



\$210,000,000
SOUTH CAROLINA STUDENT LOAN CORPORATION
EDUCATION LOAN REVENUE BONDS

2002 SERIES
consisting of

\$160,000,000
2002 Series L – LIBOR Indexed Bonds
CUSIP 83714RAP8
ISIN US83714RAP82

\$50,000,000
2002 Series CP – Commercial Paper Indexed Bonds
CUSIP 83714RAQ6
ISIN US83714RAQ65

In denominations of \$1,000 and integral multiples thereof.

Dated: Delivery Date

Price: 100%

Due: June 1, 2013

You should carefully consider the risk factors described in this Official Statement.

The 2002 Bonds are limited obligations of the Corporation. The Corporation has no taxing power.

The 2002 Bonds do not constitute a debt, liability or obligation, or a pledge of the full faith and credit or the taxing power, of the State of South Carolina or any of its agencies or political subdivisions.

The Issuer	The South Carolina Student Loan Corporation (the “Corporation”), a nonprofit, public benefit corporation incorporated pursuant to the laws of the State of South Carolina.
The Bonds	<p>\$210,000,000 of taxable Education Loan Revenue Bonds issued in two series:</p> <ul style="list-style-type: none"> • 2002 Series L – Senior Lien LIBOR Indexed Bonds (the “2002L Bonds”), and • 2002 Series CP – Senior Lien Commercial Paper Indexed Bonds (the “2002CP Bonds” and together with the 2002L Bonds, the “2002 Bonds”). <p>The 2002 Bonds will be issued in fully registered book-entry form only on or about April 30, 2002. Purchasers will not receive certificates representing their interests except as described in this Official Statement.</p>
Interest	<p>Interest is payable quarterly at the following rates:</p> <ul style="list-style-type: none"> • 2002L Bonds: a one month LIBOR indexed rate for the Initial Period and a three month LIBOR indexed rate for periods thereafter, as adjusted quarterly, plus 0.15% • 2002CP Bonds: a ninety day AA Financial Commercial Paper indexed rate, as adjusted monthly, plus 0.24%
Principal	Principal is due at stated maturity, although the Corporation may make <i>pro rata</i> principal reduction payments on the 2002L Bonds and 2002CP Bonds prior to maturity based upon a targeted amortization schedule for each series.
Seniority	The 2002 Bonds are “Senior Lien Bonds” on a parity with the Corporation’s Outstanding 1996 Bonds, 1997 Bonds, 1998 Bonds, 1999 Bonds, 2000 Bonds and 2001 Bonds.
Security	The 2002 Bonds are limited obligations payable primarily from collections on a pool of student loans as to which the payment of principal and interest has been guaranteed, and other assets and amounts, if any, pledged to such payment.

William R. Hough & Co.

Banc of America Securities LLC

Wachovia Securities

April 17, 2002

SOUTH CAROLINA STUDENT LOAN CORPORATION

BOARD OF DIRECTORS

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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

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ADDITIONAL INFORMATION

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 2002 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.

NOTWITHSTANDING ANY INVESTIGATION THAT THE UNDERWRITERS MAY HAVE CONDUCTED WITH RESPECT TO THE INFORMATION CONTAINED HEREIN, THE UNDERWRITERS MAKE NO REPRESENTATION OR WARRANTY AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION, AND NOTHING HEREIN SHALL BE DEEMED TO CONSTITUTE SUCH A REPRESENTATION OR WARRANTY BY THE UNDERWRITERS.

THE 2002 BONDS ARE EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OF 1933, AS AMENDED, AND ARE "EXEMPTED SECURITIES" WITHIN THE MEANING OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED.

THE REGISTRATION, QUALIFICATION OR EXEMPTION OF THE 2002 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 THE U.S. SECURITIES AND EXCHANGE COMMISSION, THE JURISDICTIONS REFERENCED ABOVE NOR ANY OF THEIR AGENCIES HAVE APPROVED, DISAPPROVED, GUARANTEED OR PASSED UPON THE SAFETY OF THE 2002 BONDS AS AN INVESTMENT, UPON THE PROBABILITY OF ANY EARNINGS THEREON, OR UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This Official Statement contains certain statements relating to future results, which are forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on beliefs of Corporation management as well as assumptions and estimates based on information currently available to the Corporation, and are subject to certain risks and uncertainties that could cause actual results to differ materially from historical results or those anticipated, depending on a variety of factors, including economic and market instability, the financial health of Guarantee Agencies, changes in federal and state laws applicable to the Corporation and the 2002 Bonds and interest rate fluctuations. Should one or more of these risks or uncertainties materialize adversely, or should underlying assumptions or estimates prove incorrect, actual results may vary materially from those described.

Within this Official Statement are cross-references to captions found elsewhere in this Official Statement, under which you can find further related discussions. The table of contents found on the previous page indicates where such captions and discussions are located.

SUMMARY STATEMENT

This Summary Statement is subject in all respects to more complete information contained in this Official Statement. The offering of the 2002 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 without definition shall have the meanings assigned to such terms in the Resolution. *See EXHIBIT II – “GLOSSARY OF CERTAIN DEFINED TERMS FROM THE GENERAL AND 2002 SERIES RESOLUTIONS.”*

PRINCIPAL PARTIES

Issuer The South Carolina Student Loan Corporation, a nonprofit, public benefit corporation incorporated on November 15, 1973 pursuant to the laws of the State of South Carolina, which received its final 501(c)(3) determination letter from the U.S. Internal Revenue Service on June 30, 1979. 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 individuals 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 an “Eligible Lender” pursuant to Title IV of the Higher Education Act and, as agent of and an independent contractor with the Authority, serves as the principal originator and servicer of student loans guaranteed by the Authority. *See “THE CORPORATION.”*

Guarantee Agency The South Carolina State Education Assistance Authority (the “Authority”), a body politic and corporate and a public instrumentality of the State of South Carolina, 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 (each, a “Guarantee Agency”). *See “SOUTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY.”*

Trustee The Bank of New York, New York, New York, as trustee (the “Trustee”), or its successor as trustee. The Trustee will also act as calculation agent, paying agent and registrar for the 2002 Bonds. *See “THE 2002 BONDS.”*

The Securities

Depository The Depository Trust Company, New York, New York (the “Securities Depository”), or any additional or successor securities depository for the 2002 Bonds. Delivery of the 2002 Bonds will be made through the Securities Depository, Clearstream Banking and the Euroclear System.

Rating Agencies Fitch Ratings
Standard & Poor’s
Moody’s Investors Service, Inc.

It is a condition to the issuance and delivery of the 2002 Bonds that such bonds be rated AAA by Fitch and Standard & Poor’s and Aaa by Moody’s. There can be no assurance, however, that such condition will be satisfied. *See “RATINGS.”*

THE BONDS

The 2002 Bonds	<p>\$210,000,000 principal amount of 2002 Bonds, bearing interest and payable as described below. The 2002 Bonds are issued in two series:</p> <ul style="list-style-type: none">• 2002 Series L - LIBOR Indexed Bonds in the aggregate principal amount of \$160,000,000, and• 2002 Series CP - Commercial Paper Indexed Bonds in the aggregate principal amount of \$50,000,000. <p>The 2002 Bonds are Senior Lien Bonds issued pursuant to a June 7, 1996 General Resolution (the “General Resolution”) and a Series Resolution effective as of April 17, 2002 (the “2002 Series Resolution”) (collectively, the “Resolution”), each adopted by the Corporation’s Board of Directors.</p> <p>The 2002 Bonds are payable primarily from collections on a pool of student loans, discussed below.</p>
Denominations	<p>The 2002 Bonds will be issued and available for purchase in multiples of \$1,000 and available in book-entry form only. Purchasers will not receive certificates representing their interests except as described herein.</p>
Maturity Date	<p>June 1, 2013</p>
Outstanding Parity Bonds	<p>The 2002 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 that may be hereafter issued by the Corporation as Senior Lien Bonds (“Additional Bonds”). See “<i>Priority of Security and Additional Bonds</i>” and “<i>CORPORATION DEBT OUTSTANDING.</i>” The Corporation’s Outstanding Senior Lien Bonds are referred to herein as the “Prior Bonds” and are Outstanding in the total principal amount of \$1,132,519,206 as of the date on the cover of this Official Statement. The Prior Bonds, the 2002 Bonds and such Additional Bonds as may hereafter be issued under the General Resolution are referred to herein as the “Bonds.”</p>
Interest Rate on the 2002L Bonds	<p>The 2002L Bonds bear interest at the LIBOR Indexed Rate or the Initial LIBOR Indexed Rate, as applicable, which is the sum of the applicable LIBOR rate plus a spread factor of 0.15%.</p> <p>The LIBOR Rate is the rate per annum fixed on each Interest Rate Determination Date 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 (3) month period; <u>provided, however</u>, that the LIBOR rate for the Initial Period will be 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 one (1) month period.</p>

The Initial LIBOR Indexed Rate will be determined on the second Business Day prior to delivery of the 2002L Bonds, and the LIBOR Indexed Rate will be determined on the second Business Day prior to each Interest Payment Date (each an “Interest Rate Determination Date” for the 2002L Bonds) for the 2002L Bonds by the Trustee or its successor(s) as Calculation Agent. Each change in the LIBOR Indexed Rate will be effective for the interest period commencing 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 London Interbank Offered Rates on U.S. dollar deposits for a three (3) month period shall be used. Such rate may be available on the Internet at www.bba.org.uk. 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 Rate on
the 2002CP Bonds**

The 2002CP Bonds bear interest at the CP Indexed Rate or the Initial CP Indexed Rate, as applicable, which is the sum of the CP Rate plus a spread factor of 0.24%.

The CP Rate is the ninety (90) day AA Financial Commercial Paper rate posted on each Interest Rate Determination Date 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 Initial CP Indexed Rate will be determined on the second Business Day prior to delivery of the 2002CP Bonds, and the CP Indexed Rate will be determined on the second Business Day prior to each Interest Rate Adjustment Date (each an “Interest Rate Determination Date” for the 2002CP Bonds) by the Trustee or its successor(s) as Calculation Agent. Each change in the CP Indexed Rate will be effective on the first Business Day of each month (each, an “Interest Rate Adjustment Date” for the 2002CP Bonds). 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.

**Interest Computations
and Payments.....**

Interest on the outstanding principal balance of the 2002 Bonds will be computed on the basis of the actual number of days elapsed in each Interest Period divided by 360.

Interest is payable quarterly on the first Business Day of each March, June, September and December, commencing on the first Business Day of June, 2002, until maturity or earlier payment in full.

Interest payable on the 2002 Bonds on each applicable Interest Payment Date will be the interest which has accrued (at the Initial LIBOR Indexed Rate, the LIBOR Indexed Rate, the Initial CP 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 2002 Bonds is payable on behalf of the Corporation at the principal corporate trust office of 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 2002 Bonds shall be Cede & Co., as nominee of the Securities Depository.

**Redemption or Other
Payment Prior to
Maturity.....**

The 2002 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 for each series ("Principal Reduction Payments"). In no event will Principal Reduction Payments for the 2002 Bonds exceed the amounts specified in the applicable Targeted Amortization Schedule for the 2002 Bonds, subject to adjustments as described below.

Certain of the Prior Bonds are also subject to Principal Reduction Payments based upon previous 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 2002 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 the appropriate Targeted Amortization Schedule.

As of the date of this Official Statement, all such scheduled Principal Reduction Payments have been made at the times and in the amounts contemplated by the Targeted Amortization Schedules. However, there can be no assurance that such performance will continue in the future with respect to any series of the Prior Bonds or that scheduled Principal Reduction Payments for the 2002 Bonds will be made at the times and in the amounts herein described.

If Revenues Available for Debt Service are not sufficient to make the payments set forth in the Targeted Amortization Schedules in full 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, the 2002 Bonds and any subsequent Senior Lien Bonds subject to such payments. For the 1999 Bonds, the 2000 Bonds, the 2001 Bonds, the 2002 Bonds and any subsequent Senior Lien 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 make such payments in full.

The Corporation has covenanted in the 2002 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 2002 Bonds as a result of the diversion of Revenues Available for Debt Service to be received from Education Loans financed with the proceeds of previously issued Bonds then Outstanding 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

Use of Initial Proceeds of 2002 Bonds

The proceeds of the 2002 Bonds are to be initially used to:

- finance and refinance the acquisition and making of Guaranteed Loans, as discussed below,
- fund a deposit to the Debt Service Reserve Fund,
- fund a deposit to the Interest Account of the Debt Service Fund, and
- pay costs and expenses associated with the issuance of the 2002 Bonds.

Guaranteed Loans are obligations acquired or to be acquired by the Corporation with funds made available by the Resolution that represent advances of money made by an Eligible Lender to or on behalf of a student attending or enrolled at an Eligible Institution, for which the payment of principal and interest is guaranteed by the Authority or another qualified Guarantee Agency, and reinsured as to principal amount and interest by the Secretary of the United States Department of Education (the “Secretary”), to the maximum extent authorized at the time of such loan under the Higher Education Act and agreements entered into by a Guarantee Agency and the Secretary pursuant to the Higher Education Act.

Use of Recycled Proceeds of the Bonds

Through June 30, 2004 and later upon Rating Agency approval, payments (or portions thereof) received with respect to Pledged Assets may be used to finance additional or other Guaranteed Loans under certain circumstances and, subject to certain requirements, 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, no Alternative Loans are being financed with the initial proceeds of the 2002 Bonds, and the Corporation does not have any present intention to finance Alternative Loans with the proceeds of any Bonds issued under the General Resolution. 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 acquired with proceeds of the Prior Bonds and anticipated to be acquired with proceeds of the 2002 Bonds is shown herein under the heading “*THE PLEDGED ASSETS --The Portfolios of Guaranteed Loans-Summary Information.*” Revenues received with respect to Education 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 *EXHIBIT III – “SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION–Monthly Distributions of Moneys from the General Revenue Fund.”*

THE PLEDGED ASSETS

Sources of Revenue and Security

Sources of revenue and security for the 2002 Bonds may include:

- Education Loans, including Guaranteed Loans and Alternative Loans, pledged under the Resolution. *See “EXPECTED APPLICATION OF 2002 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.
- Interest payments with respect to Education Loans made by or on behalf of borrowers.
- 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, and proceeds from the guarantee, or from the sale, assignment or other disposition of Education Loans.
- 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.
- Any applicable “Interest Subsidy Payments” payable in respect of any Guaranteed Loans by the Secretary under Section 428 of the Higher Education Act.
- 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, discussed below) 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 collectively as “Pledged Assets.”

**Education Loan Guarantee,
Reinsurance or Insurance**

All Guaranteed Loans financed or acquired initially by the Corporation with the proceeds of the 2002 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. As of the date hereof, no Alternative Loans have been financed with proceeds of the Prior Bonds, no Alternative Loans are being financed with the initial proceeds of the 2002 Bonds, and the Corporation does not have any present intention to finance Alternative Loans with the proceeds of any Bonds issued under the General Resolution. *See EXHIBIT I – “SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM.”*

**Debt Service Reserve
Fund**

The Senior Lien Account of the Debt Service Reserve Fund is a common reserve fund which equally secures all Senior Lien Bonds. The Debt Service Reserve Requirement is equal to the greatest of:

- the sum of the reserve requirements for each Series of Bonds;
- 0.1% times the original principal amount of all Tranches Outstanding as of the date of calculation; or
- \$750,000.

The reserve requirement with respect to the 2002 Bonds will be 0.25% of the Outstanding principal amount of the 2002 Bonds. Immediately after issuance of the 2002 Bonds, the balance in the Senior Lien Account of the Debt Service Reserve Fund is expected to equal \$15,634,080, which is 1.16% of the principal balance of all Bonds then expected to be Outstanding.

