexed Bonds (the "2001L Bonds") and as Commercial Paper Indexed Bonds (the "2001CP Bonds") pursuant to a June 7, 1996, General Resolution (the "General Resolution") and a Series Resolution effective as of May 16, 2001 (the "2001 Series Resolution") (collectively, the "Resolution") adopted by the Board of Directors of the Corporation.

The Corporation is a nonprofit, public benefit corporation organized and existing under the laws of the State of South Carolina (the "State") and operates in accordance with Title IV, Parts B and F of the Higher Education Act of 1965, as amended (together with any regulations promulgated thereunder, the "Higher Education Act").

The 2001 Bonds are Senior Lien Bonds under the General Resolution. The 2001 Bonds are issued on a parity and equality of lien with the Corporation's other Senior Lien Bonds now or hereafter Outstanding. See "THE 2001 BONDS - Security for the 2001 Bonds" hereinafter. For information concerning the Outstanding Bonds of the Corporation as of the date hereof, see "CORPORATION DEBT OUTSTANDING" hereinafter.

THE 2001 BONDS AND ALL BONDS HERETOFORE OR HEREAFTER ISSUED PURSUANT TO THE GENERAL RESOLUTION ARE LIMITED OBLIGATIONS OF THE CORPORATION, A NONPROFIT, PUBLIC BENEFIT CORPORATION ORGANIZED PURSUANT TO THE LAWS OF THE STATE OF SOUTH CAROLINA, AND DO NOT CONSTITUTE A DEBT, LIABILITY OR OBLIGATION OF THE STATE OF SOUTH CAROLINA OR OF ANY AGENCY OR POLITICAL SUBDIVISION THEREOF OR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE OF SOUTH CAROLINA OR OF ANY AGENCY OR POLITICAL SUBDIVISION THEREOF, INCLUDING THE AUTHORITY. THE CORPORATION HAS NO TAXING POWER.

The proceeds of the 2001 Bonds are being used in connection with the Corporation's Student Loan Finance Program (the "Student Loan Finance Program") to initially (i) finance and refinance the acquisition and the making of Guaranteed Loans, as defined below, guaranteed by the South Carolina State Education Assistance Authority (the "Authority") or other qualified guarantee agencies as to unpaid principal and accrued interest at not less than the maximum applicable percentage permitted under the Higher Education Act, (ii) fund a deposit to the Debt Service Reserve Fund, (iii) fund a deposit to the Interest Account of the Debt Service Fund, and (iv) pay costs and expenses associated with the issuance of the 2001 Bonds. See "EXPECTED APPLICATION OF 2001 BOND PROCEEDS" herein.

Payments, or portions thereof, received with respect to Pledged Assets, as herein defined, may be used as herein described to finance and refinance additional or other Guaranteed Loans guaranteed by the Authority or by other qualified guarantee agencies (each a "Guarantee Agency") and reinsured by the Secretary of the United States Department of Education (the "Secretary"), or insured by the Secretary, all pursuant to the Higher Education Act (together with the initially acquired Guaranteed Loans, the "Guaranteed Loans"); and, subject to certain conditions including rating confirmations as herein described, to finance and refinance certain alternative loans which are not so guaranteed, reinsured or insured (the "Alternative Loans"). As of the date hereof, no Alternative Loans have been financed with proceeds of the Prior Bonds and no Alternative Loans are being financed with the initial proceeds of the 2001 Bonds. The Guaranteed Loans and the Alternative Loans are herein collectively referred to as the "Education Loans."

All capitalized terms used in this Official Statement and not otherwise defined herein have the same meanings as assigned in the Resolution. See EXHIBIT II hereto entitled "GLOSSARY OF CERTAIN DEFINED TERMS FROM THE GENERAL AND 2001 SERIES RESOLUTIONS."

Brief summaries and descriptions of the Bonds, the Corporation, the Corporation's Student Loan Finance Program, the South Carolina State Education Assistance Authority, the Resolution, the Federal Family Education Loan Program, certain statutes, regulations and other documents and materials are included in this Official Statement. These summaries and descriptions do not purport to be comprehensive or definitive. All references to the Bonds, the Resolution and statutes, regulations and other documents and materials summarized, described or referred to herein are qualified in their entirety by reference to such documents, statutes, regulations and other materials. Copies of the Resolution are available for inspection in the Jacksonville, Florida office of the Trustee which is located at 10161 Centurion Parkway, Highwoods Center, 2nd Floor, Jacksonville, FL 32256.

CORPORATION DEBT OUTSTANDING

In addition to the 2001 Bonds, the Corporation has other Outstanding Senior Lien Bonds under the General Resolution. The General Resolution permits the issuance of Additional Bonds as Senior Lien Bonds or as Subordinate Lien Bonds. As of the date hereof, no Subordinate Lien Bonds have been issued under the General Resolution. The following table shows information with respect to the Corporation's other Outstanding Senior Lien Bonds before the issuance of the 2001 Bonds.

Series	Original Par Amount	Outstanding Par Amount	Final Maturity	Interest Rate Basis	Payment Frequency
1996 Series A-2	\$ 80,900,000	\$ 31,808,815	03/01/06	Treasury Indexed	Quarterly
1996 Series A-3	85,000,000	85,000,000	09/01/26	Auction Rate	28 Day
1997 Series A-2	165,300,000	154,593,526	12/01/07	Treasury Indexed	Quarterly
1997 Series A-3	80,000,000	80,000,000	09/01/27	Auction Rate	28 Day
1998 Series A-1	105,700,000	105,700,000	09/01/33	Auction Rate	7 Day
1998 Series A-2	105,700,000	105,700,000	09/01/33	Auction Rate	28 Day
1999 Series	150,000,000	136,485,309	09/01/07	LIBOR Indexed	Monthly
2000 Series L	110,000,000	110,000,000	06/01/10	LIBOR Indexed	Quarterly
2000 Series CP	40,000,000	40,000,000	06/01/10	CP Indexed	Quarterly
Totals	\$ 922,600,000	\$ 849,287,650			

The 1996, 1997, 1998, 1999 and 2000 Bonds are collectively referred to herein as the "Prior Bonds." The Prior Bonds, the 2001 Bonds and permitted Additional Bonds issued are collectively referred to herein as "Bonds."

THE 2001 BONDS

General

The 2001 Bonds are issued pursuant to the authority of the General Resolution and the 2001 Series Resolution. The Bank of New York, New York, New York, serves as Trustee (the “Trustee”) pursuant to the Resolution. The 2001 Bonds will be dated and mature as set forth on the cover of this Official Statement.

The 2001 Bonds are initially issued only as fully registered bonds without coupons and in book-entry only form registered initially in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). As herein further described, delivery of the 2001 Bonds will be made through DTC, Clearstream Banking and the Euroclear System. Purchasers will not receive certificates representing their interests in the 2001 Bonds, except as described herein. Ownership interest is to be recorded in book-entry form by participants of DTC and the interest of such participants is to be recorded in book-entry form by DTC. Payments of principal of and interest on the 2001 Bonds are to be made to DTC or, in certain instances, participants of DTC. See “Book-Entry Only System” below.

The 2001 Bonds are initially issued in denominations of \$1,000 and integral multiples thereof.

Principal of and interest on the 2001 Bonds are payable solely from revenues to be derived with respect to the Pledged Assets and from other amounts, if any, deposited with the Trustee. The 2001 Bonds are subject to payment prior to maturity in accordance with Targeted Amortization Schedules adopted by the Corporation, as hereinafter described, but are not subject to optional or extraordinary optional redemption prior to maturity.

Other than principal reductions through Principal Reduction Payments made in accordance with the Targeted Amortization Schedule, principal of the 2001 Bonds is payable at maturity upon presentation and surrender of such 2001 Bonds at the principal corporate trust office of the Trustee.

Interest on the 2001 Bonds

The 2001L Bonds bear interest at a LIBOR Indexed Rate equal to the LIBOR Rate plus a spread factor of 0.13%. The LIBOR Rate is the per annum rate fixed on each Interest Rate Determination Date (as defined below in this paragraph) by the British Bankers’ Association at 11:00 a.m., London time (BBA Libor rate), relating to quotations for London Interbank Offered Rates on U.S. dollar deposits for a three month period (“LIBOR”). The LIBOR Indexed Rate will be initially determined on the second Business Day prior to delivery of the 2001L Bonds, and thereafter will be determined on the second Business Day prior to each Interest Payment Date (each an “Interest Rate Determination Date” for Series 2001L Bonds) by The Bank of New York or its successor(s) as Calculation Agent. Each change in the LIBOR Indexed Rate will be effective on the immediately ensuing Interest Payment Date. If any Interest Rate Determination Date is not a business day in London, then the most recently fixed LIBOR Rate shall be used. Such rate may be available on the Internet at <http://www.bba.org.uk/media/>. If the rate is no longer available from such source, the Calculation Agent will ascertain the rate in good faith from such sources as it shall determine to be comparable to such source.

The 2001CP Bonds bear interest at a CP Indexed Rate which is the sum of the CP Rate plus a spread factor of 0.25%. The CP Rate is the 90-day AA Financial Commercial Paper rate posted on each Interest Rate Determination Date (as defined below in this paragraph) in the Federal Reserve Release entitled “Commercial Paper Rates and Outstandings” (converted if necessary from a discount basis to a bond equivalent yield as herein described - see definition of “CP Rate” in EXHIBIT II hereto). The CP Indexed Rate will be initially determined on the second Business Day prior to delivery of the 2001CP Bonds, and thereafter on the first Business Day of each calendar week (each an “Interest Rate Determination Date” for Series 2001CP Bonds) by The Bank of New York or its successor(s) as Calculation Agent. Each change in the CP Indexed Rate will be effective on the day after the applicable Interest Rate Determination Date unless such Interest Rate Determination Date occurs not more than five (5) calendar days prior to an Interest Payment Date in which case the change will be effective on the immediately ensuing Interest Payment Date. As of the date hereof, the CP Rate is posted periodically on a discount basis on the Federal Reserve Internet page at <http://www.federalreserve.gov/releases/cp/>. If the rate is no longer available from such source, the Calculation Agent will ascertain the rate in good faith from such sources as it shall determine to be comparable to such source.

The term “Business Day” as used herein means any day other than a Saturday, Sunday, legal holiday or any other day on which banking institutions in the State of New York or the state in which the principal corporate trust office of the Trustee is located, are generally authorized or obligated by law or executive order to close or on which the New York Stock Exchange is closed.

The maximum interest rate with respect to the 2001 Bonds is the maximum rate permitted by applicable law. As of the date hereof, there is no applicable law which restricts the interest rate with respect to the 2001 Bonds.

Interest on the Outstanding principal balance of the 2001 Bonds will be computed on the basis of the actual number of days elapsed in each Interest Period divided by 360 and is payable quarterly on the first Business Day of each March, June, September and December, commencing on the first Business Day of September, 2001, until maturity or earlier payment in full. Interest payable on the 2001 Bonds on each such interest payment date will be the interest which has accrued (at the LIBOR Indexed Rate or the CP Indexed Rate, as applicable) from the later of the date of delivery or the most recent interest payment date for which interest has been duly paid or for which provision has been made. On each such interest payment date, interest on the 2001 Bonds is payable on behalf of the Corporation at the principal corporate trust office of The Bank of New York, New York, New York, as Trustee, or its successor as trustee, (the “Trustee”) to the person appearing as registered owner on the registration books of the Trustee. For so long as the book-entry only system is in effect, the registered owner for purposes of the receipt of all payments of principal of and interest on the 2001 Bonds shall be Cede & Co., as nominee of The Depository Trust Company.

Book-Entry Only System

The Depository Trust Company, New York, New York, will act as securities depository for the 2001 Bonds. One fully registered 2001 Bond will be initially issued and registered in the name of Cede & Co., DTC's partnership nominee for each of the 2001L Bonds and the 2001CP Bonds.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE 2001 BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDHOLDERS, HOLDERS OR REGISTERED OWNERS OF THE 2001 BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE 2001 BONDS.

The Depository Trust Company. DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds securities that its participants (“Direct Participants” or “DTC Participants”) deposit with DTC. DTC also facilitates the settlement among DTC Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of the Depository Trust & Clearing Corporation (“DTCC”). DTCC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Clearstream International and Clearstream. Clearstream International is the product of the merger of Deutsche Börse and Cedel International, the European international clearing depository founded in 1970, and a number of its subsidiaries including Cedelbank. Clearstream International is registered in Luxembourg and has two subsidiaries – Clearstream Banking and Clearstream Services. Clearstream Banking (“Clearstream”) contains the core clearing and settlement business and consists of Clearstream Banking Luxembourg, Clearstream Banking Frankfurt and six regional offices in Dubai, Hong Kong, London, New York, São Paulo and Tokyo. Clearstream holds securities for its participating organizations (“Clearstream Participants”) and facilitates the clearance and settlement of securities transactions between Clearstream Participants through electronic book-entry changes in accounts of Clearstream Participants, thereby eliminating the need for physical movement of certificates. As a professional depository,

Clearstream is subject to regulation by the Luxembourg Monetary Institute. Indirect access to Clearstream is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream Participant, either directly or indirectly.

Euroclear System. The Euroclear System ("Euroclear") was created in 1968 to hold securities for its participants and to clear and settle transactions between its participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Euroclear includes various other services, including securities lending and borrowing, and interfaces with domestic markets in several countries. The Euroclear System is owned by Euroclear Clearance System Public Limited Company (ECSplc) and operated through a license agreement by Euroclear Bank S.A./N.V., a bank incorporated under the laws of the Kingdom of Belgium (the "Euroclear Operator").

Euroclear participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries. Indirect access to Euroclear is also available to others that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

The Euroclear Operator is regulated and examined by the Belgian Banking and Finance Commission and the National Bank of Belgium. Securities clearance accounts and cash accounts with the Euroclear Operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian law (collectively, the "Terms and Conditions"). The Terms and Conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the Terms and Conditions only on behalf of Euroclear participants and has no record of or relationship with persons holding through Euroclear participants.

Purchases of the 2001 Bonds. Purchases of 2001 Bonds must be made by or through DTC Participants, which are to receive a credit for the 2001 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2001 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners shall not receive confirmation from DTC of their purchases, but Beneficial Owners are expected to receive written confirmations providing details of their transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participants through which the Beneficial Owners entered into the transactions. Transfers of ownership interests in the 2001 Bonds are to be accomplished by entries made on the books of DTC Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their beneficial ownership interests in the 2001 Bonds, unless use of the book-entry system is discontinued as described below.

DTC has no knowledge of the actual Beneficial Owners of the 2001 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2001 Bonds are credited, which may or may not be the Beneficial Owners. The DTC Participants shall remain responsible for keeping account of their holdings on behalf of their customers. For every transfer and exchange of beneficial ownership in the 2001 Bonds, the beneficial owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

Conveyances 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 shall be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. will consent or vote with respect to the 2001 Bonds. Under its usual procedures, DTC mails an omnibus proxy to the Corporation 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 2001 Bonds are credited on the record date (identified in a listing attached to the omnibus proxy).

Principal, redemption price and interest payments on the 2001 Bonds are to be made by the Trustee to DTC. Payments by DTC Participants to Beneficial Owners are to 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 shall be the responsibility of such DTC Participants and not of DTC, the Corporation or the Trustee, subject to any

statutory and regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Corporation and Trustee as set forth in the Resolution, and payments made by or on behalf of the Corporation to DTC or its nominee shall satisfy the Corporation's obligations under the Resolution. Disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

Distribution of the 2001 Bonds through Clearstream or Euroclear. Distributions with respect to the 2001 Bonds held through Clearstream or Euroclear will be credited to the cash accounts of Clearstream Participants or Euroclear Participants, as applicable, in accordance with the relevant system's rules and procedures, to the extent received by its depository. Such distributions will be subject to tax reporting in accordance with relevant United States tax laws and regulations. Clearstream or the Euroclear Operator, as the case may be, will take any other action permitted to be taken by a holder of the 2001 Bonds under the Resolution on behalf of a Clearstream Participant or Euroclear Participant only in accordance with the relevant rules and procedures and subject to the relevant Depository's ability to effect such actions on its behalf through DTC. Holders of the 2001 Bonds may hold their 2001 Bonds through DTC (in the United States) or Clearstream or Euroclear (in Europe) if they are participants of such systems, or indirectly through organizations which are participants in such systems.

The 2001 Bonds will initially be registered in the name of Cede & Co., the nominee of DTC. Clearstream and Euroclear may hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream's and Euroclear's names on the books of their respective depositories which in turn will hold such positions in customers' securities accounts in the depositories' names on the books of DTC.

Transfers of the 2001 Bonds between DTC Participants will occur in accordance with DTC Rules. Transfers between Clearstream Participants and Euroclear Participants will occur in accordance with their respective rules and operating procedures. Because of time zone differences, credits of securities received in Clearstream or Euroclear as a result of a transaction with a Participant will be made during subsequent securities settlement processing and dated the business day following the DTC settlement date. Such credits or any transactions in such securities settled during such processing will be reported to the relevant Euroclear or Clearstream Participants on such business day. Cash received in Clearstream or Euroclear as a result of sales of securities by or through a Clearstream Participant or Euroclear Participant to a Participant will be received with value on the DTC settlement date but will be available in the relevant Clearstream or Euroclear cash account only as of the business day following settlement in DTC.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC, and the Corporation takes no responsibility for the accuracy thereof.

THE CORPORATION, THE TRUSTEE AND THE UNDERWRITERS CANNOT AND DO NOT GIVE ANY ASSURANCES THAT THE DIRECT OR INDIRECT PARTICIPANTS OF DTC, CLEARSTREAM PARTICIPANTS OR EUROCLEAR PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE 2001 BONDS (i) PAYMENTS OF PRINCIPAL OF OR INTEREST ON THE 2001 BONDS, (ii) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTERESTS IN 2001 BONDS, OR (iii) NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNER OF THE 2001 BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC, DTC'S DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS, CLEARSTREAM PARTICIPANTS OR EUROCLEAR PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

NEITHER THE CORPORATION NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT OR INDIRECT PARTICIPANT OF DTC, CLEARSTREAM PARTICIPANT,

EUROCLEAR PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON WITH RESPECT TO: (1) THE 2001 BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT OR INDIRECT PARTICIPANT OF DTC, CLEARSTREAM, ANY CLEARSTREAM PARTICIPANT, EUROCLEAR OR ANY EUROCLEAR PARTICIPANT; (3) THE PAYMENT BY DTC, ANY DIRECT OR INDIRECT PARTICIPANT OF DTC, CLEARSTREAM, ANY CLEARSTREAM PARTICIPANT, EUROCLEAR OR ANY EUROCLEAR PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE 2001 BONDS; (4) THE DELIVERY BY DTC, ANY DIRECT OR INDIRECT PARTICIPANT OF DTC, CLEARSTREAM, ANY CLEARSTREAM PARTICIPANT, EUROCLEAR OR ANY EUROCLEAR PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO 2001 BONDHOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OR OTHER PAYMENT OF THE 2001 BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE HOLDER AND REGISTERED OWNER OF THE 2001 BONDS.

Discontinuation of Book-Entry Only System

If at any time, DTC notifies the Corporation that it is unwilling or unable to continue as Securities Depository with respect to the 2001 Bonds; or, if at any time DTC is no longer registered or in good standing under the Securities Exchange Act and a successor Securities Depository is not approved by the Corporation within 90 days after the Corporation receives notice or becomes aware of such condition, the book-entry system for the 2001 Bonds shall be discontinued. In addition, the Corporation may discontinue the book-entry system for 2001 Bonds at any time, by giving reasonable notice to DTC (or any successor securities depository).

In the event that the book-entry system for the 2001 Bonds is discontinued, the following provisions would apply, subject in each case to further conditions set forth in the Resolution.

Delivery of Certificates; Registered Owners

Certificates for 2001 Bonds in fully registered form would be delivered to, and registered in the names of, the Direct Participants, or such other persons as such Direct Participants may specify (which may be the Indirect Participants or Beneficial Owners), in authorized denominations. The ownership of the 2001 Bonds so delivered (and any 2001 Bonds thereafter delivered upon a transfer or exchange described below) would be registered in the registration books to be kept by the Trustee as the Bond Registrar of the Corporation. Except as provided in the Resolution, the Corporation and the Trustee would be entitled to treat the registered owners of such 2001 Bonds, as their names appear in such registration books as of the appropriate dates, as the owners thereof for all purposes described herein and in the Resolution.

Payment of 2001 Bonds

The principal of the 2001 Bonds would be payable upon surrender thereof at the principal corporate trust office of the Trustee, and interest would be payable by check or draft mailed by the Trustee to the registered owners of the 2001 Bonds as shown on the registration books of the Corporation maintained at the office of the Trustee as Bond Registrar as of the close of business on the Record Date for such interest payment date. Upon receipt of a written request by the Trustee, the Trustee would pay interest to any registered owner of 2001 Bonds in the aggregate principal amount of \$1,000,000 or more by wire transfer or by such other method as is acceptable to the Trustee and such registered owner of 2001 Bonds.

Transfers and Exchanges

The 2001 Bonds would be exchangeable at the principal office of the Trustee for a like aggregate principal amount of 2001 Bonds of other authorized denominations, and the execution by the Corporation of any 2001 Bond of any denomination would constitute full and due authorization of such denomination. The Trustee would thereby be authorized to authenticate and deliver such fully registered 2001 Bond. Upon surrender for transfer of any fully registered 2001 Bond at the principal office of the Trustee, the Corporation would execute and the Trustee would authenticate and deliver in the name of the transferee(s) a new fully registered 2001 Bond for a like aggregate principal amount.

The Trustee will require the payment by the Bondholder of any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer provided that the Trustee may not exchange or register the transfer of any 2001 Bond being called for redemption after the Record Date with respect to the redemption of such 2001 Bond.

Security for the 2001 Bonds

The 2001 Bonds and all Bonds heretofore or hereafter issued under the General Resolution are limited obligations of the Corporation, secured by and payable from the Pledged Assets, as herein defined (the "Pledged Assets"). Under the General Resolution, Pledged Assets securing the Bonds are:

- (1) Education Loans, including Guaranteed Loans and Alternative Loans, pledged under the General Resolution. See "EXPECTED APPLICATION OF 2001 BOND PROCEEDS." Each Guaranteed Loan is to be insured or guaranteed and reinsured as described herein. No Alternative Loan will be so insured or guaranteed and reinsured; provided, that Alternative Loans may be made or acquired only upon receipt of a confirmation of rating with respect to the 2001 Bonds and any additional bonds Outstanding under the General Resolution by the Rating Agencies, as herein defined. As of the date hereof, no Alternative Loans have been financed with proceeds of the Prior Bonds and no Alternative Loans are being financed with the initial proceeds of the 2001 Bonds.
- (2) Interest payments with respect to Education Loans made by or on behalf of borrowers.
- (3) All amounts received in respect of payment of principal on Education Loans held by the Corporation, including scheduled, delinquent and advance payments, payouts or prepayments, proceeds from the guarantee, or from the sale, assignment or other disposition of Education Loans.
- (4) Any applicable Special Allowance Payments authorized to be made by the Secretary in respect of Guaranteed Loans pursuant to Section 438 of the Higher Education Act or similar allowances authorized from time to time by federal law or regulation.
- (5) Any applicable Interest Subsidy Payments payable in respect of any Guaranteed Loans by the Secretary under Section 428 of the Higher Education Act.
- (6) Moneys and securities from time to time held by the Trustee under the terms of the Resolution (excluding moneys and securities held, or required to be deposited, in the Rebate Fund) and any and all other real or personal property of every name and nature from time to time by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred as and for additional security under the Resolution.

For a description of the Funds established by the Resolution, see "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION" herein.

The Portfolios of Guaranteed Loans - Summary Information

A substantial portion of the proceeds of the 2001 Bonds will be used initially to finance and refinance the acquisition and the making of Guaranteed Loans. Such Guaranteed Loans to be financed with proceeds of the 2001 Bonds and the Guaranteed Loans financed with proceeds of the Prior Bonds constitute a substantial portion of the Pledged Assets securing the Prior Bonds and the 2001 Bonds. The following charts provide summary information concerning certain characteristics of such Guaranteed Loans based on information with respect thereto as of a cutoff date of April 30, 2001. This information, particularly specific dollar amounts which change as a result of payments received, may have changed since that date.

Please note that percentages and numbers appearing in the following tables have been rounded to the nearest one-tenth of one percent and nearest whole number respectively. Due to such rounding, the sum of the percentages or numbers in any particular column may not exactly equal the totals shown.

General Information

Current Principal Balance	\$1,196,140,697
Number of Loans	382,087
Average Balance per Loan	\$ 3,131
Number of Borrowers	120,685
Average Balance per Borrower	\$ 9,911
Weighted Average Annual Borrower Interest Rate	8.08%
Weighted Average Remaining Term to Maturity	123.49 mos.

Loan Type Distribution

<u>Loan Type</u>	<u>Current Principal Balance</u>	<u>Percent of Total</u>	<u>Number of Loans</u>	<u>Percent of Total</u>
Subsidized Stafford Loans	\$720,495,157	60.2%	254,402	66.6%
Unsubsidized Stafford Loans	375,952,753	31.4	112,286	29.4
PLUS	50,114,192	4.2	12,472	3.3
SLS	400,603	0.0	134	0.0
Consolidation	49,177,992	4.1	2,793	0.7
Total	<u>\$1,196,140,697</u>	<u>100.0%</u>	<u>382,087</u>	<u>100.0%</u>

Special Allowance Type Distribution

<u>Special Allowance Payment Rates *</u>	<u>Current Principal Balance</u>	<u>Percent of Total</u>	<u>Number of Loans</u>	<u>Percent of Total</u>
T+2.20% for Interim Status and T+2.80% for Repayment Status	\$ 305,385,077	25.5 %	90,558	23.7 %
T+2.50% for Interim Status and T+3.10% for Repayment Status	391,151,335	32.7	125,628	32.9
T+3.10% or higher	239,002,435	20.0	98,900	25.9
CP+2.64%	49,541,704	4.1	4,847	1.3
CP+1.74% for Interim Status and CP+2.34% for Repayment Status	211,001,584	17.6	62,151	16.3
None	58,561	0.0	3	0.0
Total	<u>\$ 1,196,140,697</u>	<u>100.0%</u>	<u>382,087</u>	<u>100.0%</u>

* "T" refers as of any relevant time to the average bond-equivalent rate of the 91-day U.S. Treasury obligations auctioned during the immediately preceding calendar quarter. "CP" refers as of any relevant time to the bond equivalent rates of the quotes of the 3-month commercial paper (financial) rates in effect for each of the days in the calendar quarter as reported by the Federal Reserve in Publication H-15 (or its successor).

Remaining Repayment Term Distribution

<u>Remaining Repayment Term (in months)</u>	<u>Current Principal Balance</u>	<u>Percent of Total</u>	<u>Number of Loans</u>	<u>Percent of Total</u>
1 to 60	\$ 34,250,301	2.9%	28,175	7.4%
61 to 72	37,880,861	3.2	17,250	4.5
73 to 84	60,851,246	5.1	23,675	6.2
85 to 96	88,417,570	7.4	31,572	8.3
97 to 108	132,529,655	11.1	43,486	11.4
109 to 120	793,401,236	66.3	235,188	61.6
121 to 180	5,752,935	0.5	600	0.2
181 to 360	43,056,892	3.6	2,141	0.6
Total	<u>\$ 1,196,140,697</u>	<u>100.0%</u>	<u>382,087</u>	<u>100.0%</u>

Borrower Status Distribution

<u>Status</u>	<u>Current Principal Balance</u>	<u>Percent of Total</u>	<u>Number of Loans</u>	<u>Percent of Total</u>
In-School	\$ 388,093,433	32.4%	114,246	29.9%
Grace	55,735,238	4.7	19,183	5.0
Deferment	150,192,828	12.6	45,544	11.9
Forbearance	91,602,233	7.7	26,012	6.8
Repayment	509,493,647	42.6	176,725	46.3
Claim	1,023,317	0.1	377	0.1
Total	\$ 1,196,140,697	100.0%	382,087	100.0%

School Type Distribution

<u>School Type</u>	<u>Current Principal Balance</u>	<u>Percent of Total</u>	<u>Number of Loans</u>	<u>Percent of Total</u>
4-Year Public & Private	\$ 1,078,696,030	90.2%	341,218	89.3%
2-Year Public & Private	64,055,292	5.4	35,840	9.4
For Profit / Vocational	4,211,383	0.4	2,236	0.6
Consolidation or Unknown	49,177,992	4.1	2,793	0.7
Total	\$ 1,196,140,697	100.0%	382,087	100.0%

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Geographic Distribution By Borrower Address

<u>State</u>	<u>Current Principal Balance</u>	<u>Percent of Total</u>	<u>Number of Loans</u>	<u>Percent of Total</u>
Alabama	\$5,038,869	0.4%	1,344	0.4%
Alaska	305,914	0.0	130	0.0
Arizona	1,744,658	0.1	562	0.1
Arkansas	1,069,636	0.1	301	0.1
California	9,456,223	0.8	2,682	0.7
Colorado	2,832,476	0.2	806	0.2
Connecticut	5,218,014	0.4	1,486	0.4
Delaware	1,260,405	0.1	379	0.1
District of Columbia	1,903,188	0.2	494	0.1
Florida	23,139,687	1.9	7,037	1.8
Georgia	53,815,471	4.5	16,883	4.4
Hawaii	480,734	0.0	192	0.1
Idaho	385,650	0.0	112	0.0
Illinois	4,788,778	0.4	1,391	0.4
Indiana	2,561,026	0.2	770	0.2
Iowa	796,900	0.1	238	0.1
Kansas	730,950	0.1	236	0.1
Kentucky	4,418,131	0.4	1,234	0.3
Louisiana	2,846,176	0.2	761	0.2
Maine	1,009,977	0.1	313	0.1
Maryland	12,570,883	1.1	3,823	1.0
Massachusetts	5,481,962	0.5	1,634	0.4
Michigan	4,048,009	0.3	1,121	0.3
Minnesota	1,348,400	0.1	370	0.1
Mississippi	1,723,258	0.1	495	0.1
Missouri	1,966,290	0.2	559	0.1
Montana	261,936	0.0	83	0.0
Nebraska	470,854	0.0	134	0.0
Nevada	635,725	0.1	243	0.1
New Hampshire	1,123,560	0.1	322	0.1
New Jersey	9,611,811	0.8	2,961	0.8
New Mexico	660,582	0.1	175	0.0
New York	14,334,266	1.2	4,204	1.1
North Carolina	55,769,348	4.7	17,209	4.5
North Dakota	278,696	0.0	72	0.0
Ohio	7,563,129	0.6	2,276	0.6
Oklahoma	1,176,644	0.1	366	0.1
Oregon	1,018,476	0.1	309	0.1
Pennsylvania	8,722,737	0.7	2,548	0.7
Rhode Island	704,243	0.1	228	0.1
South Carolina	887,917,578	74.2	289,805	75.8
South Dakota	244,506	0.0	70	0.0
Tennessee	9,895,207	0.8	2,772	0.7
Texas	11,132,336	0.9	3,115	0.8
Utah	1,084,808	0.1	248	0.1
Vermont	566,449	0.0	146	0.0
Virginia	21,055,594	1.8	6,155	1.6
Washington	2,172,154	0.2	698	0.2
West Virginia	2,048,249	0.2	579	0.2
Wisconsin	1,384,887	0.1	422	0.1
Wyoming	354,651	0.0	81	0.0
Other	5,010,607	0.4	1,513	0.4
Total	<u>\$1,196,140,697</u>	<u>100.0%</u>	<u>382,087</u>	<u>100.0%</u>

Subsequently Acquired Education Loans

Payments, or portions thereof, received with respect to Pledged Assets, including subsequently acquired Education Loans, may be used and reused as herein described to finance and refinance the acquisition or making of additional or other Guaranteed Loans (and, upon receipt of a confirmation of rating with respect to the Prior Bonds, the 2001 Bonds and any additional Bonds issued and Outstanding under the General Resolution by the Rating Agencies (as herein defined), to finance Alternative Loans which are not so guaranteed, reinsured or insured). As of the date hereof, no Alternative Loans have been financed with proceeds of the Prior Bonds and no Alternative Loans are being financed with the initial proceeds of the 2001 Bonds. Alternative Loans could be acquired with payments received with respect to Pledged Assets or with proceeds of additional Bonds and thereby become part of the security for the Prior Bonds, the 2001 Bonds and such additional Bonds only upon satisfaction of the rating confirmation requirement of the General Resolution.

Redemption or Other Payment Prior to Maturity

The following information is subject to and must be read in the context of the information contained under the immediately succeeding subheading entitled "Prepayment Speeds and Average Life."

The 2001 Bonds are not subject to optional or extraordinary optional redemption prior to maturity but are subject to *pro-rata* principal reduction payments prior to maturity based upon Targeted Amortization Schedules adopted by the Corporation as set forth below.

The 1996 Series A-1 and A-2 Bonds, the 1997 Series A-1 and A-2 Bonds, the 1999 Bonds and the 2000 Bonds were also issued subject to principal reduction payments prior to maturity based upon Targeted Amortization Schedules adopted by the Corporation. As of the date hereof, all such scheduled Principal Reduction Payments for the 1996 Series A-1 and A-2 Bonds, the 1997 Series A-1 and A-2 Bonds, the 1999 Bonds and the 2000 Bonds have been made at the times and in the amounts contemplated by such Targeted Amortization Schedules and the 1996 Series A-1 Bonds and the 1997 Series A-1 Bonds have been fully paid. However, there can be no assurance that such performance will continue in the future with respect to such bonds or that Principal Reduction Payments for the 2001 Bonds will be made at the times and in the amounts reflected by the schedule below.

If Revenues Available for Debt Service are not sufficient to fully pay Principal Reduction Payments for all Outstanding Bonds subject thereto, then payments are to be first made with respect to the 1996 Series A-2 Bonds and the 1997 Series A-2 Bonds before being made with respect to the 1999 Bonds, the 2000 Bonds, the 2001 Bonds and any additional Senior Lien Bonds subject to such payments. For the 1999 Bonds, the 2000 Bonds, the 2001 Bonds and any subsequent Bonds subject to such payments, Principal Reduction Payments are made *pro rata* based upon the amount due, as adjusted, when Revenues Available for Debt Service are not sufficient to fully make such payments. Deficiencies in scheduled Principal Reduction Payments are added to the deposit requirement(s) for the next payment contemplated by such Targeted Amortization Schedule.

The Corporation has covenanted in the Series Resolution that it will not structure the principal payments of Additional Bonds issued under the General Resolution (whether by maturity, mandatory or other sinking fund redemptions or Principal Reduction Payments) in ways which would result in a postponement of the Principal Reduction Payments scheduled for the 2001 Bonds as a result of the diversion of Revenues Available for Debt Service to be received from Pledged Assets to the retirement of principal of such Additional Bonds. The Corporation is permitted to conclusively rely on a Cash Flow Certificate in complying with this covenant.