**Monthly Distributions of
General Revenue
Fund Moneys**

Under the General Resolution, all moneys received by or on behalf of the Corporation as Pledged Assets, and any other moneys or assets designated as pledged assets 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 to various funds and accounts for the following purposes:

- *First*, for the payment of interest on Senior Lien Bonds;
- *Second*, for the payment of principal on Senior Lien Bonds;
- *Third*, for the payment of interest on Subordinate Lien Bonds, if any;
- *Fourth*, for the payment of principal on Subordinate Lien Bonds, if any;
- *Fifth*, for the payment of the Corporation's servicing and operating expenses;
- *Sixth*, for the replenishment of the Senior Lien Debt Service Reserve Fund, if necessary;
- *Seventh*, for the replenishment of the Subordinate Lien Debt Service Reserve Fund, if necessary;
- *Eighth*, for Principal Reduction Payments on Senior Lien Bonds;
- *Ninth*, for Principal Reduction Payments on Subordinate Lien Bonds, if any;
- *Tenth*, to the Corporation upon satisfaction of certain collateralization tests; and
- *Last*, the balance, if any, to finance additional Education Loans or to retire or redeem the Bonds, subject to certain limitations as discussed herein. *See EXHIBIT III - "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION - Monthly Distributions of Moneys from the General Revenue Fund."*

**Priority of Security and
Additional Bonds.....**

The rights of the owners of the 2002 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 2002 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 2002 Bonds. As of the date hereof, the Corporation has issued no Subordinate Lien Bonds. See *“Outstanding Parity Bonds” above and “CORPORATION DEBT OUTSTANDING” with respect to the Prior Bonds.*

While the 2002 Bonds are Outstanding, the Corporation will not issue Additional Bonds under the General Resolution if such issuance will cause the Pledged Assets to fall below 103% of the principal amount of, and accrued interest on, the Outstanding Senior Lien Bonds.

Collateralization..... Upon issuance and after initial application of the proceeds of the 2002 Bonds, Pledged Assets are expected to equal approximately 107% of the outstanding principal amount of and accrued interest on the Bonds.

MISCELLANEOUS

Bond Purchase Agreement..... The 2002 Bonds are to be purchased by the Underwriters specified on the cover of this Official Statement pursuant to the terms and conditions of a Bond Purchase Agreement dated April 17, 2002 between the Corporation and the Underwriters, subject to certain conditions, at an aggregate purchase price equal to \$209,069,700. See *“UNDERWRITING.”*

Cutoff Date The Corporation plans to acquire Guaranteed Loans with initial proceeds of the 2002 Bonds based upon a cutoff date of March 31, 2002.

Tax Matters In the opinion of McNair Law Firm, P.A., Bond Counsel, interest on the 2002 Bonds is not excluded from the gross income of the owners thereof for either federal or State of South Carolina income tax purposes. See *“TAX MATTERS.”*

ERISA Considerations.... Subject to important considerations and conditions described in this Official Statement, the 2002 Bonds may be purchased by or on behalf of an employee benefit plan or other retirement arrangement subject to Title I of 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”*), provided that the plan’s purchase or holding of the 2002 Bonds will not give rise to a *“prohibited transaction”* or otherwise be impermissible under ERISA or the Code. Each fiduciary who purchases any of the 2002 Bonds will be deemed to represent that a prohibited transaction will not occur by reason of the purchase or holding of the 2002 Bonds or, if one does occur, that an appropriate exemption applies. See *“ERISA AND OTHER CODE CONSIDERATIONS.”*

Risk Factors..... For a detailed discussion of risk factors which should be considered by potential purchasers of the 2002 Bonds, see *“RISK FACTORS.”*

Related Parties Two of the Directors of the Corporation are also employees of an Underwriter of the 2002 Bonds or of a related party to an Underwriter. See *“THE CORPORATION” and the table therein entitled “Board of Directors of the Corporation.”*

The Board of Directors of the Corporation authorized and approved the transactions contemplated by the General Resolution and all subsequent Series Resolutions, including the 2002 Series Resolution, in accordance with Title 33, Chapter 31, Article 8, Subarticle 3 (§33-31-831) of the Code of Laws of South Carolina, 1976, as amended (relating to the standards of conduct for directors and officers of South Carolina nonprofit corporations), which permits transactions by a nonprofit corporation.

Continuing Disclosure.....

In the 2002 Series Resolution, the Corporation has covenanted to provide such continuing, secondary market disclosures and confirmations as are required by Rule 15c2-12 issued under the Securities Exchange Act of 1934, as amended, promulgated by the U.S. 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.

CUSIP Numbers.....

2002L Bonds:	83714RAP8
2002CP Bonds:	83714RAQ6

ISIN Numbers.....

2002L Bonds:	US83714RAP82
2002CP Bonds:	US83714RAQ65

THE 2002 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 FULL 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.

RISK FACTORS

Experience with Respect to the 2002 Bonds 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.

Negative Impacts on the Financial Health of Guarantee Agencies Could Delay Payments or Cause Losses.

The Guaranteed Loans are not secured by any collateral of the borrowers. Payments of principal and interest are guaranteed in whole or in part by Guarantee Agencies to the extent described herein and as further described in *EXHIBIT I – “SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM,”* Excessive borrower defaults could impair a Guarantee Agency’s ability to meet its guarantee obligations, and holders of the 2002 Bonds could experience a delay in payment or losses on the 2002 Bonds. The financial health of a Guarantee Agency also 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 2002 Bonds. A Guarantee Agency’s financial health could be adversely affected by a number of factors, including the amount of claims made against such Guarantee Agency as a result of borrower defaults, changes in legislation that may reduce expenditures by the applicable state and federal agencies that support such Guarantee Agencies, and the amount of claims reimbursed by the Secretary, discussed below. In the event of a deterioration of a Guarantee Agency’s financial condition, holders of the 2002 Bonds may suffer delays in payment or losses on the 2002 Bonds.

The Secretary’s Failure to Make Reinsurance Payments May Negatively Affect the Timely Payment of Principal and Interest.

If a Guarantee Agency is unable to meet its guarantee obligations, holders of Guaranteed Loans could submit default claims for payment directly to the Secretary pursuant to Section 432(o) of the Higher Education Act. The Secretary’s obligation to pay such claims is dependent on its determination that such 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, however, 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.”*

Holders of the 2002 Bonds Bear the Risk of Prepayment and Extension Due to Actions Taken by Borrowers and Other Variables Beyond the Corporation’s Control.

The receipt of principal payments on Education Loans may be accelerated due to various factors, including, among others, 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; principal prepayments due to refinancing or consolidation of Education Loans; economic conditions which encourage borrowers to refinance or prepay their loans prior to maturity; and, changes in federal law which may affect the timing of the receipt of funds by the Corporation. Because the 2002 Bonds are secured by a pool of thousands of student loans, it is difficult to predict the amount and timing of payments that will be received by the Corporation and paid to holders of the 2002 Bonds in any period. Consequently, the repayment of the 2002 Bonds may be earlier than anticipated, although Principal Reduction Payments for the 2002 Bonds will not exceed the amounts, or be paid at a rate faster than, set forth on the Targeted Amortization Schedule for each series of the 2002 Bonds.

At the same time, the assumed receipt of principal and interest payments on Education Loans may be delayed or reduced due to numerous factors, including, among others, borrowers entering deferment periods due to a return to school or other eligible purposes; forbearance being granted to borrowers; the commencement of principal repayment by borrowers at dates later than those assumed based upon the current analysis of the Education

Loan portfolio; and, changes in federal law which may affect the timing of the receipt of funds by the Corporation. Consequently, the period of time that the 2002 Bonds are outstanding and accruing interest may be longer than anticipated.

Subject only to the availability of sufficient funds, the Corporation shall make *pro rata* Principal Reduction Payments prior to maturity based upon a Targeted Amortization Schedule adopted by the Corporation for each series. The yield on the 2002 Bonds will be affected in the event sufficient funds are available and the Corporation makes such payments.

Variable Interest Rates and Differentials May Affect the Corporation's Ability to Make Payments.

As described above, the interest rates on the 2002L Bonds and the 2002CP 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 Education 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 2002 Bonds and the determination of the interest and interest-related payments received by the Corporation from Education Loans securing the Prior Bonds and the 2002 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 2002 Bonds and other costs of the Corporation in servicing such Education Loans and administering its Student Loan Finance Program. Further, proceeds of the 2002 Bonds and moneys in the funds and accounts under the Resolution 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 2002 Bonds.

Changes in the Higher Education Act May Adversely Affect the Sufficiency of the Guaranteed Loans Constituting Pledged Assets.

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."* 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 availability and sufficiency of the Guaranteed Loans or payments received thereon constituting Pledged Assets to pay the principal of and interest on the Prior Bonds, the 2002 Bonds and any permitted Additional Bonds, as and when due.

Noncompliance with the Higher Education Act May Adversely Affect Payment of Principal of and Interest on the 2002 Bonds.

Noncompliance with the Higher Education Act with respect to Guaranteed Loans made by the Corporation and guaranteed by the Authority may adversely affect the payment of principal of and interest on the 2002 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, Interest Subsidy Payments or Special Allowance Payments 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 payments of principal of and interest on the 2002 Bonds.

There is Uncertainty as to the Remedies Available to Holders of the 2002 Bonds.

The remedies available to owners of the 2002 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 2002 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.

If a Secondary Market for the 2002 Bonds Does Not Develop, the Value of the 2002 Bonds May Diminish.

The 2002 Bonds will be a new issue by the Corporation without an established trading market. The Underwriters may assist in resales of the 2002 Bonds but are not required to do so. A secondary market for the 2002 Bonds may not develop, which may adversely affect the value of the 2002 Bonds. 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 2002 Bonds.

Furthermore, the interest rate procedures and transfer requirements described herein may limit the liquidity, marketability and value of 2002 Bonds and therefore may not yield an owner the best possible price for a 2002 Bond. The ratings of the 2002 Bonds by the rating agencies will not address the market liquidity of the 2002 Bonds.

The 2002 Bonds are Limited Obligations.

The 2002 Bonds are ultimately backed by and will be payable solely from payments and other collections on or in respect of the Education Loans, among other sources of revenue and security pledged under the Resolution. See "THE PLEDGED ASSETS." The 2002 Bonds are limited obligations of the Corporation, a non-profit public benefit corporation, and will not and do not represent obligations, or a pledge of the full faith and credit or the taxing power, of the State of South Carolina or any of its agencies or political subdivisions. Payments of interest and principal on the 2002 Bonds will ultimately depend on the amount and timing of payments and other collections in respect of the Education Loans and other Pledged Assets.

The Corporation May Issue Additional Bonds.

The Corporation may, from time to time, issue Additional Bonds or incur other obligations secured by the Pledged Assets without the consent or approval of any existing Bondholders. Such Additional Bonds or other obligations may be on a parity with or subordinate to the Prior Bonds and 2002 Bonds in right of payment.

Moreover, since the Pledged Assets (and specifically the Debt Service Reserve Fund) secure, on a parity basis, the Prior Bonds, the 2002 Bonds and any Additional Bonds issued as Senior Lien Bonds under the General Resolution, it may be expected that the issuance of any Additional Bonds will result in dilution of the security currently provided by the Pledged Assets and Debt Service Reserve Fund with respect to such Outstanding Bonds, including the 2002 Bonds. However, Additional Bonds may only be issued if the Corporation provides, *inter alia*, written evidence from each Rating Agency that the issuance of such Additional Bonds will not result in a reduction or withdrawal of the then current rating on any Bonds Outstanding.

The Corporation Faces Competition and Federal Programs that Could Decrease the Volume of Education Loans Available.

The Corporation faces competition from other lenders that could decrease the volume of Education Loans that could be financed or refinanced. 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 Corporation's 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."

The Trustee May Have Difficulty Liquidating Education Loans after an Event of 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 May Reduce the Yield on Education Loans.

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.

Holders of the 2002 Bonds May be Unable to Reinvest Principal Payments at the Yield Earned on the 2002 Bonds.

Asset-backed securities such as the 2002 Bonds usually produce increased principal payments when market interest rates fall below the interest rates on the collateral – student loans in this case – and decreased principal payments when market interest rates rise above the interest rates on the collateral. As a result, a holder is likely to receive more money to reinvest at a time when other investments generally are producing lower yields than the yield on the 2002 Bonds. Similarly, holders are likely to receive less money to reinvest when other investments generally are producing higher yields than the yield on the 2002 Bonds. Holders should keep in mind, however, that Principal Reduction Payments for the 2002 Bonds will not exceed the amounts, or be paid at a rate faster than, set forth on the Targeted Amortization Schedule for each series of the 2002 Bonds.

The Withdrawal or Downgrade of Initial Ratings May Decrease the Value of the 2002 Bonds.

A Rating Agency may revise or withdraw its rating of the 2002 Bonds at any time if it believes circumstances have changed. A subsequent downward change in a rating is likely to decrease the value of the 2002 Bonds and the price a subsequent purchaser is willing to pay for such securities.

Holders of the 2002 Bonds May Have to Rely on Ratings Confirmations from the Ratings Agencies.

The General Resolution provides that the Corporation and Trustee may undertake various actions based upon receipt by the Trustee of confirmation from each of the Ratings Agencies that the outstanding respective ratings assigned by such Ratings Agencies to the Bonds are not thereby impaired. Such actions include, but are not limited to, amending the Resolution via a Supplemental Resolution (which may be done without the consent of the holders of the 2002 Bonds in certain circumstances), the issuance of Additional Bonds, the purchase of Alternative Loans, and the acquisition of certain Investment Obligations. To the extent such actions are taken after issuance of the 2002 Bonds, investors in the 2002 Bonds will be relying on the evaluation by the Ratings Agencies of such actions and their impact on credit quality.

The 2002 Bonds are to be Issued in Book-Entry Form Only.

The 2002 Bonds will be issued in book-entry form only, represented by a single fully registered bond for each of the 2002L Bonds and 2002CP Bonds, initially registered in the name of Cede & Co., the nominee of The Depository Trust Company (“DTC”). The Beneficial Owners of the 2002 Bonds will be able to exercise their rights as Beneficial Owners only indirectly through DTC and its participating organizations (“DTC Participants”), which may include Clearstream Banking and Euroclear System.

The furnishing of notices and other communications by DTC to DTC Participants, and directly and indirectly through the DTC Participants to Beneficial Owners, will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Furthermore, the Beneficial Owners may suffer delays in the receipt of distributions on the 2002 Bonds, and the ability of any Beneficial Owner to pledge or otherwise take actions with respect to its interest in the 2002 Bonds may be limited due to the lack of a physical certificate evidencing such interest. *See “THE 2002 BONDS – Book-Entry Only System.”*

Military Service Obligations May Result in Delayed Payments from Borrowers Called to Active Military Service.

The Soldiers’ and Sailors’ Civil Relief Act of 1940 (the “Relief Act”) provides relief to borrowers who enter active military service and to borrowers in reserve status who are called to active duty after the origination of their student loans. The Relief Act also limits the ability of a lender of Education Loans to take action against a borrower during the borrower’s period of active duty and, in some cases, during an additional three (3) month period thereafter. As a result, there may be delays in payment and increased losses on the Education Loans.

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

OFFICIAL STATEMENT

relating to

\$210,000,000

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

2002 SERIES

consisting of

\$160,000,000

2002 Series L

(LIBOR Indexed Bonds)

\$50,000,000

2002 Series CP

(Commercial Paper Indexed Bonds)

INTRODUCTION

This Official Statement, which includes the cover page, the Summary Statement (including the Risk Factors) 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 \$210,000,000 Education Loan Revenue Bonds, 2002 Series, maturing on June 1, 2013 (the "2002 Bonds"). The 2002 Bonds are issued in two series, as shown on the cover hereof, as LIBOR Indexed Bonds (the "2002L Bonds") and as Commercial Paper Indexed Bonds (the "2002CP Bonds") pursuant to a June 7, 1996 General Resolution (the "General Resolution") and a Series Resolution effective as of April 17, 2002 (the "2002 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 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 2002 Bonds are Senior Lien Bonds under the General Resolution. The 2002 Bonds are issued on a parity and equality of lien with the Corporation's other Senior Lien Bonds now or hereafter Outstanding. For information concerning the Outstanding Bonds of the Corporation as of the date hereof, see "*CORPORATION DEBT OUTSTANDING*."

THE 2002 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 FULL 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 2002 BONDS ARE EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OF 1933, AS AMENDED, AND ARE "EXEMPTED SECURITIES" WITHIN THE MEANING OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED.

The proceeds of the 2002 Bonds are being used in connection with the Corporation's Student Loan Finance Program (the "Student Loan Finance Program") to initially:

- finance and refinance the acquisition and the making of Guaranteed Loans, 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,
- fund a deposit to the Senior Lien Account of the Debt Service Reserve Fund,
- fund a deposit to the Interest Account of the Debt Service Fund, and
- pay costs and expenses associated with the issuance of the 2002 Bonds. *See "EXPECTED APPLICATION OF 2002 BOND PROCEEDS."*

Payments, or portions thereof, received with respect to Pledged Assets may be used 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, no Alternative Loans are being financed with the initial proceeds of the 2002 Bonds, and the Corporation does not have any present intention to finance Alternative Loans with the proceeds of any Bonds issued under the General Resolution. 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 to them in the Resolution. *See EXHIBIT II – "GLOSSARY OF CERTAIN DEFINED TERMS FROM THE GENERAL AND 2002 SERIES RESOLUTIONS."*

Brief summaries and descriptions of the 2002 Bonds, the Corporation, the Corporation's Student Loan Finance Program, the Authority, the Resolution, the Federal Family Education Loan Program, and 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 2002 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, 2nd Floor, Jacksonville, FL 32256.