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The Targeted Amortization Schedules for the 1996 Series A-2 Bonds, the 1997 Series A-2 Bonds, the 1999 Bonds, the 2000 Bonds, the 2001L Bonds and the 2001CP Bonds are as follows:

Targeted Amortization Schedules

<u>Date</u>	<u>1996A-2 Bonds</u> ¹	<u>1997A-2 Bonds</u> ³	<u>1999 Bonds</u>	<u>2000 Bonds</u>	<u>2001L Bonds</u>	<u>2001CP Bonds</u>
06/01/01	7,125,849	11,041,543	11,206,042			
09/01/01	5,976,636	11,722,537	11,323,890			
12/01/01	5,959,981	11,439,850	11,570,992			
03/01/02	5,797,784	10,028,380	13,574,960			
06/01/02	5,653,237	7,860,940	18,293,312			
09/01/02	1,295,328	12,199,358	15,447,918			
12/01/02	-0-	13,212,626	15,191,871			
03/01/03	-0-	12,996,378	14,988,390			
06/01/03	-0-	12,801,747	15,200,738			
09/01/03	-0-	12,588,104	9,687,196			
12/01/03	-0-	12,366,971	-0-			
03/01/04	-0-	12,172,877	-0-	7,361,672	13,179,000	13,179,000
06/01/04	-0-	12,001,538	-0-	19,666,530	9,080,500	9,080,500
09/01/04	-0-	2,160,677	-0-	29,256,291	9,987,000	9,987,000
12/01/04	-0-	-0-	-0-	31,305,286	10,291,000	10,291,000
03/01/05	-0-	-0-	-0-	31,375,640	10,424,500	10,424,500
06/01/05	-0-	-0-	-0-	31,034,581	9,852,000	9,852,000
09/01/05	-0-	-0-	-0-	-0-	25,327,000	25,327,000
12/01/05	-0-	-0-	-0-	-0-	25,605,500	25,605,500
03/01/06	-0- ²	-0-	-0-	-0-	24,755,000	24,755,000
06/01/06		-0-	-0-	-0-	24,132,000	24,132,000
09/01/06		-0-	-0-	-0-	24,095,000	24,095,000
12/01/06		-0-	-0-	-0-	13,271,500	13,271,500
03/01/07		-0-	-0-	-0-	-0-	-0-
06/01/07		-0-	-0-	-0-	-0-	-0-
09/01/07		-0-	-0- ⁵	-0-	-0-	-0-
12/01/07		-0- ⁴		-0-	-0-	-0-
03/01/08				-0-	-0-	-0-
06/01/08				-0-	-0-	-0-
09/01/08				-0-	-0-	-0-
12/01/08				-0-	-0-	-0-
03/01/09				-0-	-0-	-0-
06/01/09				-0-	-0-	-0-
09/01/09				-0-	-0-	-0-
12/01/09				-0-	-0-	-0-
03/01/10				-0-	-0-	-0-
06/01/10				-0- ⁶	-0-	-0-
09/01/10					-0-	-0-
12/01/10					-0-	-0-
03/01/11					-0-	-0-
06/01/11					-0-	-0-
09/01/11					-0-	-0-
12/01/11					-0-	-0-
03/01/12					-0-	-0-
06/01/12					-0- ⁷	-0- ⁸
Totals	\$31,808,815	\$ 154,593,526	\$136,485,309	\$150,000,000	\$ 200,000,000	\$ 200,000,000

- ¹ 1996 Series A-1 Bonds are paid in full
- ² Stated Maturity of 1996 Series A-2 Bonds
- ³ 1997 Series A-1 Bonds are paid in full
- ⁴ Stated Maturity of 1997 Series A-2 Bonds
- ⁵ Stated Maturity of 1999 Bonds
- ⁶ Stated Maturity of 2000 Bonds
- ⁷ Stated Maturity of 2001L Bonds
- ⁸ Stated Maturity of 2001CP Bonds

Failure by the Corporation to make any payment contemplated by an applicable Targeted Amortization Schedule is not a payment default.

With respect to Principal Reduction Payments, the Trustee may, to the extent necessary to avoid payments of fractional cents, reduce scheduled payments by up to \$1,000. To the extent the Trustee effects any such reduction, such amount shall be carried over to the next scheduled Principal Reduction Payment.

Prepayment Speeds and Average Life

The speed at which payments are received on Education Loans may be measured relative to a prepayment standard or model. The base case pro forma cash flow model used for purposes of projecting the payments on the Education Loans is based upon a constant prepayment rate ("CPR") of 7%. A 7% CPR has been selected by the Corporation as appropriate based upon its historical experience in servicing Education Loans. For purposes of projecting payments on the Education Loans, CPR is assumed to represent principal prepayments (including prepayments from loan consolidations) and default reimbursements of principal with respect to the Guaranteed Loans.

"Weighted average life" refers to the average amount of time that will elapse from the date of issuance of the 2001 Bonds until each dollar of principal thereof is repaid. The weighted average life of the 2001 Bonds will be influenced by the actual payment speed on Education Loans which impacts the ability of the Corporation to make payments in accordance with the respective Targeted Amortization Schedules for the 1996 Bonds, the 1997 Bonds, the 1999 Bonds, the 2000 Bonds and the 2001 Bonds. The following table illustrates the effect on weighted average life for the 2001 Bonds at various CPR assumptions:

Weighted Average Life of 2001 Bonds (in years) at

<u>0% CPR</u>	<u>3% CPR</u>	<u>5% CPR</u>	<u>7% CPR</u>	<u>9% CPR</u>
5.0	4.5	4.4	4.4	4.4

There can be no assurance (i) that any assumptions used in the base case cash flow model, including CPR assumptions, are correct, (ii) that cash flows as projected based upon such assumptions will, in fact, be realized, or (iii) that, if realized, such cash flows will be sufficient to make principal reduction payments with respect to the 1996 Bonds, the 1997 Bonds, the 1999 Bonds, the 2000 Bonds or the 2001 Bonds in accordance with their respective Targeted Amortization Schedules or at all. Any variation in actual experience from such assumptions can adversely affect the Corporation's ability to meet the payments contemplated by the Targeted Amortization Schedules for the 1996 Bonds, the 1997 Bonds, the 1999 Bonds, the 2000 Bonds and the 2001 Bonds, respectively, and, therefore, cause the actual weighted average life of the 2001 Bonds to extend beyond that projected based upon such assumptions. Potential purchasers of the 2001 Bonds are again reminded that failure by the Corporation to make any payment contemplated by such Targeted Amortization Schedule shall not constitute a payment default with respect to the 2001 Bonds.

CERTAIN ASSUMPTIONS AND CONSIDERATIONS

Based on what are believed to be reasonable assumptions regarding the current and future composition of and yield on the portfolio of Education Loans, the rate of return on moneys invested in various Funds under the Resolution, and the occurrence of future events and conditions, the Corporation expects that the Pledged Assets will be sufficient to meet principal and interest payments due on the Prior Bonds and the 2001 Bonds. However, there is no assurance, for example, that the amount and timing of Education Loans currently held or to be acquired will conform to current expectations, that interest and principal payments from the Education Loans will be received as anticipated, that the reinvestment rates assumed on the balances in various Funds will be realized, or that Special Allowance Payments with respect to Guaranteed Loans will be received in the amounts and at the times anticipated. Moreover, future events over which the Corporation has no control may materially adversely affect the Corporation's actual receipt of Revenues Available for Debt Service.

In particular, the assumed receipt of principal payments on Education Loans may be accelerated due to various factors, including, among others: (i) default claims or claims due to the disability, death or bankruptcy of the borrowers greater than those assumed; (ii) actual principal amortization periods which are shorter than those assumed

based upon the current analysis of the Corporation's Education Loan portfolio; (iii) the commencement of principal repayment by borrowers on dates earlier than those assumed based upon the current analysis of the Corporation's Education Loan portfolio; (iv) principal prepayments due to refinancing or consolidation of Education Loans; (v) economic conditions which encourage borrowers to refinance or prepay their loans prior to maturity; and (vi) changes in federal law which may affect the timing of the receipt of funds by the Corporation.

In addition, the assumed receipt of principal and interest payments on Education Loans may be delayed or reduced due to numerous factors, including, among others: (i) borrowers entering deferment periods due to a return to school or other eligible purposes; (ii) forbearance being granted to borrowers; (iii) Education Loans becoming delinquent for periods longer than assumed; (iv) actual loan principal amortization periods which are longer than those assumed, including, but not limited to, consolidation refinancings by the Corporation of loans constituting Pledged Assets resulting in longer repayment periods; (v) the commencement of principal repayment by borrowers at dates later than those assumed based upon the current analysis of the Education Loan portfolio; and (vi) changes in federal law which may affect the timing of the receipt of funds by the Corporation.

RISK FACTORS

Experience May Vary from Assumptions

There can be no assurance that the assumptions and considerations relied upon by the Corporation with respect to its expectations concerning the timing and sufficiency of receipts of revenues with respect to the Pledged Assets are accurate or that actual experience will not vary from such assumptions and considerations.

Interest Rates and Differentials

As described above, the interest rates on the 2001L Bonds and the 2001CP Bonds will vary from time to time based on changes in the LIBOR Rate or the CP Rate from which they are respectively determined. These indices will fluctuate over time based upon market conditions, national and international conditions and numerous other factors, all of which are totally beyond the control or anticipation of the Corporation. The interest payments, and certain other interest related payments, received by the Corporation from Guaranteed Loans will also vary from time to time based on changes in the bond equivalent rate of U.S. Treasury Bills and Commercial Paper rates, as applicable. Because of the differences in the bases for the calculation of interest payable on the 2001 Bonds and the determination of the interest and interest-related payments received by the Corporation from Guaranteed Loans securing the Prior Bonds and the 2001 Bonds, there could be times when interest and interest-related payments received by the Corporation are not sufficient to cover interest payments to be made on the Prior Bonds, the 2001 Bonds and other costs of the Corporation in servicing such Education Loans and administering its Student Loan Finance Program. Further, proceeds of the 2001 Bonds and moneys in the funds and accounts under the Resolutions may be invested from time to time in instruments other than Education Loans and which bear interest at rates which fluctuate and which differ from, and may be less than, the interest rates on the 2001 Bonds.

Changes in the Higher Education Act

The Higher Education Act is scheduled to be reauthorized in 2003. There can be no assurance that such reauthorization will occur or, if it does, that substantial changes will not be made in the Federal Family Education Loan Program as a part of such reauthorization. In recent years federally enacted legislation has made substantial changes to the current guaranteed education loan programs under the Higher Education Act. Among other things, such legislation has established a Federal Direct Student Loan Program and amended the Higher Education Act in ways which affect existing programs. See EXHIBIT I -- "SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM." No prior amendments have been retrospective in their application to loans originated or disbursed prior to the effective date of such amendments. Nevertheless, there can be no assurance that the Higher Education Act will be reauthorized by Congress or that such reauthorization will not change current provisions of the Higher Education Act or that future amendments will not be made to all or portions of the Higher Education Act, any or all of which may materially adversely affect the sufficiency of the Guaranteed Loans constituting Pledged Assets and the Pledged Receipts to pay the principal of and interest on the Bonds and any permitted Additional Bonds, as and when due.

Noncompliance with the Higher Education Act

Noncompliance with the Higher Education Act with respect to Guaranteed Loans by the Corporation or the Authority may adversely affect payment of principal of and interest on the 2001 Bonds when due. The Higher Education Act and the applicable regulations thereunder require the lenders making Guaranteed Loans, Guarantee Agencies guaranteeing Guaranteed Loans and lenders or servicers servicing Guaranteed Loans to follow certain due diligence procedures in an effort to ensure that Guaranteed Loans are properly made and disbursed to, and timely repaid by, the borrowers. Such due diligence procedures include certain loan application procedures, certain loan origination procedures and, when a Guaranteed Loan is in default, certain loan collection procedures. The procedures to make, guarantee and service Higher Education Act loans are set forth in the Code of Federal Regulations and other documents of the Department of Education, and no attempt has been made in this Official Statement to describe those procedures in their entirety. Failure to follow such procedures may result in the Secretary's refusal to make reinsurance payments to a Guarantee Agency on such loans or may result in the Guarantee Agency's refusal to honor its guarantee on such loans to holders of guaranteed loans, including the Corporation. Such action by the Secretary could adversely affect a Guarantee Agency's ability to honor guarantee claims, and loss of guarantee payments to the Corporation could adversely affect the ability of the Corporation to make payment of principal of and interest on the 2001 Bonds.

Uncertainty as to Available Remedies

The remedies available to owners of the 2001 Bonds upon an Event of Default under the General Resolution or other documents described herein are in many respects dependent upon regulatory and judicial actions which often are subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code, the remedies specified by the General Resolution and such other documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the respective issuances of the 2001 Bonds will be qualified, as to the enforceability of the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

Secondary Market

The Underwriters may assist in resales of the 2001 Bonds but are not required to do so. A secondary market for the 2001 Bonds may not develop. If a secondary market does develop, it might not continue or it might not be sufficiently liquid to allow the resale of any of the 2001 Bonds.

Furthermore, the interest rate procedures and transfer requirements described herein may limit the liquidity and marketability of 2001 Bonds and therefore may not yield an owner the best possible price for a 2001 Bond. The ratings of the 2001 Bonds by the rating agencies will not address the market liquidity of the 2001 Bonds.

Financial Health of Guarantee Agencies

The Guaranteed Loans are not secured by any collateral of the borrowers. Payments of principal and interest are guaranteed in whole or in part, as herein further described in EXHIBIT I, by Guarantee Agencies to the extent described herein. Excessive borrower defaults could impair a Guarantee Agency's ability to meet its guarantee obligations. The financial health of a Guarantee Agency could affect the timing and amount of available funds for any collection period and the Corporation's ability to pay principal of and interest on the 2001 Bonds.

Although a holder of Guaranteed Loans could submit default claims for payment directly to the Secretary pursuant to Section 432(o) of the Higher Education Act if the Secretary determines that a Guarantee Agency is unable to meet its insurance obligations, there is no assurance that the Secretary would make such a determination or that it would pay claims in a timely manner. The Corporation may receive claim payments on Guaranteed Loans directly from the Secretary under Section 432(o) if such a determination is made. See "EXHIBIT I - SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM."

Additional Bonds

The Corporation may, from time to time, issue Additional Bonds or incur other obligations secured by Education Loans and Pledged Receipts securing the 2001 Bonds without the consent or approval of any existing Bondholders. These Bonds or other obligations may be on a parity with or subordinate to existing classes of Bonds in right of payment.

Competition

The Corporation faces competition from other lenders that could decrease the volume of Education Loans that could be acquired. Additionally, the Higher Education Act provides for a Federal Direct Student Loan Program. This program could result in reductions in the volume of loans made under the Federal Family Education Loan Program. Reduced volume in the Corporation's program in particular and in the Federal Family Education Loan Program in general may cause increased costs due to reduced economies of scale. These cost increases could reduce the ability to service the Education Loans. This could also reduce revenues received by the Guarantee Agency available to pay claims on defaulted Guaranteed Loans. See "EXHIBIT I – SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM."

Sale of Education Loans After Default

Upon the occurrence of an Event of Default under the General Resolution, Education Loans may have to be sold. However, it may not be possible to find a purchaser for the Education Loans. Also, the market value of the Education Loans plus other assets available for the payment of Bonds may not equal the principal amount of Bonds Outstanding plus accrued interest. The competition currently existing in the secondary market for Education Loans also could be reduced, resulting in fewer potential buyers of the Education Loans and lower prices available in the secondary market for those loans. The Bondholders may suffer a loss in circumstances such as these if purchaser(s) cannot be found who are willing to pay sufficient prices for the Education Loans.

Differing Incentive and Repayment Terms

Under some borrower payment incentive programs, a portion of the principal of Education Loans may be forgiven and/or interest rates on financed Education Loans may be reduced based upon the graduation and payment performance of the borrowers. The Corporation cannot predict which borrowers will qualify for or decide to participate in these programs. The effect of these incentive programs may be to reduce the yield on the Education Loans. However, such incentive programs, if successful, may also reduce servicing and administrative costs associated with the Education Loans of borrowers qualifying for and participating in such incentive programs.

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EXPECTED APPLICATION OF 2001 BOND PROCEEDS

The proceeds of the 2001 Bonds are to be used for a deposit to (i) the Senior Lien Account of the Debt Service Reserve Fund to meet the Debt Service Reserve Requirement for the 2001 Bonds; (ii) the Interest Account of the Debt Service Fund; and, (iii) the Cost of Issuance Account in the Program Fund in an amount sufficient to pay costs of issuance of the 2001 Bonds. The Trustee will withdraw moneys from the Cost of Issuance Account from time to time for the purpose of paying such costs of issuance, and moneys so withdrawn and paid shall be free and clear of the pledge created by the General Resolution. After the foregoing deposits are made, the remainder of the proceeds of the 2001 Bonds will be deposited in the Taxable Bond Subaccount of the Loan Account of the Program Fund. Most of the proceeds of the 2001 Bonds deposited in the Taxable Bond Subaccount of the Loan Account will be utilized on or about the settlement date to finance and refinance the acquisition and the making of Guaranteed Loans; provided, however, approximately \$10 million of such proceeds deposited in the Loan Account will not be utilized until such later dates as determined by the Corporation; provided, that all such proceeds deposited in the Loan Account must be disbursed on or prior to December 31, 2003 (or such later date as may be confirmed by the Rating Agencies) to finance and refinance the acquisition and the making of Guaranteed Loans. If any moneys shall remain after December 31, 2003 (or such later date as may be confirmed by the Rating Agencies), such excess shall be deposited in the Principal Account of the Debt Service Fund and applied to Principal Reduction Payments next coming due on any Bonds Outstanding and then to the redemption of Bonds which are subject to redemption. Proceeds of the 2001 Bonds in the Loan Account will be initially applied for financing and refinancing the acquisition and the making of Guaranteed Loans.

The Corporation presently estimates that the proceeds of sale of the 2001 Bonds will be applied approximately as follows:

Deposit to the Loan Account of Program Fund, to be used to finance or acquire Guaranteed Loans	\$373,147,456
Deposit to the Debt Service Reserve Fund	3,000,000
Deposit to Interest Account of the Debt Service Fund	21,556,544
Underwriting discount and deposit to the Program Fund to pay certain other Costs of Issuance	<u>2,296,000</u>
Total	<u>\$400,000,000</u>

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THE CORPORATION

The Corporation is a nonprofit, public benefit corporation incorporated on November 15, 1973, pursuant to the laws of the State of South Carolina. Under its Restated and Amended Articles of Incorporation, the Corporation has the power to receive, invest, administer and disburse funds for educational purposes so as to enable persons to attend eligible educational institutions beyond the secondary school level and to make, handle, service and deal with student and parent loans as provided in the Higher Education Act. The Corporation has been designated by the South Carolina State Education Assistance Authority (the "Authority") as an "Eligible Lender" pursuant to Title IV of the Higher Education Act and, as agent of and independent contractor with the Authority, serves as the principal originator and servicer of Guaranteed Loans (as hereinafter defined) guaranteed by the Authority.

Management and Administration

The Corporation is governed by its Board of Directors, which may officially act by a majority of its members. The Corporation's Chairman and other Directors are as follows:

Board of Directors of the Corporation

<u>Name of Director</u>	<u>Principal Occupation</u>	<u>Term Ends</u>
Fred L. Green, III, Chairman	President & CEO, National Bank of South Carolina	6/30/02
G. Lee Cory, Vice Chairman	Retired President, Branch Banking & Trust Company of South Carolina	6/30/01
Robert W. Derrick, Vice Chairman	Senior Vice President, Wachovia Bank, N.A.	6/30/02
H. Roderick Murchison, Treasurer	Treasurer, South Carolina Public Service Authority (Santee Cooper)	6/30/03
William M. Mackie, Jr., Secretary	President and CEO, South Carolina Student Loan Corporation	6/30/04
Melvin E. Barnette	President and Principal Consultant, Melvin E. Barnette & Associates, Inc.	6/30/02
Sharon W. Bryant	Director of Human Resources, First Citizens Bank & Trust Company of South Carolina	6/30/03
R. Thornwell Dunlap, Jr.	Chairman of the Board, The County Bank	6/30/03
J. Thorton Kirby	Executive Secretary to the Board of Trustees, Clemson University	6/30/02
James C. McColl	Executive Vice President, Bank of America, N.A.	6/30/04
Lisa P. Montgomery	CFO, Medical University Hospital Authority	6/30/04
Dr. Dennis A. Pruitt, Sr.	Vice Pres. for Student & Alumni Services and Dean of Students - University of South Carolina	6/30/03

The Corporation's principal office is located at Interstate Center, Suite 210, 16 Berryhill Road, Columbia, South Carolina 29210, and its telephone number is (803) 772-9480. The Corporation employs a staff of approximately 200 people. The Corporation's Senior Management is as follows:

Senior Management

William M. Mackie, Jr., *President and CEO*
J. Kenneth Player, *Executive Vice President and COO*
Norma M. Bowman, *Vice President-Human Resources*
Michael E. Fox, *Vice President-Guaranty Agency Services*
Jennifer A. Jones-Gaddy, *Vice President-Loan Originations*
Marsha B. King, *Vice President-Support Services*
Wayne R. Kirby, *Vice President-Information Systems*
Gerald I. Long, *Vice President-Repayment Services*
Laura J. Rowell, *Vice President-Fiscal Operations*

William M. Mackie, Jr. serves as President and Chief Executive Officer of the Corporation and is responsible for overall corporate management and direction. Mr. Mackie also serves as Secretary of the Corporation's Board of Directors. He has served as the Corporation's chief executive officer since its founding in 1974. Mr. Mackie previously served as the Associate Director of Admissions and Financial Aid at Wake Forest University from 1964 to 1974. He received a B.S. and an M.Ed. from Wake Forest University. Mr. Mackie is professionally very active in the National Council of Higher Education Loan Programs, having served as President in 1992-93, and is also presently a member of the Board of Directors of the Education Finance Council.

J. Kenneth Player serves as Executive Vice President and Chief Operating Officer of the Corporation and has been responsible for the day-to-day management and coordination of all corporate business activities since 1977. Mr. Player is a former member of the Board of the Southern Association of Student Financial Aid Administrators. He also is very active in the South Carolina Association of Student Financial Aid Administrators, having previously served as President, and is a former Chairman of the Debt Management Committee of the National Council of Higher Education Loan Programs. Mr. Player received his B. S. degree in Accounting from Brigham Young University and his MBA from the University of South Carolina.

Program Administration

In its administration of the Student Loan Finance Program for the Authority, the Corporation serves as a central, statewide lender and assists students and parents in obtaining funds to attend institutions of post-secondary education within or beyond the boundaries of the State. Since its inception, the Corporation has originated more than 790,000 loans to more than 330,000 students and parents.

Servicing of Guaranteed Loans

Since May 31, 1979, the Corporation has serviced all student and parent loans it has made, all student and parent loans made by the Authority and all student and parent loans financed or owned by various commercial banks, pending purchase by the Corporation of such loans from the proceeds of a series of bonds.

The Corporation provides the personnel necessary to perform all servicing of Guaranteed Loans, which services include, but are not limited to: (i) verifying that all required documents for each Guaranteed Loan have been delivered and that each loan qualifies as a Guaranteed Loan; (ii) maintaining and updating all loan records; (iii) performing due diligence necessary to collect loans according to standards set by the Secretary and the Authority, as applicable; (iv) taking any action necessary to collect delinquent loans; and (v) performing any other functions associated with the servicing of Guaranteed Loans.

As of April 30, 2001, the aggregate principal amount of Guaranteed Loans being serviced by the Corporation was approximately \$1.43 billion. Since the inception of the Corporation, the cumulative aggregate principal amount of Guaranteed Loans serviced by the Corporation totals approximately \$2.52 billion. Shown in the table below is information with respect to guarantee claims filed by the Corporation in recent years with regard to Guaranteed Loans

served by the Corporation. There can be no assurance that the Corporation's experience, as reflected in the table, will not be materially different in the future.

Static Analysis of Guarantee Claims, Rejects & Cures

Federal Fiscal Year	Total Claims Filed ¹	Gross Reject Amount ¹	Gross Reject Rate	Cure Amount ²	Net Reject Amount	Net Reject Rate
1996	\$ 6,343,354.29	\$ 3,191.96	0.05%	\$ 3,191.96	\$0.00	0.00%
1997	9,228,859.90	2,938.70	0.03	2,938.70	0.00	0.00
1998	10,399,950.97	0.00	0.00	0.00	0.00	0.00
1999	14,293,385.22	5,850.90	0.04	0.00	5,850.90	0.04
2000	13,590,830.53	0.00	0.00	0.00	0.00	0.00
Grand Total	\$53,856,380.91	\$11,981.56	0.02%	\$6,130.66	\$5,850.90	0.01%

¹ Includes 100% of principal and interest, rather than only the guaranteed portion. Also includes lender-of-last-resort loan claims as well as claims for deaths, disabilities and bankruptcies. Loans which are subsequently rehabilitated or repurchased are not netted from the claims filed.

² Amount of the rejects which had been cured as of April 30, 2001.

Borrower Benefit Programs

In making Guaranteed Loans, the Corporation has implemented incentive programs to encourage educational borrowers to both complete their education and to repay their educational loans responsibly. All or a portion of the Guaranteed Loans funded with proceeds of the 2001 Bonds may be subject to such incentive programs. Under one program, borrowers who receive loan disbursements on or after May 1, 2000, who obtain their degrees and repay their loans in a timely manner may have a portion of their loans forgiven. The dollar amount of the forgiveness depends upon the level of the degree earned. Degree and forgiveness levels are as follows:

Associate Degree	\$250.00
Bachelor Degree	\$500.00
Graduate/Professional Degree	\$750.00

The Corporation also offers certain conditional repayment incentives to borrowers. For example, since May 19, 1997, borrowers who enroll in automatic debit plans for repayment of their loans have their interest rates reduced by 0.25%. Additionally, from and after June 1, 1999, Stafford Loan and PLUS borrowers making 48 consecutive loan repayments in the scheduled amount and on time have their interest rates reduced by 2.0% effective after the last such required payment while Consolidation Loan Borrowers meeting such payment requirements have their interest rates reduced by 1.0% for such payment performance on their Consolidation Loans. Early payments, in whole or in part, of the required 48 consecutive loan repayments are currently permitted. Presently, once a borrower has qualified for an interest rate reduction based on such good payment performance, subsequent delinquencies in payments will not cause a readjustment of the applicable interest rate on that borrower's qualifying loan. The Corporation reserves the right to modify or terminate such incentive programs at any time and to offer new and different incentive programs.

Other Programs

The Corporation currently administers other loan programs in the State, including a Teachers Loan Program and a Palmetto Alternative Loan Program. Loans made under these programs are not pledged as security for the benefit of any Bonds of the Corporation.

Financial Information

Certain financial information with respect to the Corporation is provided in EXHIBIT III hereto. Such financial information is furnished as of the date shown thereon; and, although the Corporation believes such information to be materially correct as of its date, there can be no assurance that the financial condition of the Corporation has not changed between the date of such information and the date of this Official Statement. The Corporation makes no representation that such changes have not occurred.

SOUTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY

The Authority is a body politic and corporate and a public instrumentality of the State of South Carolina. It was created by Act No. 433 of the Acts and Joint Resolutions of the General Assembly for the year 1971, now codified as Chapter 115, Title 59 of the Code of Laws of South Carolina, 1976, as amended (the "Act"). The constitutionality of the Act was sustained in Durham v. McLeod, 259 S.C. 409, 192 S.E.2d 202, appeal dismissed 413 U.S. 902. The Authority was originally created in order to provide a means of making loans to students in order to enable them to attend institutions of higher learning, post-secondary business, trade or technical educational schools, and vocational and training schools which have been approved by the Authority. Such institutions may be located within or beyond the boundaries of the State.

The Authority is governed by its members who, under the Act, are the members of the State Budget and Control Board. The Authority's address is Office of State Treasurer, P.O. Box 11778, Columbia, South Carolina 29211. As of the date hereof the members of the Authority are as follows:

Members of the Authority

<u>Name of Member</u>	<u>Office Held</u>
Hon. James H. Hodges	Governor of South Carolina
Hon. Grady L. Patterson, Jr.	State Treasurer of South Carolina
Hon. James A. Lander	Comptroller General of South Carolina
Hon. Hugh K. Leatherman	Chairman, South Carolina Senate Finance Committee
Hon. Robert W. Harrell, Jr.	Chairman, South Carolina House of Representatives Ways and Means Committee

The Authority discharges its statutory obligations through two distinct programs. The program through which the Authority conducts its guarantee activities is herein referred to as the "Student Loan Insurance Program." The program through which the Authority and the Corporation finance Guaranteed Loans is herein referred to as the "Student Loan Finance Program."

Student Loan Insurance Program

In May of 1978, the Authority initiated its Student Loan Insurance Program and commenced guaranteeing Guaranteed Loans as the guarantee agency for the State under Section 428(c) of the Higher Education Act. In order to effectively administer its Student Loan Insurance Program, the Authority processes loans submitted for guarantee, issues loan guarantees, provides collection assistance for delinquent loans, pays claims for loans in default, collects loans on which default claims have been paid and makes appropriate responses to the Secretary. The Authority is also responsible for initiating policy and performing compliance reviews as required by the Higher Education Act with respect to certain schools participating in the Student Loan Insurance Program. As of April 30, 2001, the outstanding principal amount of Guaranteed Loans guaranteed by the Authority, and originated and serviced by the Corporation, was \$1.43 billion of which approximately \$780 million was in repayment status.

For a further description of the terms and conditions of these types of loans, see EXHIBIT I entitled "SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM" herein.

Pursuant to the Authority's Student Loan Insurance Program, any eligible holder of a loan guaranteed by the Authority, including the Authority in its capacity as an eligible holder, is currently entitled to reimbursement from

the Authority for 100% of any proven loss incurred resulting from the default, death, permanent and total disability, or discharge in bankruptcy of the borrower for loans disbursed prior to October 1, 1993 and 98% of any proven loss incurred with respect to defaulted claims (and 100% of any proven loss with respect to certain other claims) thereafter. See EXHIBIT I entitled "SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM" herein.

The Authority must pay a lender for a defaulted loan prior to submitting a claim to the Secretary for reimbursement. The Authority's experience is that reimbursement from the Secretary occurs approximately 45 days from the time a request is submitted for reimbursement. The Higher Education Act requires the Authority submit a request for reimbursement by the Secretary within 45 days from the date the claim is paid. Under present practice, after the Secretary reimburses the Authority for a default claim paid on a Guaranteed Loan, the Authority must continue to seek repayment from the borrower. Following are the Authority's default and recovery rates for the federal fiscal years set forth below:

<u>Federal Fiscal Year Ended September 30</u>	<u>Default Claims</u>	<u>Default Rate (Trigger Rate)*</u>	<u>Recoveries</u>	<u>Recovery Rate</u>
1995	\$ 3,396,335	1.10 %	\$ 2,587,870	18.42 %
1996	3,068,872	0.83	3,496,604	22.63
1997	4,680,855	0.94	3,534,451	22.31
1998	5,917,897	0.98	3,812,821	18.00
1999	8,376,362	1.15	5,298,855	21.04
2000	6,589,960	0.78	5,837,720	19.37

** Trigger Rate indicates loans defaulted during a federal fiscal year divided by loans in repayment at the beginning of such fiscal year. Under the Higher Education Act, as currently in effect, if a Guarantee Agency's Trigger Rate exceeds 5% then the applicable percentage at which the Secretary reinsures loans guaranteed by that Guarantee Agency begins to decline below the otherwise applicable level.*

If a payment on a Guaranteed Loan is received after reimbursement by the Secretary, the Secretary is entitled to receive an equitable share of the payment. An equitable share is deemed to be the balance remaining after the Authority deducts an amount equal to (i) the complement of the reimbursement percentage in effect at the time of reimbursement and (ii) certain administrative costs, to the extent such costs do not exceed 24% of the borrower's payment. Under this formula, the Authority retains 24% of the borrower's payment and remits the balance to the Secretary. See EXHIBIT I entitled "SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM" herein.

Loan Guarantee Reserve Fund

Pursuant to the Act, the Authority has established a Loan Guarantee Reserve Fund to further secure its loan guarantee obligations. The Loan Guarantee Reserve Fund may be used by the Authority to remedy defaults on student or parent loans to the extent such defaulted loans are not covered by an existing or future program of federal insurance or reinsurance. See also the discussion of the recently established Federal Student Loan Reserve Fund in EXHIBIT I hereto entitled "SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM" under the subheading "Guarantee and Reinsurance for FFELP Loans."

Sources of funds for the Loan Guarantee Reserve Fund include premiums, if any, received by the Authority for guaranteeing student or parent loans and all moneys made available to the Authority for the guaranteeing of Guaranteed Loans, including federal funds made available for such purpose. The Authority has not charged guaranty premiums for loans guaranteed since March 1, 1999; however, the Authority has reserved the right to reinstate such charges at such times and in such lawful amounts as it deems appropriate. Moneys in the Loan Guarantee Reserve Fund may not be pledged to the repayment of the Authority's revenue bonds. The liability of the Authority to guarantee student and parent loans does not constitute a pledge of the faith and credit of the State but is payable solely from moneys in the Loan Guarantee Reserve Fund.

After payment of the fourth of five equal annual installments of \$ 1,366,043 in reserve recall payments to the Secretary (as further described below), funds available in the Loan Guarantee Reserve Fund were approximately \$14,574,876 as of March 31, 2001. Funds available in the Loan Guarantee Reserve Fund are restricted by federal regulations and amendments to the Higher Education Act. Further, additional reserve recalls were enacted by Congress as a part of the 1998 reauthorization of the Higher Education Act. However, the Authority has not yet been advised what its share will be of such additional recalls. See EXHIBIT I hereto entitled "SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM" under the subheading "Guarantee and Reinsurance for FFELP Loans."

Federalization and Recall of Guarantee Agency Reserves

To comply with the Balanced Budget Act of 1997, the Authority has established a Public Law 105-33 Recall Account (the "Recall Account") and a Public Law 105-33 Earnings Account pursuant to a Custody Agreement with The Bank of New York. As of the date hereof, the Authority has deposited four installments totaling \$5,464,172 in the Recall Account. One additional annual installment of \$1,366,043 will be made to meet the Authority's obligations under the Balanced Budget Act of 1997.

Pursuant to certain provisions of the 1998 reauthorization of the Higher Education Act, each Guarantee Agency is required to establish a Federal Student Loan Reserve Fund (the "Federal Fund") into which all federal reserves are to be deposited and, subject to some transitional exceptions, such amounts deposited in the Federal Fund can only be used to pay lender claims on defaulted loans and to disburse default prevention fees to an Agency Operating Fund. Earnings on the Federal Fund are the sole property of the federal government. Each Guarantee Agency is also required to establish an Agency Operating Fund within 45 days of enactment of the 1998 reauthorization legislation. All loan processing and issuance fees, portfolio maintenance fees and default prevention fees paid by the Secretary as well as the unreinsured portion of default collections (after payment of the Secretary's equitable share and excluding required deposits in the Federal Fund) are required to be deposited in the Agency Operating Fund. Except for funds transferred from the Federal Fund, the Agency Operating Fund is considered to be the property of the Guarantee Agency. As of March 31, 2001, the balance in the Authority's Agency Operating Fund was \$9,707,962.

Additionally, the 1998 reauthorization legislation requires the Secretary to annually recall additional Guarantee Agency reserves in the amounts of \$85,000,000 for federal fiscal year 2002 and \$82,500,000 in each of federal fiscal years 2006 and 2007 (total additional recall of \$250,000,000). Each Guarantee Agency is required to annually return its required share of this additional recall of reserves. The required share is determined on an equal percentage basis by dividing the total additional recalled amount by the total amount of all guarantee agencies reserves held on September 30, 1996 less any amounts subject to prior recall under the Balanced Budget Act of 1997.

See also the discussion of the amendments to the Higher Education Act related to Guarantee Agency Reserves in EXHIBIT I hereto entitled "SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM."

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SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION

The 2001 Bonds are the sixth series of bonds issued by the Corporation under the General Resolution and are issued as Senior Lien Bonds. For additional information concerning Outstanding debt of the Corporation see "CORPORATION DEBT OUTSTANDING" above. The 2001 Bonds are issued under the 2001 Series Resolution adopted pursuant to the authority of the General Resolution which contains various covenants and security provisions, certain of which are summarized below. Reference should be made to the General Resolution for a full and complete statement of its provisions.

Funds and Accounts

The General Resolution creates the following Funds and Accounts:

- (1) Program Fund
 - Loan Account
 - Tax-Exempt Bond Subaccount
 - Taxable Bond Subaccount
 - Cost of Issuance Account
- (2) General Revenue Fund
- (3) Debt Service Fund
 - Interest Account
 - Principal Account
- (4) Debt Service Reserve Fund
 - Senior Lien Account
 - Subordinate Lien Account
- (5) Operating Fund
- (6) Rebate Fund

Each of the above Funds and Accounts (except for the Rebate Fund), and any other Accounts which may be established within such Funds from time to time, shall be held and maintained by the Trustee pursuant to the provisions of the General Resolution and are at all times pledged for the payment of the principal of and interest on the Bonds.