CORPORATION DEBT OUTSTANDING

In addition to the 2002 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 2002 Bonds.

Series	Original Par Amount	Outstanding Par Amount	Final Maturity	Interest Rate Basis	Payment Frequency
1996 Series A-2	\$ 80,900,000	\$ 6,948,565	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	110,361,216	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	88,809,425	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
2001 Series L	200,000,000	200,000,000	06/01/12	LIBOR Indexed	Quarterly
2001 Series CP	200,000,000	200,000,000	06/01/12	CP Indexed	Quarterly
Totals	\$1,322,600,000	\$1,132,519,206			

The 1996, 1997, 1998, 1999, 2000 and 2001 Bonds are collectively referred to herein as the "Prior Bonds." The Prior Bonds, the 2002 Bonds and permitted Additional Bonds issued by the Corporation are collectively referred to herein as the "Bonds."

THE 2002 BONDS

General

The 2002 Bonds are issued pursuant to the authority of the General Resolution and the 2002 Series Resolution. The Bank of New York, New York, New York, serves as Trustee (the “Trustee”) pursuant to the Resolution. The 2002 Bonds will be dated and mature as set forth on the cover of this Official Statement.

The 2002 Bonds will initially be issued only as fully registered bonds without coupons and in book-entry form only, 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 2002 Bonds will be made through DTC, Clearstream Banking and the Euroclear System. Purchasers will not receive certificates representing their interests in the 2002 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 2002 Bonds are to be made to DTC (or its nominee) or, in certain instances, participants of DTC. See “*Book-Entry Only System*” below.

The 2002 Bonds are initially issued in denominations of \$1,000 and integral multiples thereof.

Principal of and interest on the 2002 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 2002 Bonds are subject to payments for reductions of principal prior to maturity in accordance with a Targeted Amortization Schedule adopted by the Corporation for each series, 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 applicable Targeted Amortization Schedule for each series, principal of the 2002 Bonds is payable at maturity upon presentation and surrender of such 2002 Bonds at the principal corporate trust office of the Trustee.

Interest on the 2002 Bonds

The 2002L Bonds bear interest at a LIBOR Indexed Rate or Initial LIBOR Indexed Rate, as applicable, equal to the sum of the applicable LIBOR rate plus a spread factor of 0.15%. The LIBOR Rate is the per annum rate fixed on each Interest Rate Determination Date 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 (3) month period; provided however, that the LIBOR rate for the Initial Period will be based on the per annum rate 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 one (1) month period.

The Initial LIBOR Indexed Rate will be determined on the second Business Day prior to delivery of the 2002L Bonds, and the LIBOR Indexed Rate will be determined on the second Business Day prior to each Interest Payment Date (each an “Interest Rate Determination Date” for the 2002L Bonds) by the Trustee 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 London Interbank Offered Rates on U.S. dollar deposits for a three (3) month period shall be used. Such rate may be available on the Internet at www.bba.org.uk. 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 2002CP Bonds bear interest at a CP Indexed Rate or Initial CP Indexed Rate, as applicable, which is the sum of the CP Rate plus a spread factor of 0.24%. The CP Rate is the ninety (90) day AA Financial Commercial Paper rate posted on each Interest Rate Determination Date 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 Initial CP Indexed Rate will be determined on the second Business Day prior to delivery of the 2002CP Bonds, and the CP Indexed Rate will be determined on the second Business Day prior to each Interest Rate Adjustment Date (each an “Interest Rate Determination Date” for the 2002CP Bonds) by the Trustee or its successor(s) as Calculation Agent. Each change in

the CP Indexed Rate will be effective on the first Business Day of each month (each an “Interest Rate Adjustment Date” for the 2002CP Bonds). 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 2002 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 2002 Bonds.

Interest on the Outstanding principal balance of the 2002 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 June, 2002, until maturity or earlier payment in full. Interest payable on the 2002 Bonds on each such Interest Payment Date will be the interest which has accrued (at the Initial LIBOR Indexed Rate, the LIBOR Indexed Rate, the Initial CP 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 2002 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, 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 2002 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 2002 Bonds. One fully registered 2002 Bond will be initially issued and registered in the name of Cede & Co., DTC’s partnership nominee, for each of the 2002L Bonds and the 2002CP Bonds.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE 2002 BONDS, AS NOMINEE OF DTC, AND THE CORPORATION HAS NOT DETERMINED THAT IT IS IN THE CORPORATION’S BEST INTERESTS TO DISCONTINUE THE BOOK-ENTRY ONLY SYSTEM, REFERENCES HEREIN TO THE BONDHOLDERS, HOLDERS OR REGISTERED OWNERS OF THE 2002 BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE 2002 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 (the “Securities Exchange Act”). DTC holds securities that its participants (“Direct Participants” or “DTC Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among DTC Participants of sales and other securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations.

DTC is 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, trust companies and clearing corporations 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. More information about DTC can be found at www.dtcc.com.

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 2002 Bonds. Purchases of 2002 Bonds under the DTC system must be made by or through DTC Participants, which are to receive a credit for the 2002 Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2002 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 2002 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their beneficial ownership interests in the 2002 Bonds, unless use of the book-entry only system is discontinued as described below.

To facilitate subsequent transfers, the 2002 Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the 2002 Bonds with DTC and their registration in the name of Cede & Co. (or such other DTC nominee) do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2002 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such 2002 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect 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 2002 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 (a) DTC to Direct Participants, (b) Direct Participants to Indirect Participants, and (c) 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. (nor any other DTC nominee) will consent or vote with respect to the 2002 Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. 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 2002 Bonds are credited on the record date (identified in a listing attached to the omnibus proxy).

Principal, principal reduction and interest payments on the 2002 Bonds are to be made by the Trustee to DTC or its nominee. 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 or its nominee 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 2002 Bonds through Clearstream or Euroclear. Distributions with respect to the 2002 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 and withholding 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 2002 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 2002 Bonds may hold their 2002 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 2002 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 2002 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, OR DIRECT PARTICIPANTS OF CLEARSTREAM OR EUROCLEAR, WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE 2002 BONDS (i) PAYMENTS OF PRINCIPAL OF OR INTEREST ON THE 2002 BONDS, (ii) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTERESTS IN 2002 BONDS, OR (iii) NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNER OF THE 2002 BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS. FURTHER, THE CORPORATION, THE TRUSTEE AND THE UNDERWRITERS CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC, DTC'S DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS, CLEARSTREAM'S PARTICIPANTS OR EUROCLEAR'S 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 OR EUROCLEAR, OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON WITH RESPECT TO: (1) THE 2002 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 2002 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 2002 BONDHOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OR OTHER PAYMENT OF THE 2002 BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE HOLDER AND REGISTERED OWNER OF THE 2002 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 2002 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 ninety (90) days after the Corporation receives notice or becomes aware of such condition, the book-entry only system for the 2002 Bonds shall be discontinued. In addition, the Corporation may discontinue the book-entry only system for the 2002 Bonds at any time, by giving reasonable notice to DTC (or any successor securities depository).

In the event that the book-entry only system for the 2002 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 2002 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 2002 Bonds so delivered (and any 2002 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 2002 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 2002 Bonds

The principal of the 2002 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 2002 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 2002 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 2002 Bonds.

Transfers and Exchanges

The 2002 Bonds would be exchangeable at the principal office of the Trustee for a like aggregate principal amount of 2002 Bonds of other authorized denominations, and the execution by the Corporation of any 2002 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 2002 Bond. Upon surrender for transfer of any fully registered 2002 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 2002 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 2002 Bond being called for redemption after the Record Date with respect to the redemption of such 2002 Bond.

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 2002 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 for each series, as set forth below. In no event will Principal Reduction Payments for the 2002 Bonds exceed the amounts specified in the applicable Targeted Amortization Schedule for each series of the 2002 Bonds, subject to adjustments as described below.

The 1996 Series A-1 and A-2 Bonds, the 1997 Series A-1 and A-2 Bonds, the 1999 Bonds, the 2000 Bonds and the 2001 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, the 2000 Bonds and the 2001 Bonds have been made at the times and in the amounts contemplated by such Targeted Amortization Schedules. 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 2002 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 make the Principal Reduction Payments in full 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, the 2002 Bonds and any additional Senior Lien Bonds subject to such payments. For the 1999 Bonds, the 2000 Bonds, the 2001 Bonds, the 2002 Bonds and any subsequent Senior Lien 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 make such payments in full. To the extent any Principal Reduction Payment is less than the corresponding payment contemplated by the applicable Targeted Amortization Schedule, such deficiency will be added to the next payment contemplated by such Targeted Amortization Schedule.

The Corporation has covenanted in the 2002 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 2002 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 prepared by or on behalf of the Corporation in complying with this covenant.

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The Targeted Amortization Schedules for each of the 1996 Series A-2 Bonds, the 1997 Series A-2 Bonds, the 1999 Bonds, the 2000 Bonds, the 2001 Bonds and the 2002L and 2002CP Bonds are as follows:

Targeted Amortization Schedules

Date	1996 A-2 Bonds ¹	1997 A-2 Bonds ³	1999 Bonds	2000 Bonds	2001 Bonds	2002L Bonds	2002CP Bonds
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	26,358,000		
06/01/04	0	12,001,538	0	19,666,530	18,161,000		
09/01/04	0	2,160,677	0	29,256,291	19,974,000		
12/01/04	0	0	0	31,305,640	20,582,000		
03/01/05	0	0	0	31,034,581	20,849,000		
06/01/05	0	0	0	0	19,704,000		
09/01/05	0	0	0	0	50,654,000	1,699,000	532,000
12/01/05	0	0	0	0	51,211,000	5,536,000	1,730,000
03/01/06	0 ²	0	0	0	49,510,000	6,378,000	1,994,000
06/01/06		0	0	0	48,264,000	5,837,000	1,824,000
09/01/06		0	0	0	48,190,000	6,815,000	2,130,000
12/01/06		0	0	0	26,543,000	23,568,000	7,364,000
03/01/07		0	0	0	0	40,530,000	12,666,000
06/01/07		0	0	0	0	39,348,000	12,295,000
09/01/07		0	0 ⁵	0	0	30,289,000	9,465,000
12/01/07		0 ⁴		0	0	0	0
03/01/08				0	0	0	0
06/01/08				0	0	0	0
09/01/08				0	0	0	0
12/01/08				0	0	0	0
03/01/09				0	0	0	0
06/01/09				0	0	0	0
09/01/09				0	0	0	0
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03/01/12					0	0	0
06/01/12					0 ⁷	0	0
09/01/12						0	0
12/01/12						0	0
03/01/13						0	0
06/01/13						0 ⁸	0 ⁸
09/01/13							
12/01/13							
TOTALS:							

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 2001 Bonds
8 Stated Maturity of 2002L Bonds and 2002CP 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 seven percent (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 2002 Bonds until each dollar of principal thereof is repaid. The weighted average life of the 2002 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 Series A-2 Bonds, the 1997 Series A-2 Bonds, the 1999 Bonds, the 2000 Bonds, the 2001 Bonds and the 2002 Bonds. The following table illustrates the effect on weighted average life for the 2002 Bonds at various CPR assumptions:

Weighted Average Life of 2002 Bonds (in years) at

<u>0% CPR</u>	<u>3% CPR</u>	<u>5% CPR</u>	<u>7% CPR</u>	<u>9% CPR</u>
5.50	4.99	4.81	4.81	4.81

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 Series A-2 Bonds, the 1997 Series A-2 Bonds, the 1999 Bonds, the 2000 Bonds, the 2001 Bonds or the 2002 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 Series A-2 Bonds, the 1997 Series A-2 Bonds, the 1999 Bonds, the 2000 Bonds, the 2001 Bonds and the 2002 Bonds, respectively, and, therefore, cause the actual weighted average life of the 2002 Bonds to extend beyond that projected based upon such assumptions. Potential purchasers of the 2002 Bonds are again reminded that failure by the Corporation to make any payment contemplated by such Targeted Amortization Schedules shall not constitute a payment default with respect to the 2002 Bonds.

THE PLEDGED ASSETS

General

The 2002 Bonds and all Bonds issued under the General Resolution are limited obligations of the Corporation, secured by and payable from the “Pledged Assets.” Under the General Resolution, Pledged Assets securing the Bonds are:

- Education Loans, including Guaranteed Loans and Alternative Loans, pledged under the General Resolution. See “*EXPECTED APPLICATION OF 2002 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 2002 Bonds and any additional bonds Outstanding under the General Resolution by the Rating Agencies. As of the date hereof, no Alternative Loans have been financed with proceeds of the Prior Bonds, no Alternative Loans are being financed with the initial proceeds of the 2002 Bonds, and the Corporation does not have any present intention to finance Alternative Loans with the proceeds of any Bonds issued under the General Resolution.

- Interest payments with respect to Education Loans made by or on behalf of borrowers.
- 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, and proceeds from the guarantee, or from the sale, assignment or other disposition of Education Loans.
- 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.
- Any applicable “Interest Subsidy Payments” payable in respect of any Guaranteed Loans by the Secretary under Section 428 of the Higher Education Act.
- Any 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 held 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 *EXHIBIT III – “SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION.”*

The Portfolios of Guaranteed Loans - Summary Information

A substantial portion of the proceeds of the 2002 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 2002 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 2002 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 March 31, 2002. This information, particularly specific dollar amounts that 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	\$1,268,133,894
Number of Loans	394,550
Average Balance per Loan	\$3,214
Number of Borrowers	121,207
Average Balance per Borrower	\$10,463
Weighted Average Borrower Interest Rate	6.22%
Weighted Average Remaining Term to Maturity	127.64 mos.

* Not adjusted for any interest rate reductions earned by borrowers, but does reflect applicable interest rate caps in effect as of March 31, 2002. See "THE CORPORATION – Borrower Benefit Programs" herein for a description of such possible reductions.

Loan Type Distribution

<u>Loan Type</u>	<u>Current Principal Balance</u>	<u>Percent of Total</u>	<u>Number of Loans</u>
Subsidized Stafford Loans	\$711,247,825	56.1%	256,379
Unsubsidized Stafford Loans	399,901,133	31.5%	119,789
PLUS	46,486,434	3.7%	11,809
SLS	355,296	0.0%	104
Consolidation	<u>110,143,205</u>	<u>8.7%</u>	<u>6,469</u>
Total	<u>\$1,268,133,894</u>	<u>100.0%</u>	<u>394,550</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>
T+2.20% for Interim Status and T+2.80% for Repayment Status	\$281,147,501	22.2%	85,387
T+2.50% for Interim Status and T+3.10% for Repayment Status	326,476,219	25.7%	109,387
T+3.10%	245,780,617	19.4%	93,304
CP+2.64%	76,881,527	6.1%	7,112
CP+1.74% for Interim Status and CP+2.34% for Repayment Status	337,783,041	26.6%	99,356
None	<u>64,988</u>	<u>0.0%</u>	<u>4</u>
Total	<u>\$1,268,133,894</u>	<u>100.0%</u>	<u>394,550</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 three (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>
1 to 60	\$53,058,603	4.2%	39,053
61 to 72	45,468,055	3.6%	20,416
73 to 84	65,012,208	5.1%	25,940
85 to 96	88,540,470	7.0%	31,871
97 to 108	132,490,979	10.4%	43,288
109 to 120	776,071,299	61.2%	227,829
121 to 240	62,534,574	4.9%	4,586
241 to 360	<u>44,957,706</u>	<u>3.5%</u>	<u>1,567</u>
Total	<u>\$1,268,133,894</u>	<u>100.0%</u>	<u>394,550</u>

Borrower Status Distribution

<u>Status</u>	<u>Current Principal Balance</u>	<u>Percent of Total</u>	<u>Number of Loans</u>
In-School	\$361,101,908	28.5%	106,121
Grace	49,772,723	3.9%	16,930
Deferment	180,086,759	14.2%	52,499
Forbearance	109,227,882	8.6%	28,476
Repayment	567,079,872	44.7%	190,188
Claim	<u>864,749</u>	<u>0.1%</u>	<u>336</u>
Total	<u>\$1,268,133,894</u>	<u>100.0%</u>	<u>394,550</u>

School Type Distribution

<u>School Type</u>	<u>Current Principal Balance</u>	<u>Percent of Total</u>	<u>Number of Loans</u>
4-Year Public & Private	\$1,088,530,964	85.8%	349,315
2-Year Public & Private	65,466,093	5.2%	36,679
For Profit / Vocational	3,993,632	0.3%	2,087
Consolidation or Unknown	<u>110,143,205</u>	<u>8.7%</u>	<u>6,469</u>
Total	<u>\$1,268,133,894</u>	<u>100.0%</u>	<u>394,550</u>

Guarantee Percentage Distribution

<u>Guarantee Percentage</u>	<u>Current Balance</u>	<u>Percent of Total</u>	<u>Number of Loans</u>
100% Guaranteed	\$278,426,303	22.0%	110,385
98% Guaranteed	<u>989,707,591</u>	<u>78.0%</u>	<u>284,165</u>
Total	<u>\$1,268,133,894</u>	<u>100.0%</u>	<u>394,550</u>

Geographic Distribution By Borrower Address

<u>State</u>	<u>Current Principal Balance</u>	<u>Percent of Total</u>	<u>Number of Loans</u>
Alabama	\$5,820,798	0.5%	1,531
Alaska	490,411	0.0%	160
Arizona	2,247,833	0.2%	654
Arkansas	1,131,664	0.1%	331
California	9,821,981	0.8%	2,809
Colorado	3,182,993	0.3%	921
Connecticut	5,478,893	0.4%	1,484
Delaware	1,435,677	0.1%	438
District of Columbia	2,109,753	0.2%	539
Florida	26,459,235	2.1%	7,687
Georgia	59,472,367	4.7%	17,929
Hawaii	729,331	0.1%	255
Idaho	434,961	0.0%	110
Illinois	5,957,497	0.5%	1499
Indiana	3,225,903	0.3%	954
Iowa	818,831	0.1%	221
Kansas	910,661	0.1%	279
Kentucky	4,531,485	0.4%	1,245
Louisiana	3,375,865	0.3%	870
Maine	1,330,926	0.1%	392
Maryland	13,851,961	1.1%	4,175
Massachusetts	6,118,634	0.5%	1,737
Michigan	3,950,797	0.3%	1,072
Minnesota	1,199,705	0.1%	326
Mississippi	1,664,102	0.1%	470
Missouri	2,165,704	0.2%	596
Montana	273,122	0.0%	85
Nebraska	429,517	0.0%	119
Nevada	934,127	0.1%	282
New Hampshire	1,031,194	0.1%	317
New Jersey	10,770,191	0.8%	3,315
New Mexico	824,033	0.1%	233
New York	16,434,468	1.3%	4,812
North Carolina	61,073,856	4.8%	18,252
North Dakota	259,112	0.0%	70
Ohio	8,369,518	0.7%	2,504
Oklahoma	1,211,420	0.1%	372
Oregon	1,236,918	0.1%	354
Pennsylvania	9,822,455	0.8%	2,831
Rhode Island	890,089	0.1%	282
South Carolina	925,786,462	73.0%	294,911
South Dakota	471,088	0.0%	133
Tennessee	10,805,459	0.9%	2,954
Texas	12,100,246	1.0%	3,383
Utah	1,677,300	0.1%	341
Vermont	784,506	0.1%	193
Virginia	23,526,272	1.9%	6,745
Washington	2,510,492	0.2%	758
West Virginia	2,012,106	0.2%	593
Wisconsin	1,381,777	0.1%	407
Wyoming	325,186	0.0%	72
Other	<u>5,275,013</u>	<u>0.4%</u>	<u>1,548</u>
TOTAL	<u>\$1,268,133,894</u>	<u>100.0%</u>	<u>394,550</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 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 2002 Bonds and any Additional Bonds issued and Outstanding under the General Resolution by the Rating Agencies, to finance Alternative Loans which are not so guaranteed, reinsured or insured). The Corporation shall not, however, direct that amounts be transferred to the Loan Account either (i) to finance Education Loans having characteristics that are materially and adversely different from the characteristics shown in the most recent cash flow projections provided to the Rating Agencies unless the Corporation first obtains confirmation of the ratings on the Bonds by each Rating Agency, or (ii) after June 30, 2004, unless such date is extended by each Rating Agency.

As of the date hereof, no Alternative Loans have been financed with proceeds of the Prior Bonds, no Alternative Loans are being financed with the initial proceeds of the 2002 Bonds, and the Corporation does not have any present intention to finance Alternative Loans with the proceeds of any Bonds issued under the General Resolution. 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 2002 Bonds and such Additional Bonds only upon satisfaction of the rating confirmation requirement of the General Resolution.

Covenant Relating to Basis Risk

The Corporation has covenanted that if the 2002L Bonds remain Outstanding and the TED Spread calculated by the Calculation Agent for the previous Interest Period for the 2002L Bonds exceeds three percent (3.0%), the Corporation will not during the current Interest Period either (a) utilize moneys transferred to the Loan Account of the Program Fund pursuant to the General Resolution to finance Education Loans, or (b) withdraw moneys pursuant to 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 2002L Bonds.

The “TED Spread” is (i) the LIBOR Rate ascertained by the Calculation Agent for a given Interest Period on the 2002L Bonds, *less* (ii) the simple average of the weekly auction investment rate of Treasury Bills issued during the same Interest Period, maturing in approximately ninety-one (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 is to ascertain the rate in good faith from comparable sources.

The Debt Service Reserve Fund

The Senior Lien Account of the Debt Service Reserve Fund is a common reserve fund which equally secures all Senior Lien Bonds. If, on any date that principal or interest on Senior Lien Bonds is due and payable, there are insufficient moneys in the Principal Account or Interest Account, as the case may be, to make the required payment, then moneys in the Senior Lien Account and the Subordinate Lien Account of the Debt Service Reserve Fund shall be applied to pay the principal of and interest on Senior Lien Bonds then due and payable.

The Debt Service Reserve Requirement is equal to the greatest of:

- the sum of the reserve requirements for each Series of Bonds;
- 0.1% times the original principal amount of all Tranches Outstanding as of the date of calculation; or
- \$750,000.

The reserve requirement with respect to the 2002 Bonds will be 0.25% of the Outstanding principal amount of the 2002 Bonds. Immediately after issuance of the 2002 Bonds, the balance in the Senior Lien Account of the Debt Service Reserve Fund is expected to equal \$15,634,080, which is 1.16% of the principal balance of all Bonds expected to be Outstanding.

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 2002 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, Interest Subsidy Payments and reimbursements and 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:

- default claims or claims due to the disability, death or bankruptcy of the borrowers greater than those assumed;
- actual principal amortization periods that are shorter than those assumed based upon the current analysis of the Corporation's Education Loan portfolio;
- 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;
- principal prepayments due to refinancing or consolidation of Education Loans;
- economic conditions that encourage borrowers to refinance or prepay their loans prior to maturity; and
- 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:

- borrowers entering deferment periods due to a return to school or other eligible purposes;
- forbearance being granted to borrowers;
- Education Loans becoming delinquent for periods longer than assumed;
- actual loan principal amortization periods that 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;
- the commencement of principal repayment by borrowers at dates later than those assumed based upon the current analysis of the Education Loan portfolio; and
- changes in federal law, which may affect the timing of the receipt of funds by the Corporation.

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EXPECTED APPLICATION OF 2002 BOND PROCEEDS

Proceeds of the 2002 Bonds shall be deposited in (i) the Senior Lien Account of the Debt Service Reserve Fund to meet the Debt Service Reserve Requirement for the 2002 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 2002 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 principal proceeds of the 2002 Bonds will be deposited in the Taxable Bond Subaccount of the Loan Account of the Program Fund. The Corporation expects that all of the proceeds of the 2002 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, that all such proceeds deposited in the Taxable Bond Subaccount of the Loan Account of the Program Fund must be disbursed on or prior to June 30, 2002 (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 June 30, 2002 (or such later date as may be confirmed by the Rating Agencies), any excess shall be deposited in the Principal Account of the Debt Service Fund and applied first to Principal Reduction Payments next coming due on any Bonds Outstanding and then to the redemption of Bonds which are subject to redemption.

The Corporation presently estimates that the proceeds of the sale of the 2002 Bonds will be applied approximately as follows:

Deposit to the Loan Account of Program Fund, to be used to finance or acquire Guaranteed Loans	\$203,249,700
Deposit to the Debt Service Reserve Fund	525,000
Deposit to Interest Account of the Debt Service Fund	4,925,000
Underwriting discount and deposit to the Program Fund to pay certain other Costs of Issuance	<u>1,300,300</u>
Total	<u>\$210,000,000</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. The Corporation received its final 501(c)(3) determination letter from the U.S. Internal Revenue Service (“IRS”) on June 30, 1979, which determination letter has not been amended, revoked, withdrawn or rescinded.

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 Authority as an “Eligible Lender” pursuant to Title IV of the Higher Education Act and, as agent of and independent contractor with the Authority, the Corporation serves as the principal originator and servicer of Guaranteed Loans 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
Robert W. Derrick, Vice Chairman	Senior Vice President, Wachovia Bank, N.A.	6/30/02
Sharon W. Bryant, Vice Chairman	Executive Vice President, First Citizens Bank & Trust Company of South Carolina	6/30/03
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
R. Thornwell Dunlap, Jr.	Chairman of the Board, The County Bank	6/30/03
Dr. Ronald L. Epps	Superintendent, Richland School District 1	6/30/04
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*
Charlie C. Sanders, Jr., *Senior Vice President*
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 its President in 1992-93, and currently serves as a member of its Board of Directors. He also serves as a member of the Board of Directors of the Education Finance Council, the National Student Clearinghouse and ELM Resources.

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 member of the Board of the Southern Association of Student Financial Aid Administrators and the Student Loan Servicing Alliance. 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 of South Carolina. Since its inception, the Corporation has originated more than 885,000 loans to more than 371,000 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:

- verifying that all required documents for each Guaranteed Loan have been delivered and that each loan qualifies as a Guaranteed Loan;
- maintaining and updating all loan records;
- performing due diligence necessary to collect loans according to standards set by the Secretary and the Authority, as applicable;

- taking any action necessary to collect delinquent loans; and
- performing any other functions associated with the servicing of Guaranteed Loans.

As of February 28, 2002, the aggregate principal amount of Guaranteed Loans being serviced by the Corporation was approximately \$1.58 billion. Since the inception of the Corporation, the cumulative aggregate principal amount of Guaranteed Loans serviced by the Corporation totals approximately \$2.90 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 serviced 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	\$ 3,192	0.05%	\$3,192	\$ 0	0.00%
1997	9,228,860	2,939	0.03	2,939	0	0.00
1998	10,399,951	0	0.00	0	0	0.00
1999	14,293,385	5,851	0.04	0	5,851	0.04
2000	13,590,831	0	0.00	0	0	0.00
2001	19,748,958	46,302	0.23	0	46,302	0.23
Grand Total	\$73,605,339	\$58,284	0.08%	\$6,131	\$52,153	0.07%

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 February 28, 2002.

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 2002 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 of South Carolina, including a Teachers Loan Program and a Palmetto Alternative Loan Program. Loans made under these programs presently 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 IV 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 that have been approved by the Authority. Such institutions may be located within or beyond the boundaries of the State of South Carolina.

The Authority is governed by its members who, under the Act, are the members of the State Budget and Control Board of South Carolina. 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

Name of Member

Hon. James H. Hodges
Hon. Grady L. Patterson, Jr.
Hon. James A. Lander
Hon. Hugh K. Leatherman
Hon. Robert W. Harrell, Jr.

Office Held

Governor of South Carolina
State Treasurer of South Carolina
Comptroller General of South Carolina
Chairman, South Carolina Senate Finance Committee
Chairman, South Carolina House of
Representatives Ways and Means Committee

The program through which the Authority conducts its guarantee activities is herein referred to as the "Student Loan Insurance 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 of South Carolina 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 February 28, 2002, the outstanding principal amount of Guaranteed Loans guaranteed by the Authority, and originated and serviced by the Corporation, was \$1.58 billion, of which approximately \$758 million was in repayment status.

For a further description of the terms and conditions of these types of loans, *see EXHIBIT I – “SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM.”*

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) for loans disbursed thereafter. *See EXHIBIT I – “SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM.”*

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 forty-five (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 forty-five (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:

Federal Fiscal Year Ended September 30	Default Claims	Default Rate (Trigger Rate)*	Recoveries	Recovery Rate
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
2001	9,429,798	0.98	10,749,362	31.98

* 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 – “SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM.”*

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 – “SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM – 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 full faith and credit of the State of South Carolina, but is payable solely from moneys in the Loan Guarantee Reserve Fund.

After payment of the fifth 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 \$14,631,208 as of December 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 – “SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM – 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 five installments totaling \$6,830,215 in the Recall Account.

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 forty-five (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 December 31, 2001, the balance in the Authority’s Agency Operating Fund was \$12,683,347.

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 (for a 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 – “SUMMARY OF CERTAIN PROVISIONS OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM.”

NO PRIOR DEFAULTS

The Corporation has not previously experienced any defaults with respect to the payment of principal of 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 (the “Rule”) under the Securities Exchange Act. 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 2002 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 2002 Series Resolution. However, a default under the Continuing Disclosure Undertaking shall not be deemed a default under the 2002 Bonds, and the sole remedy under the 2002 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 2002 Bonds when such bonds are no longer Outstanding.

Pursuant to the 2002 Series Resolution, the Corporation has specifically undertaken, for the benefit of the Beneficial Owners of the 2002 Bonds, to provide:

- (a) no later than seven (7) 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 (7) 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 fifteen (15) days after such audited financial statements become available for distribution);
- (b) no later than seven (7) months after the end of each Fiscal Year of the Corporation, to each NRMSIR and to the SID (if any), both 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 PLEDGED ASSETS” in the final Official Statement related to such 2002 Bonds, and the budget of the Corporation for the current Fiscal Year, 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 subsection (b)(5)(i)(C) of the Rule (as such Rule exists on the date of the final Official Statement) with respect to the 2002 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:

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

Failure of the Corporation to comply with its Continuing Disclosure Undertaking will not constitute an Event of Default with respect to the 2002 Bonds and will not result in any acceleration of payment of the 2002 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:

- (1) 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;
- (2) the information to be provided, as modified, would have complied with the requirements of the Rule (as such Rule exists on the date of the final Official Statement), after taking into account any amendments or interpretations of the Rule, as well as any changes in circumstances; and
- (3) 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 2002 Bonds pursuant to the 2002 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 2002 Bonds.

ERISA AND OTHER CODE CONSIDERATIONS

The Employee Retirement Income Security Act of 1974, as amended (“ERISA”), and Section 4975 of the Internal Revenue Code of 1986, as amended (the “Code”), impose certain restrictions on:

- (a) employee benefit plans as defined in Section 3(3) of ERISA,
- (b) plans described in section 4975(e)(1) of the Code, including tax qualified retirement plans, individual retirement accounts and Keogh plans,
- (c) any entity whose underlying assets are treated under the “Plan Assets Regulation” (described below) as including assets of a plan listed in (a) or (b) above by reason of the plan’s investment in the entity, or the general account of an insurance company to the extent that it is deemed to include assets of a plan based on the reasoning of the United States Supreme Court in *John Hancock Life Ins. Co. v. Harris Trust and Sav. Bank*, 114 S. Ct. 517 (1993), and
- (d) persons and entities who are “Parties in Interest” under ERISA or “Disqualified Persons” under the Code with respect to the entities listed in (a) through (c) above (the “Plans”), including, but not limited to, fiduciaries of the Plans, sponsoring employers, and parties and entities that provides services to the Plans.

The restrictions imposed by ERISA and the Code include broad fiduciary obligations imposed on the fiduciaries of a Plan. A fiduciary can be personally liable for losses incurred by a Plan resulting from a breach of fiduciary duties. Thus, before purchasing the 2002 Bonds, the fiduciaries of a Plan should consider (i) whether the purchase satisfies the prudence, diversification and liquidity requirements of ERISA, taking into account among other things the composition of the Plan’s investment portfolio and any potential tax consequences to the Plan, including any potential receipt of unrelated business taxable income (“UBTI”); (ii) whether the investment is in accordance with the Plan’s investment policies and governing instruments, including whether the fiduciary has the authority to make the investment; and (iii) whether the Corporation will hold Plan assets pursuant to the Plan Assets Regulation.