Application of Proceeds of Bonds

The proceeds, exclusive of accrued and capitalized interest, if any, of any series of Bonds after the deposit, if any, to meet a Debt Service Reserve Requirement, are required to be deposited in the Program Fund as specified in the applicable Series Resolution. Accrued and capitalized interest, if any, received upon delivery of the Bonds must be deposited in the Interest Account within the Debt Service Fund. Amounts are required to be deposited or maintained in the Debt Service Reserve Fund as described under the heading "THE 2001 BONDS--Security for the 2001 Bonds."

Under the General Resolution, the Trustee is required to establish within the Program Fund a Cost of Issuance Account and a Loan Account. From the proceeds of each series, there will be deposited in the Cost of Issuance Account such costs of issuing the series of Bonds for the payment of which provision is not otherwise made. The Trustee will withdraw moneys from the Cost of Issuance Account from time to time for the purpose of paying such costs of issuance, and moneys so withdrawn and paid shall be free and clear of the pledge created by the General Resolution.

After deposits required with respect to the Debt Service Reserve Requirement and costs of issuance, the remainder of the proceeds of any series of Bonds will be deposited in the Loan Account of the Program Fund.

Moneys in the Loan Account will be applied for the financing of Guaranteed Loans or, as applicable, Alternative Loans under the Student Loan Finance Program.

Determination of Priority Deposit and Use Amounts

The following provides a general description of the provisions of the General Resolution with respect to periodic determinations of the amounts required to be deposited in the various Funds and Accounts established by the General Resolution or other uses of moneys constituting Pledged Assets in the order of priority as to which such moneys are to be applied.

Debt Service Fund - Interest Account--Senior Lien Bonds

The first priority for the monthly transfers of moneys from the General Revenue Fund is a deposit to the Interest Account of the Debt Service Fund in an amount segregated therein for Senior Lien Bonds which is such that, if the same amount is so deposited in the Interest Account from the same source on the same day of each succeeding calendar month thereafter prior to the next Interest Payment Date, the aggregate of the amounts so paid and credited to the Interest Account, when added to any amount on deposit in the Interest Account on the day of the calculation and segregated therein for such purpose, would on such Interest Payment Date be equal to the interest on all Outstanding Senior Lien Bonds accrued and unpaid as of such date. In the event that different Interest Payment Dates are established in respect of different Series of Senior Lien Bonds, deposits in the Interest Account shall be made in accordance with the foregoing calculation applied separately to each such different Series. In the event that amounts representing capitalized interest have been deposited in the Interest Account from the proceeds of a Series of Senior Lien Bonds, such deposit shall, to the extent thereof, be deemed to be in lieu of deposits otherwise required to be made into the Interest Account for the succeeding calendar months in order to provide for the payment of interest on Senior Lien Bonds of such Series.

Debt Service Fund - Principal Account--Senior Lien Bonds

The second priority for the monthly transfers from the General Revenue Fund is a deposit to the Principal Account of the Debt Service Fund whenever a principal payment of Senior Lien Bonds is to fall due within one year of the date of transfer in an amount such that, if the same amount is so deposited in the Principal Account from the same source on the same day of each succeeding calendar month thereafter prior to the next date upon which a Principal Installment of Senior Lien Bonds is due, the aggregate of the amounts so deposited, when added to the amounts already on deposit in the Principal Account on the day of calculation, would on such Principal Installment Date be equal to the amount of all unpaid Principal Installments as of such date. In the event that different dates (within one year of the date of transfer) on which Principal Installments fall due are established in respect of different Series of Senior Lien Bonds, deposits in the Principal Account shall be made in accordance with the foregoing calculation applied separately to each such different Series. There shall also be deposited to the Principal Account, whenever Senior Lien Bonds have been duly called for redemption and such redemption is to occur within thirty days, an amount equal to the principal amount of Senior Lien Bonds to be redeemed on such redemption date.

Debt Service Fund - Interest Account--Subordinate Lien Bonds

The third priority for the monthly transfers of moneys from the General Revenue Fund is a deposit in the Debt Service Fund-Interest Account of an amount segregated therein for Subordinate Lien Bonds which is such that, if the same amount is so deposited in the Interest Account from the same source on the same day for each succeeding calendar month prior to the next Interest Payment Date, the aggregate of the amounts so deposited, when added to any amount on deposit in the Interest Account on the day of the calculation and segregated therein for such purpose, would equal the interest on all Outstanding Subordinate Lien Bonds accrued and unpaid as of such date. In the event that different Interest Payment Dates are established in respect of different Series of Subordinate Lien Bonds, deposits in the Interest Account shall be made in accordance with the foregoing calculation applied separately to each such different Series. In the event that amounts representing capitalized interest have been deposited in the Interest Account from the proceeds of a Series of Subordinate Lien Bonds, such deposit shall be deemed to be in lieu of deposits otherwise required to be made into the Interest Account for the succeeding calendar months in order to provide for the payment of interest on Subordinate Lien Bonds of such Series, to the extent that such amount representing capitalized interest equals the aggregate of such deposits otherwise required to be made.

Debt Service Fund - Principal Account--Subordinate Lien Bonds

The fourth priority for the monthly transfers from the General Revenue Fund is a deposit in the Principal Account of the Debt Service Fund, whenever a Principal Installment of Subordinate Lien Bonds is to fall due within one year of the date of transfer, in an amount such that, if the same amount is so deposited in the Principal Account from the same source on the same day of each succeeding calendar month thereafter prior to the next date on which a Principal Installment is due, the aggregate of the amounts so deposited, when added to any amount on deposit in the Principal Account on the day of calculation, would on such Principal Installment Date equal all unpaid Principal Installments as of such date. In the event that different dates (within one year of the date of transfer) on which Principal Installments fall due are established in respect of different Series of Subordinate Lien Bonds, deposits in the Principal Account shall be made in accordance with the foregoing calculation applied separately to each such different Series. There shall also be deposited to the Principal Account, whenever Subordinate Lien Bonds have been duly called for redemption and such redemption is to occur within thirty days, an amount equal to the principal amount of Subordinate Lien Bonds to be redeemed on such redemption date.

Operating Fund

The fifth priority for the monthly transfers from the General Revenue Fund is a deposit to the Operating Fund of an amount that, when added to the amount therein will equal the Operating Fund Requirement as directed by the Corporation. The Operating Fund Requirement as of any date equals (i) the Monthly Requirements for Operating Costs of the Corporation for the current month and (ii) such additional amount as the Corporation deems appropriate, but in no event more than four months of operations in total as reflected in the Annual Budget.

Moneys in the Operating Fund are to be utilized to pay Operating Costs (and when so paid out are free and clear of the pledge created by the General Resolution), except that moneys remaining within the Operating Fund at any time must first be utilized to pay principal of and interest on the Bonds to the extent that there would otherwise be a default in payment. Operating Costs of the Corporation include all expenses of administering the Student Loan Finance Program, fees and expenses of the Paying Agents and other agents or functionaries with respect to the Bonds as well as Costs of Issuance other than those paid from Bond proceeds, including payments for commitments to purchase Guaranteed Loans.

Debt Service Reserve Fund - Senior Lien Account

The sixth priority for the monthly transfers from the General Revenue Fund is a deposit of moneys in the Senior Lien Account of the Debt Service Reserve Fund so that it contains an amount at least equal to the Debt Service Reserve Requirement for all Senior Lien Bonds then Outstanding. The Debt Service Reserve Requirement for each series of Bonds is to be established in the Series Resolution authorizing such Series.

Debt Service Reserve Fund - Subordinate Lien Account

The seventh priority for the monthly transfers from the General Revenue Fund is a deposit in the Subordinate Lien Account of the Debt Service Reserve Fund so that it contains an amount at least equal to the Debt Service Reserve Requirement for all Subordinate Lien Bonds then Outstanding.

Debt Service Fund - Principal Account (For Principal Reduction Payments on Senior Lien Bonds)

The eighth priority for the monthly transfers from the General Revenue Fund is a deposit in the Principal Account of the Debt Service Fund in an amount such that, if available amounts are so paid and credited to the Principal Account from the same source on the same day of each succeeding calendar month thereafter, then prior to the next day upon which a Principal Reduction Payment is to be made of Principal of a series of Senior Lien Bonds prior to maturity to the extent Revenues Available for Debt Service are sufficient for such purpose (as set forth in an applicable Series Resolution), the aggregate of the amount so deposited, when added to any amount on deposit in the Principal Account on the day of calculation and segregated therein for such purpose, would be on such date equal to, but not in excess of, the amount of all accrued and unpaid Principal Reduction Payments for such Senior Lien Bonds as of such date; provided, if Revenues Available for Debt Service are not sufficient to pay Principal Reduction Payments with respect to each Class and Series, then payments shall be made in the order of issuance by Series and to the earliest

maturities within a Series; provided, further, that such payments with respect to Bonds issued after May 4, 1999, shall be made on a *pro rata* basis based upon the amount of the Principal Reduction Payments due, as adjusted. The amount of any such insufficiency shall be added to such deposit requirement for the succeeding month.

Debt Service Fund - Principal Account (For Principal Reduction Payments on Subordinate Lien Bonds)

The ninth priority for the monthly transfers from the General Revenue Fund is a deposit in the Principal Account of the Debt Service Fund in an amount such that, if available amounts are so paid and credited to the Principal Account from the same source on the same day of each succeeding calendar month thereafter, then prior to the next day upon which a Principal Reduction Payment is to be made of Principal of a series of Subordinate Lien Bonds prior to maturity to the extent Revenues Available for Debt Service are sufficient for such purpose (as set forth in an applicable Series Resolution), the aggregate of the amount so deposited, when added to any amount on deposit in the Principal Account on the day of calculation and segregated therein for such purpose, would be on such date equal to, but not in excess of, the amount of all accrued and unpaid Principal Reduction Payments for such Subordinate Lien Bonds as of such date; provided, if Revenues Available for Debt Service are not sufficient to pay Principal Reduction Payments with respect to each Class and Series, then payments shall be made in the order of issuance by Series and to the earliest maturities within a Series; provided, further, that such payments with respect to Bonds issued after May 4, 1999, shall be made on a *pro rata* basis based upon the amount of the Principal Reduction Payments due, as adjusted. The amount of any such insufficiency shall be added to such deposit requirement for the succeeding month.

Disbursements to the Corporation

The tenth priority for the monthly transfers from the General Revenue Fund is, to the extent that the sum of the outstanding principal amount of, and accrued interest on, the Education Loans (as certified by the Corporation on the first day of each calendar month) and all amounts held in the funds and accounts thereunder, the value of which shall be calculated in accordance with the General Resolution, other than the Operating Fund and the Rebate Fund, will exceed (i) 112% of the principal amount of all Outstanding Senior Lien Bonds and (ii) 103% of the principal amount of all Outstanding Bonds, such excess may be paid to the Corporation to the extent requested by the Corporation.

Loan Account or Principal Account - As Directed By the Corporation

The eleventh priority for the monthly transfers from the General Revenue Fund is that the balance, if any, remaining after all preceding priority transfers have been made shall be transferred at the direction of the Corporation, to the Loan Account (up to the amount authorized in an applicable Series Resolution) or to the Principal Account to effect a redemption of Bonds or to make Principal Reduction Payments (as directed in an applicable Series Resolution). The 2001 Series Resolution with respect to the 2001 Bonds provides that no such transfer will be made to the Loan Account after June 1, 2003, unless such date is extended by each Rating Agency. If no such direction is given by the Corporation or if such a direction is given and transferred moneys are not used to acquire Education Loans within six (6) months of the date of transfer, the Trustee will transfer such balance or unapplied balance, as applicable, to the Principal Account of the Debt Service Fund to effect a retirement of Bonds subject to retirement, either by redemption, Principal Reduction Payment or other means.

Rebate Fund

Within 90 days after the anniversary date of each series of Bonds issued with the intention that the interest thereon be excluded from the gross income of the owners thereof for purposes of regular federal income taxation, the Corporation is required by the terms of the General Resolution to file with the Trustee a report setting forth the "Rebate Amount" as defined in the General Resolution. All such Rebate Amounts must be deposited into the Rebate Fund. Moneys in the Rebate Fund, including investment earnings thereon, if any, are not subject to the pledge of the General Resolution and may be applied solely to pay amounts owed to the United States pursuant to Section 148(f) of the Internal Revenue Code of 1986, as amended, or the comparable provisions of any applicable successor Code or law.

Investment of Funds and Accounts

The General Resolution requires or permits investments of moneys in each Fund and Account, consistent with the required uses of such moneys, in Investment Obligations. See EXHIBIT II, "GLOSSARY OF

CERTAIN DEFINED TERMS FROM THE GENERAL AND 2001 SERIES RESOLUTIONS,” for the definition of the term “Investment Obligations.”

Conditions Precedent to Authentication and Delivery of a Series of Bonds

Bonds may be authenticated by the Trustee and delivered under the General Resolution by or on behalf of the Corporation only upon receipt by the Trustee of:

- (i) a copy of the Series Resolution authorizing the Series, certified by an Authorized Officer of the Corporation;
- (ii) a written order of the Corporation as to the delivery of such Bonds;
- (iii) a Counsel's Opinion stating that in the opinion of such Counsel the General Resolution and the Series Resolution have been duly adopted by the Corporation; the principal amount of the Bonds to be issued, together with the principal amount of Bonds, notes and other obligations of the Corporation theretofore issued, will not exceed in aggregate principal amount any limitation thereon imposed by law; the General Resolution and the Series Resolution are in full force and effect and are valid and binding upon the Corporation and enforceable in accordance with their terms, except as their enforcement may be limited by applicable laws relating to the enforcement of creditors' rights generally; the General Resolution creates the valid pledge which it purports to create subject only to the provisions of the General Resolution permitting the application of the Pledged Assets for or to the purposes and on the terms and condition set forth therein; and, upon execution, authentication and delivery thereof, the Bonds of such Series will be duly and validly issued and will constitute valid and binding obligations of the Corporation entitled to the benefits of the General Resolution and the applicable Series Resolution;
- (iv) a written order of the Corporation signed by an Authorized Officer directing the deposit in the Debt Service Reserve Fund of so much (if any) of (i) the proceeds of the Bonds to be issued, upon their issuance, sale and delivery or (ii) such other funds of the Corporation, so that the aggregate amount then held by the Trustee in said Fund is equal to the Debt Service Reserve Requirement;
- (v) a Certificate of an Authorized Officer of the Corporation stating that the Corporation is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the General Resolution or any Series Resolution;
- (vi) a Certificate of an Authorized Officer of the Corporation setting forth that the anticipated need for Education Loans to be financed from proceeds of Bonds of such Series is such that the amount to be deposited in the Loan Account in connection with the issuance of such Series is reasonably expected to be fully expended to meet such anticipated need;
- (vii) (A) a Certificate of an Authorized Officer of the Corporation establishing that for the current and each future Fiscal Year until all Bonds to be Outstanding after the delivery of the Bonds of such Series have matured, Revenues Available for Debt Service in each such Fiscal Year are anticipated to be fully sufficient to pay when due principal of, premium, if any, and interest on all Bonds Outstanding, as well as Operating Costs for each such Fiscal Year, which Certificate may rely upon data and computations made on behalf of the Corporation, and (B) written evidence from each Rating Agency that the issuance of such Bonds shall not result in a reduction or withdrawal of the then current rating on any Bonds Outstanding;
- (viii) the amount of the proceeds of the Series to be deposited in any Fund or Account and such further documents, moneys and securities as are required hereby or by the applicable Series Resolution;

- (ix) evidence of ratings, if any, by each Rating Agency and confirmation of ratings on all Bonds Outstanding; and
- (x) executed UCC-1 financing statements and evidence that appropriate arrangements have been made for the filing of such UCC-1 financing statements.

No additional series of Bonds may be authenticated and issued under the General Resolution unless, in addition to the foregoing requirements, the Corporation provides the Trustee with a certificate to the effect that anticipated Pledged Assets will provide revenues which, together with any other revenues estimated by the Corporation to be available therefor, are at least sufficient to pay in each succeeding Fiscal Year the Debt Service and Operating Costs for such Fiscal Year.

Issuance of Refunding Bonds

One or more Series of Refunding Bonds may be authenticated and delivered upon original issuance to refund all or any Bonds Outstanding under the General Resolution or under another resolution of the Corporation. Refunding Bonds shall be issued in a principal amount sufficient, together with other moneys or securities determined by the Corporation to be available therefor, if any, to accomplish such refunding and to make such deposits as are required by the provisions of the Act, this Section and of the Series Resolution authorizing such Series of Refunding Bonds.

Such Refunding Bonds may be authenticated and delivered only upon receipt by the Trustee of (in addition to the receipt by it of the documents required for the issuance of any Bonds as set forth immediately above):

- (i) except in the case of Bonds to be paid at their scheduled maturity, irrevocable instructions to the Trustee, satisfactory to it, to give due notice of redemption of all the Bonds to be redeemed from any of the proceeds of such Series on the Redemption Date or Dates specified in such instructions;
- (ii) either:
 - (A) moneys in an amount sufficient, without any investment thereof, to effect payment of principal or the applicable Redemption Price of the Bonds to be refunded, together with interest due or to become due on such Bonds to maturity or such Redemption Date, which moneys shall either be held by the Trustee or any one or more of the Paying Agents in a segregated trust account irrevocably in trust for and assigned to the respective Holders of Outstanding Bonds being refunded, or
 - (B) Defeasance Obligations sufficient to comply with the provisions of the General Resolution, and any moneys required pursuant to said section (with respect to all or any part of the Outstanding Bonds being refunded) which Defeasance Obligations or evidence thereof and moneys shall be held in a segregated trust account and used only as provided in said section; and
- (iii) a Certificate of an Authorized Officer of the Corporation containing such additional statements as may be reasonably necessary to show compliance with the requirements of this subsection, and the Trustee shall be entitled to rely on such Certificate.

The Trustee shall furnish to the Corporation at the time of delivery of the Refunding Bonds a certificate (which may be based upon a verification report of a certified public accountant) stating that it holds in trust the moneys and/or Defeasance Obligations required to effect such payment in full of the Outstanding Bonds being refunded and accrued interest thereon. Any balance of the proceeds of such Refunding Bonds not required to comply with the foregoing provisions of (ii)(A) or (B) shall be deposited in such funds or accounts as shall be specified in the Series Resolution authorizing such Series of Refunding Bonds.

Certain Covenants of the Corporation

The Corporation has covenanted in the General Resolution, among other things, as follows:

Administration. The Corporation shall administer, operate and diligently perform all acts and things required to administer, operate and maintain the Student Loan Finance Program in strict compliance with the Act and in such manner as to assure that such Program and the Guaranteed Loans made thereunder will continue to benefit from the federal programs of insurance and reinsurance of Guaranteed Loans, pursuant to the Higher Education Act, or from any other federal statute providing for any such federal program of insurance or reinsurance, and to assure continued entitlement to receive Interest Subsidy Payments and Special Allowance Payments, with respect to all Guaranteed Loans. The Corporation has further covenanted to administer the program for Alternative Loans in accordance with all requirements of the General Resolution.

Expenditure and Collection. Only Education Loans eligible to be made or purchased pursuant to the Resolution shall be made or purchased from Bond proceeds, or from funds replaced by Bond proceeds. The Corporation shall collect all principal and interest payments on all Education Loans and all grants, subsidies, donations, insurance payments, Special Allowance Payments and all Default Payments from the Secretary or the Guarantee Agency which relate to Guaranteed Loans. The Corporation shall use due diligence in perfecting all claims for payment related to such Guaranteed Loans from the Secretary and the Guarantee Agency as rapidly as possible. The Corporation will assign to the Guarantee Agency such Guaranteed Loans for payment of guarantee or insurance benefits. The Corporation shall comply with all United States statutes, rules and regulations which apply to the Student Loan Finance Program and to Guaranteed Loans. The Corporation will, at all times, comply with all provisions of the General Resolution related to the Alternative Loans.

Enforcement. The Corporation shall diligently, directly or through agents, enforce and take all reasonable steps, actions and proceedings necessary for the enforcement of all terms, covenants and conditions of all Education Loans and all agreements and guarantee and insurance contracts in connection therewith, including the prompt payment of all principal and interest payments and all other amounts due thereunder. The Corporation shall not release the obligations of any student borrower under any Education Loan and shall at all times, to the extent permitted by law, defend, enforce, preserve and protect the rights and privileges of the Bondholders under or with respect to each Education Loan and all agreements in connection therewith. The Corporation shall not consent or agree to or permit any amendment or modification of any Education Loan or agreement in connection therewith which will in any manner materially adversely affect the rights or security of the Bondholders under the General Resolution. However, consistent with the provisions of this paragraph, the Corporation may settle a default or cure a delinquency on any Education Loan on such terms as shall be determined by the Corporation to be prudent, or may grant forbearance or forgiveness of an Education Loan.

Accounts and Reports. The Corporation shall keep proper books and accounts in which complete and accurate entries shall be made of all transactions relating to the Student Loan Finance Program, and all Funds and Accounts established by the General Resolution, which shall at all reasonable times be subject to the inspection of the Trustee and the Holders of an aggregate of not less than five percent (5%) in principal amount of Bonds of any Series then Outstanding or their representatives duly authorized in writing. The Corporation shall make an annual report to the Authority. A copy of each such annual report shall be mailed promptly thereafter to each Bondholder who shall have filed his name and address with the Corporation for such purpose.

Budget. At least 30 days prior to July 1 of each year, the Corporation shall prepare a preliminary budget covering its fiscal operations in connection with the Student Loan Finance Program and the Student Loan Insurance Program for the succeeding Fiscal Year, which budget shall be open to inspection by the Trustee or any Bondholder. The Corporation shall also prepare a summary of each such preliminary budget and mail a copy, at least 15 days prior to such July 1, to any Bondholder who shall have filed his name and address with the Corporation for such purpose. By July 1 of each year, the Corporation shall adopt an Annual Budget for its fiscal operations in connection with the Student Loan Finance Program and the Student Loan Insurance Program, covering such fiscal operations for the succeeding Fiscal Year. Such Annual Budget shall be filed with the Trustee, each Rating Agency and such officials of the State as may be required by law. The Annual Budget must set forth at least the estimated Revenues Available for Debt Service, estimated principal and interest due and payable on Bonds during the Fiscal Year and estimated Operating Costs. The Corporation may file with the Trustee amendments of the Annual Budget for the remainder of the Fiscal

Year. Copies of the Annual Budget and any amended Annual Budget shall be available at the offices of the Corporation for inspection by any Bondholder.

Personnel and Servicing of Student Loan Finance Program. The Corporation shall at all times cause to be appointed, retained and utilized competent and qualified personnel for the purpose of carrying out the Student Loan Finance Program and shall establish and enforce reasonable rules, regulations, tests and standards governing the employment of such personnel at reasonable compensation, salaries, fees and charges and all persons so employed shall be qualified for their respective positions. Independent contractors may be engaged to perform any such duties upon notice to the Rating Agencies.

Waiver of Laws. The Corporation shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of any stay or extension law now or at any time hereafter in force which may affect the covenants and agreements contained in the General Resolution, any Series or Supplemental Resolution, or the Bonds, and all benefit or advantage of any such law or laws has been expressly waived by the Corporation in the General Resolution.

TED Spread. In the 2001 Series Resolution, the Corporation has covenanted that if (i) the 2001L Bonds remain Outstanding and (ii) the TED Spread calculated by the Calculation Agent for the previous Interest Period of the 2001L Bonds exceeds 3.0%, the Corporation will not during the current Interest Period (a) utilize moneys transferred to the Loan Account of the Program Fund pursuant to Section 504(b)(xi) of the General Resolution to finance Education Loans or (b) withdraw moneys pursuant to Section 504(b)(x) of the General Resolution, unless after doing so, the moneys remaining in the Loan Account of the Program Fund will exceed the Outstanding principal balance of the 2001L Bonds. See EXHIBIT II for definition of “TED Spread.”

Defaults and Remedies

Under the General Resolution, each of the following events is an “Event of Default”:

- (1) default by the Corporation in the payment of any installment of interest on the Bonds, when due;
- (2) default by the Corporation in the payment of principal of Bonds as they mature, or the Redemption Price thereof if Bonds have been duly called for redemption; provided however, that, while there are any Senior Lien Bonds Outstanding thereunder with respect to both clauses (1) and (2), failure to pay any installment of interest or principal on any Subordinate Lien Bonds (after the Trustee has drawn upon the Debt Service Reserve Fund--Subordinate Lien Account with respect to any interest or principal then due), shall constitute an Event of Default; but such failure shall not give rise to the remedy of acceleration unless there is a corresponding failure to make timely payment of interest or principal on a Senior Lien Bond; provided, further, that, if (i) on any Interest Payment Date moneys in the Interest Account shall be sufficient to pay an installment of interest, or (ii) if on any Principal Installment Date moneys in the Principal Account shall be sufficient to pay a Principal Installment, then, in either such event, the Trustee shall make the respective payment then due and failure by the Trustee to make such payment shall constitute an Event of Default; provided, further, that failure to make a Principal Reduction Payment shall not constitute an Event of Default;
- (3) failure or refusal by the Corporation to comply with the provisions of the Act or default in the performance or observance of any other of the covenants, agreements or conditions contained in the Resolution, any Series or Supplemental Resolution or the Bonds, and such failure, refusal or default shall continue for a period of 45 days after written notice thereof by the Trustee or the Holders of not less than 5% in principal amount of the Outstanding Bonds; provided, however, if any such default shall be such that it can be corrected but cannot be corrected within such period, it shall not constitute an Event of Default if corrective action is instituted by the Corporation within such period and diligently pursued until such default is corrected. The Rating Agencies shall be notified of such event by the Trustee following such 45-day period and each 45 days thereafter until such default is corrected.

Upon the happening and continuance of any event described in the foregoing clauses (1) or (2), the Trustee, independently, or the Holders of 25% or more in principal amount of Outstanding Bonds may jointly proceed, in their own names, to protect and enforce their rights by such of the following remedies as they deem most effectual:

- (a) enforce, by mandamus or other suit, action or proceedings at law or in equity, all rights of the Bondholders, including the right to require the Corporation to receive and collect the revenues and other assets, including Pledged Assets, adequate to carry out the covenants and agreements as to, and pledge of, such revenues and assets, and to require the Corporation to carry out any other covenant or agreement with Bondholders and to perform duties under the Act;
- (b) bring suit upon the Bonds;
- (c) require the Corporation by action or suit to account as if it were the trustee of an express trust for the Bondholders;
- (d) enjoin by action or suit any acts or things which may be unlawful or in violation of the rights of the Bondholders;
- (e) except as limited with respect to Subordinate Lien Bonds, declare all Bonds due and payable, and if all defaults shall be cured, then, with the written consent of not less than 25% in principal amount of the Holders of Outstanding Bonds, to annul such declaration and its consequences; and
- (f) in the event that all Bonds are declared due and payable, to sell all Education Loans, Investment Obligations and all other Pledged Assets to the extent necessary to effect their payment.

Upon the happening and continuance of any Event of Default described in clause (3), the Trustee shall have the discretion to do any of the following:

- (a) sell Education Loans if it is determined prior to such sale that the proceeds of such sale are sufficient to pay Bondholders the entire amount of principal of, premium, if any, and interest due; provided, however, that no acceleration of payment shall be declared until the Trustee shall hold sufficient funds to effect such payment;
- (b) sell Education Loans without regard to the sufficiency of proceeds if 100% of the Bondholders direct such sale; or
- (c) continue to pay Debt Service in accordance with the terms of the General Resolution.

The Trustee shall give immediate notice to each Rating Agency of any Event of Default under the General Resolution. No Bondholder shall have any right to institute any action except as authorized in the Resolution. Nothing herein contained shall impair the right of any Bondholder to enforce payment of principal of, Redemption Price and interest on his Bonds.

In the event that, upon the happening and continuance of any Event of Default, the funds held by the Trustee and Paying Agents shall be insufficient for the payment of principal and interest then due on the Bonds of all Series then Outstanding, such funds and any other moneys received or collected pursuant to the Act and the General Resolution shall be applied after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Trustee, including, but not limited to, the fees and expenses of its counsel and other agents, as follows:

Unless the principal of all of the Bonds shall have become or have been declared due and payable:

First: With respect to Senior Lien Bonds of the highest Class (and then in descending order of Class), to the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments and, if the amount available shall not be 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; and

Second: With respect to Senior Lien Bonds of the highest Class (and then in descending order of Class), to the payment to the persons entitled thereto of the unpaid principal of any such Bonds, and, if the amounts available shall not be sufficient to pay in full all the Senior Lien Bonds, then to the payment thereof ratably, without any discrimination or preference; and

Third: With respect to Subordinate Lien Bonds of the highest Class (and then in descending order of Class), to the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments and, if the amount available shall not be 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; and

Fourth: With respect to Subordinate Lien Bonds of the highest Class (and then in descending order of Class), to the payment to the persons entitled thereto of the unpaid principal of any Bonds, and, if the amounts available shall not be sufficient to pay in full all the Subordinate Lien Bonds, then to the payment thereof ratably, without any discrimination or preference.

If the principal of all of the Bonds shall have become or have been declared due and payable:

First: With respect to the Senior Lien Bonds of the highest Class (and then in descending order of Class), to the payment to the persons entitled thereto of all unpaid principal of any Bonds and of installments of interest then due and, if the amount available shall not be sufficient to pay in full such principal and interest, then to the payment of principal and interest, without any preference or priority, ratably according to the aggregate amounts due, to the persons entitled thereto; and

Second: With respect to the Subordinate Lien Bonds of the highest Class (and then in descending order of Class), to the payment to the persons entitled thereto of all unpaid principal of any Bonds and of installments of interest then due and, if the amount available shall not be sufficient to pay in full such principal and interest, then to the payment of principal and interest, without any preference or priority, ratably according to the aggregate amounts due, to the persons entitled thereto.

In case any proceedings taken on account of any Event of Default shall have been discontinued or abandoned for any reason, then in every such case the Corporation, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies, powers and duties herein conferred shall continue as though no such proceeding had been taken.

No remedy conferred upon or reserved to the Trustee or the Holders of the Bonds by the General Resolution is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to any other remedy given thereunder, now or hereafter existing at law or in equity or by statute. No delay or omission of any Holder of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by the General Resolution to the Holders of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

The Trustee shall give to the Bondholders notice of each Event of Default hereunder known to the Trustee within ninety (90) days after knowledge of the occurrence thereof, unless such Event of Default shall have been remedied or cured before the giving of such notice. Each such notice of an Event of Default shall be given by the Trustee by mailing written notice thereof: (1) to all registered Holders of Bonds, as the names and addresses of such Holders appear upon the books for registration and transfer of Bonds as kept by the Trustee; (2) to such Bondholders as have filed their names and addresses with the Trustee for that purpose; and (3) to such other persons as is required by law.

Modifications of the General Resolution and Outstanding Bonds

The Corporation may adopt at any time or from time to time Supplemental Resolutions as shall be substantially consistent with the terms and provisions of the General Resolution and, in the opinion of the Trustee, who may rely upon a Counsel's Opinion, shall not materially and adversely affect the interest of the Owners and Holders, for

any one or more of the following purposes, and any such Supplemental Resolution shall become effective in accordance with its terms upon the filing with the Trustee of a copy thereof certified by an Authorized Officer:

- (1) to add additional covenants and agreements of the Corporation for the purpose of further securing the payment of the Bonds, provided such additional covenants and agreements are not contrary to or inconsistent with the covenants and agreements of the Corporation contained in the Resolution;
- (2) to surrender any right, power or privilege reserved to or conferred upon the Corporation by the terms of the General Resolution, provided that the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Corporation contained in the General Resolution;
- (3) to confirm as further assurance any pledge under and the subjection to any lien, claim or pledge created or to be created by the provisions of the General Resolution; or
- (4) to cure any ambiguity or defect or inconsistent provision in the General Resolution or to insert such provisions clarifying matters or questions arising under the General Resolution as are necessary or desirable in the event any such modification is not contrary to or inconsistent with the General Resolution as theretofore in effect.

The provisions of the General Resolution may also be modified or amended at any time or from time to time by a Supplemental Resolution, subject to the consent of Bondholders in accordance with and subject to the applicable provisions of the General Resolution, such Supplemental Resolution to become effective upon the filing with the Trustee of a copy thereof certified by an Authorized Officer.

The General Resolution shall not be modified or amended in any respect except in accordance with and subject to its applicable provisions. However, nothing contained in the General Resolution shall affect or limit the rights or obligations of the Corporation to adopt, make, do, execute or deliver any resolution, act or other instrument pursuant to applicable provisions of the General Resolution or the right or obligation of the Corporation to execute and deliver to the Trustee or any Paying Agent any instrument elsewhere in the General Resolution provided or permitted to be delivered to the Trustee or any Paying Agent.

A copy of every Supplemental Resolution adopted by the Corporation, when filed with the Trustee, shall be accompanied by a Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted in accordance with the provisions of the General Resolution is authorized or permitted thereby and is valid and binding upon the Corporation and enforceable in accordance with its terms. Each such Supplemental Resolution shall also be filed with each Rating Agency and shall become effective upon written request for and confirmation of ratings on all Bonds Outstanding by each Rating Agency.

No Supplemental Resolution changing, amending or modifying any of the rights or obligations of the Trustee or of any Paying Agent may be adopted by the Corporation without the written consent of the Trustee or Paying Agent affected thereby.

Any modification or amendment of the General Resolution and of the rights and obligations of the Corporation and of the Holders of the Bonds thereunder, in any particular, may be made by a Supplemental Resolution, with the written consent given as therein provided, of the Holders of at least a majority in principal amount of the Bonds Outstanding of each affected Class at the time such consent is given. Unless with the unanimous written consent of all Bondholders, however, no such amendment shall:

- (A) permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount thereof or the rate of interest thereon,
- (B) reduce the percentage of Bonds the consent of the Holders of which is required to effect such amendment, or

- (C) change the existing preferences or priorities of Bonds over any other Bonds or create any new preferences or priorities.

A copy of such Supplemental Resolution (or brief summary thereof or reference thereto) together with a request to Bondholders for their consent thereto, shall promptly after adoption be mailed by the Corporation to Bondholders (but failure to mail such copy and request shall not affect the validity of the Supplemental Resolution when consented to as in this Section provided). Such Supplemental Resolution shall not be effective unless and until (A) there shall have been filed with the Trustee (i) the written consents of Holders of the required percentage of Outstanding Bonds and (ii) a Counsel's Opinion stating that such Supplemental Resolution has been duly and lawfully adopted and filed by the Corporation in accordance with the provisions of the General Resolution, is authorized or permitted by the General Resolution and is valid and binding upon the Corporation and enforceable in accordance with its terms, and (B) a notice shall have been mailed as required by the General Resolution.

Each such consent shall be effective only if accompanied by proof of the holding at the date of such consent of the Bonds with respect to which such consent is given. A certificate or certificates filed with the Trustee that the Trustee has examined such proof and that such proof is sufficient in accordance with the requirements of the General Resolution shall be conclusive that the consents have been given by the Holders of the Bonds described in such certificate or certificates. Any such consent shall be binding upon the Holder of the Bonds giving such consent and, anything in the General Resolution to the contrary notwithstanding, upon any subsequent Holder of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Bonds giving such consent or a subsequent Holder thereof by filing such revocation with the Trustee, prior to the time when the written statement of the Trustee hereinafter in this Section provided for is filed. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee to the effect that no revocation thereof is on file with the Trustee. At any time after the Holders of the required percentage of Bonds shall have filed their consents to the Supplemental Resolution, the Trustee shall make and file with the Corporation a written statement that the Holders of such required percentage of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter, notice, stating in substance that the Supplemental Resolution (which may be referred to as a Supplemental Resolution adopted by the Corporation on a stated date, a copy of which is on file with the Trustee) has been consented to by the Holders of the required percentages of Bonds and will be effective as provided in this Section shall be given to Bondholders by the Corporation by mailing such notice to Bondholders as provided in the General Resolution (but failure to mail such notice shall not prevent such Supplemental Resolution from becoming effective and binding as in this Section provided). The Corporation shall file with the Trustee proof of the mailing thereof.