The restrictions imposed by ERISA and the Code also include the prohibition of certain transactions (“Prohibited Transactions”) between a Plan and its Parties in Interest or Disqualified Persons. A violation of the Prohibited Transaction rules could, among other things, result in the imposition of a civil penalty assessed pursuant to Section 502 of ERISA or a tax under Section 4975 of the Code. Thus, before purchasing the 2002 Bonds, the fiduciaries of a Plan also should consider whether the purchase would constitute or give rise to a Prohibited Transaction.

Prohibited Transactions include, but are not limited to, the borrowing of money and the sale of property between a Plan and a Party in Interest or Disqualified Person. Thus, a purchase of the 2002 Bonds by a Plan could be a Prohibited Transaction if the Corporation or any of its affiliates or any other persons or entities involved in the sale are Parties in Interest or Disqualified Persons with respect to the Plan, unless an exemption for the transaction is available.

Accordingly, each fiduciary causing the 2002 Bonds to be purchased by, on behalf of or using the assets of a Plan, will be deemed to have represented that a Prohibited Transaction will not occur by reason of the purchase or holding of the 2002 Bonds, or, if a Prohibited Transaction does occur, that an exemption from the Prohibited Transaction rules applies.

The United States Department of Labor (the “DOL”) has issued five Prohibited Transaction class exemptions that may apply to otherwise Prohibited Transactions arising from the purchase or holding of the 2002 Bonds:

- Prohibited Transaction Class Exemption 84-14 (for certain transactions determined by independent “qualified professional asset managers”);
- Prohibited Transaction Class Exemption 90-1 (for certain transactions involving insurance company pooled separate accounts);

- Prohibited Transaction Class Exemption 91-38 (for certain transactions involving bank collective investment funds);
- Prohibited Transaction Class Exemption 96-23 (for certain transactions determined by “in-house asset managers”); and
- Prohibited Transaction Class Exemption 95-60 (for certain transactions involving insurance company general accounts).

Under a regulation issued by the DOL called the “Plan Assets Regulation,” if a Plan makes an “equity” investment in a corporation, partnership, trust or certain other entities, the underlying assets and properties of that entity will be deemed for purposes of ERISA to be assets of the investing Plan unless exceptions in the regulation apply. The Plan Assets Regulation defines an “equity interest” as any interest in an entity other than an instrument that is treated as indebtedness under applicable local law and which has no substantial equity features. If the 2002 Bonds are treated as debt for purposes of the Plan Assets Regulation, the student loans and the other assets of the Corporation should not be deemed to be assets of an investing Plan. If, however, the 2002 Bonds were treated as “equity” for purposes of the Plan Assets Regulation, a Plan purchasing the 2002 Bonds could be treated as holding the student loans and the other assets of the Corporation. Although there can be no assurances in this regard, it appears that the 2002 Bonds, which are denominated as debt, should be treated as debt and not as “equity interests” for purposes of the Plan Assets Regulation.

In view of the foregoing, fiduciaries of any Plan that are considering an investment of Plan assets in the 2002 Bonds should consult with their legal advisors concerning the impact of ERISA and the Code and the potential consequences of the investment in their specific circumstances.

REGULATORY CAPITAL CONSIDERATIONS

Depository institutions considering purchasing the 2002 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 2002 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 2002 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.

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TAX MATTERS

Legal Opinion

In the opinion of McNair Law Firm, P.A., Bond Counsel, interest on the 2002 Bonds is not excluded from the gross income of the owners thereof for either federal or State of South Carolina income tax purposes.

Taxation of Stated Interest

If the Beneficial Owner is a U.S. holder, such owner generally will be required to include in gross income, as ordinary interest income, the stated interest on the 2002 Bonds at the time the interest accrues or is received, in accordance with the Beneficial Owner's regular method of accounting for U.S. federal income tax purposes.

Sale, Exchange or Retirement of the 2002 Bonds

A U.S. Beneficial Owner will generally recognize the sale, exchange, redemption, retirement or other taxable disposition of a 2002 Bond in an amount equal to the difference between the amount of cash and the fair market value of any property received (excluding any amount received in respect of accrued stated interest, which will be recognized as ordinary interest income to the extent the holder has not previously included the accrued interest in income) and the Beneficial Owner's adjusted tax basis in the 2002 Bond. The U.S. Beneficial Owner's tax basis in a 2002 Bond generally will equal the amount the Beneficial Owner paid for the 2002 Bond reduced by any payments on the 2002 Bond that are not payments of stated interest. Gain or loss recognized on the sale, exchange, retirement or other taxable disposition of a 2002 Bond generally will be capital gain or loss and will be long-term capital gain or loss if the Beneficial Owner held the 2002 Bond for more than one year. Long-term capital gains of individuals, estates and trusts generally are taxed at lower rates than items of ordinary income. The deductibility of capital losses is subject to various limitations.

Information Reporting and Backup Withholding

Information reporting will apply to payments of principal and interest made by the Corporation on, or the proceeds of the sale or other disposition of, the 2002 Bonds to certain non-corporate U.S. holders, and backup withholding may apply unless the recipient of such payment provides the appropriate intermediary with a taxpayer identification number, certified under penalties of perjury (as well as certain other information), or otherwise establishes an exemption from backup withholding. Any amount withheld under backup withholding rules is allowable as a credit against the U.S. Beneficial Owner's U.S. federal income tax liability, if any, and a refund may be obtained if the amounts withheld exceed the U.S. Beneficial Owner's actual U.S. federal income tax liability and the U.S. Beneficial Owner provides the required information or appropriate claim form to the IRS.

Tax Considerations for Non-U.S. Beneficial Owners

Taxation of Interest. If a Beneficial Owner is a non-U.S. holder, payments of principal and interest on the 2002 Bonds will generally be exempt from withholding of U.S. federal income tax under the "portfolio interest" exemption if the Beneficial Owner properly certifies as to such Beneficial Owner's foreign status, as described below, and:

- the Beneficial Owner does not own, actually or constructively, 10% or more of the capital or profits interests of the Corporation;
- the Beneficial Owner is not a "controlled foreign corporation" that is related to the Corporation; and
- the Beneficial Owner is not a bank that has acquired the 2002 Bonds in consideration for an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business.

The portfolio interest exemption and several of the special rules for non-U.S. holders described herein generally apply only if the Beneficial Owner appropriately certifies as to such holder's foreign status. A Beneficial Owner generally can meet this certification requirement by providing a properly executed Form W-8BEN or appropriate substitute form to the Corporation or the Paying Agent. If the Beneficial Owner holds the 2002 Bonds through a financial institution or other agent acting on the Beneficial Owner's behalf, the Beneficial Owner may be required to provide appropriate certifications to the agent. The agent will then generally be required to provide appropriate certifications to the Corporation or the Paying Agent, either directly or through other intermediaries. Special rules apply to foreign partnerships, estates and trusts, and in certain circumstances certifications as to the foreign status of partners, trust owners, or beneficiaries may have to be provided to the Corporation or the Paying Agent. In addition, special rules apply to qualified intermediaries that enter into withholding agreements with the IRS, and such intermediaries generally are not required to forward any certification forms received from non-U.S. holders.

If a Beneficial Owner cannot satisfy the requirements described above, payments of interest made to such Beneficial Owner will be subject to the 30% U.S. federal withholding tax, unless such Beneficial Owner provides the Corporation with a properly executed IRS Form W-8BEN (or successor form) claiming an exemption from (or a reduction of) withholding under the benefit of a tax treaty, or the payments of principal and interest are effectively connected with such Beneficial Owner's conduct of a trade or business in the United States and the Beneficial Owner meets the certification requirements described below. See "*Income or Gain Effectively Connected with a Trade or Business.*"

Sale or Other Taxable Disposition of Bonds. A Beneficial Owner generally will not be subject to U.S. federal income tax on any gain realized on the sale, exchange, retirement or other taxable disposition of a 2002 Bond unless:

- the gain is effectively connected with the conduct by such Beneficial Owner of a U.S. trade or business;
- the Beneficial Owner is an individual who has been present in the United States for 183 days or more of the taxable year of disposition and certain other requirements are met; or
- the Beneficial Owner was a citizen or resident of the United States and subject to special rules that apply to certain expatriates.

Income or Gain Effectively Connected with a U.S. Trade or Business. The preceding discussion of the tax consequences of the purchase, ownership and disposition of the 2002 Bonds by a Beneficial Owner generally assumes that such Beneficial Owner is not engaged in a U.S. trade or business. If any interest on the 2002 Bonds or gain from the sale, exchange, retirement, redemption, or other taxable disposition of the 2002 Bonds is effectively connected with a U.S. trade or business conducted by the Beneficial Owner, then the income or gain will be subject to U.S. federal income tax at regular graduated income tax rates, but will not be subject to withholding tax if certain certification requirements are satisfied. A Beneficial Owner can generally meet the certification requirements by providing a properly executed Form W-8ECI or appropriate substitute form to the Corporation or the Paying Agent. If the Beneficial Owner is eligible for the benefits of a tax treaty between the United States and such Beneficial Owner's country of residence, any "effectively connected" income or gain will generally be subject to U.S. federal tax only if it is also attributable to a permanent establishment maintained by such Beneficial Owner in the United States. If the Beneficial Owner is a corporation, that portion of the Beneficial Owner's earnings and profits that are effectively connected with such Beneficial Owner's U.S. trade or business also may be subject to a "branch profits tax" at a 30% rate, although an applicable tax treaty may provide for a lower rate.

Information Reporting and Backup Withholding. In general, information reporting and backup withholding will apply to payment of interest on the 2002 Bonds unless the Beneficial Owner appropriately certifies as to such Beneficial Owner's foreign status or otherwise establishes an exemption.

Payment of the proceeds of a sale of a 2002 Bond effected by a U.S. or foreign broker will be subject to information reporting requirements and backup withholding unless the Beneficial Owner properly certifies under penalties of perjury as to such Beneficial Owner's foreign status and certain other conditions are met, or the Beneficial Owner otherwise establishes an exemption. Information reporting requirements and backup withholding generally will not apply to any payment of the proceeds of a sale of a 2002 Bond effected outside the United States by a foreign office of a broker. However, unless such a broker has documentary evidence in its records that such Beneficial Owner is a non-U.S. holder and certain other conditions are met, or the Beneficial Owner otherwise establishes an exemption, information reporting will apply to a payment of the proceeds of the sale of a Bond effected outside the United States by such a broker if it:

- is a United States person;
- derives 50% or more of its gross income for certain periods from the conduct of a trade or business in the United States;
- is a controlled foreign corporation for U.S. federal income tax purposes;
- is a foreign partnership that, at any time during the taxable year, has 50% or more of its income or capital interests owned by U.S. persons or is engaged in the conduct of a U.S. trade or business; or
- is a U.S. branch of a foreign bank or insurance company.

Any amount withheld under the backup withholding rules may be credited against the Beneficial Owner's U.S. federal income tax liability and any excess may be refundable if the proper information is provided to the IRS.

THE PRECEDING DISCUSSION OF CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATION IS FOR GENERAL INFORMATION ONLY AND IS NOT TAX ADVICE, NOR DOES IT PURPORT TO CONTAIN OR DISCUSS ALL OF THE TAX MATTERS THAT SHOULD BE CONSIDERED BY A PROSPECTIVE INVESTOR. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR REGARDING THE PARTICULAR FEDERAL, STATE, LOCAL OR FOREIGN TAX CONSEQUENCES OF PURCHASING, HOLDING AND DISPOSING OF THE 2002 BONDS, INCLUDING THE CONSEQUENCES OF ANY PROPOSED CHANGES IN APPLICABLE LAWS.

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 2002 Bonds, or in any way contesting or affecting the validity of the 2002 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 2002 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 2002 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, ShawPittman LLP, Washington, DC. The final approving opinion of Bond Counsel is to accompany delivery of the 2002 Bonds substantially in the form attached to this Official Statement as EXHIBIT V.

UNDERWRITING

The 2002 Bonds are to be purchased by William R. Hough & Co., Banc of America Securities LLC, and First Union Securities, Inc., an indirect, wholly-owned subsidiary of Wachovia Corporation (collectively, the “Underwriters”) pursuant to the terms and conditions of a Bond Purchase Agreement dated April 17, 2002 between the Corporation and the Underwriters, subject to certain conditions, at an aggregate purchase price equal to \$209,069,700, which reflects an underwriters’ discount of \$930,300. The Bond Purchase Agreement provides that the Underwriters shall not be obligated to purchase any 2002 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 2002 Bonds will commence or be maintained, the Underwriters expect to make a market in the 2002 Bonds for a limited period of time after the initial public offering.

Wachovia Corporation conducts its investment banking, institutional and capital markets businesses through its various bank, broker-dealer and non-bank subsidiaries (including First Union Securities, Inc.) under the trade name of Wachovia Securities. Any references to Wachovia Securities in this Official Statement, however, do not include Wachovia Securities, Inc., member NASD/SIPC, a separate broker-dealer subsidiary of Wachovia Corporation, and an affiliate of First Union Securities, Inc., which may or may not be participating as an underwriter in the sale of the 2002 Bonds by this Official Statement.

RATINGS

It is a condition precedent to the issuance of the 2002 Bonds that the Corporation obtain a confirmation of ratings on the Prior Bonds. The Corporation has applied for ratings of the 2002 Bonds by Fitch Ratings (“Fitch”), Standard & Poor’s (“Standard & Poor’s”) and Moody’s Investors Service, Inc. (“Moody’s”). While the Corporation expects to receive rating confirmations with respect to the Prior Bonds from the Ratings Agencies, and that the 2002 Bonds will be rated AAA by Fitch and Standard & 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 & 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 & 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 2002 Bonds.

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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 2002 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 2002 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 2002 Bonds.

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

Dated this 17th day of April, 2002.

SOUTH CAROLINA STUDENT LOAN CORPORATION

By: _____
Authorized Officer

**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

Generally

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.

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 (“FDSLPL”) 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 FDSLPL 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 the regulations thereunder. This summary is intended as a general description of FFELP and speaks only as of the date on the front cover of this Official Statement. 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.

Legislative and Administrative Matters

Since original enactment, both the Higher Education Act and the regulations promulgated thereunder have been the subject of extensive amendments, and there can be no assurance that further amendments or modifications will not adversely impact the programs described below and the FFELP loans made thereunder. The Higher Education Act is also subject to periodic reauthorization. There have been two recent developments that deserve specific mention, including one reauthorization in 1998 outside of the normal periodic reauthorization process in order to achieve savings in the federal budget.

The Higher Education Act was reauthorized by the enactment of the Higher Education Amendments of 1998 (Public Law 105-244), signed into law by President Clinton on October 7, 1998. The Higher Education Amendments of 1998 extended the principal provisions of FFELP to September 30, 2003 (or, in the case of borrowers who have received loans prior to that date, to September 30, 2008), except that the authority to make Consolidation Loans expires on September 30, 2003.

Even more recently, on February 8, 2002 President Bush signed S.1762, which amended the Higher Education Act again. The law establishes a fixed rate of interest for new loans made on or after July 1, 2006 of 6.8% for Stafford Loans and 7.9% for PLUS loans. For Consolidation Loans, the rate will become the lesser of (i) the weighted average of the interest rates on the loans consolidated, or (ii) 8.25 percent. The law also extended the current borrower interest rate provisions from July 1, 2003 to July 1, 2006, and made permanent the formula for calculating Special Allowance Payments with respect to the three (3) month commercial paper rate.

THE STAFFORD STUDENT 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 need 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; Notes. 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 “need” 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, whether subsidized or unsubsidized, is to be evidenced by an unsecured unendorsed promissory note. Currently, all such loans are in the form of 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 an academic year is as follows:

- \$2,625 for the first year of undergraduate study (except that lower limits apply to certain short-term courses of study),
- \$3,500 for the second year of undergraduate study,
- up to \$5,500 per year for the remainder of undergraduate study, and
- \$8,500 per year 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.”

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 twelve (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 three (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 President Clinton on December 20, 1993, lenders were required to convert all fixed rate loans to an annual variable rate by January 1, 1995. The annual 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, 2006, 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 need 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 (6) 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 (6) 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 thirty (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 (9) months or more than twelve (12) months with respect to loans for which the applicable interest rate is 7% per annum, and (b) not more than six (6) 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 on the day following the sixth (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 ten (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 six (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 ten (10) years;

- (ii) a graduated repayment plan paid over a fixed period of time, not to exceed ten (10) years;
- (iii) an income-sensitive repayment plan, with income-sensitive repayment amounts paid over a fixed period of time, not to exceed ten (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 twenty-five (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.