Such Supplemental Resolution making such amendment or modification shall be deemed conclusively binding upon the Corporation, the Trustee, each Paying Agent and the Holders of all Bonds at the expiration of 30 days after the filing with the Trustee of the proof of the mailing of such last-mentioned notice, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Resolution in a legal action or equitable proceeding for such purpose commenced within such 30-day period; provided, however, that the Corporation, the Trustee, and any Paying Agent during such 30-day period and any such further period during which any such action or proceeding may be pending shall be entitled in their reasonable discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Resolution as they may deem expedient.

Notwithstanding anything contained in the foregoing provisions, the rights and obligations of the Corporation and of the Holders of the Bonds and the terms and provisions of the Bonds or of the General Resolution may be modified or amended in any respect upon the adoption of a Supplemental Resolution by the Corporation and the Consent of the Holders of all of the Bonds then Outstanding; provided, however, that no such modification or amendment shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto in addition to the consent of the Corporation and of the Bondholders.

Unless the Corporation owns all of the Bonds Outstanding, Bonds, if any, owned or held by or for the account of the Corporation shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in the General Resolution, and the Corporation shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in the General Resolution.

Issuance of Notes, Additional Bonds and Other Obligations

The Corporation may, at any time or from time to time, issue notes, bonds and other obligations having such terms and provisions and secured by a pledge of such moneys or other assets of the Corporation as the resolution authorizing the same shall provide; provided, however, that any pledge to the holders of any such notes, bonds or other obligations, of any Pledged Assets, Fund or Account or other moneys or assets of the Corporation pledged or assigned under the General Resolution shall be, and shall be expressed to be, subordinate in all respects to the pledge or assignment created under the General Resolution, and subject in all respects to the provisions of the General Resolution concerning the permitted application of such pledged moneys and assets. It is expressly understood that the Corporation may make or otherwise finance student loans other than Education Loans, provided that such program does not in any way jeopardize or impair the pledge or assignment of any revenues or other assets for the benefit of the Bondholders or any rights of the Bondholders, and provided that a Counsel's Opinion to such effect, detailing the nature of such program, has been delivered to the Trustee. For such time as the 2001 Bonds remain Outstanding, the Corporation will not issue additional bonds under the General Resolution if such issuance will cause the sum of (i) the outstanding principal amount of, and accrued interest on, the Education Loans (as certified by the Corporation on the first day of each calendar month) and (ii) all amounts held in the funds and accounts thereunder, the value of which shall be calculated in accordance with the General Resolution, other than the Operating Fund and the Rebate Fund, to fall below 103% of the principal amount of, and accrued interest on, the Outstanding Senior Lien Bonds. If such quotient is less than 103% prior to the issuance of additional Bonds, the Corporation will not issue additional Bonds under the Resolution if such issuance will cause such percentage to fall further.

Defeasance

If the Corporation shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Bonds the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the General Resolution, then the pledge of any Pledged Assets and other moneys and property pledged under the General Resolution and all covenants, agreements, and other obligations of the Corporation to the Bondholders, shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall cause an accounting for such period or periods as shall be requested by the Corporation to be prepared and filed with the Corporation, and upon the request of the Corporation, shall execute and deliver to the Corporation all such instruments as may be desirable to evidence such discharge and satisfaction, and the Fiduciaries shall pay over or deliver to the Corporation all moneys or securities held by them pursuant to the General Resolution which are not required for the payment of principal or Redemption Price, if applicable, on Bonds. If the Corporation shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Outstanding Bonds of a particular Series, the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the General Resolution, such Bonds shall cease to be entitled to any lien, benefit or security under the General Resolution and all covenants, agreements and obligations of the Corporation to the Holders of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by Fiduciaries (through deposit by the Corporation of funds for such payment or redemption or otherwise) shall, at the maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect expressed in the General Resolution. All Outstanding Bonds shall, prior to the maturity or Redemption Date thereof, be deemed to have been paid within the meaning and with the effect expressed in the General Resolution if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Corporation shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail notice of redemption on said date of such Bonds, (b) there shall have been deposited with, or credited to the account (at a Federal Reserve Bank) of, the Trustee either moneys in an amount which shall be sufficient, or Defeasance Obligations the principal of and the interest on which when due and without reinvestment will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient to pay when due the principal or Redemption Price, if any, and interest due and to become due on said Bonds on and prior to the Redemption Date or maturity date thereof, as the case may be; provided that, except in the event of a full cash defeasance or a current refunding of less than ninety days to maturity or Redemption Date, the sufficiency of such moneys or investments must be confirmed to the Corporation in a report of an independent certified public accountant, and (c) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty days, the Corporation shall have given the Trustee in form satisfactory to it irrevocable instructions to mail, as soon as practicable, a notice to the Holders of such Bonds that the deposit required by (b) above

has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this Section and stating such maturity or Redemption Date upon which moneys are to be available for the payment of the principal or Redemption Price, if any, on said Bonds. Neither Defeasance Obligations nor moneys deposited with the Trustee pursuant to this Section nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if any, and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if any, and interest to become due on said Bonds on and prior to such Redemption Date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the Corporation, as received by the Trustee, free and clear of any trust, lien or pledge.

If, through the deposit of moneys by the Corporation or otherwise, the Fiduciaries shall hold, pursuant to the General Resolution, moneys sufficient to pay the principal and interest to maturity on all Outstanding Bonds, or in the case of Bonds in respect of which the Corporation shall have taken all action necessary to redeem prior to maturity, sufficient to pay the Redemption Price and interest to such Redemption Date, then at the request of the Corporation all moneys held by any Paying Agent shall be paid over to the Trustee and, together with other moneys held by it hereunder, shall be held by the Trustee for the payment or redemption of Outstanding Bonds.

NO PRIOR DEFAULTS

The Corporation has not previously experienced any defaults with respect to the payment of principal or interest on any of its bonds. The Corporation has heretofore borrowed money from the Authority and other lenders under various loan arrangements but has not previously experienced any defaults with respect to the payment of such loans.

SECONDARY MARKET DISCLOSURE

On November 10, 1994, the Securities and Exchange Commission adopted in final form certain amendments (the "Amendments") to Rule 15c2-12 under the Securities and Exchange Act of 1934, as amended (the "Rule"). In general the Amendments prohibit an underwriter from purchasing or selling municipal securities unless it has determined that the issuer of such securities has committed to provide annually certain information, including audited financial information, and notice of various events described in the Amendments if material. The amendments apply to municipal securities (such as the Bonds) sold on or after July 3, 1995.

In the 2001 Series Resolution, the Corporation has covenanted to provide such continuing, secondary market disclosures and confirmations as are required by the Rule (the Corporation's "Continuing Disclosure Undertaking"). In the event of a failure of the Corporation to comply with its Continuing Disclosure Undertaking, any Bondholder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Corporation to comply with its continuing disclosure obligations under the 2001 Series Resolution. However, a default under the Continuing Disclosure Undertaking shall not be deemed a default under the Bonds, and the sole remedy under the 2001 Series Resolution in the event of any failure of the Corporation to comply with the Continuing Disclosure Undertaking is an action to compel performance. The Corporation's continuing obligation to provide annual financial information and notices of certain material events will terminate with respect to the Bonds when the Bonds are no longer Outstanding.

Pursuant to the 2001 Series Resolution, the Corporation has specifically undertaken, for the benefit of the Beneficial Owners of the 2001 Bonds, to provide:

- (a) by not later than seven months after the end of each Fiscal Year of the Corporation, to each nationally recognized municipal securities information repository ("NRMSIR") and to the state information depository for the State ("SID"), if any, audited financial statements of the Corporation for such Fiscal Year, if available, prepared in accordance with generally accepted accounting principles, or, if such audited financial statements of the Corporation are not available by seven months from the end of such Fiscal Year, unaudited financial

statements of the Corporation for such Fiscal Year to be replaced subsequently by audited financial statements of the Corporation delivered within 15 days after such audited financial statements become available for distribution;

- (b) by not later than seven months after the end of each Fiscal Year of the Corporation, to each NRMSIR, and to the SID, if any, the financial and statistical data as of a date not earlier than the end of the preceding Fiscal Year for the type of information included under the heading “THE 2001 BONDS--Security for the 2001 Bonds” in the final Official Statement related to such 2001 Bonds, to the extent such items are not included in the audited financial statements referred to in (a) above;
- (c) in a timely manner, to each NRMSIR or to the Municipal Securities Rulemaking Board (“MSRB”), and to the SID, if any, notice of any of the events set forth in Rule 15c2-12(b)(5)(i)(C) issued under the Securities Exchange Act of 1934 (as such Rule exists on the date of the final Official Statement) with respect to the 2001 Bonds, if material (See description of “material events” below); and,
- (d) in a timely manner, to each NRMSIR or to the MSRB, and to the SID, if any, notice of a failure of the Corporation to provide required annual financial information described in clause (a) or (b) above on or before the date specified.

The “material events” referred to in clause (c) above are, as set forth in the Rule:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions or events affecting the tax-exempt status of the security;
- (vii) modifications to rights of security holders;
- (viii) bond calls;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the securities;
- (xi) rating changes.

Failure of the Corporation to comply with its continuing disclosure undertaking, as described above, will not constitute an Event of Default with respect to the Bonds and will not result in any acceleration of payment of the Bonds.

The Corporation has reserved the right to modify from time to time the information to be provided to the extent necessary or appropriate in the judgment of the Corporation, provided that:

- (a) any such modification may only be 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 Corporation;
- (b) the information to be provided, as modified, would have complied with the requirements of Rule 15c2-12 issued under the Securities Exchange Act of 1934 as of the date of the final Official Statement, after taking into account any amendments or interpretations of said Rule, as well as any changes in circumstances; and,

- (c) any such modification does not materially impair the interests of the Beneficial Owners, as determined either by parties unaffiliated with the Corporation, or by the approving vote of the registered owners of a majority in principal amount of the 2001 Bonds pursuant to the 2001 Series Resolution at the time of the amendment.

The above described continuing disclosure undertaking of the Corporation will terminate upon payment of, or the making of provision for, the payment in full of the principal of and interest on the 2001 Bonds.

ERISA AND OTHER CODE CONSIDERATIONS

The Employee Retirement Income Security Act of 1974, as amended (“ERISA”) and/or certain overlapping provisions of the Internal Revenue Code of 1986, as amended (the “Code”) apply to certain pension plans, profit-sharing plans, stock bonus plans, annuity plans, individual retirement accounts, individual retirement annuities, and medical savings accounts (collectively, “Plans”). ERISA and certain provisions of the Code prohibit and/or tax, respectively, certain transactions (“prohibited transactions”) between certain Plans and certain disqualified persons (“disqualified persons”). Each potential purchaser of 2001 Bonds which is, or is acting on behalf of, a Plan should consult its tax and/or legal advisors as to whether a purchase of 2001 Bonds is or might constitute a “prohibited transaction” under ERISA or the overlapping provisions of the Code by virtue of the Plan’s relationship, direct or indirect, with the person or other entity from which 2001 Bonds are to be purchased. In addition, each potential purchaser of 2001 Bonds which intends or may intend, to sell 2001 Bonds to a Plan should also consult its tax and/or legal advisors as to whether it is a “disqualified person” under ERISA and/or the Code and whether it may be subject to the taxes imposed by Section 4975(a) and (b) of the Code.

Neither the Corporation, Bond Counsel, the Underwriters nor their respective officers, agents or attorneys expresses any opinion or makes any representation as to whether (i) any purchase of the 2001 Bonds is or is not a prohibited transaction under ERISA or the Code, or (ii) whether any sale or resale of the 2001 Bonds is or is not subject to the taxes imposed by Section 4975(a) or (b) of the Code. Prior to any purchase or sale of the 2001 Bonds, potential purchasers and potential sellers of the 2001 Bonds should consult their respective tax and/or legal advisors with respect to such matters.

REGULATORY CAPITAL CONSIDERATIONS

Depository institutions considering purchasing the 2001 Bonds may wish to consult their attorneys, the staff of the Federal Reserve System, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation or the Office of Thrift Supervision, as applicable, to determine if the 2001 Bonds so purchased may be assigned to the 20% risk category for regulatory capital purposes to the extent the Guaranteed Loans constituting Pledged Assets and securing the 2001 Bonds are conditionally guaranteed by the Secretary. The Corporation has sought no such ruling or determination and makes no representation, express or implied, with respect thereto.

TAX MATTERS

In the opinion of McNair Law Firm, P.A., Bond Counsel, interest on the 2001 Bonds is not excluded from the gross income of the owners thereof for either federal or State of South Carolina income tax purposes.

ABSENCE OF MATERIAL LITIGATION

There is no controversy or litigation of any nature now pending or threatened, or to the knowledge or information of the Corporation any basis therefor, to restrain or enjoin the issuance, sale, execution or delivery of the 2001 Bonds, or in any way contesting or affecting the validity of the 2001 Bonds, any proceedings of the Corporation taken with respect to the issuance or sale thereof, the pledge or application of any moneys or security provided for the payment of the 2001 Bonds or the due existence or powers of the Corporation or the Authority.

APPROVAL OF LEGALITY

The legality of the authorization, issuance and sale of the 2001 Bonds is subject to the approving legal opinion of Bond Counsel, McNair Law Firm, P.A., Charleston, South Carolina. Certain legal matters will be passed on for the Corporation by McNair Law Firm, P.A., Charleston, South Carolina and for the Underwriters by their counsel, Robertson, Ingram & Overbey, Knoxville, Tennessee. The final approving opinion of Bond Counsel is to accompany delivery of the 2001 Bonds substantially in the form attached to this Official Statement as EXHIBIT IV.

UNDERWRITING

The 2001 Bonds are to be purchased by William R. Hough & Co., Banc of America Securities LLC, First Union Securities, Inc., Salomon Smith Barney Inc. and Wachovia Securities, Inc. (collectively, the "Underwriters") pursuant to the terms and conditions of a Bond Purchase Agreement dated May 16, 2001 between the Corporation and the Underwriters, subject to certain conditions, at an aggregate purchase price equal to \$398,284,000.00. The Bond Purchase Agreement provides that the Underwriters shall not be obligated to purchase any 2001 Bonds unless all such Bonds are available for purchase. The initial public offering price may be changed by the Underwriters from time to time without notice. Although there can be no assurance that any market for the 2001 Bonds will commence or be maintained, the Underwriters expect to make a market in the 2001 Bonds for a limited period of time after the initial public offering.

RATINGS

It is a condition precedent to the issuance of the 2001 Bonds that the Corporation obtain a confirmation of ratings on the Prior Bonds. Fitch, Inc. ("Fitch") and Standard and Poor's ("Standard and Poor's") have each respectively assigned a rating of AAA to the Prior Bonds. The Corporation has applied for ratings of the 2001 Bonds by Fitch, Standard and Poor's and Moody's Investors Service, Inc. ("Moody's"). While the Corporation expects to receive rating confirmations with respect to the Prior Bonds, and that the 2001 Bonds will be rated AAA by Fitch and Standard and Poor's and Aaa by Moody's, there can be no assurance that such expectations will be realized. Such ratings reflect only the respective views of Fitch, Standard and Poor's and Moody's at the time such ratings are assigned. An explanation of any such respective ratings can only be obtained from Fitch, Standard and Poor's and Moody's as appropriate. There can be no assurance that such ratings will continue for any given period of time or that any or all will not be revised downward, limited or withdrawn entirely. Any such downward revision, limitation or withdrawal may adversely affect the market price of the 2001 Bonds.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Corporation and the purchasers or holders of any of the 2001 Bonds.

The Resolution provides that all covenants, stipulations, promises, agreements and obligations of the Corporation contained in the Resolution shall be deemed to be the covenants, stipulations, promises, agreements and obligations of the Corporation and not of any officer, director or employee of the Corporation in such person's individual capacity, and no recourse shall be had for the payment of the principal of or interest on the 2001 Bonds or for any claim based thereon or on the Resolution against any officer, director or employee of the Corporation or against any person executing the 2001 Bonds.

This Official Statement is "deemed final" within the meaning of Rule 15c2-12 of the Securities and Exchange Commission.

Dated this 16th day of May 2001.

SOUTH CAROLINA STUDENT LOAN CORPORATION

By: _____
Authorized Officer

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EXHIBIT I

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

SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM

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INTRODUCTION

The Federal Family Education Loan Program (“FFELP”), formerly known as the Guaranteed Student Loan Program, is part of a number of federal education programs contained in the Higher Education Act of 1965, as amended (the “Higher Education Act”) and was originally enacted by the U.S. Congress and signed into law as Public Law 89-329. FFELP provisions are presently contained in Title IV, Part B of the Higher Education Act and are codified at 20 United States Code, Sections 1071 *et seq.* FFELP currently includes the Stafford Student Loan Program, the Supplemental Loans for Students (SLS) Program, Parent Loans for Undergraduate Students (PLUS) Program and the Consolidation Loan Program. Since its original enactment, the Higher Education Act has been reauthorized and amended numerous times, most recently in 1998 by the Higher Education Amendments of 1998, Public Law 105-244, and which generally extended FFELP until September 30, 2004 (or in the case of the borrowers who have received loans prior to that date, to September 30, 2008), except that the authority to make Federal Consolidation Loans expires on September 30, 2004.

FFELP attempts to assure access of students and their parents to loans for postsecondary educational endeavors by providing lenders with certain federal incentives to make what otherwise would be unsecured higher risk loans. Toward that end, qualifying loans under FFELP are either (i) guaranteed by a state Guarantee Agency or authorized private Guarantee Agency and reinsured by the U.S. Government or (ii) insured directly by the U.S. Secretary of Education (the “Secretary”). Another type of FFELP loan to need-qualified students is subject to special treatment under which the Secretary pays interest on the loan while the student is in school and prior to the time the student is scheduled to begin loan repayment. Several types of FFELP loans are subject to so-called “Special Allowance Payments” where the Secretary makes periodic payments to loan holders to make up the difference between the interest rate paid by the borrower and the calculated market interest rates.

A new federal direct student loan program (“FDSLP”) was created by the Student Loan Reform Act of 1993 (after a previously authorized demonstration program) and became operational for the 1994-1995 academic year. Unlike the FFELP Program, which relies on a national network of private for-profit and nonprofit lenders as well as state and local governmental and quasi-governmental lenders for the origination and funding of loans, the FDSLP utilizes direct federal funding of student loans through participating educational institutions.

Currently, interest rate information for FFELP loans can be found in Section 427A of the Higher Education Act (20 U.S.C. 1077a); insurance and guarantee/reinsurance information for FFELP loans can be found in Sections 429 through 432 of the Higher Education Act (20 U.S.C. 1079 through 1082); and, information on student borrower and parent borrower eligibility for FFELP loans can currently be found in Sections 427 and 428B of the Higher Education Act (20 U.S.C. 1077 and 1078-2).

The following summary of certain provisions of FFELP is not intended to be complete and is qualified in its entirety by reference to the complete provisions of the Higher Education Act, and particularly Title IV, Part B thereof. Neither the Corporation, the Underwriters nor their respective counsel are under any obligation to update or supplement the information herein contained after the date hereof. There can be no assurance that the Higher Education Act, or other relevant federal or state laws, rules and regulations, will not be changed in the future in a manner that will adversely impact the programs described below and the FFELP Loans made thereunder.

THE STAFFORD LOAN PROGRAM

Generally. FFELP currently provides for (a) a subsidized Stafford Loan Program which includes (i) federal insurance or separate guarantee and federal reinsurance (described below), (ii) interest subsidy payments (“Interest Subsidy Payments”) to eligible lenders for certain eligible loans, and (iii) in some circumstances, special allowance payments (“Special Allowance Payments”) representing an additional subsidy paid by the Secretary to holders of certain eligible loans; and (b) an unsubsidized Stafford Loan Program which includes federal insurance or separate guarantee and federal reinsurance and Special Allowance Payments in some circumstances.

Both subsidized and unsubsidized Stafford Loans are eligible for federal insurance or separate guarantee and federal reinsurance if made to eligible students (see below). In connection with eligible Stafford Loans there are limits as to the maximum amount which may be borrowed for an academic year and in the aggregate for both undergraduate and graduate/professional study. Both aggregate limitations exclude loans made under the PLUS Program. The Secretary may authorize higher limits to accommodate students undertaking specialized training requiring exceptionally high costs of education. Subject to these limits, Stafford Loans are available to eligible students in amounts not exceeding their unmet need for financing determined in accordance with applicable FFELP needs analysis. As used in this summary, a “new borrower” is an individual who, at the time of determination, has no outstanding principal or interest due on prior loans under FFELP.

Eligible Student. Generally, a loan may be made only to a United States citizen or national or otherwise eligible individual under federal regulations who (a) has been accepted for enrollment or is enrolled and is maintaining satisfactory progress at an eligible institution, (b) is carrying at least one-half of the normal full-time academic workload for the course of study the student is pursuing, as determined by such institution, (c) has agreed to notify promptly the holder of the loan of any address change, (d) meets the applicable “needs” requirements and (e) if they are an undergraduate enrolled in an institution participating in the Pell Grant Program, then their eligibility or ineligibility for the Pell Grant Program has been determined. Eligible institutions include higher educational institutions and vocational schools that comply with certain federal regulations. Each loan is to be evidenced by an unsecured unendorsed note. Currently, all such loans must be secured by a “Master Promissory Note.” A Master Promissory Note is designed to be used as both a single year and as a multi-year note. Under the Master Promissory Note process, most borrowers will sign a promissory note once, at the time they first borrow. They may obtain additional loans, based on that same note, during the same year or in subsequent years.

Maximum Loan Amounts. Currently, the annual Stafford Loan limit for first year students generally is \$2,625 (except that lower limits apply to certain short-term courses of study) but increases to \$3,500 for second year students, \$5,500 for third and fourth year students, and \$8,500 for graduate and professional students. The aggregate limit on total Stafford Loans is generally \$23,000 for undergraduates (excluding PLUS and SLS loans) and \$65,500 for graduate and professional students. These loan limits may be increased substantially in some circumstances. See “SLS AND UNSUBSIDIZED STAFFORD LOAN PROGRAMS – Loan Amounts” hereinafter.

Applicable Interest Rates. The interest rates applicable to Stafford Loans vary significantly depending, among other things, on the time period during which the loan or its first disbursement was made and whether the loan was to a new borrower or an existing borrower.

Historical Fixed Rates. Prior to October of 1992, all Stafford Loans to new borrowers bore interest at fixed rates which varied depending on the period of instruction the loan was to cover. For example, Stafford Loans made prior to January 1, 1981 (and subsequent loans to the same borrowers) bore interest at a fixed rate not in excess of 7% per annum. On and after January 1, 1981, the fixed interest rate for new borrowers was 9% per annum unless the Secretary of the Treasury determined that the average of the bond equivalent rates of 91-day Treasury Bills auctioned for any 12-month period beginning on or after January 1, 1981 was equal to or less than 9% in which case the fixed interest rate was 8% for any period of enrollment beginning on or after the date which was 3 months after such determination. For loans first disbursed to new borrowers on or after July 1, 1988, the fixed interest rate was 8% from the date of loan disbursement through the fourth year of repayment and then converted in the fifth year of repayment to a fixed rate of 10% for the remainder of the repayment period.

Required Conversion Of Fixed Rate Loans To Annual Variable Rates. Pursuant to the Higher Education Technical Amendments of 1993, which was signed into law by the President on December 20, 1993, lenders were required to convert all fixed rate loans to an annual variable rate by January 1, 1995. The annually variable rate to which such loans were converted is adjusted each July 1 to a rate equal to the bond equivalent rate of the 91-day Treasury Bill, determined at the final auction held prior to the immediately preceding June 1, plus a spread of 3.25% for loans first disbursed to new borrowers on or after July 1, 1988 for which the otherwise applicable fixed interest rate was 10%; or, in the case of a loan made on or after October 1, 1992 to a borrower with outstanding loans under FFELP, the bond equivalent rate of the 91-day Treasury Bill, determined as described above, plus 3.10%.

The Current Annual Variable Rates. Loans first disbursed to new borrowers on or after October 1, 1992 bear interest at an annual variable rate which is reset each July 1 and which is equal to the bond equivalent rate of the 91-day Treasury Bill, determined at the final auction held prior to the immediately preceding June 1, plus a spread of 3.10% with a cap on the rate of 9%. For loans first disbursed (whether to a new or existing borrower) on or after July 1, 1994, the cap on the rate is reduced to 8.25%. For loans first disbursed on or after July 1, 1995, the permitted spread above the bond equivalent rate of the 91-day Treasury Bill is reduced to 2.50% during the period of the loan prior to the commencement of and during the deferment of repayment and the rate is capped at 8.25%. For loans first disbursed on or after July 1, 1998 and before July 1, 2003, the permitted spread is 1.7% during the in-school period, the grace period and certain deferment periods and 2.3% during the repayment period and any periods of forbearance, in each case with the maximum rate capped at 8.25%. FFELP specifically provides that the foregoing interest rates are maximum rates only and that lenders may charge interest rates which are lower than the applicable FFELP rates.

Interest Subsidy Payments. Interest Subsidy Payments are interest payments made by the Secretary on behalf of certain student borrowers during the period prior to the commencement of the obligation to begin repayment and also during deferment of repayment of their subsidized Stafford Loans. With respect to loans for which the eligible institution has completed its portion of the loan application after September 30, 1981, Interest Subsidy Payments are available only

if certain income and need criteria are met by the borrower. Factors in this needs analysis include the student's estimated cost of attendance, estimated financial assistance and expected family contribution. Interest Subsidy Payments will be paid (a) during a period which the borrower is enrolled at least half-time in an eligible institution, (b) during a six-month grace period pending commencement of repayment of the loans, (c) during certain deferment periods, and (d) in the case of loans initially disbursed prior to October 1, 1981, during a six-month grace period following any authorized deferment period before repayment is required to resume.

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

FFELP limits the Secretary's authority to make Interest Subsidy Payments to the period ending at the close of business on September 30, 2004 for eligible loans to new borrowers and September 30, 2008 for eligible loans to existing borrowers.

Grace Period, Deferment Periods, Forbearance. Repayment of principal of a FFELP loan (other than a PLUS Loan) must generally commence following a period of (a) not less than nine months or more than 12 months (with respect to loans for which the applicable interest rate is 7% per annum) and (b) not more than six months (with respect to loans for which the applicable interest rate is other than 7%) after the student borrower ceases to pursue at least a half-time course of study (a "Grace Period"). However, during certain other periods and subject to certain conditions, no principal repayments need be made, including periods when the student has returned to an eligible educational institution on at least a half-time basis or is pursuing studies pursuant to an approved graduate fellowship program, or when the student is a member of the Armed Forces or a volunteer under the Peace Corps Act or the Domestic Volunteer Service Act of 1973, or when the borrower is temporarily totally disabled, or during which the borrower is unable to secure employment, or when the borrower is experiencing economic hardship (the "Deferment Periods"). The lender may also, and in some cases must, allow periods of forbearance during which the borrower may defer principal and/or interest payments because of temporary financial hardship. The 1992 Reauthorization Bill simplified the deferment categories for new loans and expanded the opportunities for students to obtain forbearance from lenders due to temporary financial hardship.

Repayment. Repayment of principal on a Stafford Loan does not commence while a student remains a qualified student in school, but generally begins upon on the day following the 6th month after the qualified student ceases to carry the required course load at an eligible institution. In general, each such loan must be scheduled for repayment over a period of not more than 10 years after the commencement of repayment (excluding any Deferment Period or Forbearance Period as defined in the Higher Education Act). FFELP currently requires that no more than 6 months prior to the date on which a borrower's first payment is due, the lender must offer Stafford Loan borrowers the option of repaying the loan in accordance with (i) a standard repayment plan, with a fixed annual repayment amount paid over a fixed period of time, not to exceed 10 years; (ii) a graduated repayment plan paid over a fixed period of time, not to exceed 10 years; (iii) an income-sensitive repayment plan, with income-sensitive repayment amounts paid over a fixed period of time, not to exceed 10 years, except that the borrower's scheduled payments cannot be less than the amount of interest due; and, (iv) for new borrowers on or after October 1, 1998 who accumulate (after such date) outstanding Stafford Loans (subsidized and unsubsidized) totaling more than \$30,000, an extended repayment plan, with a fixed annual or graduated repayment amount paid over an extended period of time, not to exceed 25 years, except that the borrower must repay annually a minimum amount equal to the lesser of \$600 or the borrower's loan balance, but in no event less than the amount of interest due and payable. If a borrower fails to select from among the offered repayment plans, the lender is required to provide the borrower with the standard repayment plan.

SLS AND UNSUBSIDIZED STAFFORD LOAN PROGRAMS

History. The 1981 amendments to the Higher Education Act included a new program to provide unsubsidized loans to graduate and professional students and independent undergraduate students similar to PLUS Loans (see "PLUS Loan Program" hereinafter). Loans under this new program were designated "Supplemental Loans to Students" or "SLS." The 1992 amendments to the Higher Education Act added specific provisions for an unsubsidized Stafford Loan Program

for independent undergraduate students and graduate/professional students which addressed most of the same financing needs of students as were addressed by the SLS Program. Hence, the Omnibus Budget Reconciliation Act of 1993 eliminated the SLS Program as a separate program and, effective for periods of enrollment beginning on or after July 1, 1994, the SLS Program was merged into the unsubsidized Stafford Loan Program. Therefore, unsubsidized Stafford Loans made for periods of enrollment before July 1, 1994 may have benefits and conditions different from unsubsidized Stafford Loans made after that date.

Loan Amounts. Both the SLS and unsubsidized Stafford Loan Programs were designed to facilitate borrowing for students who do not qualify for the full subsidized Stafford Loan after application of the required need analysis methodology. Such students are entitled to borrow the difference between the unsubsidized Stafford Loan maximum and their subsidized Stafford eligibility through the new program so long as the total loan does not exceed their cost of attendance. The amount of an unsubsidized Stafford Loan is determined by subtracting from the student's estimated cost of attendance any estimated financial assistance reasonably available to such student. Annual loan limits are those applicable to subsidized Stafford Loans but are increased for independent students or students whose parents are unable to borrow under the FFELP PLUS Program or the FDSLPL PLUS Program by (i) \$4,000 during the first and second years of undergraduate study, (ii) \$5,000 for undergraduate study after the first and second years, and (iii) \$10,000 for graduate or professional study. Aggregate loan limits are generally the same as for subsidized Stafford Loans but are increased to reflect any applicable increases in annual limits for the unsubsidized Stafford Loans and do not include any capitalized interest. Aggregate limits of \$46,000 for an undergraduate and \$138,500 for a graduate student include the total of outstanding loans under the Stafford Loan Program, SLS Loan Program and loans under the FDSLPL.

Insurance and Interest Subsidy. The basic provisions for federal insurance and separate guarantee/federal reinsurance applicable to SLS are similar to those of unsubsidized Stafford Loans. Federal Interest Subsidy Payments are not available for SLS and unsubsidized Stafford Loans.

Interest Rates.

Unsubsidized Stafford Loans. Interest rates on unsubsidized Stafford Loans are determined in the same manner as for subsidized Stafford Loans. However, interest accruing on an unsubsidized Stafford Loan while the borrower is in school or in grace or deferment is either capitalized and added to the principal amount of the loan when it enters repayment or paid monthly or quarterly by the student. Amortization of unsubsidized Stafford Loans is established by assuming an interest rate equal to the applicable rate at the time the repayment of the principal amount of the loan commences. At the option of the lender, the periodic payment amount may be adjusted annually or the period of repayment of principal may be lengthened or shortened in order to reflect adjustments in applicable interest rates.

SLS Loans. Interest rates on SLS Loans are higher than those on Stafford Loans. The applicable interest rate depends upon the date of the loan and the period of enrollment for which the loan is to apply. For SLS Loans issued on or after October 1, 1981, but for periods of educational enrollment beginning prior to July 1, 1987, the applicable rate of interest was either 12% or 14% per annum.

An annual variable interest rate applies to SLS Loans made and disbursed on or after July 1, 1987 or those made prior to such time which are reissued at a variable rate. The applicable annual variable rate is determined on the basis of any 12-month period beginning on July 1 and ending on the following June 30, and is equal to the sum of the bond equivalent rate of 52-week Treasury Bills auctioned at the final auction held prior to the June 1 immediately preceding the applicable 12-month period, plus a permitted spread. For SLS Loans made and disbursed on or after July 1, 1987 the permitted spread is 3.25% and the maximum rate is 12% per annum. For SLS Loans first disbursed on or after October 1, 1992, the permitted spread is 3.10% and the maximum rate is 11% per annum. Since the SLS Program was eliminated as a separate program in 1993, no new SLS Loans have been originated since June 30, 1994. On or after July 1, 2001, the interest rate on outstanding SLS Loans will be based on the weekly average one-year constant maturity Treasury yield, as published by the Board of Governors of the federal reserve system, in substitution for the bond equivalent rate of auctioned 52-week Treasury Bills.

Repayment. See information above under "THE STAFFORD LOAN PROGRAM - Repayment."

PLUS LOANS

History. Under the 1980 amendments to the Higher Education Act, the U.S. Congress established a program to provide educational loans to parents of dependent undergraduate students. Loans under this program were designated Parent Loans for Undergraduate Students or "PLUS Loans." To be eligible as PLUS borrowers, parents or a loan endorser, as applicable, cannot have an adverse credit history. The student's parents may borrow jointly or separately

for the student. If they borrow separately, the loan limits on behalf of dependent students apply to the total of both loans, not to each loan individually. If the parents borrow jointly, both are liable for repayment of the loan as co-makers.

Loan Amounts. Originally, loans under PLUS were limited to the lesser of \$4,000 per academic year or the estimated cost of attendance less other financial aid for which the student was eligible, with a maximum aggregate amount of \$20,000. However, for PLUS Loans for which the first disbursement is made on or after July 1, 1993, annual and aggregate loan limits have been repealed. However, a PLUS Loan may not exceed the student's estimated cost of attendance minus other available financial assistance during the period of enrollment.

Insurance and Interest Subsidy. The basic provisions for federal insurance and separate guarantee/federal reinsurance applicable to PLUS Loans are similar to those of unsubsidized Stafford Loans. Federal Interest Subsidy Payments are not available under the PLUS program.

Interest Rates. Interest rates on PLUS Loans are higher than those on Stafford Loans. The applicable interest rate depends upon the date of the loan and the period of enrollment for which the loan is to apply. For PLUS Loans issued on or after October 1, 1981, but for periods of educational enrollment beginning prior to July 1, 1987, the applicable rate of interest was either 12% or 14% per annum.

An annual variable interest rate applies to PLUS made and disbursed on or after July 1, 1987 or refinanced (as discussed below). The applicable annual variable rate is determined on the basis of any 12-month period beginning on July 1 and ending on the following June 30, and is equal to the sum of the bond equivalent rate of 52-week Treasury Bills auctioned at the final auction held prior to the June 1 immediately preceding the applicable 12-month period, plus a permitted spread. For PLUS Loans made and disbursed on or after July 1, 1987 the permitted spread is 3.25% and the maximum rate is 12% per annum. For PLUS Loans first disbursed on or after October 1, 1992, the permitted spread is 3.10% and the maximum rate is 10%. For PLUS Loans first disbursed on or after July 1, 1994, the permitted spread is 3.10% and the maximum rate is 9%. For PLUS Loans first disbursed on or after July 1, 1998, but before July 1, 2003, the interest rate for any 12-month period beginning on July 1 and ending on June 30 will be determined on the preceding June 1 and will be equal to the lesser of (i) the bond equivalent rate of 91-day Treasury bills auctioned at the final auction held prior to June 1 plus 3.1% or (ii) 9%. On or after July 1, 2001, the interest rate on outstanding PLUS Loans will be based on the weekly average one-year constant maturity Treasury yield, as published by the Board of Governors of the federal reserve system, in substitution for the bond equivalent rate of auctioned 52-week Treasury Bills.

Repayment. Repayment of principal of PLUS Loans is required to commence no later than 60 days after the date of the last disbursement of such loan, subject to certain deferral provisions. The deferral provisions which apply are more limited than those which apply to Stafford Loans. Interest on PLUS Loans for which principal payments are deferred may be paid monthly or quarterly if agreed by the borrower and the lender, or may be capitalized and added to the principal amount of the loan not more frequently than quarterly by the lender. PLUS Loan borrowers must be offered the same repayment options as Stafford borrowers. See "THE STAFFORD LOAN PROGRAM – Repayment" above.

Consolidation and Reissuance of PLUS Loans. A lender may consolidate multiple outstanding PLUS Loans to the same borrower under a single repayment schedule for principal and interest, with a new repayment period calculated from the date of repayment of the most recent included loan. Unless the borrower elects a variable interest rate, the interest rate of such a consolidated PLUS Loan is the weighted average of the rates of all loans being refinanced.

A lender may also reissue a PLUS Loan which was initially originated at a fixed rate prior to July 1, 1987 in order to permit the borrower to obtain the variable interest rate available on PLUS Loans on and after July 1, 1987. If a lender is unwilling to reissue the original PLUS Loan, the borrower may obtain a loan from another lender for the purpose of discharging the loan and obtaining a variable interest rate.

CONSOLIDATION LOANS

History. In 1986, the U.S. Congress established a program to provide loans to eligible borrowers for consolidating their Guaranteed Loans. Amendments to the Consolidation Loan Program were made in 1992, 1993 and 1998.

Eligibility. Under the Consolidation Loan Program, an eligible borrower means a borrower with an outstanding FFELP indebtedness who, at the time of application, is in repayment status or in a grace period preceding repayment, or is a delinquent or defaulted borrower who will reenter repayment through loan consolidation. An eligible borrower also cannot be subject to a judgment or a wage garnishment with respect to FFELP loans. Prior to July 1, 1994, a

borrower also had to have an outstanding balance of at least \$7,500 in FFELP loans to be eligible for consolidation. This \$7,500 threshold was eliminated for loans consolidated on or after July 1, 1994. A lender may make a Consolidation Loan to an eligible borrower at the request of the borrower. An eligible borrower may also obtain a Consolidation Loan from the Secretary under the Federal Direct Student Loan Program if the borrower is unable to obtain a FFELP Consolidation Loan or is unable to obtain a FFELP Consolidation Loan having income-sensitive repayment terms acceptable to such borrower. Loans made under subpart I of part A of title VII of the Public Health Service Act may also be consolidated with FFELP Loans.

A married couple, each of whom has loans, may be treated as an individual borrower if such couple agrees to be held jointly and severally liable for the repayment of their Consolidation Loan, without regard to the amounts of the respective loan obligations that are to be consolidated and without regard to any subsequent change that may occur in such couple's marital status.

Interest Rates. Consolidation Loans made before July 1, 1994 bear interest at a rate equal to the weighted average of the interest rates on the loans consolidated, rounded to the nearest whole percent subject to a floor rate of 9% per annum. Consolidation Loans made on or after July 1, 1994 bear interest at the same weighted average rate but are not subject to a floor rate. However, Consolidation Loans made on or after November 13, 1997 through September 30, 1998 bear interest at the annual variable rate applicable to Stafford Loans. Consolidation Loans for which the application is received on or after October 1, 1998 bear interest at a rate equal to the weighted average interest rate of the loans consolidated, rounded up to the nearest 1/8th of a percent subject to a maximum rate of 8.25% per annum.

Repayment. For Consolidation Loans made on or after July 1, 1994, Lenders are required to offer borrowers graduated or income-sensitive repayment schedules providing for repayment over 10 years with a minimum payment of accrued and unpaid interest. Absent some other permissible arrangement with the lender, repayment periods for Consolidation Loans may vary from up to 10 years to not more than 30 years, depending on the sum of the balance on the Consolidation Loan and any other FFELP Loans of the borrower, but the outstanding balance of such other FFELP Loans counted may not exceed the balance of the Consolidation Loan for purposes of determining the repayment term. Currently, the different repayment periods required to be offered for Consolidation Loans, based on the sum of the principal balances of the Consolidation Loan and other student loans (up to but not in excess of the balance of the Consolidation Loan), are as follows:

Principal Balance	Repayment Term	Principal Balance	Repayment Term
Less than \$7,500	Not more than 10 years	\$20,000 to \$39,999	Not more than 20 years
\$7,500 to \$9,999	Not more than 12 years	\$40,000 to \$59,999	Not more than 25 years
\$10,000 to \$19,999	Not more than 15 years	\$60,000 or more	Not more than 30 years

Repayment must commence within 60 days after all holders have discharged the liability of the borrower on the loans selected for consolidation. The minimum repayment installment cannot be less than the accrued and unpaid interest.

Insurance and Interest Subsidy. For Consolidation Loan applications received by lenders on or after August 10, 1993 and before November 13, 1997, the Secretary will not make federal Interest Subsidy Payments on Consolidation Loans unless they consolidate only subsidized Stafford Loans. For Consolidation Loan applications received by lenders on or after November 13, 1997, the Secretary will make federal Interest Subsidy Payments on only the portion of the Consolidation Loan that repays subsidized Stafford Loans. No interest subsidy is payable with respect to the portion of a Consolidation Loan representing loans made under subpart I of part A of title VII of the Public Health Service Act.

Further, no insurance premium may be charged to a borrower and no insurance premium may be charged to a lender in connection with a Consolidation Loan. However, a fee may be charged to the lender by the Guarantee Agency to cover the costs of increased or extended liability with respect to a Consolidation Loan.

Holder Rebate to Federal Government. Each holder of a Consolidation Loan first disbursed on or after October 1, 1993 are required to rebate to the Secretary of Education a fee calculated on an annual basis and equal to 1.05% of the principal plus accrued and unpaid interest on the Consolidation Loan, such fee to be paid in monthly installments. The 1998 Reauthorization Bill made a temporary reduction in the Consolidation Loan Rebate Fee from 1.05% to 0.62% per annum for loans on which applications are received between October 1, 1998 and January 31, 1999.

Direct Loans. If a borrower is unable to obtain a Consolidation Loan with income-sensitive repayment terms acceptable to the borrower from the holders of the borrower's outstanding loans (which are selected for consolidation), or from any other lender, the Secretary is required to offer the borrower, if the borrower so requests, a direct

Consolidation Loan under the FDSLPL. Such direct Consolidation Loans shall be repaid either pursuant to income contingent repayment or any other repayment provisions under the Consolidation Loan provisions. If the Secretary determines that the U.S. Department of Education does not have the necessary origination and servicing arrangements in place for such loans, the Secretary shall not offer such loans.

SPECIAL ALLOWANCE PAYMENTS

FFELP provides, subject to certain conditions, for Special Allowance Payments to be made for quarterly periods by the Secretary to holders of qualifying Guaranteed Loans.

The rate of Special Allowance Payments for a particular loan is dependent on a number of factors including when the loan was disbursed and for what period of enrollment the loan covers. Generally, the sum of the stated interest on the loan and the applicable Special Allowance Payment will be between 3.1 and 3.5 percentage points above the average of bond equivalent rates of 91-day Treasury Bills auctioned for that quarter (the "T-Bill Basis"). For loans made on or after October 1, 1992, the Special Allowance Payment is calculated based on the T-Bill Basis plus 3.1%, except that Stafford Loans made on or after July 1, 1995 qualify for Special Allowance Payments based on the T-Bill Basis plus 2.5% while the borrower is in school, grace or deferment status. In the case of certain loans made or purchased with funds obtained from the issuance of tax-exempt obligations originally issued prior to October 1, 1993, the Special Allowance Payments are reduced by approximately one-half, but not less than certain minimums provided in the Higher Education Act. For Stafford Loans disbursed on or after July 1, 1998 and before January 1, 2000, Special Allowance Payments are based on the T-Bill Basis plus 2.2% while borrowers are in school, grace or deferment status, or 2.8% while borrowers are in repayment periods. For PLUS Loans disbursed on or after July 1, 1998 and before January 1, 2000, Special Allowance Payments are based on the T-Bill Basis plus 3.1% to the extent such computation exceeds of 9%. The rate of Special Allowance Payments is subject to reduction by the amount of certain origination fees charged to borrowers and may be reduced as a result of certain federal budget deficit reduction measures.

Special Allowance Payments are made on Consolidation Loans whenever the rate charged the borrower is limited by the 9%/8.25% cap. However, for applications received on or after October 1, 1998, Special Allowance Payments are paid in order to afford the lender a yield equal to the 91-day Treasury Bill plus 3.1% whenever the formula exceeds the borrower's interest rate. For Consolidation Loans based upon consolidation applications received on or after October 1, 1998, and before January 1, 2000, there would be no Special Allowance Payments for such loans during any 3-month period ending March 31, June 30, September 30, or December 31 unless the T-Bill Basis for the applicable quarter plus 3.1% exceeds the interest determined for such loans. Notwithstanding the foregoing, no Special Allowance Payments are made with respect to the portion of a Consolidation Loan representing loans made under subpart I of part A of title VII of the Public Health Service Act.

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For eligible loans first disbursed on or after January 1, 2000, and before July 1, 2003 (or in the case of Consolidation Loans, applications received on or after January 1, 2000, but before July 1, 2003), the Special Allowance Payment is calculated based on the average of the bond equivalent rates of the quotes of the 3-month commercial paper (financial) rates in effect for each of the days in such quarter as reported by the Federal Reserve in Publication H-15 (or its successor) (the “CP Rate”) plus 1.74% during the in-school period, the grace period and certain deferment periods, and at the following rates during repayment or forbearance periods:

Loan Type	Applicable SAP Rate - Repayment/Forbearance
Stafford Loan ¹	CP Rate plus 2.34%
PLUS Loan ²	CP Rate plus 2.64%
Consolidation Loan ³	CP Rate plus 2.64%

¹ In the case of Stafford Loans on which the first disbursement was made after January 1, 2000 and before July 1, 2003, no Special Allowance Payment will be made on a loan for any quarterly period in which the applicable interest rate on the loan exceeds the CP Rate plus the applicable spread.

² In the case of PLUS Loans on which the first disbursement was made after July 1, 1998, but before July 1, 2003, no Special Allowance Payment will be made on a loan during any 12-month period beginning on July 1 and ending on June 30 unless, on the June 1 preceding such July 1, the bond equivalent rate of 91-day Treasury bills auctioned at the final auction held prior to June 1 plus 3.1% exceeds 9%.

³ For Consolidation Loans based upon consolidation applications received on or after January 1, 2000, and before July 1, 2003, no Special Allowance Payment will be made on a loan during any quarterly period in which the applicable interest rate on the loan exceeds the CP Rate plus 2.64%.

The Higher Education Act provides that a holder of a qualifying loan who is entitled to receive Special Allowance Payments has a contractual right against the United States, during the life of the loan, to receive those Special Allowance Payments. Receipt of Special Allowance Payments, however, is conditioned on compliance with the Higher Education Act, including continued eligibility of the loan for federal insurance or reinsurance benefits. Such eligibility may be lost due to violations of the Higher Education Act or applicable guarantee agreements specifying servicing and collection of the loan in the event of delinquency. The Higher Education Act also provides that if Special Allowance Payments have not been made within 30 days after the Secretary receives an accurate, timely and complete request therefor, the Secretary must pay interest on the amounts due beginning on the 31st day at a rate equal to the sum of the daily equivalent loan interest rate and the daily equivalent Special Allowance Payment rate, both as applicable to the affected loans.

GUARANTEE AND REINSURANCE FOR FFELP LOANS

Guarantee Payments To Lenders. For loans made prior to October 1, 1993, an eligible lender may be reimbursed by the Guarantee Agency for 100% of the unpaid principal balance of the loan plus accrued unpaid interest on any loan defaulted so long as the eligible lender has properly serviced such loan. However, any holder of a loan in default which was first disbursed on or after October 1, 1993, is entitled to receive no more than 98% of the unpaid principal of such loan from the Guarantee Agency, except for a loan made by a lender-of-last resort or under any agreement resulting from a Guarantee Agency insolvency, in which cases the applicable percentage rate is 100%.

Federalization and Recall of Guarantee Agency Reserves

1993 Amendments to the Higher Education Act. Section 422 of the Higher Education Act (particularly the amendment by Public Law 103-66 effective on August 10, 1993), provides that the reserve funds of all guarantee agencies under the Higher Education Act shall be considered the property of the United States to be used in connection with the Federal Family Education Loan Programs and Consolidation Loan Programs under Parts B and C of Title IV of the Act. (United States Code, Title 20, Section 1072(g)). The Higher Education Act further provides that the Secretary may direct a guarantee agency to return to the Secretary a portion of its reserve fund which the Secretary determines is unnecessary to pay the program expenses and contingent liabilities of the guarantee agency.

The Balanced Budget Act of 1997 (Public Law 105-33) (the “1997 Budget Act”) further amended Section 422 of the Higher Education Act to require the Secretary to recall \$1,000,000,000 from the reserve funds held by all guarantee agencies on September 1, 2002. The amendment imposes a four-stage recall process. First, all reserve funds of each guarantee agency which exceed a reserve ratio of 2% are recalled. The reserve ratio is defined as the amount held in a guarantee agency's reserve fund as of September 30, 1996 as a percentage of the original principal amount of all loans for which the guarantee agency has an outstanding insurance obligation as of such date. Second, to the extent there is a shortfall in achieving the required amount after the first-stage recall, each guarantee agency is subject to an additional reserve recall in an “equal percentage reduction” determined by dividing the amount of the shortfall by the total remaining reserves of all guarantee agencies, but no guarantee agency reserve can be reduced below a 0.58% reserve ratio. Third, to the extent a shortfall remains after the equal percentage reduction in stage two, a second “equal percentage reduction” is determined by dividing the remaining shortfall amount by the total remaining reserves of all guarantee agencies that exceed a reserve ratio of 0.58%. Fourth, if a shortfall still exists on September 1, 2002, the Secretary must require the return of the shortfall from other reserve funds held by the guarantee agencies under procedures established by the Secretary.

Commencing October 1, 1997 and each federal fiscal year thereafter, each guarantee agency is required to transfer its required share of recalled reserves to a restricted account in five equal installments. No guarantee agency may use the funds in its restricted account for any purpose without the express written consent of the Secretary, except that earnings from such restricted account may be used for “default reduction activities” as defined in the Higher Education Act.

Higher Education Act Amendments of 1998. The Higher Education Act Amendments of 1998 add new Sections 422A and 422B to the Higher Education Act. Section 422A requires each guarantee agency to establish a Federal Student Loan Reserve Fund (the “Federal Fund”) into which all federal reserves must be deposited. Additionally, all reinsurance payments from the Secretary and the reinsurance percentage of all default collections must be deposited in the Federal Fund. Subject to some transitional exceptions, amounts in the Federal Fund may only be used to pay lender claims on defaulted loans and to disburse default prevention fees to an Agency Operating Fund required to be established under new Section 422B. Earnings on the Federal Fund would be the sole property of the federal government.

Section 422B requires each guarantee agency to establish an Agency Operating Fund within 45 days of enactment of the proposed reauthorization legislation. All loan processing and issuance fees, portfolio maintenance fees and default prevention fees paid by the Secretary as well as the unreinsured portion of default collections (after payment of the Secretary's equitable share and excluding required deposits in the Federal Fund) must be deposited in the Agency Operating Fund. Funds in the Agency Operating Fund may only be used for application processing, loan disbursement, enrollment and repayment status management, permitted default prevention activities, default collection activities, school and lender training, compliance monitoring and other student financial aid related activities as determined by the Secretary and for voluntary irrevocable transfers to the Federal Fund. Except for funds transferred from the Federal Fund, the Agency Operating Fund may be considered to be the property of the guarantee agency.

Additionally, the legislation requires the Secretary to annually recall an additional \$40,000,000 of guarantee agency reserves for federal fiscal years 1999 through 2003 (total of \$200,000,000 recalled). Each guarantee agency is required to annually return one-fifth of its required share of this additional recall of reserves. The required share would be determined on an equal percentage basis by dividing \$200,000,000 by the total amount of all guarantee agencies reserves held on September 30, 1996 (thus not allowing for any reduction in the equal percentage for previously recalled reserves under the 1997 Budget Act).

Payment by Secretary Upon Guarantee Agency Insolvency. Under Section 432(o) of the Higher Education Act, in the event that the Secretary determines that a guarantee agency is unable to meet its insurance obligations with respect to payment of default claims, the holder of loans insured by the guarantee agency may submit insurance claims directly to the Secretary and the Secretary shall pay to the holder the full insurance obligation of the guarantee agency, in accordance with insurance requirements no more stringent than those of the guarantee agency. However, the Secretary's obligation to pay guarantee claims directly in this fashion is contingent upon the Secretary making the determination referred to above. There can be no assurance that the Secretary would ever make such a determination with respect to any specific guarantee agency or, if such a determination was made, whether such determination or the ultimate payment of such guarantee claims would be made in a timely manner.

Federal Reinsurance Payments to Guarantee Agencies.

Generally. The Secretary enters into guarantee agreements with each Guarantee Agency which provide for federal reinsurance for amounts paid to eligible lenders by the Guarantee Agency with respect to defaulted loans. Pursuant to such agreements, the Secretary is to reimburse a Guarantee Agency for 100% of the amounts owed on a loan made prior to October 1, 1993, and 98% of the amounts owed on a loan made on or after October 1, 1993, and 95% of the amounts owed on a loan made on or after October 1, 1998, for losses upon notice and determination of such amounts

subject to reduction based on the Guarantee Agency's claims rate (as described below). The Secretary is also authorized to acquire the loans of borrowers who are at high risk of default and who request an alternative repayment option from the Secretary.

Reductions in Reinsurance Payments Based on Claims Rate. The amount of such reinsurance payments is subject to reduction based upon the annual claims rate of the Guarantee Agency calculated to equal the amount of federal reinsurance received as a percentage of the original principal amount of guaranteed loans in repayment on the last day of the prior fiscal year. The original principal amount of loans guaranteed by a Guarantee Agency which are in repayment for purposes of computing reimbursement payments to a Guarantee Agency means the original principal amount of all loans guaranteed by a Guarantee Agency less: (1) the original principal amount of such loans that have been fully repaid either by borrowers or by guarantee payments, and (2) the original amount of such loans for which the first principal installment payment has not become due. Claims resulting from the death, bankruptcy, total and permanent disability of a borrower, the death of a student whose parent is the borrower of a PLUS Loan, or claims by borrowers who received loans on or after January 1, 1986 and who are unable to complete the programs in which they are enrolled due to a school closure or borrowers whose borrowing eligibility was falsely certified by the eligible institution are not included in calculating a Guarantee Agency's claims rate experience for federal reinsurance purposes and are reimbursed at 100%. The claims experience is not accumulated from year to year, but is determined solely on the basis of claims paid in any one federal fiscal year compared with the original principal amount of loans in repayment at the beginning of that year. The formula for reinsurance amounts is summarized in the following table:

<u>Claims Rate</u>	<u>Federal Payment for Loans made prior to October 1, 1993</u>	<u>Federal Payments for Loans made on or after October 1, 1993*</u>	<u>Federal Payment for Loans made on or after October 1, 1998*</u>
0% up to 5%	100%	98%	95%
5% up to 9%	100% of claims up to 5%; and 90% of claims 5% and over	98% of claims up to 5%; and 88% of claims 5% and over	95% of claims up to 5% and 85% of claims 5% and over
9% and over	100% of claims up to 5%; 90% of claims 5% and over up to 9%; and 80% of claims 9% and over	98% of claims up to 5%; 88% of claims 5% and over up to 9%; and 78% of claims 9% and over	95% of claims up to 5%; 85% of claims 5% and over up to 9%; and 75% of claims 9% and over

* Other than loans made pursuant to the lender-of-last resort program or student loans transferred by an insolvent Guarantee Agency both of which are reinsured at 100%

After a federal reinsurance claim is paid, the Guarantee Agency is, however, entitled to deduct from payments received from a borrower an amount equal to the amount of the borrower payment multiplied by the complement of the reinsurance percentage.

Guarantee Agency Insolvency. In addition, if a Guarantee Agency is unable to meet its guarantee obligations, holders of loans may submit insurance claims directly to the Secretary until such time as the obligations are transferred to a new Guarantee Agency capable of meeting such obligations or until a successor Guarantee Agency assumes such obligations. Federal reinsurance and insurance payments for defaulted loans are paid from the Student Loan Insurance Fund established under the Higher Education Act. The Secretary is authorized, to the extent provided in advance by appropriations acts, to issue obligations to the Secretary of the Treasury to provide funds to make such federal payments.

Timing of Default Claims and Payment. A Federal Family Education Loan is generally considered to be in default upon the borrower's failure to make an installment payment when due or to comply with other terms of a note or agreement under circumstances in which the holder of the loan may reasonably conclude that the borrower no longer intends to honor the repayment obligation and for which the failure persists for 270 days in the case of a loan payable in monthly installments or for 330 days in the case of a loan payable in less frequent installments. When a loan becomes 60 or more days past due, the holder is required to request default aversion assistance from the applicable Guarantee Agency in order to attempt to cure the delinquency. The holder is required to continue collection efforts until the loan is past due for the applicable time period. At the time of payment of the claim, the holder must assign to the applicable Guarantee Agency all rights accruing to the holder under the note evidencing the loan. The Higher Education Act prohibits a Guarantee Agency from filing a claim for reimbursement with respect to losses prior to 270 days after the loan becomes delinquent with respect to any installment thereon or later than 45 days after the Guarantee Agency's discharge of its obligation on the loan.

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

The Secretary may withhold reimbursement payments if a Guarantee Agency makes a material misrepresentation or fails to comply with the terms of its agreements with the Secretary or applicable federal law. Supplemental guarantee agreements between Guarantee Agencies and the Secretary are subject to termination for cause by the Secretary. All Guarantee Agencies are required to comply with certain due diligence requirements established pursuant to the Secretary's regulations regarding collection procedures to be exercised on loans for which the Guarantee Agency pays a default claim. In particular, since March 1987, Guarantee Agencies have been required to institute civil litigation against certain borrowers within a specified time period, unless: (i) the cost of litigation would exceed the likelihood of recovery or (ii) the borrower has insufficient means to satisfy a substantial portion of a judgment on the debt. Noncompliance with this requirement may result in a Guarantee Agency being required to repay reinsurance payments received on such loans. In addition, the Secretary may, among other remedial actions available to it, elect to withhold payments to the Guarantee Agency and suspend or terminate all agreements with the Guarantee Agency.

Federal Administrative Cost Allowances, Insurance Fees and Reinsurance Fees. Under the 1998 reauthorization of the Higher Education Act, for loans originated during federal fiscal years beginning on or after October 1, 1998 and before October 1, 2003, the Secretary pays each Guarantee Agency a loan processing and issuance fee equal to 0.65% of the total principal amount of the loans on which insurance was issued during such fiscal year. Effective for federal fiscal years beginning on or after October 1, 2003 the fee percentage is reduced to 0.40%. A Guarantee Agency is paid an account maintenance fee based upon the original principal amount of outstanding loans under the FFELP insured by such Guarantee Agency. For Federal fiscal years 1999 and 2000, the fee is 0.12%. After Federal fiscal year 2000, the fee will be 0.10%.

Under the guarantee agreements and the supplemental guarantee agreements, if a payment on an eligible loan guaranteed by a Guarantee Agency is received after reimbursement by the Secretary, the Guarantee Agency is entitled to receive a share of the payment. Guarantee Agency retention on such collections was reduced to 27% of the repayment from 30% for loans first disbursed after October 1, 1993 and was further reduced by the 1998 reauthorization of the Higher Education Act to 24%. The 1998 reauthorization of the Higher Education Act also provides that the percentage will be further reduced to 23% beginning on October 1, 2003.

Any originator of any FFELP Loan guaranteed by a Guarantee Agency is required to pay to the Guarantee Agency from the proceeds of the loan at the time of disbursement and may discount an insurance premium which may not exceed that permitted under the Higher Education Act.

FFELP LOANS GENERALLY NOT SUBJECT TO DISCHARGE IN BANKRUPTCY

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

(a) A discharge under Section 727, 1141, 1228(a), 1128(b), or 1328(b) of this title does not discharge an individual debtor from any debt –

* * * * *

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

Issues of undue hardship are first resolved by the U.S. Bankruptcy Court having jurisdiction over the case in which the undue hardship claim is asserted. Determinations of undue hardship are generally fact-based and are subject to review on appeal.

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**GLOSSARY OF CERTAIN DEFINED TERMS
FROM THE GENERAL AND 2001 SERIES RESOLUTIONS**

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GLOSSARY OF CERTAIN DEFINED TERMS FROM THE GENERAL AND 2001 SERIES RESOLUTIONS

The following are some of the terms defined in the Corporation's General Resolution and 2001 Series Resolution pursuant to which the 2001 Bonds are issued. Where appropriate or necessary for a clearer indication of meaning for purposes of this Official Statement, some of the following definitions have been slightly modified. For purposes of such definitions, unless the context otherwise requires:

- (i) Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Words importing the singular number shall include the plural number and vice versa, and words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations, or other legal entities including public bodies, as well as natural persons.
- (ii) The terms "hereby", "hereof", "hereto", "herein", "hereunder", and any similar terms, as used in this Resolution, refer to this Resolution or sections or subsections of this Resolution and the term "hereafter" means after the date of adoption of the General Resolution.

Some of these terms are used in this Official Statement and, unless the context in which such terms are herein used clearly indicates some other meaning, such terms used herein shall have the same meanings ascribed to them in the General Resolution or the 2001 Series Resolution, as appropriate.

Defined Terms

"Account or Accounts" means one or more of the separate accounts which are established within Funds created pursuant to the General Resolution.

"Accountant's Certificate" means an opinion signed by an independent certified public accountant or firm of certified public accountants of recognized standing (who may be the certified public accountant or firm of certified public accountants who regularly audit the books and accounts of the Corporation) selected from time to time by the Corporation.

"Accrued Interest Factor" means, for any given day and any given Tranche, the number calculated by dividing the interest having accrued through the day immediately prior to such day by the Outstanding Bond balance for the related period and rounding the result to nine decimal places.

"Act" means Chapter 115 of Title 59 of the Code of Laws of South Carolina, 1976, as amended, as existing at the date of adoption of the General Resolution, or as thereafter amended.

"Alternative Loan" means an obligation acquired or to be acquired by the Corporation with funds made available pursuant to the General Resolution which represents advances of money made to or on behalf of a student evidenced by one or more promissory notes, the payment of principal of and interest on which is not insured by a Guarantee Agency nor reinsured by the Secretary under the Higher Education Act; provided that such Alternative Loans may be made only upon confirmation of ratings on the Bonds by each Rating Agency.

"Annual Budget" means the annual budget, as amended or supplemented, for a particular Fiscal Year adopted by the Corporation under the General Resolution and filed with the Trustee.

"Applicable Rating Criteria for Investment Obligations" means:

- (i) for as long as Fitch, Inc. is a Rating Agency, a rating by a Nationally Recognized Rating Service no lower than AA (or the equivalent) or F-1+ (or the equivalent), as appropriate;
- (ii) for as long as Moody's Investors Service is a Rating Agency, a rating by Moody's Investors Service no lower than Aa2 (or the equivalent) or P-1 (or the equivalent), as appropriate; provided that, if such Investment Obligations consist of money market funds as described in the General Resolution, such Investment Obligations must bear a rating by Moody's Investors Service of Aaa; and
- (iii) for as long as Standard & Poor's is a Rating Agency, a rating by Standard & Poor's no lower than the highest rating on any Tranche of Outstanding Bonds or A-1, AAAm or AAAm-G, as appropriate.

"Authority" means the South Carolina State Education Assistance Authority, a body politic and corporate and a public instrumentality of the State of South Carolina.

"Authorized Denomination" means with respect to the 2001 Bonds, \$1,000 and integral multiples thereof.

"Authorized Newspaper" means a financial journal, printed in the English language and customarily published (except in the case of legal holidays) at least once a day for at least five days in each calendar week, of general circulation in the Borough of Manhattan, City and State of New York or a newspaper of general statewide circulation in the State.

"Authorized Officer" means (i) in the case of the Authority, the Chairman or other designated officer, and (ii) in the case of the Corporation, the Chairman of its Board of Directors, its President or any other officer designated by the Chairman or the President.

"Average Rate" is the number, expressed as a percentage, calculated by dividing the amount of interest paid on any given Tranche on a given Interest Payment Date by the number of days in the related interest accrual period and multiplying the result by 360 and dividing the result by the amount of Bonds Outstanding during the related interest accrual period.

"Bankruptcy Code" means the United States Bankruptcy Code, as amended from time to time, or any successor law.

"Beneficial Owners" means a Person who has an ownership interest in the 2001 Bonds Outstanding in book-entry form.

"Board" means the Board of Directors of the Corporation.

"Bond" or "Bonds" means any South Carolina Student Loan Corporation Education Loan Revenue Bonds of any Series authorized by an applicable Series Resolution and issued under the General Resolution.

"Bond Counsel Opinion" means an opinion of an attorney or firm of attorneys of recognized standing with respect to public finance law selected by the Corporation.

"Bondholder", or "Bondowner" or "Holder", or "Holders of Bonds", or any similar term (when used with reference to the Bonds) means any person who shall be the registered owner of any Outstanding Bond.

"Business Day" means any day other than a Saturday, Sunday, legal holiday or any other day on which banking institutions in the State of New York or the state in which the principal corporate trust office of the Trustee is located, are generally authorized or obligated by law or executive order to close or on which the New York Stock Exchange is closed.

"Calculation Agent" means The Bank of New York or its successors or assigns, such successors to be appointed pursuant to the 2001 Series Resolution.

"Cash Flow Certificate" means a certificate prepared by or on behalf of the Corporation setting forth, for the period extending from the date of such certificate to the latest maturity of the Bonds then Outstanding, (i) all Revenues Available for Debt Service expected to be received during such period; (ii) the application of all such Revenues Available for Debt Service in accordance with the General Resolution; (iii) the resulting balances and parity ratio; and establishing under all assumptions and scenarios requested by each Rating Agency and used for a cash flow analysis to accompany such certificate, that anticipated Revenues Available for Debt Service will be at least sufficient to pay the principal of and interest on the Bonds when due, to pay all other amounts payable under the General Resolution when due and to meet any required parity ratio.

"Certificate" means a document signed by an Authorized Officer attesting to or acknowledging the circumstances or other matters therein stated.

"Chairman" means the Chairman of the Board of Directors of the Corporation.

"Class" means a class of Bonds all sharing the same lien priority.

"Closing Date" means the date on which the 2001 Bonds are delivered.

"Code" means the Internal Revenue Code of 1986, as amended from time to time or the Internal Revenue Code of 1954, as amended, as applicable. Each reference to a Section of the Code, shall be deemed to include the United States Treasury Regulations, including temporary and proposed regulations, relating to such sections which are applicable to the Bonds or the use of the proceeds thereof.

"Continuing Disclosure Undertaking" means the covenant of the Corporation described in the General Resolution and more fully set forth in each Series Resolution.

"Corporation" means the South Carolina Student Loan Corporation, a private, not-for-profit corporation established in 1973 under Title 33, Chapter 31, Code of Laws of South Carolina, 1976, as amended, acting in its capacity as an Eligible Lender or as agent of the Authority in administering certain components of the Student Loan Insurance Program, and its successors and assigns.

"Corporation Issuance and Sale Certificate" means a certificate executed and delivered by an Authorized Officer of the Corporation, which certificate shall be filed among the official records of the Corporation, in which such Authorized Officer shall certify the Corporation's determination to issue the 2001 Bonds and shall determine the number of Tranches, the principal amount of each Tranche, the Stated Maturity of each Tranche, Spread Factors, the respective Targeted Amortization Schedules, the deposits required into certain Funds and Accounts and such other matters as shall be further provided therein with respect to the details of the 2001 Bonds.

"Costs of Issuance" means the costs of issuing any Series of Bonds.

"Cost of Issuance Account" means the account so designated which is established pursuant to the General Resolution.

"Counsel's Opinion" means an opinion in writing, including supplemental opinions thereto, signed by such attorney or firm of attorneys of recognized national standing in the field of law relating to public finance as may be selected by the Corporation.

"CP Indexed Rate" means the interest rate established by the Calculation Agent on each Interest Rate Determination Date and equal to the CP Rate plus the Spread Factor.

"CP Rate" means, for any given day, the 90-day AA Financial Commercial Paper rate posted on such day on the Federal Reserve Release entitled "Commercial Paper Rates and Outstandings". Such release may be available on the Internet at <http://www.federalreserve.gov/releases/cp/>. If such rate is only published as a discount rate, such discount rate is to be converted to a bond equivalent yield using the following formula and rounded to the nearest thousandth of a percent (0.001%):

$$\frac{Q \times D}{360 - (90 \times Q)} \times 100$$

where "Q" refers to the per annum rate quoted on a discount basis and expressed as a decimal and where "D" refers to the number of days in the year in which the CP Rate is to take effect. If the rate is no longer available from such source, the Calculation Agent will ascertain the rate in good faith from such sources as it shall determine to be comparable to such source.

"Debt Service" means, with respect to any particular Fiscal Year and any particular Series of Bonds, an amount equal to the sum of all interest payable on such Bonds and any Principal Installment in respect of such Bonds which shall be due and payable at any time from the second day of such Fiscal Year to the first day of the ensuing Fiscal Year, inclusive.

"Debt Service Reserve Fund" means the Fund so designated which is created by the General Resolution.

"Debt Service Reserve Requirement" means, as of any particular date of calculation, the greatest of (i) the sum of the amounts designated for each Series of Bonds in the Series Resolution related thereto as the "Debt Service Reserve Requirement" in respect of such Series, (ii) 0.1% times the original principal amount of all Tranches Outstanding as of such date, or (iii) \$750,000. The Debt Service Reserve Requirement may be composed of cash, Investment Obligations or Reserve Alternative Instruments or any combination of the foregoing, as the Corporation may determine.

"Debt Service Fund" means the Fund so designated which is created by the General Resolution.

"Default Payment" means moneys received, realized or recovered through proceedings taken by the Corporation in the event of default in respect of any Education Loan or in respect of any insurance on or guarantee with respect to any Education Loan, including moneys received pursuant to a contract of insurance in respect of any Education Loan.

"Defeasance Obligations" means and include any of the following securities, if and to the extent they are at the time legal for investment of funds of the Corporation: non-callable direct obligations of, or obligations the timely payment of principal and interest on which is fully and unconditionally guaranteed by, the United States of America.

"Depository" means any bank, trust company, national banking association or savings and loan association selected by the Corporation or the Trustee as a depository of moneys or securities held under the provisions of the General Resolution and may include the Trustee or any Paying Agent.

"Education Loans" means, collectively, Guaranteed Loans and Alternative Loans.

"Eligible Institution" means any educational institution which is an eligible institution as described in the Higher Education Act of 1965, as amended, and also so described in the Act.

"Eligible Lender" means (i) the Authority, (ii) the Corporation and (iii) all other entities which are eligible lenders as described in the Higher Education Act, which have in force a contract with a Guarantee Agency providing for loan guarantees to be issued by such Guarantee Agency to such entity under the Higher Education Act and the Act.

"Ending Balance Factor" means, for any given day, the number calculated by dividing the unpaid principal balance of each Tranche of the 2001 Bonds Outstanding (after any Principal Reduction Payments are made) by the original principal balance of such Tranche of the 2001 Bonds and rounding the result to nine decimal places.

"Federal Agency" means the United States of America, or any agency, department or instrumentality of the United States of America.

"Fiduciary or Fiduciaries" means the Trustee and any successor, the Registrar, any Depository, any Paying Agent, or any of or all of them, as may be appropriate.