THE 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" below). 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. 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 twelve (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 twelve (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. , Like unsubsidized Stafford Loans, federal Interest Subsidy Payments are not available for PLUS Loans. Special Allowance Payments, however, are made for PLUS Loans under certain limited conditions.

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 twelve (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 twelve (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, 2006, the interest rate for any twelve (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 sixty (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 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 lesser of (i) the weighted average interest rate of the loans consolidated, rounded up to the nearest 1/8th of a percent, and (ii) 8.25 percent.

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 ten (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 ten (10) years to not more than thirty (30) years, depending on the sum of the balance on the Consolidation Loan and any other FFELP and education loans of the borrower, but the outstanding balance of such other FFELP and education loans counted may not exceed the balance of the Consolidation Loan for purposes of determining the repayment term pursuant to Section 428C (2)(A) of the Higher Education Act. 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

New borrowers on or after October 1, 1998 who accumulate (after such date) outstanding Consolidation Loans (subsidized and unsubsidized) totaling more than \$30,000 qualify for an extended repayment plan, with a fixed annual or graduated repayment amount paid over an extended period of time, not to exceed twenty-five (25) years; provided, 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.

Repayment must commence within sixty (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 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 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 is required to pay to the Secretary a rebate 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 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 three (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.

For eligible loans first disbursed on or after January 1, 2000, and before July 1, 2006 (or in the case of Consolidation Loans, applications received on or after January 1, 2000, but before July 1, 2006), the Special Allowance Payment is calculated based on the average of the bond equivalent rates of the quotes of the three (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, 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, no Special Allowance Payment will be made on a loan during any twelve (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, 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 thirty (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%), plus accrued and unpaid interest.

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 forty-five (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 Payment 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 sixty (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 forty-five (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.

EXHIBIT II

**GLOSSARY OF CERTAIN DEFINED TERMS
FROM THE GENERAL AND 2002 SERIES RESOLUTIONS**

GLOSSARY OF CERTAIN DEFINED TERMS
FROM THE GENERAL AND 2002 SERIES RESOLUTIONS

The following are some of the terms defined in the Corporation's General Resolution and 2002 Series Resolution pursuant to which the 2002 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 2002 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 Ratings 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 2002 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 (5) 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 2002 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 2002 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 2002 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 2002 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 2002 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 2002 Bonds Outstanding (after any Principal Reduction Payments are made) by the original principal balance of such Tranche of the 2002 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 2002 Bonds.

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

“Interest Payment Date” means the first Business Day of June 2002 and on the first Business Day of each September, December, March and June 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 Adjustment Date” means the date on which a particular interest rate is effective, being (i) in the case of the 2002 Series LIBOR Indexed Bonds, each Interest Payment Date, and (ii) in the case of the 2002 Series CP Indexed Bonds, the first Business Day of each month.

“Interest Rate Determination Date” means the second Business Day immediately preceding each Interest Rate Adjustment Date.

“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.

“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 (3) month period; provided, however, that the LIBOR Rate for the Initial Period will be 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 one (1) month period. If such a day is not a business day in London, the most recently fixed London Interbank Offered Rates on U.S. dollar deposits for a three (3) month period shall be used. Such rate may be available on the Internet at www.bba.org.uk. 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).

“Nationally Recognized Rating Service” means any of Standard & Poor’s, Moody’s Investors Service, Inc. or Fitch Ratings 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 (4) 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 of the General Resolution; 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 2002 Bonds administered by the Securities Depository.

“Paying Agent” means, (a) with respect to the 2002 Bonds, the Trustee, as well as any Co-Paying Agent appointed by the Corporation under the General Resolution, and (b) generally, 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 such 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 2002 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 2002 Bonds.

“Program Fund” means the fund established by the General Resolution.

“Rating Agency” or “Rating Agencies” means any of Standard & Poor’s, Moody’s Investors Service, Inc., Fitch Ratings. (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 2002 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.

“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 2002 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).

“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 2002 Bonds.

“Senior Lien Bonds” means any Bonds so designated in the applicable Series Resolution authorizing such Senior Lien Bonds. With respect to the 2002 Bonds, “Senior Lien Bonds” means all 2002 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 2002 Series LIBOR Indexed Bonds and the 2002 Series CP Indexed Bonds in the Corporation Issuance and Sale Certificate. The Corporation has designated the Spread Factor to be 0.15% with respect to the 2002L Bonds and 0.24% with respect to the 2002CP 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 in the General Resolution.

“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.

“Supplemental Resolution” means any resolution supplemental to or amendatory of the General Resolution adopted by the Corporation in accordance with the General Resolution.

“Targeted Amortization Payment” means a payment of principal prior to maturity to the extent Revenues Available for Debt Service are sufficient for such purpose as set forth in an applicable Series Resolution or the Corporation Issuance and Sale Certificate.

“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 2002 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 2002 Series LIBOR Indexed Bonds, less (ii) the simple average of the weekly auction investment rate of Treasury Bills issued during the same Interest Period, maturing in approximately ninety-one (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.

“2002 Series Bonds” means, collectively, the 2002 Series LIBOR Indexed Bonds and the 2002 Series CP Indexed Bonds.

“2002 Series CP Indexed Bonds” means the Corporation’s Education Loan Revenue Bonds bearing interest at the CP Indexed Rate in the original principal amount set forth in the Corporation’s Issuance and Sale Certificate.

“2002 Series LIBOR Indexed Bonds” means the Corporation’s Education Loan Revenue Bonds bearing interest at the LIBOR Indexed Rate in the original principal amount set forth in the Corporation’s Issuance and Sale Certificate.

“2002 Series Resolution” means the 2002 Series Resolution.

EXHIBIT III

SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION

SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION

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SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION

The 2002 Bonds are the seventh 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 2002 Bonds are issued under the 2002 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.

Creation of 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 Initial 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 2002 BONDS-- Security for the 2002 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.

Monthly Distributions of Moneys from the General Revenue Fund

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, and segregated therein for Senior Lien Bonds. The deposit shall be in an amount 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. The deposit shall be 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 (30) 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 to the Interest Account of the Debt Service Fund, and segregated therein for Subordinate Lien Bonds. The deposit shall be in an amount 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 to 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. The deposit shall be 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 (30) 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 (4) 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, but are not limited to, all of the Corporation's expenses in 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.

Debt Service Reserve Fund - Senior Lien Account

The sixth priority for the monthly transfers from the General Revenue Fund is a deposit to 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.

Debt Service Reserve Fund - Subordinate Lien Account

The seventh priority for the monthly transfers from the General Revenue Fund is a deposit to 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 to the Principal Account of the Debt Service Fund. The deposit shall be 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, that 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 to the Principal Account of the Debt Service Fund. The deposit shall be 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, that 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 provides that the balance, if any, remaining after all of the 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 2002 Series Resolution with respect to the 2002 Bonds provides that no such transfer will be made to the Loan Account after June 30, 2004, 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 ninety (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. As of the date of this Official Statement, the Corporation has not issued any series of Bonds, the interest on which would be excludable from the gross income of the owners of such bonds.

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 I –, "GLOSSARY OF CERTAIN DEFINED TERMS FROM THE GENERAL AND 2002 SERIES RESOLUTIONS," for the definition of the term "Investment Obligations."

Conditions Precedent to Authentication and Delivery of a Series of Bonds

The Trustee may authenticate and deliver Bonds under the General Resolution by or on behalf of the Corporation only upon the Trustee's receipt 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:
 - (a) the General Resolution and the Series Resolution have been duly adopted by the Corporation;
 - (b) 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;
 - (c) 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;
- (d) 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
 - (e) 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 (a) the proceeds of the Bonds to be issued, upon their issuance, sale and delivery or (b) such other funds of the Corporation, so that the aggregate amount then held by the Trustee in such 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 the applicable section of the General Resolution (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 such 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 thirty (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 fifteen (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.

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 forty-five (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 forty-five (45) days thereafter until such default is corrected.

Upon the happening and continuance of any event described in (1) or (2) above, 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:

- 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;
- bring suit upon the Bonds;
- require the Corporation by action or suit to account as if it were the trustee of an express trust for the Bondholders;
- enjoin by action or suit any acts or things which may be unlawful or in violation of the rights of the Bondholders;
- 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
- 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 (3) above, the Trustee shall have the discretion to do any of the following:

- 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;
- sell Education Loans without regard to the sufficiency of proceeds if 100% of the Bondholders direct such sale; or
- continue to pay Debt Service in accordance with the terms of the General Resolution.

The Trustee must 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:

- 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;
- 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;
- 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
- 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:

- 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,
- reduce the percentage of Bonds the consent of the Holders of which is required to effect such amendment, or
- 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,
 - (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 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 this Section provides). 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 thirty (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 thirty (30) day period; provided, however, that the Corporation, the Trustee, and any Paying Agent during such thirty (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 2002 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 pays or causes 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. Further, 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 the Bonds.

If the Corporation pays or causes 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 the 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 such Bonds are to be redeemed on any date prior to their maturity, the Corporation shall have given to the Trustee in form satisfactory to the Trustee irrevocable instructions to mail notice of redemption on such 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 such 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 (90) 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 such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Corporation shall have given the Trustee in form satisfactory to the Trustee 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 such Bonds are deemed to have been paid in accordance with the General Resolution 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 such Bonds.

Neither Defeasance Obligations nor moneys deposited with the Trustee pursuant to the General Resolution 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 such 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 such 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.

EXHIBIT IV

CERTAIN FINANCIAL INFORMATION WITH RESPECT TO THE CORPORATION

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SOUTH CAROLINA STUDENT LOAN CORPORATION

FINANCIAL AND COMPLIANCE REPORT

JUNE 30, 2001

SOUTH CAROLINA STUDENT LOAN CORPORATION

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YEAR ENDED JUNE 30, 2001

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
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, 2001, 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 auditing standards generally accepted in the United States of America 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, 2001 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with *Government Auditing Standards*, we have also issued a report dated August 24, 2001 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.

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.

Derrick, Stubbs & Stith, LLP

August 24, 2001

SOUTH CAROLINA STUDENT LOAN CORPORATION
STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2001

(With Comparative Amounts for 2000)

<u>ASSETS</u>	2001			2000 Totals Memorandum Only
	Unrestricted	Temporarily Restricted	Total	
<u>Current Assets:</u>				
Cash and Cash Equivalents	\$ 4,399,992	\$ 22,185,650	\$ 26,585,642	\$ 16,223,294
Investments	248,055	872,695	1,120,750	1,630,481
Current Portion of Student Loan Receivables		177,810,028	177,810,028	158,389,049
Interest Due from Borrowers	552,039	34,201,296	34,753,335	29,606,274
Due from United States Department of Education	43	7,440,385	7,440,428	10,929,227
Due from SC State Education Assistance Authority	9,288	12,897,764	12,907,052	10,270,671
Accrued Investment Income	18,398	377,597	395,995	294,271
Miscellaneous Operating Receivables	5,728	94	5,822	2,740
Prepaid Expenses	36,511		36,511	31,674
Due from (to) Other Funds	10,373,641	(10,373,641)		
Total Current Assets	\$ 15,643,695	\$ 245,411,868	\$ 261,055,563	\$ 227,377,681
<u>Investments and Long-Term Receivables:</u>				
Investments	\$ 9,189,936	\$ 65,613,704	\$ 65,613,704	\$ 31,866,303
Other Student Loan Receivables Less Current Portion	9,189,936	1,253,896,597	1,263,086,533	1,168,232,068
Teacher Loans Receivable - Net Allowance for Teacher Loan Cancellations of \$ 14,732,097 and Current Portion		3,618,343	3,618,343	11,391,849
Cash Surrender Value of Life Insurance				33,349
Deferred Cost of Issuance of Bonds		4,183,067	4,183,067	1,101,397
Total Investments and Long-Term Receivables	\$ 9,189,936	\$ 1,327,311,711	\$ 1,336,501,647	\$ 1,212,624,966
<u>Property and Equipment:</u>				
Furniture and Equipment	\$ 2,319,866	\$ -	\$ 2,319,866	\$ 2,274,534
Automobiles	33,016		33,016	33,016
Less, Accumulated Depreciation	(1,922,445)		(1,922,445)	(1,740,942)
Net Property and Equipment	\$ 430,437	\$ -	\$ 430,437	\$ 566,608
Total Assets	\$ 25,264,068	\$ 1,572,723,579	\$ 1,597,987,647	\$ 1,440,569,255

See Notes to Financial Statements.

SOUTH CAROLINA STUDENT LOAN CORPORATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2001
(With Comparative Amounts for 2000)

<u>LIABILITIES AND NET ASSETS</u>	2001			2000 Totals Memorandum Only
	Unrestricted	Temporarily Restricted	Total	
<u>Current Liabilities:</u>				
Current Portion of Notes Payable - Finance Loans	\$	\$ 51,000,000	\$ 51,000,000	\$ 58,000,000
Current Maturities of Bonds Payable		119,202,499	119,202,499	98,731,193
Interest Payable		5,100,334	5,100,334	5,932,306
Accounts Payable	79,209	387,749	466,958	128,756
Accrued Pension Payable	595,059	20,118	615,177	419,402
Compensated Absences	176,668	16,291	192,959	195,004
Due to SC State Education Assistance Authority		5,348,711	5,348,711	8,892,356
Total Current Liabilities	\$ 850,936	\$ 181,075,702	\$ 181,926,638	\$ 172,299,017
<u>Long-Term Debt:</u>				
Bonds Payable Less, Current Maturities and Bond Premiums and Discounts of \$ 4,229,679	\$	\$ 1,096,482,039	\$ 1,096,482,039	\$ 665,351,983
Notes Payable - Finance Loans Less Current Maturities		189,916,994	189,916,994	314,201,163
Note Payable to Banks		549,885	549,885	182,008,132
Total Long-Term Debt	\$ -	\$ 1,286,948,918	\$ 1,286,948,918	\$ 1,161,561,278
Total Liabilities	\$ 850,936	\$ 1,468,024,620	\$ 1,468,875,556	\$ 1,333,860,295
<u>Net Assets:</u>				
<u>Temporarily Restricted:</u>				
For Teacher Loans	\$	\$ 36,413,411	\$ 36,413,411	\$ 29,791,514
For Bond Indentures		41,768,854	41,768,854	47,102,166
For Bond Indentures - Current Debt Service		26,516,694	26,516,694	8,529,864
Total Temporarily Restricted	\$	\$ 104,698,959	\$ 104,698,959	\$ 85,423,544
Unrestricted	24,413,132		24,413,132	21,285,416
Total Net Assets	\$ 24,413,132	\$ 104,698,959	\$ 129,112,091	\$ 106,708,960
Total Liabilities and Net Assets	\$ 25,264,068	\$ 1,572,723,579	\$ 1,597,987,647	\$ 1,440,569,255

See Notes to Financial Statements.

SOUTH CAROLINA STUDENT LOAN CORPORATION
STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2001
(With Comparative Amounts for 2000)

	2001			2000
	Unrestricted	Temporarily Restricted	Total	Totals Memorandum Only
<u>Revenue and Other Support:</u>				
Income from United States Department of Education:				
Student Loan Interest - Subsidized	\$ 267	\$ 30,076,074	\$ 30,076,341	\$ 26,050,998
Special Allowances	118	7,368,109	7,368,227	13,929,937
Student Loan Interest - Non Subsidized	652,536	85,560,309	86,212,845	70,970,029
Investment Income	344,683	3,844,019	4,188,702	3,303,038
Unrealized Gain (Loss) on Investments	22,109	289,128	311,237	(36,399)
Late Charges	328	735,891	736,219	726,063
Miscellaneous Payments of Student Loans		4,718	4,718	2,371
Premium on Sale of Loans		7,588	7,588	9,656
State Appropriations - Department of Education		3,916,250	3,916,250	2,016,250
Processing Fee Income	73,899		73,899	74,661
Remittance from SC State Education Assistance Authority for Operating Cost	6,767,917		6,767,917	5,884,370
Net Assets Released from Restrictions	112,526,671	(112,526,671)		
Total Revenue and Support	<u>\$ 120,388,528</u>	<u>\$ 19,275,415</u>	<u>\$ 139,663,943</u>	<u>\$ 122,930,974</u>
<u>Expenses:</u>				
Personnel	\$ 4,799,022		\$ 4,799,022	\$ 4,622,940
Contractual Services	556,272		556,272	525,273
General Operating	1,731,324		1,731,324	1,619,713
Interest on Debt	62,328,963		62,328,963	55,265,208
TLP Cancellations	10,862,069		10,862,069	4,188,420
Amortization of Deferred Cost of Bond Issuance	349,305		349,305	88,713
Payments to SC State Education Assistance Authority for Student Loan Income	32,271,894		32,271,894	33,513,035
Loan Fees	2,725,527		2,725,527	2,359,524
Reinsurance Expense	161,176		161,176	71,397
Borrower Incentives	242,178		242,178	
Broker Dealer Fees	1,000,748		1,000,748	952,328
Other	232,334		232,334	214,691
Total Expenses	<u>\$ 117,260,812</u>	<u>\$ -</u>	<u>\$ 117,260,812</u>	<u>\$ 103,421,242</u>
<u>Change in Net Assets</u>	<u>\$ 3,127,716</u>	<u>\$ 19,275,415</u>	<u>\$ 22,403,131</u>	<u>\$ 19,509,732</u>
<u>Net Assets, Beginning</u>	<u>21,285,416</u>	<u>85,423,544</u>	<u>106,708,960</u>	<u>87,199,228</u>
<u>Net Assets, Ending</u>	<u>\$ 24,413,132</u>	<u>\$ 104,698,959</u>	<u>\$ 129,112,091</u>	<u>\$ 106,708,960</u>

See Notes to Financial Statements.