"Fiscal Year" means each annual period which begins on July 1 in any calendar year and ends on June 30 in the following calendar year.

"Fund" or "Funds" means one or more of the special trust funds which are created hereby.

"General Revenue Fund" means the fund so designated which is created by the General Resolution.

"Guarantee Agency" means the Authority acting in its capacity as a state guarantee agency under the Higher Education Act or other authorized guarantee agency under the Higher Education Act approved by each Rating Agency.

"Guaranteed Loan" means an obligation acquired or to be acquired by the Corporation with funds made available pursuant to the General Resolution which represents advances of money made by an Eligible Lender to or on behalf of a student attending or enrolled at an Eligible Institution, evidenced by one or more promissory notes, the payment of principal of and interest on which is guaranteed by a Guarantee Agency and reinsured as to principal amount and interest by the Secretary to the maximum extent then authorized under the Higher Education Act and agreements entered into by a Guarantee Agency and the Secretary pursuant to the Higher Education Act; or such an obligation for which there is a commitment by the Secretary to so insure or by the Guarantee Agency and the Secretary to so insure and reinsure.

"Higher Education Act" means the United States Higher Education Act of 1965, as amended, or any successor legislation pursuant to which programs are established for the direct federal insurance of student loans, reinsurance of loans (including Guaranteed Loans) guaranteed by state guarantee agencies, and other purposes.

"Initial CP Indexed Rate" means a rate of interest set forth as such in the Corporation Issuance and Sale Certificate.

"Initial LIBOR Indexed Rate" means a rate of interest set forth as such in the Corporation Issuance and Sale Certificate.

"Initial Period" means the period beginning on the Closing Date and ending on the day before the first Interest Rate Adjustment Date for the respective Tranche of the 2001 Bonds.

"Interest Account" means the account so established within the Debt Service Fund by the General Resolution.

"Interest Payment Date" means (i) in the case of the 2001 Series LIBOR Indexed Bonds, the first Business Day of September 2001 and on the first Business Day of each December, March, June and September thereafter, and (ii) in the case of the 2001 Series CP Indexed Bonds, the first Business Day of September 2001 and on the first Business Day of each December, March, June and September thereafter.

"Interest Period" means the Initial Period and thereafter each period commencing on an Interest Rate Adjustment Date and ending on the day before the next Interest Rate Adjustment Date.

"Interest Rate" means the rate of interest on the 2001 Bonds determined in the manner provided in the 2001 Series Resolution.

"Interest Rate Adjustment Date" means the date on which a particular interest rate is effective, being (i) in the case of the 2001 Series LIBOR Indexed Bonds, each Interest Payment Date, and (ii) in the case of the 2001 Series CP Indexed Bonds, (a) the next Interest Payment Date if the corresponding Interest Rate Determination Date occurs within five calendar days of such Interest Payment Date, and otherwise (b) the day after each Interest Rate Determination Date.

"Interest Rate Determination Date" means (i) in the case of the 2001 Series LIBOR Indexed Bonds, the second Business Day immediately preceding each Interest Rate Adjustment Date, and (ii) in the case of the 2001 Series CP Indexed Bonds, the first Business Day of each calendar week.

"Interest Subsidy Payments" means interest subsidy payments payable in respect to any Guaranteed Loans by the Secretary under Section 428 of the Higher Education Act.

"Investment Obligations" means any of the following securities, if and to the extent the same are at the time legal for investment of moneys and funds held under the General Resolution:

- (i) Direct obligations of the United States or obligations guaranteed as to full and timely payment both as to principal and interest by the United States;

- (ii) General obligations of the State or other states of the United States provided that such obligations meet the Applicable Rating Criteria for Investment Obligations;

(iii) General obligations of cities, counties and special purpose districts in the State provided that such obligations meet the Applicable Rating Criteria for Investment Obligations;

(iv) Obligations of any company, other organization or legal entity incorporated or otherwise created or located within or without the United States if such obligations meet the Applicable Rating Criteria for Investment Obligations;

(v) To the extent that the following meet the Applicable Rating Criteria for Investment Obligations and the full and timely payment thereof are guaranteed by the United States, obligations of the Federal Financing Bank, the Federal Farm Credit Bank, the Bank for Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, the Rural Economic and Community Development Administration, the United States Postal Service, the Export-Import Bank, the international Bank for Reconstruction and Development, the International Finance Corporation, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, and the Student Loan Marketing Association.

(vi) Repurchase Agreements with respect to securities issued or guaranteed by the United States government or its agencies as well as debt obligations issued by the Student Loan Marketing Association, Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation which may include mortgage-backed and mortgage pass through securities but may not include derivative instruments, which Repurchase Agreements are executed by a bank or trust company or by primary or other reporting dealers to the Federal Reserve Bank of New York which transferor of such securities continuously meets the Applicable Rating Criteria for Investment Obligations, if:

(a) the obligations that are subject to such repurchase agreement are delivered (in physical or in book-entry form) to the Trustee, or any financial institution serving as custodian for the Trustee, provided that such repurchase agreement must provide that the value of the underlying obligations shall be maintained at a current market value, calculated at least daily, of not less than one hundred and two percent (102%) of the repurchase price, and, provided further, that the financial institution serving either as Trustee or as custodian shall not be the provider of the repurchase agreement;

(b) a valid and perfected first security interest in the obligations which are the subject of such repurchase agreement has been granted to the Trustee;

(c) such securities are free and clear of any adverse third party claims; and

(d) a Counsel's Opinion is delivered to the Corporation providing that the repurchase agreement complies with applicable provisions of State law regarding the investment of funds.

The Rating Agencies shall be given prior written notice describing such Repurchase Agreements.

(vii) To the extent that the following continuously meet the Applicable Rating Criteria for Investment Obligations, savings certificates issued by any savings and loan association organized under the laws of the State or by any federal savings and loan association having its principal office in the State; provided that the rate of return or investment yield may not be less than that available in the market on United States government or agency obligations of comparable maturity;

(viii) To the extent that the following continuously meet the Applicable Rating Criteria for Investment Obligations, certificates of deposit issued by banks organized under the laws of the State, or by any national bank having its principal office in the State; provided that the rate of return or investment yield may not be less than that available in the market on United States government or agency obligations of comparable maturity;

(ix) To the extent that the following continuously meet the Applicable Rating Criteria for Investment Obligations, deposits in any savings and loan association organized under the laws of the State or

any federal savings and loan association having its principal office in the State; provided that any moneys invested in such deposits in excess of the amount insured by the federal government or any agency thereof be fully secured by surety bonds, or be fully collateralized;

(x) Prime quality commercial paper meeting the Applicable Rating Criteria for Investment Obligations;

(xi) Bills of exchange or time drafts drawn on and accepted by a commercial bank and eligible for use as collateral by member banks in borrowing from a federal reserve bank, provided that the accepting bank or its holding company (a) meets the Applicable Rating Criteria for Investment Obligations and (b) is incorporated in the State;

(xii) Asset-backed securities (whether considered debt or equity) provided they bear the highest rating of each Rating Agency;

(xiii) Guaranteed Investment Contracts with a financial institution whose long term debt obligations continuously meet the Applicable Rating Criteria for Investment Obligations and for which the Rating Agencies shall have been given prior written notice describing such Guaranteed Investment Contracts; and

(xiv) Investments in a money market fund which bears a rating which continuously meets the Applicable Rating Criteria for Investment Obligations.

"Insufficient Funds Event" means the failure of the Corporation to make or cause to be made the deposit required by the 2001 Series Resolution.

"Issue Date" means with respect to Bonds of a particular Series, the date specified and determined by the Series Resolution authorizing such Bonds.

"LIBOR Indexed Rate" means the interest rate established by the Calculation Agent on each Interest Rate Determination Date and equal to the LIBOR Rate plus the Spread Factor.

"LIBOR Rate" means the rate per annum fixed by the British Bankers' Association at 11:00 a.m., London time (BBA Libor rate), relating to quotations for London Interbank Offered Rates on U.S. dollar deposits for a three month period. If such a day is not a business day in London, the most recently fixed LIBOR Rate shall be used. Such rate may be available on the Internet at <http://www.bba.org.uk/media/>. If the rate is no longer available from such source, the Calculation Agent will ascertain the rate in good faith from such sources as it shall determine to be comparable to such source.

"Loan Account" means the account of that name established in the Program Fund.

"Mandatory Sinking Fund Installment" means the principal amount of Bonds of all Series which pursuant to the applicable Series Resolutions the Corporation is unconditionally required (except as provided in the General Resolution) to redeem on any particular date (such that failure to redeem such principal amount is, regardless of the availability of moneys therefor, an Event of Default).

"Market Agent" means William R. Hough & Co. or another market agent or market agents designated in accordance with the terms of the applicable Series Resolution, and its or their successors or assigns.

"Nationally Recognized Rating Service" means any of Standard and Poor's, Moody's Investors Service, Inc. or Fitch, Inc. or the successor to any.

"Operating Costs" means, all of the Corporation's expenses in carrying out and administering the Student Loan Finance Program under the General Resolution and shall include, without limiting the generality of the foregoing, auction agent fees, Servicing Fees, salaries, acquisition and servicing fees (other than Servicing Fees), supplies, utilities, mailing, labor, materials, maintenance, furnishings, equipment, machinery and apparatus, telephone, insurance premiums, legal, accounting, management, consulting and banking services and expenses, Rating Agency fees, any credit or liquidity facility fees and expenses, fees and expenses, if any, incurred in remarketing the Bonds, fees and expenses of the

Fiduciaries, Costs of Issuance not otherwise paid or provided for from the proceeds of Bonds, travel, payments for pension, thrift savings, retirement, health and hospitalization, and life and disability insurance benefits, all to the extent properly allocable to a financing under the General Resolution.

"Operating Fund" means the fund so designated which is created by the General Resolution.

"Operating Fund Requirement" means as of any date, an amount equal to the Operating Costs of the Corporation for the current month and such additional amount as the Corporation deems appropriate, but in no event, more than four months of Operating Costs in total as reflected by the Annual Budget.

"Other Federal Benefits" means all payments (including interest payments) now or hereafter provided by law, other than Default Payments, to be paid by the Secretary or any other Federal Agency to a holder of student loans, less any repayments thereof that may be required under contracts for such payments or as a condition for their receipt.

"Outstanding" when used with reference to any Bonds, means, as of any date, all Bonds theretofore or then being authenticated and delivered under the General Resolution except:

- (i) any Bonds canceled by the Trustee at or prior to such date;
- (ii) Bonds (or portions thereof) for the payment of which there shall be held in trust under the General Resolution (whether at or prior to maturity) (a) cash, equal to the principal amount or Redemption Price thereof, with interest to the date of maturity, or (b) Defeasance Obligations in amounts sufficient to pay the Redemption Price on such Bonds when due;
- (iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to Article III; and
- (iv) Bonds deemed to have been paid as provided in the General Resolution.

"Participant" means a participant in the electronic, computerized book-entry system of transferring beneficial ownership interests in the 2001 Bonds administered by the Securities Depository.

"Paying Agent" means any bank with trust powers or trust company so designated pursuant to the General Resolution, and its successor or successors hereafter appointed, as paying agent for any Series of Bonds.

"Payment Default" means (i) a default by the Corporation in the due and punctual payment of any installment of interest on any Bonds at the time Outstanding or (ii) a default by the Corporation in the due and punctual payment of the principal or premium, if any, on any of the Outstanding Senior Lien Bonds at their maturity.

"Person" means any individual, corporation, partnership, joint venture, association, joint stock company, incorporated organization or government or any agency or political subdivision thereof.

"Pledged Assets" means (i) the Education Loans; (ii) interest payments with respect to Education Loans made by or on behalf of borrowers; (iii) Recoveries of Principal; (iv) any applicable Special Allowance Payments; (v) any applicable Interest Subsidy Payments; (vi) all moneys and securities from time to time held by the Trustee under the terms of the General Resolution (excluding moneys and securities held, or required to be deposited, in the Rebate Fund) and any and all other real or personal property of every name and nature from time to time hereafter by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred as and for additional security hereunder.

"Principal Account" means the account of that name established within the Debt Service Fund.

"Principal Installment" means, as of the date of calculation and with respect to any Series of Bonds Outstanding, (i) the principal amount of Bonds of such Series due on a certain future date (whether at a stated maturity date or a date fixed for redemption prior to a stated maturity date) for which no Mandatory Sinking Fund Installments have been established, or (ii) the unsatisfied balance (determined as provided in the General Resolution) of any Mandatory Sinking Fund Installments in a principal amount equal to said unsatisfied balance of such Mandatory Sinking Fund Installments, or (iii) if such future dates coincide as to different Bonds of such Series, the sum of such principal amount of Bonds and

of such unsatisfied balance of Mandatory Sinking Fund Installments due on such future date, plus such applicable redemption premiums, if any.

"Principal Reduction Payment" means a payment of principal on the respective Tranche of the 2001 Bonds prior to maturity thereof.

"Principal Reduction Payment Date" means each date set forth in the Corporation Issuance and Sale Certificate for a Principal Reduction Payment with respect to the applicable Tranche of the 2001 Bonds.

"Program Fund" means the fund established by the General Resolution.

"Rating Agency" or "Rating Agencies" means any of Standard and Poor's, Moody's Investors Service, Inc., Fitch, Inc. (or the successor to any) or any other generally recognized rating agency to the extent any such agency has been requested in writing by the Corporation to issue a rating on one or more Series of the Bonds and such agency has issued and continues to apply a rating on such Bonds at the time in question.

"Rebate Fund" means the Rebate Fund authorized pursuant to the General Resolution.

"Record Date" means such date as shall be determined in the applicable Series Resolution with respect to payments to be made thereunder. With respect to the 2001 Bonds, "Record Date" means, with respect to any installment of interest due on an Interest Payment Date, the Business Day prior to the Interest Payment Date.

"Recoveries of Principal" means all amounts received in respect of payment of principal on Education Loans held by the Corporation, including scheduled, delinquent and advance payments, payouts or prepayments, proceeds from the guarantee, or from the sale, assignment or other disposition of an Education Loan.

"Redemption Date" means a date fixed for the payment of principal prior to maturity pursuant to any applicable redemption provision of the General Resolution and any Series Resolution.

"Redemption Price" means the total of principal, premium (if any) and interest due on any Bond redeemed pursuant to any applicable redemption provision of the General Resolution and any Series Resolution.

"Refunding Bonds" means all Bonds, whether issued in one or more Series, authenticated and delivered pursuant to the General Resolution.

"Registrar" means the Trustee, as well as any Co-Registrar appointed by the Corporation and the Trustee under the General Resolution.

"Remarketing Agent" means the entity selected by the Corporation in the event that it elects to convert the interest methodology for the 2001 Bonds as provided in the 2001 Series Resolution.

"Reserve Alternative Instrument" means an insurance policy or surety bond or irrevocable letter of credit or guaranty deposited in the Debt Service Reserve Fund in lieu of or in partial substitution for the deposit of cash and Investment Obligations in satisfaction of the Debt Service Reserve Requirement. The Reserve Alternative Instrument shall be payable (upon the giving of notice as required thereunder) to remedy any deficiency in the appropriate subaccounts in the Interest Account and the Principal Account in order to provide for the timely payment of interest and principal (whether at maturity or to pay a Mandatory Sinking Fund Installment therefor). The provider of a Reserve Alternative Instrument shall be (a) an insurer that has been assigned a rating which continuously meets the Applicable Rating Criteria for Investment Obligations, or (b) a commercial bank, insurance company or other financial institution the bonds payable or guaranteed by which have been assigned a rating which continuously meets the Applicable Rating Criteria for Investment Obligations. The Rating Agencies shall be given prior written notice describing such Reserve Alternative Instrument.

"Resolution" means, collectively, the General Resolution and the 2001 Series Resolution.

"Revenues Available for Debt Service" means (i) interest payments with respect to Education Loans made by or on behalf of borrowers; (ii) Recoveries of Principal; (iii) any applicable Special Allowance Payments; (iv) any

applicable Interest Subsidy Payments; and (v) all moneys and securities from time to time held by the Trustee under the terms of the General Resolution (excluding moneys and securities held, or required to be deposited, in the Rebate Fund).

"Scheduled Debt Service" means payment of interest and principal at the Stated Maturity thereof (including interest payable on an Interest Payment Date that is also a redemption date and including interest payable on defaulted interest).

"Secretary" means the United States Secretary of Education, or any other officer, board, body, commissioner or agency succeeding to the functions thereof under the Higher Education Act.

"Securities Depository" means The Depository Trust Company and any successor or additional securities depository for the 2001 Bonds.

"Senior Lien Bonds" means any Bonds so designated in the applicable Series Resolution authorizing such Senior Lien Bonds. With respect to the 2001 Bonds, "Senior Lien Bonds" means all 2001 Bonds.

"Series" means all of the Bonds authenticated and delivered on original issuance authorized by a given Series Resolution, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for (but not to refund) such Bonds as herein provided, regardless of variations in maturity, interest rate, Mandatory Sinking Fund Installments, or other provisions.

"Series Resolution" means a resolution of the Corporation authorizing the issuance of a Series of Bonds in accordance with the terms and provisions hereof, adopted by the Corporation in accordance with the General Resolution.

"Servicing Fees" means the fees payable to the Corporation to cover, inter alia, the Corporation's reasonable and necessary expenses for operation and administration of the Student Loan Finance Program. The fees shall cover, but are not limited to, the Corporation's reasonable and necessary expenses for operation and administration of the Student Loan Finance Program including those expenditures made for the purchase of furniture and equipment as well as those expenditures associated with the operation and maintenance of the Corporation's facilities.

"Special Allowance Payments" means special allowance payments authorized to be made by the Secretary in respect of the Guaranteed Loans pursuant to Section 438 of the Higher Education Act or similar allowances authorized from time to time by federal law or regulation.

"Spread Factor" means the applicable number of basis points designated as such for each of the 2001 Series LIBOR Indexed Bonds and the 2001 Series CP Indexed Bonds in the Corporation Issuance and Sale Certificate. The Corporation has designated the Spread Factor to be 0.13% with respect to the 2001L Bonds and 0.25% with respect to the 2001CP Bonds.

"State" means the State of South Carolina.

"Stated Maturity" means, with respect to principal of a Bond or an installment of interest thereon, the date specified in such Bond as the fixed date on which such principal or such installment of interest is due and payable.

"Student Loan Finance Program" means and include any acts or things done by the Authority or the Corporation pursuant to the Act and the General Resolution for the purpose of making available Guaranteed Loans pursuant to the Act and Alternative Loans as provided herein.

"Student Loan Insurance Program" means the guarantee program of the Authority authorized by the Act.

"Subordinate Lien Bonds" means any Bonds that are so designated in the Series Resolution authorizing such Bonds.

"Targeted Amortization Schedule" means the schedule (set forth in the Corporation Issuance and Sale Certificate) for Principal Reduction Payments on each respective Tranche of the 2001 Bonds prior to maturity thereof to the extent Revenues Available for Debt Service are available for such purpose.

"TED Spread" means (i) the LIBOR Rate ascertained by the Calculation Agent for a given Interest Period on the 2001L Bonds, less (ii) the simple average of the weekly auction investment rate of Treasury Bills issued during the same Interest Period, maturing in approximately 91 days and found on the website: www.publicdebt.treas.gov/servlet/OFBills. If such Treasury Bill weekly auction investment rate is no longer available from such source, the Calculation Agent will ascertain the rate in good faith from such sources as it shall determine to be comparable to such source.

"Tranche" means Bonds identified as such in a Series Resolution and having the same stated maturity and interest rate methodology.

"Trustee" means The Bank of New York and the successor or successors of such bank or trust company and any other corporation which may at any time be substituted in its place pursuant to the Resolution.

"Yield" means, that yield which, when used in computing the present worth of all payments of principal and interest on an obligation, produces an amount equal to its purchase price.

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EXHIBIT III

CERTAIN FINANCIAL INFORMATION WITH RESPECT TO THE CORPORATION

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SOUTH CAROLINA STUDENT LOAN CORPORATION

FINANCIAL AND COMPLIANCE REPORT

JUNE 30, 2000

SOUTH CAROLINA STUDENT LOAN CORPORATION

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YEAR ENDED JUNE 30, 2000

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
South Carolina Student Loan Corporation
Columbia, South Carolina

We have audited the accompanying statement of financial position of South Carolina Student Loan Corporation as of June 30, 2000, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Carolina Student Loan Corporation as of June 30, 2000 and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles. In accordance with *Government Auditing Standards*, we have also issued a report dated August 31, 2000 on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

As described in Note 16 to the financial statements, on July 1, 1998 the Corporation changed its method of depreciating certain equipment.

Our audit was made for the purpose of forming an opinion on the financial statements of South Carolina Student Loan Corporation, taken as a whole. The accompanying supplementary information in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards in Schedule 7 is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations", and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits 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.

August 31, 2000

Derrick, Stubbs & Stith, LLP

SOUTH CAROLINA STUDENT LOAN CORPORATION
STATEMENT OF FINANCIAL POSITION

JUNE 30, 2000

(With Comparative Amounts for 1999)

ASSETS	2000		1999 Totals
	Unrestricted	Temporarily Restricted	Memorandum Only
<u>Current Assets:</u>			
Cash and Cash Equivalents	\$ 4,117,508	\$ 12,105,786	\$ 16,665,751
Investments	225,946	1,404,535	262,345
Current Portion of Student Loan Receivables		158,389,049	123,800,223
Interest Due from Borrowers	453,513	29,152,761	26,423,041
Due from United States Department of Education	228	10,928,999	7,127,781
Due from SC State Education Assistance Authority	897	10,269,774	8,705,491
Accrued Investment Income	1,174	293,097	308,404
Miscellaneous Operating Receivables	2,740		1,820
Prepaid Expenses	31,674		15,968
Due from (to) Other Funds	10,167,158	(10,167,158)	
Total Current Assets	<u>\$ 15,000,838</u>	<u>\$ 212,376,843</u>	<u>\$ 183,310,824</u>
<u>Investments and Long-Term Receivables:</u>			
Investments	\$	\$ 31,866,303	\$ 48,316,615
Other Student Loan Receivables Less, Current Portion	6,333,217	1,161,898,851	1,065,876,773
Teacher Loans Receivable - Net Allowance for Teacher Loan			
Cancellations of \$ 12,104,936 and Current Portion		11,391,849	11,744,627
Cash Surrender Value of Life Insurance	33,349	33,349	31,003
Deferred Cost of Issuance of Bonds		1,101,397	908,028
Total Investments and Long-Term Receivables	<u>\$ 6,366,566</u>	<u>\$ 1,206,258,400</u>	<u>\$ 1,126,877,046</u>
<u>Property and Equipment:</u>			
Furniture and Equipment	\$ 2,274,534	\$	\$ 2,883,744
Automobiles	33,016		29,719
Less, Accumulated Depreciation	(1,740,942)		(1,509,346)
Net Property and Equipment	<u>\$ 566,608</u>	<u>\$ -</u>	<u>\$ 1,404,117</u>
Total Assets	<u>\$ 21,934,012</u>	<u>\$ 1,418,635,243</u>	<u>\$ 1,311,591,987</u>

See Notes to Financial Statements.

SOUTH CAROLINA STUDENT LOAN CORPORATION
STATEMENT OF FINANCIAL POSITION

JUNE 30, 2000

(With Comparative Amounts for 1999)

	2000			1999 Totals
	Unrestricted	Temporarily Restricted	Total	Memorandum Only
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Current Portion of Notes Payable - Finance Loans	\$	\$ 58,000,000	\$ 58,000,000	\$ 69,543,309
Current Maturities of Bonds Payable		98,731,193	98,731,193	62,890,636
Interest Payable		5,932,306	5,932,306	3,869,797
Accounts Payable	60,367	68,389	128,756	180,853
Accrued Pension Payable	406,820	12,582	419,402	364,684
Compensated Absences	181,409	13,595	195,004	170,327
Due to SC State Education Assistance Authority		8,892,356	8,892,356	6,469,818
Total Current Liabilities	\$ 648,596	\$ 171,650,421	\$ 172,299,017	\$ 143,489,424
Long-Term Debt:				
Bonds Payable Less, Current Maturities and Bond Premiums and Discounts of \$ 4,562,233	\$	\$ 665,351,983	\$ 665,351,983	\$ 614,635,622
Notes Payable - Finance Loans Less, Current Maturities		314,201,163	314,201,163	291,995,886
Note Payable to Banks		182,008,132	182,008,132	173,455,570
Total Long-Term Debt	\$ -	\$ 1,161,561,278	\$ 1,161,561,278	\$ 1,080,087,078
Total Liabilities	\$ 648,596	\$ 1,333,211,699	\$ 1,333,860,295	\$ 1,223,576,502
Net Assets:				
Temporarily Restricted:				
For Teacher Loans	\$	\$ 29,791,514	\$ 29,791,514	\$ 28,737,310
For Bond Indentures		47,102,166	47,102,166	32,842,049
For Bond Indentures - Current Debt Service		8,529,864	8,529,864	7,601,210
Total Temporarily Restricted	\$	\$ 85,423,544	\$ 85,423,544	\$ 69,180,569
Unrestricted	21,285,416		21,285,416	18,834,916
Total Net Assets	\$ 21,285,416	\$ 85,423,544	\$ 106,708,960	\$ 88,015,485
Total Liabilities and Net Assets	\$ 21,934,012	\$ 1,418,635,243	\$ 1,440,569,255	\$ 1,311,591,987

See Notes to Financial Statements.

SOUTH CAROLINA STUDENT LOAN CORPORATION

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2000

(With Comparative Amounts for 1999)

	2000			1999
	Unrestricted	Temporarily Restricted	Total	Totals Memorandum Only
Revenue and Other Support:				
Income from United States Department of Education:				
Student Loan Interest - Subsidized	\$ 626	\$ 26,050,372	\$ 26,050,998	\$ 28,042,548
Special Allowances	215	13,929,722	13,929,937	4,159,288
Student Loan Interest - Non Subsidized	425,820	70,544,209	70,970,029	66,458,725
Investment Income	363,722	2,939,316	3,303,038	3,107,978
Unrealized Gain (Loss) on Investments	(36,399)		(36,399)	(152,138)
Late Charges	618	725,445	726,063	662,791
Miscellaneous Payments of Student Loans		2,371	2,371	9,410
Premium on Sale of Loans		9,656	9,656	14,147
State Appropriations - Department of Education		2,016,250	2,016,250	2,016,250
Processing Fee Income	74,661		74,661	83,256
Remittance from SC State Education Assistance Authority for Operating Cost	5,884,370		5,884,370	5,182,592
Net Assets Released from Restrictions	99,974,366	(99,974,366)		
Total Revenue and Support	\$ 106,687,999	\$ 16,242,975	\$ 122,930,974	\$ 109,584,847
Expenses:				
Personnel	\$ 4,622,940	\$	\$ 4,622,940	\$ 5,021,192
Contractual Services	525,273		525,273	464,781
General Operating	1,619,713		1,619,713	1,686,113
Interest on Debt	55,265,208		55,265,208	44,790,710
TLP Cancellations	4,188,420		4,188,420	3,898,664
Amortization of Deferred Cost of Bond Issuance	88,713		88,713	43,580
Payments to SC State Education Assistance Authority for Student				
Loan Income	33,513,035		33,513,035	30,803,775
Lender Origination Fees	2,359,524		2,359,524	1,998,901
Reinsurance Expense	71,397		71,397	102,964
Loss on Disposal of Equipment	952,328		952,328	27,016
Broker Dealer Fees	214,691		214,691	1,020,013
Other				151,342
Total Expenses	\$ 103,421,242	\$ -	\$ 103,421,242	\$ 90,009,051
Change in Net Assets				
Net Assets, Beginning	\$ 3,266,757	\$ 16,242,975	\$ 19,509,732	\$ 19,575,796
Prior Period Adjustment for Depreciation	\$ 18,834,916	\$ 69,180,569	\$ 88,015,485	\$ 68,439,689
	(816,257)		(816,257)	
Net Assets, Restated Beginning	\$ 18,018,659	\$ 69,180,569	\$ 87,199,228	\$ 68,439,689
Net Assets, Ending	\$ 21,285,416	\$ 85,423,544	\$ 106,708,960	\$ 88,015,485

See Notes to Financial Statements.

SOUTH CAROLINA STUDENT LOAN CORPORATION
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2000
(With Comparative Amounts for 1999)

	2000		1999
	Unrestricted	Temporarily Restricted	Totals
<u>Cash Flows from Operating Activities:</u>			Memorandum Only
Change in Net Assets			
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:			
Depreciation	248,729		298,683
Loss on Sale of Property and Equipment			27,016
Amortization of Premiums and Discounts on Bonds Payable			190,954
Amortization of Cost of Bond Issuance		332,554	50,457
Changes in Operating Assets and Liabilities:		88,713	
(Increase) Decrease in Due from Department of Education	(182)	(3,717,498)	(138,368)
(Increase) Decrease in Due from SCSEAA		(1,564,283)	(2,988,395)
(Increase) Decrease in Interest Due from Borrowers	(169,720)	(3,097,281)	(3,213,226)
(Increase) Decrease in Accrued Investment Income	(1,174)	15,308	(30,757)
(Increase) Decrease in Miscellaneous Receivables	(1,058)	137	3,287
(Increase) Decrease in Prepaid Expenses	(15,706)		44
Increase (Decrease) in Interest Payable	(36,256)	2,062,509	1,093,462
Increase (Decrease) in Accounts Payable	53,076	(16,737)	(134,397)
Increase (Decrease) in Accrued Pension Expense	20,698	1,640	364,684
Increase (Decrease) in Compensated Absences		3,979	14,527
Increase (Decrease) in Due to SCSEAA		2,422,539	341,390
Due to (from) Other funds	(1,586,831)	1,586,831	
Net Cash Provided by Operating Activities	<u>1,778,333</u>	<u>14,361,386</u>	<u>15,455,157</u>
<u>Cash Flows from Investing Activities:</u>			
Purchase of Property and Equipment	(227,476)		(220,295)
Transfer of Assets to Authority			185,903
(Increase) Decrease in Cash Surrender Value of Life Insurance	(2,347)	(2,347)	424,474
Purchase and Issuance of Student Loans	(1,545,997)	(425,924,831)	(354,533,287)
Principal Payments on Student Loans	3,066	286,688,001	216,175,429
Teacher Loan Cancellations		4,188,421	3,898,664
(Increase) Decrease in Investments		15,045,777	(20,897,558)
Unrealized Gain on Investments	36,399		18,065
Net Cash (Used in) Investing Activities	<u>(1,736,355)</u>	<u>(120,002,632)</u>	<u>(154,948,605)</u>

See Notes to Financial Statements.

SOUTH CAROLINA STUDENT LOAN CORPORATION

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2000

(With Comparative Amounts for 1999)

	2000		1999
	Unrestricted	Temporarily Restricted	Totals
			Memorandum Only
<u>Cash Flows from Financing Activities:</u>			
Proceeds from Financing Loans	\$	\$ 31,640,686	\$ 110,856,367
Payments on Financing Loans		(20,978,718)	(76,657,285)
Proceeds from Bank Line-of-Credit		220,108,410	219,443,176
Payments on Bank Line-of-Credit		(211,555,848)	(55,076,714)
Proceeds from Bonds		150,000,000	
Payments on Bonds		(62,890,636)	(59,916,258)
Payment of Bond Premiums		(885,000)	
Payment of Costs of Bond Issuance		(282,083)	
Net Cash Provided by Financing Activities	\$ -	\$ 105,156,811	\$ 138,649,286
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	\$ 41,978	\$ (484,435)	\$ (844,162)
<u>Cash and Cash Equivalents:</u>			
Beginning	4,075,530	12,590,221	17,509,913
Ending	4,117,508	12,105,786	16,665,751
<u>Supplemental Disclosures of Cash Flow Information:</u>			
Cash Payments for Interest	\$ -	\$ 53,202,699	\$ 43,697,248
<u>Supplemental Disclosure of Noncash Flow Information:</u>			
Prior Period Adjustment for Depreciation Expense	\$ 816,257	\$ -	\$ 816,257

See Notes to Financial Statements.

SOUTH CAROLINA STUDENT LOAN CORPORATIONNOTES TO FINANCIAL STATEMENTSYEAR ENDED JUNE 30, 20001. Summary of Significant Accounting Policies:1.1 Reporting Entity:

The South Carolina Student Loan Corporation (Corporation) was incorporated November 15, 1973 under the Laws of the State of South Carolina. The Corporation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Its corporate goal is to receive, disburse and administer funds exclusively for educational purposes without pecuniary gain or profit to its members and to aid in the fulfillment of the desire and direction of the People of South Carolina in making loans available to students and parents to attend eligible institutions beyond the public school level. Funds from various sources are administered by the Corporation to achieve this goal.

The Corporation administers the operations of the South Carolina State Education Assistance Authority (Authority). The Authority is a body politic and corporate and a public instrumentality of the State of South Carolina. The Authority is part of the State of South Carolina created by Act No. 433 of the Acts and Joint Resolutions of the General Assembly for the year 1971, now codified as Chapter 115, Title 59 of the Code of Laws of South Carolina, 1976 as amended. The Authority is governed by its members, who under the Act are the members of the State Budget and Control Board (Board). The Board consists of five (5) members by virtue of their position in state government. They are the Governor, Treasurer, Comptroller General, Chairman of Senate Finance Committee and Chairman of South Carolina House of Representatives Ways and Means Committee.

The basic, but not the only, criteria for including a component unit in the reporting entity is the governing body's oversight responsibility for such component unit. Financial accountability is the most important element of oversight responsibility. Neither the Authority nor the Corporation is considered a component unit of the other because each is a legally separate organization and not financially accountable to/for the other.

The accompanying financial statements present the financial position, results of operations and cash flows solely of the South Carolina Student Loan Corporation.

1.2 Overall Operating Arrangement:

The Authority, as a guarantee agency, has approved the South Carolina Student Loan Corporation (Corporation) as an eligible lender to administer the Federal Family Education Loan Program. It is the duty of the Corporation to process applications, make student loans and collect principal, interest, fees and penalties on such loans. Loans may or may not be subsidized. Interest is paid on subsidized loans during the enrolled, grace, and deferred periods by the U.S. Department of Education. Upon entering the repayment period, the interest is paid by the borrower. Also, the U.S. Department of Education pays the Corporation a special allowance which is based on a variable percentage of the unpaid principal of the loans.

SOUTH CAROLINA STUDENT LOAN CORPORATIONNOTES TO FINANCIAL STATEMENTSYEAR ENDED JUNE 30, 20001. Summary of Significant Accounting Policies (Continued):1.2 Overall Operating Arrangement (Continued):

The Corporation finances these loans using several sources. One source is the issuance of tax-exempt revenue bonds by the Authority. The Corporation, using the proceeds of these bonds as described in Note 7, makes loans. The Corporation remits all income on these loans to the Authority as it is received.

The operations of the Authority are administered by employees of the Corporation. The Authority reimburses the Corporation upon request for the actual operating costs and expenses plus reasonable capital costs incurred in the administration of the loans financed by the Authority's bonds in accordance with a previously approved budget.

Beginning with the 1986-87 year, the Corporation also arranged to finance its student loan program through a group of banks. Loans made under this financing arrangement were the property of the banks and did not appear on the books of the Corporation. This arrangement was phased out completely in December 1995.

Since June 15, 1994, the Corporation has entered into financing agreements with certain commercial banks. These financing arrangements are different from previous arrangements because the Corporation now owns the loans as described in Note 9. The Corporation expects to obtain a new commitment for each subsequent year.

Because of the scarcity of tax-exempt private activity bond allocation from the State and because of the yield limitation for loans financed with tax-exempt bonds, the Corporation issued taxable Education Loan Revenue Bonds for the first time in the year ended June 30, 1997.

During the 1984-85 year, the Corporation began administering the Teacher Loan Program (TLP) and the Auxiliary Loan Program for Students (ALPS). Neither of these programs is funded by the bonds issued by the Authority or Corporation. ALPS loans have the same terms as other student loans.

The TLP is a part of the Education Improvement Act of 1984 passed by the South Carolina General Assembly. The Corporation was named in the Act as the administrator of this program and the funds for operations and for making loans are provided by state appropriations. The intent of the program is to attract, through financial assistance, talented individuals and to encourage them to enter teaching in areas of critical need within the state. Loans are canceled at 20% to 33% per year for each year of teaching in a critical subject and/or location. These loans are repaid by the borrower if the borrower does not teach. TLP loans made for academic years before 1994-95 are guaranteed by the Authority. Loans made for academic years 1994-95 or after are non-guaranteed.

SOUTH CAROLINA STUDENT LOAN CORPORATIONNOTES TO FINANCIAL STATEMENTSYEAR ENDED JUNE 30, 20001. Summary of Significant Accounting Policies (Continued):1.2 Overall Operating Arrangement (Continued):

The ALPS program is targeted primarily toward those borrowers ineligible to borrow under the Authority's guarantee. Funds are provided to finance these loans through a line-of-credit from a group of South Carolina banks. Through this arrangement, the Corporation is now able to process all loan requests and function directly as the lender. All loans under the ALPS program are guaranteed by United Student Aid Funds. The Corporation plans to sell these loans to a secondary market before the repayment period begins. This arrangement is being phased out with only renewal borrowers being placed in the ALPS program.

Beginning July 1, 1995, the Corporation started offering various loans for advanced education called the Palmetto Alternative Loan Program (PAL). MED-PAL offers supplemental loans for medical students enrolled at least half-time that have already received their yearly maximum amount of Federal Stafford Loans. R&R-PAL offers supplemental loans for fourth year medical students seeking their residency and relocation. INTER-PAL offers supplemental loans for international business students enrolled at least half-time that have already received their yearly maximum amount of Federal Stafford Loans. These loans are funded from Corporation accumulated unrestricted net assets.

1.3 Basis of Accounting:

These statements are prepared on the accrual method of accounting recognizing income when earned regardless of when received and expenses when incurred regardless of when paid.

1.4 Display of Net Assets by Class:

The Corporation adheres to the disclosures and display requirements of the Financial Accounting Standards Board (FASB) as set forth in Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations." SFAS No. 117 establishes standards for external financial reporting by non-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories: (a) unrestricted net assets, (b) temporarily restricted net assets, and (c) permanently restricted net assets, which are described as follows:

Unrestricted Net Assets - Net assets that are not subject to restrictions. These net assets, including Board designated, are legally unrestricted and can be used in any Corporation activity.

Temporarily Restricted Net Assets - Net assets subject to restrictions that will be met either by actions of the Corporation and/or the passage of time. These net assets are made up of guaranteed student loans from various funding sources.

SOUTH CAROLINA STUDENT LOAN CORPORATIONNOTES TO FINANCIAL STATEMENTSYEAR ENDED JUNE 30, 20001. Summary of Significant Accounting Policies (Continued):1.4 Display of Net Assets by Class (Continued):

Permanently Restricted Net Assets - Net assets subject to stipulations that must be maintained permanently by the Corporation. The Corporation does not have any such net assets.

1.5 Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

1.6 Cash and Cash Equivalents:

For purposes of reporting cash flows, the Corporation considers all certificates of deposit, regardless of maturity, and treasury bills, commercial paper and money market funds, including those that are classified as restricted assets, with a maturity of three months or less, to be cash equivalents.

1.7 Investments:

Investments are valued at market value. Realized and unrealized gains and losses on sale of investments are determined based on the cost of investments.

1.8 Property and Equipment:

Furniture, equipment and automobiles are capitalized at cost when purchased. Depreciation has been provided using the straight-line method over useful lives of three to ten years for furniture and equipment and three years for automobiles.

1.9 Deferred Compensation Agreement:

The Corporation offers its employees a voluntary deferred compensation plan structured and operated in accordance with provisions of Internal Revenue Code Section 403(b). The plan is administered by the Teachers Insurance and Annuity Association and the Corporation makes no contributions on behalf of the participants. The Corporation's liability is limited to remitting amounts deferred and withheld from the employees wages to the plan administrator.

SOUTH CAROLINA STUDENT LOAN CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2000

1. Summary of Significant Accounting Policies (Continued):

1.10 Compensated Absences:

Annual leave is earned at the rate of 10 to 20 days per year depending on length of employment. Employees are encouraged to use all annual leave earned in a given year and expected to use at least one week (5 consecutive days) each year. An employee may not carry forward more than 5 vacation days to the next year without his/her supervisor's permission. Earned, but unused, annual leave will be paid when an employee terminates his/her employment except when this termination is involuntary or inadequate notice is given. Sick leave is earned at the rate of 7 to 10 days per year depending on length of employment. An employee may not carry forward more than 60 sick days to the next year without his/her supervisor's approval. Employees are not paid for earned, but unused, sick days upon termination of employment.

1.11 Total Columns on the Financial Statements:

Columns on the financial statements captioned "1999 Totals Memorandum Only" are presented only to facilitate financial analysis. Data in these columns do not present financial position in conformity with generally accepted accounting principles.

2. Cash and Cash Equivalents:

Cash and Cash Equivalents include demand deposits and short-term investments of less than three months as follows:

<u>Unrestricted</u>	<u>Carrying Value</u>	<u>Market Value</u>
U. S. Agency Bonds	\$ 3,401,143	\$ 3,401,143
Demand Deposits	<u>716,365</u>	<u>716,365</u>
	\$ <u>4,117,508</u>	\$ <u>4,117,508</u>
 <u>Temporarily Restricted</u>	 <u>Carrying Value</u>	 <u>Market Value</u>
Repurchase Agreement	\$ 198,274	\$ 198,274
South Carolina State Treasurer Pool	11,794,998	11,794,998
Demand Deposits	<u>112,514</u>	<u>112,514</u>
	\$ <u>12,105,786</u>	\$ <u>12,105,786</u>

Cash and Cash Equivalents included in the Teacher Loan Program include the South Carolina State Treasurer Pool of \$ 11,794,998 and demand deposits of \$ 112,514 totaling \$ 11,907,512.

SOUTH CAROLINA STUDENT LOAN CORPORATIONNOTES TO FINANCIAL STATEMENTSYEAR ENDED JUNE 30, 20003. Investments:

Investments consist of guaranteed investment contracts and U.S. Treasury Notes. Investments' cost and market value are the same. Investments' market value is determined by quoted market values and consist of the following:

	<u>Carrying Value</u>	<u>Appreciation</u>	<u>Market Value</u>
<u>Unrestricted:</u>			
Common Stock	\$ <u>-</u>	\$ <u>225,946</u>	\$ <u>225,946</u>
<u>Temporarily Restricted:</u>			
U.S. Treasury Notes - Short-Term	\$ 1,404,535	\$	\$ 1,404,535
Guaranteed Investment Contracts	<u>31,866,303</u>	<u> </u>	<u>31,866,303</u>
Total	\$ <u>33,270,838</u>	\$ <u>-</u>	\$ <u>33,270,838</u>

4. Amounts Due from/to the Corporation:

The \$ 8,892,356 amount due to the Authority represents funds due for income earned but not yet received by the Corporation from the Department of Education and borrowers at June 30. These funds will be remitted to the Authority when received. The Authority also owes the Corporation funds collected on their behalf of \$ 10,270,671. Funds collected on behalf of the Corporation are required to be paid to the Corporation by the tenth of each month.

5. Student Loans/Insurance:

Loans bear interest at a fixed rate of 7-12% or a variable rate. Variable rates are based on the Treasury Bill rates and are adjusted each July 1. The rate in effect through June 30, 2000 is 6.32-7.87%. Loans are repayable over a period of five to ten years with a minimum payment of \$ 360 or \$ 600 per year. Repayment of principal is scheduled to begin six to ten months after the student graduates or ceases to be enrolled on at least a half-time basis at an eligible institution.

During the fall of 1982, the Parent Loan Program became operational. Loans are made to parents of dependent undergraduate students. The interest rate on these loans disbursed prior to July 1, 1987 was 12% to 14%. Loans disbursed after that date have a variable interest rate which is adjusted each July 1. The rate in effect through June 30, 2000 is 7.12-7.98%. Repayment begins within sixty (60) days after disbursement. These loans must be repaid over a period of five to ten years with a minimum payment of \$ 600 per year.

Loans are insured against death, disability and default by the Authority and are reinsured by the U. S. Department of Education up to 100% for loans made prior to October 1, 1993, up to 98% for loans made on or after October 1, 1993 but before October 1, 1998, and 95% for loans made on or after October 1, 1998. Prior to March 1, 1999, loan recipients paid an amount equal to 1/2 of 1% of the principal amount of the loan as a guaranty premium. Two-thirds of this amount was forwarded to the Authority's Federal Student Loan Reserve Account for the purpose of guaranteeing the loans. Since March 1, 1999, guaranty premiums have not been charged, however, the Authority reserves the right to reinstate such charges at such times and in such lawful amounts as it deems appropriate.

SOUTH CAROLINA STUDENT LOAN CORPORATIONNOTES TO FINANCIAL STATEMENTSYEAR ENDED JUNE 30, 20005. Student Loans/Insurance (Continued):

Loans may or may not be subsidized. Interest is paid on subsidized loans during the enrolled, grace and deferred periods by the U. S. Department of Education. Upon entering the repayment period, the interest is paid by the borrower.

From August 1981 to October 1992, all student loan recipients paid an origination fee equal to 5% of the loan amount. From October 1992 to July 1994, an additional origination fee of 1.5% was paid by recipients of unsubsidized loans. Since July 1994, all loan recipients pay a reduced origination fee of 3%. The origination fees collected reduce the amount of interest subsidy the federal government pays to lenders on behalf of student borrowers.

6. Bonds Payable:

The Corporation issued Education Loan Revenue Bonds for the first time in the year ended June 30, 1997. These bonds are secured only by loans funded by bond proceeds, related revenue from such loans, investments and earnings on investments in related accounts and by a debt service reserve funded from bond proceeds. These loans were previously financed by bank lines-of-credit as described in Note 9. The bond resolution permits the Corporation to accumulate collections from borrowers to pay principal and interest on bonds as due. The bonds do not constitute a debt, liability or obligation of the State of South Carolina or a pledge of the faith and credit of the State of South Carolina. The current debt service account contains assets equal to the interest and principal accumulated to make the next payments of principal and interest due. As of June 30, 2000, the Corporation was required to have assets deposited in the current debt service account of \$ 8,529,864.

The Education Loan Revenue Bonds as of June 30, 2000 are as follows:

<u>Issued</u>	<u>Original Amount</u>	<u>Maturity Date</u>	Balance Outstanding <u>6/30/99</u>	Issued (Retired) <u>During FY 00</u>	Balance Outstanding <u>6/30/00</u>
July 11, 1996	\$ 223,900,000	12/1/02-9/1/26	\$ 171,123,474	\$(31,567,214)	\$ 139,556,260
May 15, 1997	335,300,000	12/1/04-9/1/27	299,012,571	(31,323,422)	267,689,149
May 14, 1998	211,400,000	9/1/33	211,400,000		211,400,000
July 7, 1999	150,000,000	9/1/07		<u>150,000,000</u>	<u>150,000,000</u>
			\$ <u>681,536,045</u>	\$ <u>87,109,364</u>	\$ <u>768,645,409</u>

The Corporation's Treasury Indexed Bonds totaled \$ 242,245,409 as of June 30, 2000, and have variable interest rates ranging from the Treasury Index plus 0.54% to the Treasury Index plus 0.65%. The Corporation's Auction Rate Bonds totaled \$ 376,400,000 as of June 30, 2000, and have variable interest rates determined by auctions every 7 to 28 days, subject to a maximum of the lesser of 20% and the Treasury Index plus 1.60%. The Corporation's LIBOR Indexed Bonds totaled \$ 150,000,000 as of June 30, 2000 and have variable interest rates equal to one-month LIBOR plus 0.27%. Throughout the year ended June 30, 2000, none of the rates exceeded 6.91%. Future interest payment projections are based upon the rate at June 30, 2000, which was 6.63%.

SOUTH CAROLINA STUDENT LOAN CORPORATIONNOTES TO FINANCIAL STATEMENTSYEAR ENDED JUNE 30, 20006. Bonds Payable (Continued):

The Treasury Indexed Bonds and the LIBOR Indexed Bonds are not subject to redemption prior to maturity but are subject to pro rata principal reduction payments prior to maturity based on targeted amortization schedules. Failure by the Corporation to make any payment contemplated by an applicable Targeted Amortization Schedule does not constitute a payment default. The Corporation's intent is to follow these payment schedules.

The Auction rate bonds are subject to redemption in whole or in part at par plus accrued interest on the first day of any auction period, provided targeted amortization payments on other bonds have been made in accordance with the anticipated respective Targeted Amortization Schedules as of the date of such redemption.

As of June 30, 2000, the scheduled debt service to retire these bonds is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2001	\$ 98,731,193	\$ 48,296,363	\$ 147,027,556
2002	119,202,499	40,865,840	160,068,339
2003	113,334,354	33,041,387	146,375,741
2004	58,816,686	26,953,787	85,770,473
2005	2,160,677	24,979,195	27,139,872
2006		24,955,320	24,955,320
2007		24,955,320	24,955,320
2008		24,955,320	24,955,320
2009		24,955,320	24,955,320
2010		24,955,320	24,955,320
2011		24,955,320	24,955,320
2012		24,955,320	24,955,320
2013		24,955,320	24,955,320
2014		24,955,320	24,955,320
2015		24,955,320	24,955,320
2016		24,955,320	24,955,320
2017		24,955,320	24,955,320
2018		24,955,320	24,955,320
2019		24,955,320	24,955,320
2020		24,955,320	24,955,320
2021		24,955,320	24,955,320
2022		24,955,320	24,955,320
2023		24,955,320	24,955,320
2024		24,955,320	24,955,320
2025		24,955,320	24,955,320
2026		24,955,320	24,955,320
2027	85,000,000	20,259,070	105,259,070
2028	80,000,000	14,899,820	94,899,820
2029		14,015,820	14,015,820
2030		14,015,820	14,015,820
2031		14,015,820	14,015,820
2032		14,015,820	14,015,820
2033		14,015,820	14,015,820
2034	<u>211,400,000</u>	<u>2,335,970</u>	<u>213,735,970</u>
Totals	\$ <u>768,645,409</u>	\$ <u>805,772,252</u>	\$ <u>1,574,417,661</u>

SOUTH CAROLINA STUDENT LOAN CORPORATIONNOTES TO FINANCIAL STATEMENTSYEAR ENDED JUNE 30, 20007. Notes Payable - Finance Loans:

The September 18, 1979 bond issue requires that all funds advanced to the Corporation by the Authority for the purpose of making student loans be evidenced by a note between the two parties. This note was set up on September 18, 1979 in the amount of the outstanding Guaranteed Student Loans (GSL) as of that date (\$ 3,970,167). The note is increased by all advances for the purpose of making loans and decreased by all payments of principal which are returned to the Authority. At June 30, 2000, the note totaled \$ 372,201,163.

8. Income from Department of Education:

As an inducement to the lender to make guaranteed student loans, the U. S. Department of Education pays the Corporation a special allowance which is based on a variable percentage of the unpaid principal of the loans and was instituted to assure that the interest rate and other limitations of the Higher Education Act, in the context of the current money market conditions, would not adversely affect access to student loans or cause the rate of return on student loans to be less than equitable.

9. Bank Lines of Credit:

The Corporation entered into financing arrangements with Bank of America, N.A., First Union National Bank and Wachovia Bank, N.A. to finance its student loan programs. These lines of credit are used to finance student loans until permanent financing is obtained (see Note 1.2). A portion of this commitment is restricted for funding of the ALPS program. Although the banks have no further obligation to extend credit, the Corporation anticipates lines of credit can be obtained, if necessary. As of June 30, 2000, the Corporation had available the following lines of credit and the following amounts were outstanding:

<u>Year</u>	<u>Line of Credit Available</u>	<u>Balance at June 30, 2000</u>	<u>Due Date</u>
1999	\$ 234,000,000	\$	November 2, 2000
2000	234,000,000	<u>182,008,132</u>	November 2, 2001
		\$ <u>182,008,132</u>	

Principal advances will accrue interest from the date of the first advance at one of the following rates: 30 Day Adjusted LIBOR plus .30%, Overnight Federal Funds plus .39% or 91 Day Treasury Rate plus .88%. The Corporation has the ability to alternate rates on a calendar quarter basis by notifying Bank of America of the selected rate fifteen (15) days prior to the beginning of the effective quarter. On the 1999 and 2000 lines of credit, the Corporation will pay an additional fee of .05% of the unused portion of credit line available. All student loans issued under this loan commitment will serve as collateral to the banks. The Corporation has agreed, among other things, to certain loan covenants which include maintaining a default rate no greater than four (4%) percent and that the South Carolina Education Assistance Authority will maintain at least an "A" bond rating on its Insured Student Loan Revenue Bond Issues as published by Standard and Poor's Corporation. The Corporation has complied with the covenants at June 30, 2000.

SOUTH CAROLINA STUDENT LOAN CORPORATIONNOTES TO FINANCIAL STATEMENTSYEAR ENDED JUNE 30, 200010. Employee Benefit Plans:

10.1 The Corporation provides retirement benefits through the South Carolina Student Loan Money Purchase Pension Plan for all employees who have completed one year of service and attained age 21. The Corporation has adopted the Wachovia Bank Money Purchase Pension Plan. Wachovia Bank, N.A. is the Trustee of the Plan. This is a defined contribution plan in which the employer contributes 5.6% of the participant's total annual compensation plus 5.6% of compensation exceeding \$ 72,600. Contributions are paid monthly. A participant is 20% vested after three years service and 100% vested after seven years. A participant receives normal retirement at age sixty-five. At termination of employment or reaching normal retirement age, the participant has the right to elect to receive all or any portion of his vested benefit derived from employer contributions. Voluntary contributions are not permitted. Forfeitures under the plan reduce the employer's contribution in the year following the plan year in which the forfeiture occurs. The total pension expense for 2000 totaled \$ 171,616 and is fully funded.

10.2 The South Carolina Student Loan Corporation finalized a supplemental retirement plan for its employees on July 1, 1998. The Plan is a defined benefit pension plan covering substantially all employees with one year of service and over 21 years of age. The Plan provides benefits based on participant earnings. The benefit formula uses one percent of average pay times years of service not to exceed 30 years. The Corporation funding policy is to make the minimum annual contribution that is actuarially computed by the projected unit credit method required by the Plan.

The expense for this Plan totaled \$ 257,099 for the year ended June 30, 2000. The Authority contributed \$ 69,292 to the expense for this Plan for its employees. The components of the pension cost charged to expense consisted of the following:

Service Cost (Benefits Earned)	\$ 166,641
Interest Cost on Projected Benefit Obligation	140,664
Actual Return on Assets	(59,045)
Net Amortization and Deferral	111,915
Minimum Liability	(103,076)
Net Pension Cost	\$ <u>257,099</u>

The following sets forth the Plan's funded status as of June 30, 2000. The measurement date of the projected benefits obligation and Plan assets was June 30, 2000.

Actuarial Present Value of Benefit Obligations:	
Vested Benefit Obligation	\$ 1,246,031
Nonvested Benefit Obligation	<u>74,960</u>
Accumulated Benefit Obligation	\$ <u>1,320,991</u>
Projected Benefits	\$(2,169,389)
Plan Assets at Fair Value	<u>886,795</u>
Projected Benefit Obligation (In Excess of) Plan Assets	\$(1,282,594)
Unrecognized Prior Service Cost	1,169,662
Unrecognized Net Loss	255,828
Required Additional Minimum Liability	(<u>562,298</u>)
Accrued Pension Cost	\$(<u>419,402</u>)

SOUTH CAROLINA STUDENT LOAN CORPORATIONNOTES TO FINANCIAL STATEMENTSYEAR ENDED JUNE 30, 200010. Employee Benefit Plans (Continued):

10.2 (Continued):

Assumptions used in accounting for net periodic pension cost were for discount rates of 7.5%, weighted average rates of increase in compensation levels of 4%, and expected long-term rate of return on assets of 8%. Plan assets include life insurance policies and money market funds. Employer contributions were \$ 202,381. No participant contributions are permitted by the Plan. Benefit payments made during the year ended June 30, 2000 totaled \$ 26,399.

10.3 Certain health care, dental, long-term disability and life insurance benefits are provided to active employees. All full-time and part-time employees who worked at least 32 hours per week are eligible to receive these benefits. Employer contributions applicable to those benefits were \$ 611,134 in 2000.

11. Operating Leases:

The Corporation leases office space under a lease that expires September 30, 2002. The future obligations under this lease follow:

<u>Year Ended June 30</u>	<u>Office Space</u>
2001	\$ 275,049
2002	<u>68,762</u>
Total Minimum Lease Payments	\$ <u>343,811</u>

Total rental expenses including rental agreements under one year in duration were \$ 207,429 for June 30, 2000. Certain lease expense is allocated to South Carolina State Education Assistance Authority based on space occupied.

12. Concentration Risk:

The Corporation maintains cash accounts in commercial banks where the amounts on deposit at June 30, 2000 exceeded the insurance limits of the Federal Deposit Insurance Corporation by approximately \$ 200,000.

13. Disclosures About Fair Value of Financial Instruments:

The following methods and assumptions were used to estimate the fair value of the Corporation's financial instruments. Cash and cash equivalents' carrying amounts approximate fair value because of the short maturity of those instruments. Student loan receivables' carrying value approximates fair value based on similar investments' quoted market prices. The carrying value of finance loans also approximates fair value based on the prices for the same or similar debt issues and on the current rates offered to the Corporation for debt of the same remaining maturities with similar collateral requirements.

The Corporation intends to carry its investments and receivables to maturity. The Corporation also intends to carry to maturity the finance loans with the South Carolina State Education Assistance Authority.

SOUTH CAROLINA STUDENT LOAN CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2000

14. Assets Released from Restrictions:

Net assets during the year ended June 30, 2000 were released from restrictions by incurring expenses satisfying the restricted purposes and by occurrence of other events specified as follows:

Personnel	\$ 212,565
Contractual Services	15,744
General Operating	43,806
Interest on Debt	55,265,208
TLP Cancellations	4,188,420
Amortization of Deferred Cost of Bond Issuance	88,713
Payment to SC State Education Assistance	
Authority for Student Loan Income	33,513,035
Lender Origination Fees	2,359,524
Reinsurance Expense	71,397
Broker Dealer Fees	952,328
Other	<u>180,567</u>
Total Expenses	\$ 96,891,307
Other Transfers for Loan Servicing on	
Bank Loans	1,403,807
Transfers for Loan Servicing on Taxable Bonds	1,658,900
Transfer from TLP Fund for Operations	<u>20,352</u>
Total	\$ <u>99,974,366</u>

15. Subsequent Event:

On July 18, 2000, the Corporation issued \$ 150,000,000 in Education Loan Revenue Bonds maturing June 1, 2010. The Bonds are issued as Senior Lien Bonds pursuant to a June 7, 1996 General Resolution and a Series Resolution effective as of July 12, 2000. The bonds will be used to finance student loans including the retirement of short term lines of credit (See Note 9).

16. Prior Period Adjustment:

Effective July 1, 1999, the Corporation changed the method of computing depreciation on certain computer and other office equipment from five (5) or ten (10) years to three (3) years to better reflect the actual useful lives of the equipment.

Beginning net assets were decreased by \$ 816,257 at June 30, 1999.

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF FINANCIAL POSITION BY FUND
JUNE 30, 2000

ASSETS	Unrestricted		Temporarily Restricted				Total
	Operating	ALPS	PAL Loans	Taxable Bonds	Teacher Loans	Line-of- Credit Bank Loans	Tax- Exempt Bond Loans
<u>Current Assets:</u>							
Cash and Cash Equivalents	\$ 3,961,471	\$	\$ 156,037	\$	\$ 11,907,512	\$	\$ 198,274
Investments	225,946			1,404,535			\$ 16,223,294
Current Portion of Student Loan Receivables				95,475,002	4,589,557	324,489	58,000,001
Interest Due from Borrowers		9,793	443,720	18,856,310	1,794,771	2,342,643	6,159,037
Due from United States Department of Education		228		6,490,317		1,705,363	2,733,319
Due from SC State Education Assistance Authority	897			10,239,597		30,177	10,929,227
Accrued Investment Income	1,174			147,526	145,571		10,270,671
Miscellaneous Operating Receivables	2,740						294,271
Prepaid Expenses	31,674						2,740
Due from (to) Other Funds	8,485,030	1,682,128		1,779		(10,168,937)	31,674
Total Current Assets	\$ 12,708,932	\$ 1,692,149	\$ 599,757	\$ 132,615,066	\$ 18,437,411	\$ (5,766,265)	\$ 227,377,681
<u>Investments and Long-Term Receivables:</u>							
Investments	\$	\$	\$	\$ 31,866,303	\$	\$	\$ 31,866,303
Other Student Loan Receivables Less, Current Portion		57,956	6,275,261	657,219,101		190,660,109	314,019,641
Teacher Loans Receivable - Net Allowance for Teacher					11,391,849		11,391,849
Loan Cancellations and Current Portion	33,349						33,349
Cash Surrender Value of Life Insurance				1,101,397			1,101,397
Deferred Cost of Issuance of Bonds							
Total Investments and Long-Term Receivables	\$ 33,349	\$ 57,956	\$ 6,275,261	\$ 690,186,801	\$ 11,391,849	\$ 190,660,109	\$ 1,212,624,966
<u>Property and Equipment:</u>							
Furniture and Equipment	\$ 2,274,534	\$	\$	\$	\$	\$	\$ 2,274,534
Automobiles	33,016						33,016
Less, Accumulated Depreciation	(1,740,942)						(1,740,942)
Net Property and Equipment	\$ 566,608	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 566,608
Total Assets	\$ 13,308,889	\$ 1,750,105	\$ 6,875,018	\$ 822,801,867	\$ 29,829,260	\$ 184,893,844	\$ 1,440,569,255

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF FINANCIAL POSITION BY FUND
JUNE 30, 2000

LIABILITIES AND NET ASSETS	Unrestricted		Temporarily Restricted				Total
	Operating	ALPS	PAL Loans	Taxable Bonds	Teacher Loans	Line-of- Credit Bank Loans	Tax- Exempt Bond Loans
Current Liabilities:							
Current Portion of Notes Payable - Finance Loans	\$	\$	\$	\$	\$	\$	\$ 58,000,000
Current Maturities of Bonds Payable				98,731,193			98,731,193
Interest Payable				3,056,764		2,875,542	5,932,306
Accounts Payable	53,648		6,719	29,897	11,569	10,170	128,756
Accrued Pension Payable	406,820				12,582		419,402
Compensated Absences	181,409				13,595		195,004
Due to SC State Education Assistance Authority							
Total Current Liabilities	\$ 641,877	\$ -	\$ 6,719	\$ 101,817,854	\$ 37,746	\$ 2,885,712	\$ 8,892,356
							\$ 172,299,017
Long-Term Debt:							
Bonds Payable Less, Current Maturities and Bond Premiums and Discounts	\$	\$	\$	\$ 665,351,983	\$	\$	\$ 665,351,983
Notes Payable - Finance Loans Less, Current Maturities						182,008,132	314,201,163
Notes Payable to Banks				\$ 665,351,983	\$ -	\$ 182,008,132	182,008,132
Total Long-Term Debt	\$ -	\$ -	\$ -	\$	\$	\$ 314,201,163	\$ 1,161,561,278
Total Liabilities	\$ 641,877	\$ -	\$ 6,719	\$ 767,169,837	\$ 37,746	\$ 184,893,844	\$ 1,333,860,295
Net Assets:							
Temporarily Restricted for Bond Indentures							
Current Debt Service	\$	\$	\$	\$ 8,529,864	\$	\$	\$ 8,529,864
Temporarily Restricted for Bond Indentures				47,102,166			47,102,166
Temporarily Restricted for Teacher Loans					29,791,514		29,791,514
Unrestricted	12,667,012	1,750,105	6,868,299				21,285,416
Total Net Assets	\$ 12,667,012	\$ 1,750,105	\$ 6,868,299	\$ 55,632,030	\$ 29,791,514	\$ -	\$ 106,708,960
Total Liabilities and Net Assets	\$ 13,308,889	\$ 1,750,105	\$ 6,875,018	\$ 822,801,867	\$ 29,829,260	\$ 184,893,844	\$ 1,440,569,255

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF ACTIVITIES BY FUND
YEAR ENDED JUNE 30, 2000

	Unrestricted			Temporarily Restricted			
	Operating	ALPS	PAL Loans	Taxable Bonds	Teacher Loans	Line-of- Credit Bank Loans	Tax- Exempt Bond Loans
Revenue:							
Income from United States Department of Education:							
Student Loan Interest - Subsidized	\$	\$ 626	\$	\$ 17,094,044	\$ 17,970	\$ 3,942,007	\$ 4,996,351
Special Allowances		215		6,734,138	31,099	1,740,221	5,424,264
Student Loan Interest - Non Subsidized		4,688	421,132	39,726,583	3,166,497	4,062,515	23,588,614
Investment Income	352,858	1,254	9,610	2,325,980	337,859	16,223	259,254
Unrealized Gain (Loss) on Investments	(36,399)						(36,399)
Late Charges		618		371,012	9,779	5,960	338,694
Miscellaneous Payments of Student Loans				512	(11)	945	2,371
Premium on Sale of Loans						9,656	9,656
State Appropriations - Department of Education					2,016,250		2,016,250
Processing Fee Income			74,661				74,661
Remittance from SC State Education Assistance Authority for Operating Cost							
Total Revenue	\$ 5,884,370	\$ 7,401	\$ 505,403	\$ 66,252,269	\$ 5,579,443	\$ 9,777,527	\$ 34,608,102
	\$ 6,200,829						\$ 122,930,974
Expenses:							
Personnel	\$ 4,410,375	\$	\$	\$	212,565	\$	\$ 4,622,940
Contractual Services	509,529				15,744		525,273
General Operating	1,575,907				43,806		1,619,713
Interest on Debt				48,153,412		7,111,796	55,265,208
TLP Cancellations				88,713	4,188,420		4,188,420
Amortization of Deferred Cost of Bond Issuance							88,713
Payments to SC State Education Assistance Authority for Student Loan Income				58,944		1,220,878	33,513,035
Lender Origination Fees				55,831		201	2,359,524
Reinsurance Expense							15,365
Loss on Disposal of Equipment							71,397
Broker Dealer Fees				952,328			952,328
Other			34,124	95,370	44,352	40,845	214,691
Total Expenses	\$ 6,495,811	\$ -	\$ 34,124	\$ 49,404,598	\$ 4,504,887	\$ 8,373,720	\$ 34,608,102
							\$ 103,421,242
Transfers Between Accounts:							
Transfers In	\$ 3,349,945	\$	\$ 1,200,000	\$	\$ 266,886	\$	\$ 4,816,831
Transfers Out	(1,466,886)			(1,658,900)	(287,238)	(1,403,807)	(4,816,831)
Total Transfers Between Accounts	\$ 1,883,059	\$ -	\$ 1,200,000	\$ (1,658,900)	\$ (20,352)	\$ (1,403,807)	\$ -
Change in Net Assets	\$ 1,588,077	\$ 7,401	\$ 1,671,279	\$ 15,188,771	\$ 1,054,204	\$ -	\$ 19,509,732
Net Assets, Beginning	\$ 11,895,192	\$ 1,742,704	\$ 5,197,020	\$ 40,443,259	\$ 28,737,310	\$	\$ 88,015,485
Prior Period Adjustment for Depreciation	(816,257)						(816,257)
Net Assets, Restated Beginning	\$ 11,078,935	\$ 1,742,704	\$ 5,197,020	\$ 40,443,259	\$ 28,737,310	\$ -	\$ 87,199,228
Net Assets, Ending	\$ 12,667,012	\$ 1,750,105	\$ 6,868,299	\$ 55,632,030	\$ 29,791,514	\$ -	\$ 106,708,960

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF CASH FLOWS BY FUND
YEAR ENDED JUNE 30, 2000

	Unrestricted		Temporarily Restricted				
	Operating	ALPS	PAL Loans	Taxable Bonds	Teacher Loans	Line-of- Credit Bank Loans	Tax- Exempt Bond Loans
<u>Cash Flows from Operating Activities:</u>							
Change in Net Assets	\$ 1,588,077	\$ 7,401	\$ 1,671,279	\$ 15,188,771	\$ 1,054,204	\$	\$ 19,509,732
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:							
Depreciation	248,729						248,729
Amortization of Premiums and Discounts on Bonds Payable				332,554			332,554
Amortization of Cost of Bond Issuance				88,713			88,713
Changes in Operating Assets and Liabilities:							
(Increase) Decrease in Due from Department of Education		(182)		(2,325,504)		(200,728)	(3,717,680)
(Increase) Decrease in Due from SC State Education Assistance Authority				(1,534,106)		(30,177)	(1,564,283)
(Increase) Decrease in Interest Due from Borrowers		(236)	(169,484)	(1,928,833)	(85,690)	148,515	(3,267,001)
(Increase) Decrease in Accrued Investment Income	(1,174)			53,526	(38,218)		14,134
(Increase) Decrease in Miscellaneous Receivables	(1,058)			137			(921)
(Increase) Decrease in Prepaid Expenses	(15,706)						(15,706)
Increase (Decrease) in Interest Payable				1,152,437		910,072	2,062,509
Increase (Decrease) in Accounts Payable	(37,553)		1,297	7,712	(28,281)	7,301	(52,993)
Increase (Decrease) in Accrued Pension Expense	53,076				1,640		54,716
Increase (Decrease) in Compensated Absences	20,698				3,979		24,677
Increase (Decrease) in Due to SC State Education Assistance Authority							
Due to (from) Other Funds	(1,404,703)	(182,128)		(1,779)		1,588,610	2,422,539
Net Cash Provided by (Used in) Operating Activities	\$ 450,386	\$ (175,145)	\$ 1,503,092	\$ 11,033,628	\$ 907,634	\$ 2,423,593	\$ 16,139,719
<u>Cash Flows from Investing Activities:</u>							
Purchase of Property and Equipment	\$ (227,476)	\$	\$	\$	\$	\$	\$ (227,476)
Decrease in Cash Surrender Value of Life Insurance	(2,347)						(2,347)
Purchase and Issuance of Student Loans			(1,545,997)	(166,145,463)	(8,030,272)	(220,108,410)	(427,470,828)
Principal Payments on Student Loans		3,066		54,105,108	3,583,774	209,132,255	286,691,067
Teacher Loan Cancellations					4,188,421		4,188,421
Sales of Investments				15,045,777			15,045,777
Unrealized (Gain) Loss on Investments	36,399						36,399
Net Cash Provided by (Used in) Investing Activities	\$ (193,424)	\$ 3,066	\$ (1,545,997)	\$ (96,994,578)	\$ (258,077)	\$ (10,976,155)	\$ (121,738,987)

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF CASH FLOWS BY FUND
YEAR ENDED JUNE 30, 2000

	Unrestricted		Temporarily Restricted					Total
	Operating	ALPS	PAL Loans	Taxable Bonds	Teacher Loans	Line-of- Credit Bank Loans	Tax- Exempt Bond Loans	
<u>Cash Flows from Financing Activities:</u>								
Proceeds from Financing Loans	\$	\$	\$	\$	\$	\$	\$	\$
Payments on Financing Loans								
Proceeds from Bank Line-of-Credit						220,108,410		220,108,410
Payments on Bank Line-of-Credit						(211,555,848)		(211,555,848)
Proceeds from Issuance of Bonds				150,000,000				150,000,000
Payments of Bonds				(62,890,636)				(62,890,636)
Payment of Bond Premiums				(885,000)				(885,000)
Payment of Costs of Bond Issuance				(282,083)				(282,083)
Net Cash Provided by (Used in) Financing Activities	\$	\$	\$	\$	\$	\$	\$	\$
	-	-	-	85,942,281	-	8,552,562	10,661,968	105,156,811
Net Increase (Decrease) in Cash and Cash Equivalents	\$	\$	\$	\$	\$	\$	\$	\$
	256,962	(172,079)	(42,905)	(18,669)	649,557		(1,115,323)	(442,457)
<u>Cash and Cash Equivalents:</u>								
Beginning	3,704,509	172,079	198,942	18,669	11,257,955		1,313,597	16,665,751
Ending	\$	\$	\$	\$	\$	\$	\$	\$
	3,961,471	-	156,037	-	11,907,512	-	198,274	16,223,294
<u>Supplemental Disclosure of Cash Flow Information:</u>								
Cash Payments for Interest	\$	\$	\$	\$	\$	\$	\$	\$
	-	-	-	47,000,975	-	6,201,724	-	53,202,699
<u>Supplemental Disclosure of Noncash Flow Information:</u>								
Prior Period Adjustment for Depreciation Expense	\$	\$	\$	\$	\$	\$	\$	\$
	816,257	-	-	-	-	-	-	816,257