SOUTH CAROLINA STUDENT LOAN CORPORATION
STATEMENTS OF CASH FLOWS
YEAR ENDED JUNE 30, 2001
(With Comparative Amounts for 2000)

	2001			2000 Totals Memorandum Only
	Unrestricted	Temporarily Restricted	Total	
<u>Cash Flows from Operating Activities:</u>				
Change in Net Assets	\$ 3,127,716	\$ 19,275,415	\$ 22,403,131	\$ 19,509,732
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities				
Depreciation	226,030		226,030	248,729
Amortization of Premiums and Discounts on Bonds Payable		332,554	332,554	332,554
Amortization of Cost of Bond Issuance		349,305	349,305	88,713
Changes in Operating Assets and Liabilities				
(Increase) Decrease in Due from Department of Education	186	3,488,614	3,488,800	(3,717,680)
(Increase) Decrease in Due from SCSEAA	(8,391)	(2,627,990)	(2,636,381)	(1,564,283)
(Increase) Decrease in Interest Due from Borrowers	(98,526)	(5,048,535)	(5,147,061)	(3,267,001)
(Increase) Decrease in Accrued Investment Income	(17,224)	(84,500)	(101,724)	14,134
(Increase) Decrease in Miscellaneous Receivable	(2,987)	(94)	(3,081)	(921)
(Increase) Decrease in Prepaid Expenses	(4,838)		(4,838)	(15,706)
Increase (Decrease) in Interest Payable		(831,972)	(831,972)	2,062,509
Increase (Decrease) in Accounts Payable	18,842	319,360	338,202	(52,993)
Increase (Decrease) in Accrued Pension Expenses	188,239	7,536	195,775	54,716
Increase (Decrease) in Compensated Absence	(4,741)	2,696	(2,045)	24,677
Increase (Decrease) in Due to SCSEAA		(3,543,645)	(3,543,645)	2,422,539
Due to (from) Other Funds	(206,483)	206,483		
Net Cash Provided by Operating Activities	<u>\$ 3,217,823</u>	<u>\$ 11,845,227</u>	<u>\$ 15,063,050</u>	<u>\$ 16,139,719</u>
<u>Cash Flows from Investing Activities:</u>				
Purchase of Property and Equipment	\$ (89,861)	\$	\$ (89,861)	\$ (227,476)
(Increase) Decrease in Cash Surrender Value of Life Insurance	33,350		33,350	(2,347)
Purchase and Issuance of Student Loans	(2,860,630)	(960,901,957)	(963,762,587)	(427,470,828)
Principal Payments on Student Loans	3,911	846,394,669	846,398,580	286,691,067
Teacher Loan Cancellations		10,862,069	10,862,069	4,188,421
(Increase) Decrease in Investment:		(33,215,561)	(33,215,561)	15,045,777
Unrealized Gain on Investment:	(22,109)		(22,109)	36,399
Net Cash (Used in) Investing Activities	<u>\$ (2,935,339)</u>	<u>\$ (136,860,780)</u>	<u>\$ (139,796,119)</u>	<u>\$ (121,738,987)</u>

See Notes to Financial Statements

SOUTH CAROLINA STUDENT LOAN CORPORATION
STATEMENTS OF CASH FLOWS
YEAR ENDED JUNE 30, 2001
(With Comparative Amounts for 2000)

	2001			2000 Totals Memorandum Only
	Unrestricted	Temporarily Restricted	Total	
<u>Cash Flows from Financing Activities:</u>				
Proceeds from Financing Loans:	\$	\$ 168,597,572	\$ 168,597,572	\$ 31,640,686
Payments on Financing Loans:		(299,881,741)	(299,881,741)	(20,978,718)
Proceeds from Bank Line-of-Credi		229,036,774	229,036,774	220,108,410
Payments on Bank Line-of-Credi		(410,495,021)	(410,495,021)	(211,555,848)
Proceeds from Bonds:		550,000,000	550,000,000	150,000,000
Payments on Bonds:		(98,731,193)	(98,731,193)	(62,890,636)
Payment of Bond Premiums:				(885,000)
Payment of Costs of Bond Issuance		(3,430,974)	(3,430,974)	(282,083)
Net Cash Provided by Financing Activities:	\$	\$ 135,095,417	\$ 135,095,417	\$ 105,156,811
<u>Net Increase (Decrease) in Cash and Cash Equivalent:</u>	\$	\$ 10,079,864	\$ 10,362,348	\$ (442,457)
<u>Cash and Cash Equivalents:</u>				
Beginning		4,117,508	12,105,786	16,665,751
Ending	\$	\$ 4,399,992	\$ 26,585,642	\$ 16,223,294
<u>Supplemental Disclosures of Cash Flow Information:</u>				
Cash Payments for Interest	\$	\$ 63,163,170	\$ 63,163,170	\$ 53,202,699

See Notes to Financial Statements

SOUTH CAROLINA STUDENT LOAN CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2001

1. 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 post secondary institutions. 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 guaranty 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 on the unpaid principal of the loans which is based on a variable percentage rate.

SOUTH CAROLINA STUDENT LOAN CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2001

1. 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 CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2001

1. 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 CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2001

1. 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 accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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, 2001

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 Comparative Amounts:

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Corporation's financial statements for the year ended June 30, 2000, from which the summarized information was derived.

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	\$ 3,847,289	\$ 3,847,289
Demand Deposits	12,899	12,899
South Carolina State Treasurer Pool	465,015	465,015
Repurchase Agreements	<u>74,789</u>	<u>74,789</u>
	\$ <u>4,399,992</u>	\$ <u>4,399,992</u>
<u>Temporarily Restricted</u>	<u>Carrying Value</u>	<u>Market Value</u>
Repurchase Agreement	\$ 5,413,461	\$ 5,413,461
South Carolina State Treasurer Pool	12,171,246	12,171,246
Commercial Paper	<u>4,600,943</u>	<u>4,600,943</u>
	\$ <u>22,185,650</u>	\$ <u>22,185,650</u>

Cash and Cash Equivalents included in the Teacher Loan Program include the South Carolina State Treasurer Pool totaling \$ 12,171,246.

SOUTH CAROLINA STUDENT LOAN CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2001

3. 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> 248,055</u>	\$ <u> 248,055</u>
 <u>Temporarily Restricted:</u>			
U.S. Treasury Notes - Short-Term	\$ 872,695	\$	\$ 872,695
Guaranteed Investment Contracts	<u>65,613,704</u>	<u> </u>	<u>65,613,704</u>
Total	\$ <u>66,486,399</u>	\$ <u> -</u>	\$ <u>66,486,399</u>

4. Amounts Due from/to the Corporation:

The \$ 5,348,711 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 \$ 12,907,052. Funds collected on behalf of the Corporation are required to be paid to the Corporation by the tenth of each month.

5. Federal Family Education Loans (FFEL) and Federal Reinsurance of FFEL Loans:

In 2001 and 2000, these loans bear interest at a fixed rate of 6.5% to 12% or an annual variable rate of 7.59% to 9.63%, which is reset each July 1 and which is equal to the bond equivalent rate of the 91-day or 52-week Treasury Bill, determined at the final auction held prior to the immediately preceding June 1, plus 1.7 to 3.25 percent with a cap on the rate of 8.25 to 12.00 percent. These loans are repayable over a period of five (5) to thirty (30) years with a minimum payment of \$ 360 or \$ 600 per year. Repayment of principal may be scheduled to begin within sixty (60) days or six (6) to ten (10) months after the student graduates or ceases to be enrolled on at least a half-time basis in 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, 2001 is 8.99-9.63%. 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

SOUTH CAROLINA STUDENT LOAN CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2001

5. Federal Family Education Loans (FFEL) and Federal Reinsurance of FFEL Loans (Continued):

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.

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%. As of May 1, 2001 the origination fee was reduced to 1% for all loan recipients. 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. All of the Corporation's 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. Certain 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, 2001, the Corporation was required to have assets deposited in the current debt service account of \$ 36,413,411.

The Education Loan Revenue Bonds as of June 30, 2001 are as follows:

<u>Issued</u>	<u>Original Amount</u>	<u>Maturity Date</u>	<u>Balance Outstanding 6/30/00</u>	<u>Issued (Retired) During FY 01</u>	<u>Balance Outstanding 6/30/01</u>
July 11, 1996	\$ 223,900,000	12/1/02-9/1/26	\$ 139,556,260	\$(29,873,294)	\$ 109,682,966
May 15, 1997	335,300,000	12/1/04-9/1/27	267,689,149	(44,137,166)	223,551,983
May 14, 1998	211,400,000	9/1/33	211,400,000		211,400,000
July 7, 1999	150,000,000	9/1/07	150,000,000	(24,720,733)	125,279,267
July 18, 2000	150,000,000	6/1/10		150,000,000	150,000,000
May 23, 2001	400,000,000	6/1/12		<u>400,000,000</u>	<u>400,000,000</u>
			<u>\$ 768,645,409</u>	<u>\$ 451,268,807</u>	<u>\$ 1,219,914,216</u>

SOUTH CAROLINA STUDENT LOAN CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2001

6. Bonds Payable (Continued):

The Corporation's Treasury Indexed Bonds totaled \$ 168,234,949 as of June 30, 2001, and have variable interest rates ranging from the Treasury Index plus 0.64% to the Treasury Index plus 0.65%. The Corporation's Auction Rate Bonds totaled \$ 376,400,000 as of June 30, 2001, and have variable interest rates determined by auctions every 7 to 28 days, subject to a maximum of the lesser of 20% or the Treasury Index plus 1.60%. The Corporation's LIBOR Indexed Bonds totaled \$ 435,279,267 as of June 30, 2001 and have variable interest rates equal to one-month LIBOR plus 0.27%, three-month LIBOR plus 0.13% and three-month LIBOR plus 0.17%. The Corporation's CP Indexed Bonds totaled \$ 240,000,000 and have variable interest rates ranging from the three-month Commercial Paper indexed rate, as adjusted weekly, plus 0.25% to 0.31%. Throughout the year ended June 30, 2001, none of the rates exceeded 7.09%. Future interest payment projections are based upon the weighted average rate at June 30, 2001, which was 4.07%.

The Treasury Indexed Bonds, CP Indexed Bonds, and 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, 2001, the scheduled debt service to retire these bonds is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2002	\$ 119,202,499	\$ 47,471,572	\$ 166,674,071
2003	113,334,354	42,668,325	156,002,679
2004	130,363,888	38,345,530	168,709,418
2005	206,241,475	31,024,945	237,266,420
2006	199,639,000	22,717,190	222,356,190
2007	74,733,000	16,096,494	90,829,494
2008		15,319,480	15,319,480
2009		15,319,480	15,319,480
2010		15,319,480	15,319,480
2011		15,319,480	15,319,480
2012		15,319,480	15,319,480
2013		15,319,480	15,319,480
2014		15,319,480	15,319,480
2015		15,319,480	15,319,480
2016		15,319,480	15,319,480
2017		15,319,480	15,319,480
2018		15,319,480	15,319,480
2019		15,319,480	15,319,480
2020		15,319,480	15,319,480
2021		15,319,480	15,319,480

SOUTH CAROLINA STUDENT LOAN CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2001

6. Bonds Payable (Continued):

	<u>Principal</u>		<u>Interest</u>		<u>Totals</u>
2022	\$		\$	15,319,480	\$ 15,319,480
2023				15,319,480	15,319,480
2024				15,319,480	15,319,480
2025				15,319,480	15,319,480
2026				15,319,480	15,319,480
2027		85,000,000		12,436,563	97,436,563
2028		80,000,000		9,146,647	89,146,647
2029				8,603,980	8,603,980
2030				8,603,980	8,603,980
2031				8,603,980	8,603,980
2032				8,603,980	8,603,980
2033				8,603,980	8,603,980
2034		<u>211,400,000</u>		<u>1,433,997</u>	<u>212,833,997</u>
Totals	\$	<u>1,219,914,216</u>	\$	<u>555,431,283</u>	\$ <u>1,775,345,499</u>

7. 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, 2001, the note totaled \$ 240,916,994.

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 on the unpaid principal of the loans which is based on a variable percentage rate. It 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, 2001, the Corporation had available the following lines of credit and the following amounts were outstanding:

SOUTH CAROLINA STUDENT LOAN CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2001

9. Bank Lines of Credit (Continued):

<u>Year</u>	<u>Line of Credit Available</u>	<u>Balance at June 30, 2001</u>	<u>Due Date</u>
2000	\$ 234,000,000	\$	November 2, 2001
2001	238,000,000	<u>549,885</u>	November 2, 2002
		\$ <u>549,885</u>	

Principal advances will accrue interest from the date of the first advance at one of the following rates: 30 - Day Adjusted LIBOR plus .40%, Overnight Federal Funds plus .58% or 91-Day Treasury Bill 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 2000 and 2001 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, 2001.

10. 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 \$ 80,400. 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 2001 totaled \$ 164,521 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 net pension expense for this Plan totaled \$ 429,623, plus \$ 29,405 of administrative expenses, totalling \$ 459,028 for the year ended June 30, 2001. The Authority contributed \$ 118,961 to the expense for this Plan for its employees. The components of the pension cost charged to expense consisted of the following:

SOUTH CAROLINA STUDENT LOAN CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2001

10. Employee Benefit Plans (Continued):

10.2 (Continued):

Service Cost (Benefits Earned)	\$ 167,973
Interest Cost on Projected Benefit Obligation	166,904
Actual Return on Assets	(80,281)
Net Amortization and Deferral	117,302
Minimum Liability	235,543
Other	(177,818)
Net Pension Cost	<u>\$ 429,623</u>

The following sets forth the Plan's funded status as of June 30, 2001. The measurement date of the projected benefits obligation and Plan assets was June 30, 2001.

Actuarial Present Value of Benefit Obligations:	
Vested Benefit Obligation	\$ 1,796,887
Nonvested Benefit Obligation	<u>92,561</u>
Accumulated Benefit Obligation	<u>\$ 1,889,448</u>
Projected Benefits	\$(2,560,565)
Plan Assets at Fair Value	<u>1,274,272</u>
Projected Benefit Obligation (In Excess of) Plan Assets	\$(1,286,293)
Unrecognized Prior Service Cost	1,063,329
Unrecognized Net Loss	405,629
Required Additional Minimum Liability	(<u>797,842</u>)
Accrued Pension Cost	\$(<u>615,177</u>)

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 a mutual fund. Employer contributions were \$ 411,667. No participant contributions are permitted by the Plan. Benefit payments made during the year ended June 30, 2001 totaled \$ 14,427.

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 \$ 434,720 in 2001.

11. Operating Leases:

The Corporation leases office space under a lease that expires October 31, 2006. The future obligations under this lease follow:

SOUTH CAROLINA STUDENT LOAN CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2001

11. Operating Leases (Continued):

<u>Year Ended June 30</u>	<u>Office Space</u>
2002	\$ 294,443
2003	304,140
2004	304,140
2005	304,140
2006	304,140

Total rental expenses including rental agreements under one year in duration were \$ 209,037 for June 30, 2001. 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, 2001 exceeded the insurance limits of the Federal Deposit Insurance Corporation by approximately \$ 15,000.

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.