SOUTH CAROLINA STUDENT LOAN CORPORATION

SCHEDULE OF PROPERTY AND EQUIPMENT

YEAR ENDED JUNE 30, 2000

Description and Rate	Cost	Accumulated Depreciation 6/30/99	Depreciation Adjustment	Accumulated Depreciation (Restated) 6/30/99	Depreciation Expense	Disposals and Transfers	Accumulated Depreciation 6/30/00
<u>Furniture and Fixtures:</u>							
Computer Equipment	\$ 1,471,289	\$ 1,042,422	\$ 761,985	\$ 1,804,407	\$ 168,235	\$ 799,800	\$ 1,172,842
Typewriters	10,005	10,005		10,005			10,005
Filing Equipment	67,558	51,451		51,451	3,784		55,235
Furniture	43,813	38,193		38,193	1,230		39,423
Other Office Machines	324,993	151,342	54,272	205,614	38,681	17,990	226,305
Partitions and Worksurfaces	111,934	102,039		102,039	4,359		106,398
Telephone Equipment	188,415	89,574		89,574	18,317		107,891
Miscellaneous	56,527	4,014		4,014	3,118		7,132
Total Furniture and Fixtures	\$ 2,274,534	\$ 1,489,040	\$ 816,257	\$ 2,305,297	\$ 237,724	\$ 817,790	\$ 1,725,231
<u>Automobiles:</u>							
1996 Chrysler	\$	\$ 15,600	\$	\$ 15,600	\$	\$ 15,600	\$
1998 Pontiac Bonneville	14,119	4,706		4,706	4,707		9,413
1999 Buick Park Avenue	18,897				6,298		6,298
Total Automobiles	\$ 33,016	\$ 20,306	\$ -	\$ 20,306	\$ 11,005	\$ 15,600	\$ 15,711
Grand Totals	\$ 2,307,550	\$ 1,509,346	\$ 816,257	\$ 2,325,603	\$ 248,729	\$ 833,390	\$ 1,740,942

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF EXPENSES
YEAR ENDED JUNE 30, 2000

	Operating Fund				Teacher Loan Program - EIA			
	2000				2000			
	Total Budget	Actual	Variance Favorable (Unfavorable)	1999 Actual	Total Budget	Actual	Variance Favorable (Unfavorable)	1999 Actual
Operating Expenses:								
Personnel:								
Staff Salaries	\$ 3,359,000	\$ 3,116,591	\$ 242,409	\$ 2,966,831	\$ 160,900	\$ 160,900	\$	\$ 157,096
Part-time Salaries	66,625	49,400	17,225	49,077				
Contracted Services	36,700	24,067	12,633	33,696				
Social Security	257,600	236,534	21,066	219,189	12,200	11,520	680	11,446
Group Insurance	843,700	586,835	256,865	625,185	34,375	24,299	10,076	25,624
Retirement	295,375	390,886	(95,511)	888,372	12,000	15,518	(3,518)	38,319
Unemployment	6,600	6,063	537	6,040	400	328	72	317
Total Personnel	\$ 4,865,600	\$ 4,410,376	\$ 455,224	\$ 4,788,390	\$ 219,875	\$ 212,565	\$ 7,310	\$ 232,802
Contractual:								
Loan Servicing	\$ 423,400	\$ 396,875	\$ 26,525	\$ 349,160	\$ 17,400	\$ 14,090	\$ 3,310	\$ 14,118
Legal	25,500	11,335	14,165	19,626				
Accounting	38,900	42,565	(3,665)	34,815	1,500	1,654	(154)	1,302
Credit Bureau Fees	60,000	58,754	1,246	45,760				
Total Contractual	\$ 547,800	\$ 509,529	\$ 38,271	\$ 449,361	\$ 18,900	\$ 15,744	\$ 3,156	\$ 15,420
General Operating:								
Rent	\$ 200,500	\$ 199,241	\$ 1,259	\$ 199,968	\$ 8,250	\$ 8,188	\$ 62	\$ 8,107
Telephone	213,150	171,791	41,359	241,636	8,800	7,060	1,740	9,796
Printing	190,600	234,010	(43,410)	223,735	8,575	5,696	2,879	6,034
Postage	418,500	442,591	(24,091)	446,274	16,250	15,942	308	16,790
Supplies	83,000	87,150	(4,150)	60,737	3,100	3,085	15	3,144
Travel	49,000	50,644	(1,644)	46,986	500	445	55	402
Equipment Maintenance	43,050	42,093	957	33,438	1,775	1,730	45	1,356
Subscriptions and Fees	29,000	28,042	958	27,686	100	45	55	76
Meeting and Conference Expenses	12,000	7,939	4,061	4,887	200	168	32	194
Insurance - General and Automotive	31,000	35,404	(4,404)	29,362	1,300	1,434	(134)	1,130
Contingencies	50,000	28,273	21,727	25,156	1,000	13	987	539
Depreciation	382,000	248,729	133,271	298,682				
Total General Operating	\$ 1,701,800	\$ 1,575,907	\$ 125,893	\$ 1,638,547	\$ 49,850	\$ 43,806	\$ 6,044	\$ 47,568
Total Operating Expenses	\$ 7,115,200	\$ 6,495,812	\$ 619,388	\$ 6,876,298	\$ 288,625	\$ 272,115	\$ 16,510	\$ 295,790

YEAR ENDED JUNE 30, 2000

	Operating Fund			Teacher Loan Program - EIA			
	2000			2000			
	Total Budget	Actual	Variance Favorable (Unfavorable)	1999 Actual	Total Budget	Variance Favorable (Unfavorable)	1999 Actual
Capital Additions:							
Equipment, Furniture and Fixtures	\$ 225,200	\$ 206,579	\$ 18,621	\$ 204,361	\$ 2,000	\$ -	\$ 1,814
Automobile	18,500	18,897	(397)	14,119			
Total Capital Additions	243,700	225,476	18,224	218,480	2,000	-	1,814
Total Operating Expenses and Capital Additions	\$ 7,358,900	\$ 6,721,288	\$ 637,612	\$ 7,094,778	\$ 290,625	\$ 16,510	\$ 297,604

SOUTH CAROLINA STUDENT LOAN CORPORATIONSCHEDULE OF ORGANIZATIONAL DATAYEAR ENDED JUNE 30, 2000

Incorporated November 15, 1973 under the Laws of the State of South Carolina. Began operations October 14, 1974. Offices located at Suite 210, Interstate Center, Columbia, South Carolina in leased premises.

BOARD OF TRUSTEES OF THE CORPORATION

<u>Name</u>	<u>Office</u>	<u>Term Expires 6/30</u>
Fred L. Green, III	Chairman	2002
G. Lee Cory	Vice-Chairman	2001
Robert W. Derrick	Vice-Chairman	2002
H. Roderick Murchison	Treasurer	2003
William M. Mackie, Jr.	Secretary, President	2001
Melvin E. Barnette		2002
Sharon W. Bryant		2003
R. Thornwell Dunlap, Jr.		2003
J. Thornton Kirby		2002
James C. McColl		2001
Dr. Dennis A. Pruitt, Sr.		2003

SCHEDULE 7

SOUTH CAROLINA STUDENT LOAN CORPORATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2000

<u>Federal Grantor/ Program Title</u>	<u>CFDA Number</u>	<u>Amount of Grant</u>	<u>Expenses</u>
U.S. Department of Education Programs:			
Higher Education Act Insured Loans Contract			
Federal Family Education Loan Programs:			
Special Allowances	84.032		\$ 13,929,937
Subsidized Interest	84.032		<u>26,050,998</u>
Total U.S. Department of Education Programs (Major Program)			\$ <u>39,980,935</u>



DERRICK, STUBBS & STITH, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

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A. David Masters, CPA
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Alan F. Grimsley, CPA



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees
South Carolina Student Loan Corporation
Columbia, South Carolina

We have audited the financial statements of the South Carolina Student Loan Corporation as of and for the year ended June 30, 2000, and have issued our report thereon dated August 31, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the South Carolina Student Loan Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the South Carolina Student Loan Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the management, Board of Trustees and the U.S. Department of Education and is not intended to be and should not be used by anyone other than those specified parties.

Derrick, Stubbs & Stith, LLP

August 31, 2000



DERRICK, STUBBS & STITH, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Trustees
South Carolina Student Loan Corporation
Columbia, South Carolina

Compliance

We have audited the compliance of the South Carolina Student Loan Corporation with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2000. The South Carolina Student Loan Corporation's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the South Carolina Student Loan Corporation's management. Our responsibility is to express an opinion on the South Carolina Student Loan Corporation's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the South Carolina Student Loan Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the South Carolina Student Loan Corporation's compliance with those requirements.

In our opinion, the South Carolina Student Loan Corporation complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2000.

Internal Control Over Compliance

The management of the South Carolina Student Loan Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts

and grants applicable to federal programs. In planning and performing our audit, we considered the South Carolina Student Loan Corporation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be material weaknesses.

This report is intended for the information of the management, Board of Trustees and the U.S. Department of Education and is not intended to be and should not be used by anyone other than those specified parties.

Denise, Stulken & Smith, LLP

August 31, 2000

SOUTH CAROLINA STUDENT LOAN CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2000

1. Summary of Auditor's Results:

(i)	Type of report issued on financial statements	Unqualified
(ii)	Reportable material weaknesses in internal control conditions	None
(iii)	Material noncompliance to the financial statements	None
(iv)	Material weaknesses in reportable conditions in internal control over major programs	None
(v)	Type of report issued on compliance for major programs	Unqualified
(vi)	Audit findings required to be reported under paragraph .510(a) OMB 133	None
(vii)	Identification of major programs:	
	<u>U.S. Department of Education:</u>	
	<u>Higher Education Act Insured Loan Programs:</u>	
	<u>Federal Family Education Loan Program:</u>	<u>CFDA#</u> <u>Expenditure</u>
	Special Allowances	84.032 \$ 13,929,937
	Subsidized Interest	84.032 <u>26,050,998</u>
	Total Federal Family Education Loan Program (Major Program)	\$ <u>39,980,935</u>
(viii)	Dollar threshold used to distinguish between Type A and Type B programs	\$ 1,199,428
(ix)	South Carolina Student Loan Corporation qualifies as a low risk auditee under paragraph .530 OMB 133	Yes

2. Findings related to the financial statements which are required to be reported in accordance with GAGAS

None

3. Findings and questioned costs for Federal awards including audit findings as defined in paragraph .510(a) OMB 133

(i)	Audit findings (e.g., internal control findings, compliance findings, questioned costs, or fraud)	None
(ii)	Audit findings which relate to both the financial statements and Federal awards	None

SCHEDULE 9

SOUTH CAROLINA STUDENT LOAN CORPORATION

SCHEDULE OF SUMMARY OF PRIOR YEAR AUDIT FINDINGS

JUNE 30, 2000

There are no prior audit findings and questioned costs relative to Federal Awards.

SCHEDULE 10

SOUTH CAROLINA STUDENT LOAN CORPORATION

SCHEDULE OF CORRECTIVE ACTION PLAN

JUNE 30, 2000

There is no corrective action plan required since there are no prior audit findings and questioned costs relative to Federal Awards.

SOUTH CAROLINA STUDENT LOAN CORPORATION

SUMMARY OF OPERATIONS FOR

FISCAL YEARS ENDING JUNE 30, 1996 THROUGH JUNE 30, 2000

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**S.C. STUDENT LOAN CORPORATION
SUMMARY OF OPERATIONS**

YEARS ENDED JUNE 30, 1996, 1997, 1998, 1999 AND 2000

	1996	1997	1998	1999	2000
<u>Revenue:</u>					
Income from United States Department of Education:					
Student Loan Interest - Subsidized	\$ 23,663,289	\$ 26,203,944	\$ 27,370,123	\$ 28,042,548	\$ 26,050,998
Special Allowances	4,030,329	3,893,336	3,346,769	4,159,288	13,929,937
Student Loan Interest - Non Subsidized	34,716,727	45,297,573	56,173,288	66,458,725	70,970,029
Investment Income	814,856	1,633,909	2,283,082	3,107,978	3,303,038
Unrealized Gain (Loss) on Investments	0	0	432,550	(152,138)	(36,399)
Late Charges	292,663	556,874	591,470	662,791	726,063
Miscellaneous Payments of Student Loans	23,518	17,964	4,658	9,410	2,371
Premium on Sale of Loans	52,286	23,836	33,746	14,147	9,656
State Appropriations - Department of Education	3,016,250	3,016,250	3,016,250	2,016,250	2,016,250
Processing Fee Income	718,628	35,050	62,003	83,256	74,661
Remittance from S. C. State Education Assistance Authority for Operating Cost	4,980,924	5,095,183	5,469,092	5,182,592	5,884,370
Total Revenue	<u>\$ 72,309,470</u>	<u>\$ 85,773,919</u>	<u>\$ 98,783,031</u>	<u>\$ 109,584,847</u>	<u>\$ 122,930,974</u>
<u>Expenses:</u>					
Personnel	\$ 3,711,919	\$ 3,915,603	\$ 4,157,138	\$ 5,021,192	\$ 4,622,940
Contractual Services	403,671	390,914	402,823	464,781	525,273
General Operating	1,494,088	1,470,416	1,602,587	2,502,370	1,619,713
Interest on Debt	19,107,539	28,831,014	39,613,057	44,790,710	55,265,208
TLP Cancellations	3,739,650	4,476,933	4,091,565	3,898,664	4,188,420
Amortization of Deferred Cost of Bond Issuance		18,017	32,432	43,580	88,713
Payments to S. C. Education Assistance Authority for:					
Student Loan Income	34,147,336	33,605,752	30,739,335	30,803,775	33,513,035
Lender Origination Fees	1,200,738	1,436,571	1,633,438	1,998,901	2,359,524
Windfall Profit Rebate Expense	41,336	0	0	0	0
Reinsurance Expense	0	29,878	43,770	102,964	71,397
Loss (Gain) on Disposal of Equipment	47,697	0	19,966	27,016	0
Broker Dealer Fees	0	230,602	459,032	1,020,013	952,328
Other	36,772	112,453	121,867	151,342	214,691
Total Expenses	<u>\$ 63,930,746</u>	<u>\$ 74,518,153</u>	<u>\$ 82,917,010</u>	<u>\$ 90,825,308</u>	<u>\$ 103,421,242</u>
Change in Net Assets	<u>\$ 8,378,724</u>	<u>\$ 11,255,766</u>	<u>\$ 15,866,021</u>	<u>\$ 18,759,539</u>	<u>\$ 19,509,732</u>
Net Assets, Beginning	<u>\$ 32,939,178</u>	<u>\$ 41,317,902</u>	<u>\$ 52,573,668</u>	<u>\$ 68,439,689</u>	<u>\$ 87,199,228</u>
Net Assets, Ending:					
Temporarily Restricted for Bonds	\$ 0	\$ 11,316,955	\$ 23,696,062	\$ 40,443,259	\$ 55,632,030
Temporarily Restricted for Teacher Loans	23,074,109	24,943,829	27,333,549	28,737,310	29,791,514
Unrestricted	18,243,793	16,312,884	17,410,078	18,018,659	21,285,416
Total Liabilities and Net Assets	<u>\$ 41,317,902</u>	<u>\$ 52,573,668</u>	<u>\$ 68,439,689</u>	<u>\$ 87,199,228</u>	<u>\$ 106,708,960</u>

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SOUTH CAROLINA STUDENT LOAN CORPORATION

UNAUDITED

BALANCE SHEET AND INCOME STATEMENT

FOR THE NINE MONTH PERIOD

JULY 1, 2000 THROUGH MARCH 31, 2001

AS PREPARED BY THE CORPORATION

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SOUTH CAROLINA STUDENT LOAN CORPORATION

SCHEDULE OF FINANCIAL POSITION BY FUND

MARCH 31, 2001

ASSETS

Current Assets:

	Unrestricted		Temporarily Restricted			Total
	Operating	PAL Loans	Taxable Bond Loans	Teacher Loans	Line-of-Credit Bank Loans	
Cash and Cash Equivalents	\$ 4,147,289	\$ 470,716	\$	\$ 13,576,990	\$ 426,191	\$ 21,015,708
Investments	223,853		817,505			1,041,358
Current Portion of Student Loan Receivables			106,284,102	5,230,773	877,210	171,472,556
Interest Due from Borrowers	6,736	455,958	21,352,963	2,286,859	2,533,804	34,282,795
Due from United States Department of Education	90		4,413,759	24,457		6,518,743
Due from SC State Education Assistance Authority	4,187	5,508	12,882,639	189,100	1,501,530	14,582,964
Accrued Investment Income	18,208		219,412	145,671		383,291
Miscellaneous Operating Receivables	1,780		50			1,830
Prepaid Expenses	5,961					5,961
Due from (to) Other Funds	10,439,683		14,556		(10,454,239)	
Total Current Assets	\$ 14,847,787	\$ 932,182	\$ 145,984,986	\$ 21,453,850	\$ (5,115,504)	\$ 249,305,206

Investments and Long-Term Receivables:

Investments	\$	\$	\$ 36,500,140	\$	\$	\$ 36,500,140
Other Student Loan Receivables Less, Current Portion						
Teacher Loans Receivable - Net Allowance for Teacher	54,212	8,263,995	731,625,471		215,722,954	1,275,536,084
Loan Cancellations of \$17,161,390.85 and Current Portion				10,347,684		10,347,684
Cash Surrender Value of Life Insurance						
Deferred Cost of Issuance of Bonds			1,228,432			1,228,432
Total Investments and Long-Term Receivables	\$ 54,212	\$ 8,263,995	\$ 769,354,043	\$ 10,347,684	\$ 215,722,954	\$ 1,323,612,340

Property and Equipment:

Furniture and Equipment	\$ 2,295,330	\$	\$	\$	\$	\$ 2,295,330
Automobiles	33,016					33,016
Less, Accumulated Depreciation	(1,912,911)					(1,912,911)
Net Property and Equipment	\$ 415,435	\$	\$	\$	\$	\$ 415,435
Total Assets	\$ 15,317,434	\$ 9,196,177	\$ 915,339,029	\$ 31,801,534	\$ 210,607,450	\$ 1,573,332,981

SOUTH CAROLINA STUDENT LOAN CORPORATION

SCHEDULE OF FINANCIAL POSITION BY FUND

MARCH 31, 2001

<u>LIABILITIES AND NET ASSETS</u>	<u>Unrestricted</u>		<u>Temporarily Restricted</u>			<u>Total</u>
	<u>Operating</u>	<u>PAL Loans</u>	<u>Taxable Bond Loans</u>	<u>Teacher Loans</u>	<u>Line-of-Credit Bank Loans</u>	<u>Tax-Exempt Bond Loans</u>
<u>Current Liabilities:</u>						
Current Portion of Notes Payable - Finance Loans	\$	\$	\$	\$	\$	\$ 59,080,471
Current Maturities of Bonds Payable			116,768,444			116,768,444
Interest Payable			2,645,546			5,367,003
Accounts Payable	54,655	9,562		470	2,721,457	3,700,097
Customer Refunds Payable				110	12,142	53,485
Accrued Pension Payable	195,153		27,580	12,582		207,735
Compensated Absences	181,409			13,595		195,004
Due to S.C. State Education Assistance Authority						
Total Current Liabilities	\$ 431,217	\$ 9,562	\$ 119,441,570	\$ 26,757	\$ 6,362,456	\$ 9,726,912
						\$ 195,099,151
<u>Long-Term Debt:</u>						
Bonds Payable Less, Current Maturities and Bond	\$	\$	\$	\$	\$	\$
Premiums and Discounts			727,456,388			727,456,388
Notes Payable - Finance Loans Less, Current Maturities						322,243,768
Notes Payable to Banks					204,244,994	204,244,994
Total Long-Term Debt	\$	\$	\$ 727,456,388	\$	\$ 204,244,994	\$ 1,253,945,150
Total Liabilities	\$ 431,217	\$ 9,562	\$ 846,897,958	\$ 26,757	\$ 210,607,450	\$ 1,449,044,301
<u>Net Assets:</u>						
Temporarily Restricted For Bond Indentures						
Current Debt Service	\$	\$	\$ 12,145,775	\$	\$	\$ 12,145,775
Temporarily Restricted For Bond Indentures			56,295,296			56,295,296
Temporarily Restricted For Teacher Loans				31,774,777		31,774,777
Unrestricted	14,886,217	9,186,615				24,072,832
Total Net Assets	\$ 14,886,217	\$ 9,186,615	\$ 68,441,071	\$ 31,774,777	\$	\$ 124,288,680
Total Liabilities and Net Assets	\$ 15,317,434	\$ 9,196,177	\$ 915,339,029	\$ 31,801,534	\$ 210,607,450	\$ 1,573,332,981

SOUTH CAROLINA STUDENT LOAN CORPORATION

SCHEDULE OF ACTIVITIES BY FUND

NINE MONTHS ENDING MARCH 31, 2001

	Unrestricted		Temporarily Restricted				Total
	Operating	PAL Loans	Taxable Bond Loans	Teacher Loans	Line-of-Credit Bank Loans	Tax-Exempt Bond Loans	
Revenue:							
Income from United States Department of Education:							
Student Loan Interest - Subsidized	\$ 224	\$	\$ 14,611,592	\$ 51,550	\$ 5,785,771	\$ 4,621,491	\$ 25,070,628
Special Allowances	118		3,638,298	8,810	342,533	2,969,084	6,958,843
Student Loan Interest - Non Subsidized	3,339	474,988	38,203,264	2,111,229	1,090,093	19,615,093	61,498,006
Investment Income	456,356	10,751	2,420,588	553,382	18,016		3,459,093
Unrealized Gain (Loss) on Investments	(2,092)			422,269			420,177
Late Charges	132	189	312,419	7,350	3,234	232,565	555,888
Miscellaneous Payments of Student Loans		2	1,097	89	949	(318)	1,819
Premium on Sale of Loans					2,983		2,983
State Appropriations - Department of Education				5,016,250			5,016,250
Processing Fee Income							59,441
Remittance from SC State Education Assistance Authority for Operating Cost		59,441					
Total Revenue	5,290,612		\$ 59,187,258	\$ 8,170,929	\$ 7,243,579	\$ 27,437,915	\$ 108,333,741
	\$ 5,748,689	\$ 545,371	\$ 59,187,258	\$ 8,170,929	\$ 7,243,579	\$ 27,437,915	\$ 108,333,741
Expenses:							
Personnel	\$ 3,376,563	\$	\$	\$ 157,656	\$	\$	\$ 3,534,219
Contractual Services	355,629			12,074			367,703
General Operating	1,324,496			32,159			1,356,655
Interest on Debt			43,683,126		5,704,755		49,387,881
TLP Cancellations				6,102,900			6,102,900
Amortization of Deferred Cost of Bond Issuance			100,634				100,634
Payments to S. C. State Education Assistance Authority for Student Loan Income						26,655,927	26,655,927
Loan Fees			218,317		1,231,858	761,683	2,211,858
Reinsurance Expense			90,126			20,304	110,430
Loss on Disposal of Equipment							
Broker Dealer Fees			758,940				758,940
Other	5,851	27,055	82,180	13,671	38,116		166,873
Total Expenses	\$ 5,062,539	\$ 27,055	\$ 44,933,323	\$ 6,318,460	\$ 6,974,729	\$ 27,437,914	\$ 90,754,020
	\$ 5,062,539	\$ 27,055	\$ 44,933,323	\$ 6,318,460	\$ 6,974,729	\$ 27,437,914	\$ 90,754,020
Transfers Between Accounts:							
Transfers In	\$ 1,784,767	\$ 1,800,000	\$	\$ 201,817	\$	\$	\$ 3,786,584
Transfers Out	(2,001,817)		(1,444,894)	(71,023)	(268,850)		(3,786,584)
Total Transfers Between Accounts	\$ (217,050)	\$ 1,800,000	\$ (1,444,894)	\$ 130,794	\$ (268,850)	\$	\$
	\$ (217,050)	\$ 1,800,000	\$ (1,444,894)	\$ 130,794	\$ (268,850)	\$	\$
Change in Net Assets							
	\$ 469,100	\$ 2,318,316	\$ 12,809,041	\$ 1,983,263	\$	\$ 1	\$ 17,579,721
	\$ 469,100	\$ 2,318,316	\$ 12,809,041	\$ 1,983,263	\$	\$ 1	\$ 17,579,721
Net Assets, Beginning							
	\$ 14,417,117	\$ 6,868,299	\$ 55,632,030	\$ 29,791,514	\$	\$	\$ 106,708,960
	\$ 14,417,117	\$ 6,868,299	\$ 55,632,030	\$ 29,791,514	\$	\$	\$ 106,708,960
Net Assets, Ending							
	\$ 14,886,217	\$ 9,186,615	\$ 68,441,071	\$ 31,774,777	\$	\$ 1	\$ 124,288,681
	\$ 14,886,217	\$ 9,186,615	\$ 68,441,071	\$ 31,774,777	\$	\$ 1	\$ 124,288,681

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF EXPENSES
FOR THE NINE MONTHS ENDING MARCH 31, 2001

	Operating Fund			
	2001			2000
	Total Budget	Actual	Variance Favorable (Unfavorable)	Actual
<u>Operating Expenses:</u>				
<u>Personnel:</u>				
Staff Salaries	\$ 2,617,440	\$ 2,529,414	\$ 88,026	\$ 2,309,935
Part-Time Salaries	53,839	40,052	13,787	29,970
Contractual Salaries	18,775	16,906	1,869	15,394
Social Security	193,085	185,016	8,069	167,960
Group Insurance	347,023	332,271	14,752	490,960
Retirement	266,625	268,130	(1,505)	299,229
Unemployment	4,540	4,774	(234)	4,401
Total Personnel	\$ 3,501,327	\$ 3,376,563	\$ 124,764	\$ 3,317,849
<u>Contractual:</u>				
Loan Servicing	\$ 259,000	\$ 262,844	\$ (3,844)	\$ 265,230
Legal	23,625	20,684	2,941	9,010
Accounting	34,610	35,440	(830)	33,682
Credit Bureau	43,750	36,661	7,089	40,998
Total Contractual	\$ 360,985	\$ 355,629	\$ 5,356	\$ 348,920
<u>General Operating:</u>				
Rent	\$ 151,235	\$ 150,589	\$ 646	\$ 149,045
Telephone	142,325	135,008	7,317	129,049
Printing	210,425	213,688	(3,263)	215,087
Postage	431,550	438,120	(6,570)	328,102
Supplies	52,050	44,900	7,150	54,069
Travel	43,400	41,074	2,326	38,973
Equipment Maintenance	40,425	38,148	2,277	41,468
Subscriptions and Fees	33,615	31,999	1,616	27,199
Meeting and Conference Expenses	7,275	6,827	448	6,621
Insurance - General & Automobile	43,500	40,160	3,340	35,404
Contingencies	30,005	11,108	18,897	26,178
Depreciation	281,625	172,875	108,750	286,500
Total General Operating	\$ 1,467,430	\$ 1,324,496	\$ 142,934	\$ 1,337,695
Total Operating Expenses	\$ 5,329,742	\$ 5,056,688	\$ 273,054	\$ 5,004,464
<u>Capital Additions:</u>				
Equipment and Software	\$ 30,000	\$ 21,702	\$ 8,298	\$ 110,220
Automobile	0	0	0	18,897
Total Capital Additions	\$ 30,000	\$ 21,702	\$ 8,298	\$ 129,117
Total Operating Expenses and Capital Additions	\$ 5,359,742	\$ 5,078,390	\$ 281,352	\$ 5,133,581

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF EXPENSES
FOR THE NINE MONTHS ENDING MARCH 31, 2001

Teacher Loan Program - EIA

	2001			2000
	Total <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>	<u>Actual</u>
<u>Operating Expenses:</u>				
<u>Personnel:</u>				
Staff Salaries	\$ 123,462	\$ 123,769	\$ (307)	\$ 118,048
Social Security	9,450	8,957	493	8,519
Group Insurance	14,247	13,685	562	20,316
Retirement	10,953	11,040	(87)	11,704
Unemployment	215	205	10	220
Total Personnel	<u>\$ 158,327</u>	<u>\$ 157,656</u>	<u>\$ 671</u>	<u>\$ 158,807</u>
<u>Contractual:</u>				
Loan Servicing	\$ 10,300	\$ 10,599	\$ (299)	\$ 8,700
Accounting	1,500	1,475	25	336
Total Contractual	<u>\$ 11,800</u>	<u>\$ 12,074</u>	<u>\$ (274)</u>	<u>\$ 9,036</u>
<u>General Operating:</u>				
Rent	\$ 6,205	\$ 6,189	\$ 16	\$ 6,125
Telephone	5,850	5,548	302	5,303
Printing	8,245	3,047	5,198	4,541
Postage	12,200	11,948	252	13,109
Supplies	2,225	1,838	387	2,216
Travel	500	150	350	414
Equipment Maintenance	1,650	1,568	82	1,704
Subscriptions & Fees	125	47	78	45
Meeting and Conference Expenses	200	133	67	151
Insurance - General & Auto	1,700	1,645	55	1,434
Contingencies	745	46	699	0
Total General Operating	<u>\$ 39,645</u>	<u>\$ 32,159</u>	<u>\$ 7,486</u>	<u>\$ 35,042</u>
Total Operating Expenses	<u>\$ 209,772</u>	<u>\$ 201,889</u>	<u>\$ 7,883</u>	<u>\$ 202,885</u>
<u>Capital Additions:</u>				
Equipment and Software	\$ 0	\$ 0	\$ 0	\$ 0
Total Capital Additions	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Operating Expenses and Capital Additions	<u>\$ 209,772</u>	<u>\$ 201,889</u>	<u>\$ 7,883</u>	<u>\$ 202,885</u>

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FORM OF OPINION OF BOND COUNSEL

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FORM OF OPINION OF BOND COUNSEL

May 23, 2001

South Carolina Student Loan Corporation
Columbia, South Carolina

William R. Hough & Co.
St. Petersburg, Florida

Banc of America Securities LLC
Charlotte, North Carolina

First Union Securities, Inc.
Charlotte, North Carolina

Salomon Smith Barney Inc.
New York, New York

Wachovia Securities, Inc.
Winston-Salem, North Carolina

The Bank of New York
New York, New York

Re: \$400,000,000 South Carolina Student Loan Corporation Education Loan Revenue Bonds, 2001 Series; consisting of \$200,000,000 2001 Series LIBOR Indexed Bonds and \$200,000,000 2001 Series CP Indexed Bonds

Ladies and Gentlemen:

We have examined the Constitution and Statutes of the State of South Carolina (the "State"), a certified copy of the proceedings and other proofs relating to the authorization and issuance of the 2001 Series Education Loan Revenue Bonds, described above (the "2001 Series Bonds") of the South Carolina Student Loan Corporation (the "Corporation"), a nonprofit, public-benefit corporation under the laws of the State.

The 2001 Series Bonds are issued by the Corporation pursuant to:

- (i) a General Resolution Providing for the Issuance and Sale of South Carolina Student Loan Corporation Education Loan Revenue Bonds and Other Matters Relating Thereto (the "General Resolution"); and
- (ii) a Series Resolution Providing for the Issuance and Sale of Not Exceeding Four Hundred Fifty Million Dollars (\$450,000,000) South Carolina Student Loan Corporation Education Loan Revenue Bonds, 2001 Series; and Other Matters Relating Thereto (the "2001 Series Resolution").

The General Resolution and the 2001 Series Resolution as they may be amended from time to time are herein collectively called the "Resolutions," and capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Resolutions.

The 2001 Series LIBOR Indexed Bonds are dated the date of their delivery and bear interest, after the Initial Period, at the LIBOR Indexed Rate. The 2001 Series CP Indexed Bonds are dated the date of their delivery and bear interest, after the Initial Period, at the CP Indexed Rate. The 2001 Series Bonds mature, subject to Principal Reduction Payments, on the Stated Maturity. The 2001 Series Bonds are subject to Principal Reduction Payments on the dates and in the amounts set forth in the Corporation Issuance and Sale Certificate. Interest on the 2001 Series Bonds is payable on each Interest Payment Date until maturity or earlier payment of such 2001 Series Bonds.

The 2001 Series Bonds are not subject to optional redemption.

All of the 2001 Series Bonds are issuable as fully registered bonds in Authorized Denominations as provided in the 2001 Series Resolution and are numbered in such fashion as to maintain a proper record thereof.

The 2001 Series Bonds are issued to (i) finance and refinance the acquisition and making of Education Loans, (ii) fund the Senior Lien Account of the Debt Service Reserve Fund, (iii) make a deposit to the Interest Account of the Debt Service Fund, and (iv) pay certain Costs of Issuance of the 2001 Series Bonds.

The Corporation has reserved the right to issue additional bonds on the terms and conditions, and for the purposes, stated in the Resolutions.

It is our opinion that:

1. The Corporation is a duly created and validly existing South Carolina nonprofit, public-benefit corporation with full power and authority to issue the 2001 Series Bonds and to perform all of its obligations under the Resolutions.
2. The Corporation has the right and power to adopt the Resolutions, the Resolutions have been duly and lawfully adopted by the Corporation, constitute a contract between the Corporation and the Holders of 2001 Series Bonds, are in full force and effect and are valid and binding upon the Corporation and enforceable in accordance with their terms, except to the extent that the enforceability of the Resolutions may be limited by applicable bankruptcy, insolvency, or other laws affecting the enforcement of creditors' rights.
3. The Resolutions create a valid pledge of the Pledged Assets subject to the provisions of the Resolutions permitting application of moneys, rights and interests to the extent and under the conditions prescribed by the Resolutions.
4. The Resolutions permit the issuance of both Senior Lien Bonds and Subordinate Lien Bonds. The 2001 Series Bonds are Senior Lien Bonds and will be issued and secured by a pledge of Pledged Assets, prior to the pledge securing Subordinate Lien Bonds heretofore or hereafter issued by the Corporation.
5. The 2001 Series Bonds have been duly authorized, executed and delivered and constitute valid and binding special obligations of the Corporation enforceable in accordance with their terms and the terms of the Resolutions, except to the extent that the enforceability of the 2001 Series Bonds may be limited by applicable bankruptcy, insolvency, or other laws affecting the enforcement of creditors' rights. Such 2001 Series Bonds are secured in the manner and to the extent prescribed by the Resolutions and are entitled to the equal benefit, protection and security of the provisions, covenants and agreements set forth in the Resolutions with respect to Senior Lien Bonds.
6. The 2001 Series Bonds shall not be deemed to constitute a debt, liability or obligation of the State or of any political subdivision thereof or a pledge of the faith and credit of the State or of any political subdivision thereof but shall be payable solely from the revenues and other funds provided therefor under the Resolutions.
7. The interest on the 2001 Series Bonds is not excluded from the gross income of the owners thereof for either federal or State of South Carolina income tax purposes.
8. The principal amount of the 2001 Series Bonds together with the Outstanding principal amount of Bonds, notes or other obligations of the Corporation will not exceed in aggregate principal amount any limitation imposed by law.

Very truly yours,

McNAIR LAW FIRM, P.A.

By: _____
M. William Youngblood