14. Assets Released from Restrictions:

Net assets during the year ended June 30, 2001 were released from restrictions by incurring expenses satisfying the restricted purposes and by occurrence of other events specified as follows:

Personnel	\$ 218,156
Contractual Services	16,766
General Operating	44,878
Interest on Debt	62,328,963
TLP Cancellations	10,862,069
Amortization of Deferred Cost of Bond Issuance	349,305
Payment to SC State Education Assistance Authority for Student Loan Income	32,271,894

SOUTH CAROLINA STUDENT LOAN CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2001

14. Assets Released from Restrictions (Continued):

Lender Origination Fees	\$	2,725,527
Reinsurance Expense		161,176
Borrower Incentives		242,178
Broker Dealer Fees		1,000,748
Other		<u>168,304</u>
Total Expenses	\$	110,389,964
Other Transfers for Loan Servicing on		
Bank Loans		200,560
Transfers for Loan Servicing on Taxable Bonds		1,926,525
Transfer from TLP Fund for Operations		<u>9,622</u>
Total	\$	<u>112,526,671</u>

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF FINANCIAL POSITION BY FUND
JUNE 30, 2001

<u>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 Assets:</u>							
Cash and Cash Equivalents	\$ 4,325,203	\$ 74,789	\$	\$ 12,171,246	\$ 4,600,943	\$ 5,413,461	\$ 26,585,642
Investments	248,055		872,695				1,120,750
Current Portion of Student Loan Receivables			117,600,003	8,879,913	330,112	51,000,000	177,810,028
Interest Due from Borrowers	7,008	545,031	27,747,170	1,758,425	79,018	4,616,683	34,753,335
Due from United States Department of Education	43		6,155,906		552,468	732,011	7,440,428
Due from SC State Education Assistance Authority	9,288		12,889,069	8,695			12,907,052
Accrued Investment Income	18,398		226,083	151,514			395,995
Miscellaneous Operating Receivables	5,728		94				5,822
Prepaid Expenses	36,511						36,511
Due from (to) Other Funds	10,373,641		66,443		(10,440,084)		
Total Current Assets	<u>\$ 15,023,875</u>	<u>\$ 619,820</u>	<u>\$ 165,557,463</u>	<u>\$ 22,969,793</u>	<u>\$ (4,877,543)</u>	<u>\$ 61,762,155</u>	<u>\$ 261,055,563</u>
<u>Investments and Long-Term Receivables:</u>							
Investments	\$	\$	\$ 65,613,704	\$	\$	\$	\$ 65,613,704
Other Student Loan Receivables Less Current Portion	54,045	9,135,891	1,062,800,440		6,586,527	184,509,630	1,263,086,533
Teacher Loans Receivable - Net Allowance for Teacher Loan Cancellations and Current Portion				3,618,343			3,618,343
Deferred Cost of Issuance of Bonds			4,183,067				4,183,067
Total Investments and Long-Term Receivables	<u>\$ 54,045</u>	<u>\$ 9,135,891</u>	<u>\$ 1,132,597,211</u>	<u>\$ 3,618,343</u>	<u>\$ 6,586,527</u>	<u>\$ 184,509,630</u>	<u>\$ 1,336,501,647</u>
<u>Property and Equipment:</u>							
Furniture and Equipment	\$ 2,319,866	\$	\$	\$	\$	\$	\$ 2,319,866
Automobiles	33,016						33,016
Less, Accumulated Depreciation	(1,922,445)						(1,922,445)
Net Property and Equipment	<u>\$ 430,437</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 430,437</u>
Total Assets	<u>\$ 15,508,357</u>	<u>\$ 9,755,711</u>	<u>\$ 1,298,154,674</u>	<u>\$ 26,588,136</u>	<u>\$ 1,708,984</u>	<u>\$ 246,271,785</u>	<u>\$ 1,597,987,647</u>

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF FINANCIAL POSITION BY FUND
JUNE 30, 2001

<u>LIABILITIES AND NET ASSETS</u>	Unrestricted		Temporarily Restricted				Total
	Operating	PAL Loans	Taxable Bond Loans	Teacher Loans	Line-of- Credit Bank Loans	Tax- Exempt Bond Loans	
<u>Current Liabilities:</u>							
Current Portion of Notes Payable - Finance Loans	\$	\$	\$	\$	\$	\$ 51,000,000	\$ 51,000,000
Current Maturities of Bonds Payable			119,202,499				119,202,499
Interest Payable			3,944,330		1,156,004		5,100,334
Accounts Payable	68,534	10,675	343,541	35,033	3,095	6,080	466,958
Accrued Pension Payable	595,059			20,118			615,177
Compensated Absences	176,668			16,291			192,959
Due to SC State Education Assistance Authority						5,348,711	5,348,711
Total Current Liabilities	\$ 840,261	\$ 10,675	\$ 123,490,370	\$ 71,442	\$ 1,159,099	\$ 56,354,791	\$ 181,926,638
<u>Long-Term Debt:</u>							
Bonds Payable Less, Current Maturities and Bond Premiums and Discounts	\$	\$	\$ 1,096,482,039	\$	\$	\$	\$ 1,096,482,039
Notes Payable - Finance Loans Less Current Maturities						189,916,994	189,916,994
Notes Payable to Banks					549,885		549,885
Total Long-Term Debt	\$ -	\$ -	\$ 1,096,482,039	\$ -	\$ 549,885	\$ 189,916,994	\$ 1,286,948,918
Total Liabilities	\$ 840,261	\$ 10,675	\$ 1,219,972,409	\$ 71,442	\$ 1,708,984	\$ 246,271,785	\$ 1,468,875,556
<u>Net Assets:</u>							
Temporarily Restricted for Bond Indentures Current Debt Service	\$	\$	\$ 36,413,411	\$	\$	\$	\$ 36,413,411
Temporarily Restricted for Bond Indentures			41,768,854				41,768,854
Temporarily Restricted for Teacher Loans				26,516,694			26,516,694
Unrestricted	14,668,096	9,745,036					24,413,132
Total Net Assets	\$ 14,668,096	\$ 9,745,036	\$ 78,182,265	\$ 26,516,694	\$ -	\$ -	\$ 129,112,091
Total Liabilities and Net Assets	\$ 15,508,357	\$ 9,755,711	\$ 1,298,154,674	\$ 26,588,136	\$ 1,708,984	\$ 246,271,785	\$ 1,597,987,647

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF ACTIVITIES BY FUND
YEAR ENDED JUNE 30, 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	\$ 267	\$	\$ 20,763,133	\$ 19,616	\$ 3,884,324	\$ 5,409,001	\$ 30,076,341
Special Allowances	118		3,637,563	8,789	342,715	3,379,042	7,368,227
Student Loan Interest - Non Subsidized	4,401	648,135	53,633,957	2,927,330	4,399,607	24,599,415	86,212,845
Investment Income	332,030	12,653	3,093,409	731,290	19,320		4,188,702
Unrealized Gain on Investments	22,109			289,128			311,237
Late Charges	99	229	441,035	9,117	4,577	281,162	736,219
Miscellaneous Payments of Student Loans			4,339	99	45	235	4,718
Premium on Sale of Loans					7,588		7,588
State Appropriations - Department of Education				3,916,250			3,916,250
Processing Fee Income		73,899					73,899
Remittance from SC State Education Assistance Authority for Operating Cost	6,767,917						6,767,917
Total Revenue	\$ 7,126,941	\$ 734,916	\$ 81,573,436	\$ 7,901,619	\$ 8,658,176	\$ 33,668,855	\$ 139,663,943
Expenses:							
Personnel	\$ 4,580,866	\$	\$	\$ 218,156	\$	\$	\$ 4,799,022
Contractual Services	539,506			16,766			556,272
General Operating	1,686,446			44,878			1,731,324
Interest on Debt			55,164,402		7,164,561		62,328,963
TLP Cancellations				10,862,069			10,862,069
Amortization of Deferred Cost of Bond Issuance			349,305				349,305
Payments to SC State Education Assistance Authority for Student Loan Income						32,271,894	32,271,894
Loan Fees			347,651		1,249,604	1,128,272	2,725,527
Reinsurance Expense			132,430			28,746	161,176
Borrower Incentives					2,235	239,943	242,178
Broker Dealer Fees			1,000,748				1,000,748
Other	5,851	58,179	102,140	24,948	41,216		232,334
Total Expenses	\$ 6,812,669	\$ 58,179	\$ 57,096,676	\$ 11,166,817	\$ 8,457,616	\$ 33,668,855	\$ 117,260,812
Transfers Between Accounts:							
Transfers In	\$ 2,403,631	\$ 2,200,000	\$	\$ 266,924	\$	\$	\$ 4,870,555
Transfers Out	(2,466,924)		(1,926,525)	(276,546)	(200,560)		(4,870,555)
Total Transfers Between Accounts	\$ (63,293)	\$ 2,200,000	\$ (1,926,525)	\$ (9,622)	\$ (200,560)	\$ -	\$ -
Change in Net Assets	\$ 250,979	\$ 2,876,737	\$ 22,550,235	\$ (3,274,820)	\$	\$	\$ 22,403,131
Net Assets, Beginning	14,417,117	6,868,299	55,632,030	29,791,514			106,708,960
Net Assets, Ending	\$ 14,668,096	\$ 9,745,036	\$ 78,182,265	\$ 26,516,694	\$ -	\$ -	\$ 129,112,091

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEUDLE OF CASH FLOWS BY FUND
YEAR ENDED JUNE 30, 2001

	Unrestricted		Temporarily Restricted				Total
	Operating	PAL Loans	Taxable Bond Loans	Teacher Loans	Line-of-Credit Bank Loans	Tax-Exempt Bond Loans	
<u>Cash Flows from Operating Activities</u>							
Change in Net Assets	\$ 250,979	\$ 2,876,737	\$ 22,550,235	\$ (3,274,820)	\$	\$	\$ 22,403,131
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:							
Depreciation	226,031						226,031
Amortization of Premiums and Discounts on Bonds Payable			332,554				332,554
Amortization of Cost of Bond Issuance			349,305				349,305
Changes in Operating Assets and Liabilities:							
(Increase) Decrease in Due from Department of Education	185		334,411		1,152,895	2,001,308	3,488,799
(Increase) Decrease in Due from SC State Education Assistance Authority	(8,391)		(2,649,472)	(8,695)	30,177		(2,636,381)
(Increase) Decrease in Interest Due from Borrowers	2,785	(101,311)	(8,890,860)	36,346	2,263,625	1,542,354	(5,147,061)
(Increase) Decrease in Accrued Investment Income	(17,224)		(78,557)	(5,943)			(101,724)
(Increase) Decrease in Miscellaneous Receivables	(2,987)		(94)				(3,081)
(Increase) Decrease in Prepaid Expenses	(4,838)						(4,838)
Increase (Decrease) in Interest Payable			887,566		(1,719,538)		(831,972)
Increase (Decrease) in Accounts Payable	14,886	3,956	313,644	23,464	(7,075)	(10,673)	338,202
Increase (Decrease) in Accrued Pension Expense	188,239			7,536			195,775
Increase (Decrease) in Compensated Absences	(4,741)			2,696			(2,045)
Increase (Decrease) in Due to SC State Education Assistance Authority						(3,543,645)	(3,543,645)
Due to (from) Other Funds	(206,483)		(64,664)		271,147		
Net Cash Provided by (Used in) Operating Activities	\$ 438,441	\$ 2,779,382	\$ 13,084,068	\$ (3,219,416)	\$ 1,991,231	\$ (10,656)	\$ 15,063,050
<u>Cash Flows from Investing Activities</u>							
Purchase of Property and Equipment	\$ (89,861)	\$	\$	\$	\$	\$	\$ (89,861)
(Increase) Decrease in Cash Surrender Value of Life Insurance	33,350						33,350
Purchase and Issuance of Student Loans		(2,860,630)	(545,878,514)	(17,389,098)	(229,036,773)	(168,597,572)	(963,762,587)
Principal Payments on Student Loans	3,911		118,172,174	10,010,179	413,104,732	305,107,584	846,398,580
Teacher Loan Cancellations				10,862,069			10,862,069
Purchase of Investments			(33,215,561)				(33,215,561)
Unrealized (Gain) Loss on Investments	(22,109)						(22,109)
Net Cash Provided by (Used in) Investing Activities	\$ (74,709)	\$ (2,860,630)	\$ (460,921,901)	\$ 3,483,150	\$ 184,067,959	\$ 136,510,012	\$ (139,796,119)

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF CASH FLOWS BY FUND
YEAR ENDED JUNE 30, 2001

	Unrestricted		Temporarily Restricted				Total
	Operating	PAL Loans	Taxable Bond Loans	Teacher Loans	Line-of-Credit Bank Loans	Tax-Exempt Bond Loans	
<u>Cash Flows from Financing Activities</u>							
Proceeds from Financing Loans	\$	\$	\$	\$	\$	\$ 168,597,572	\$ 168,597,572
Payments on Financing Loans						(299,881,741)	(299,881,741)
Proceeds from Bank Line-of-Credit					229,036,774		229,036,774
Payments on Bank Line-of-Credit					(410,495,021)		(410,495,021)
Proceeds from Issuance of Bonds			550,000,000				550,000,000
Payments of Bonds			(98,731,193)				(98,731,193)
Payment of Costs of Bond Issuance			(3,430,974)				(3,430,974)
Net Cash Provided by (Used in) Financing Activities	\$ -	\$ -	\$ 447,837,833	\$ -	\$ (181,458,247)	\$ (131,284,169)	\$ 135,095,417
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	\$ 363,732	\$ (81,248)	\$	\$ 263,734	\$ 4,600,943	\$ 5,215,187	\$ 10,362,348
<u>Cash and Cash Equivalents</u>							
Beginning	3,961,471	156,037		11,907,512		198,274	16,223,294
Ending	\$ 4,325,203	\$ 74,789	\$ -	\$ 12,171,246	\$ 4,600,943	\$ 5,413,461	\$ 26,585,642
<u>Supplemental Disclosure of Cash Flow Information:</u>							
Cash Payments for Interest	\$ -	\$ -	\$ 54,276,836	\$ -	\$ 8,886,334	\$ -	\$ 63,163,170

SOUTH CAROLINA STUDENT LOAN CORPORATIONSCHEDULE OF PROPERTY AND EQUIPMENTYEAR ENDED JUNE 30, 2001

<u>Description and Rate</u>	<u>Cost</u>	<u>Accumulated Depreciation 6/30/00</u>	<u>Depreciation Expense</u>	<u>Disposals and Transfers</u>	<u>Accumulated Depreciation 6/30/01</u>
<u>Furniture and Fixtures:</u>					
Computer Equipment	\$ 1,504,902	\$ 1,172,842	\$ 150,604	1,855	\$ 1,321,591
Typewriters	10,005	10,005			10,005
Filing Equipment	70,518	55,235	3,191		58,426
Furniture	43,813	39,423	917		40,340
Other Office Machines	318,212	226,305	32,442	42,672	216,075
Partitions and Worksurfaces	111,934	106,398	2,839		109,237
Telephone Equipment	188,415	107,891	18,317		126,208
Miscellaneous	72,067	7,132	6,714		13,846
Total Furniture and Fixtures	\$ <u>2,319,866</u>	\$ <u>1,725,231</u>	\$ <u>215,024</u>	\$ <u>44,527</u>	\$ <u>1,895,728</u>
<u>Automobiles:</u>					
1998 Pontiac Bonneville	\$ 14,119	\$ 9,413	\$ 4,707	\$	\$ 14,120
1999 Buick Park Avenue	18,897	6,298	6,299		12,597
Total Automobiles	\$ <u>33,016</u>	\$ <u>15,711</u>	\$ <u>11,006</u>	\$ <u>-</u>	\$ <u>26,717</u>
Grand Totals	\$ <u>2,352,882</u>	\$ <u>1,740,942</u>	\$ <u>226,030</u>	\$ <u>44,527</u>	\$ <u>1,922,445</u>

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF EXPENSES
YEAR ENDED JUNE 30, 2001

	Operating Fund				Teacher Loan Program - EIA			
	2001		Variance	2000	2001		Variance	2000
	Total Budget	Actual	Favorable (Unfavorable)	Actual	Total Budget	Actual	Favorable (Unfavorable)	Actual
Operating Expenses:								
Personnel:								
Staff Salaries	\$ 3,471,750	\$ 3,339,384	\$ 132,366	\$ 3,116,591	\$ 164,625	\$ 167,530	\$ (2,905)	\$ 160,900
Part-time Salaries	86,700	62,492	24,208	49,400				
Contracted Services	26,500	24,489	2,011	24,067				
Social Security	262,000	246,962	15,038	236,534	12,600	12,139	461	11,520
Group Insurance	438,400	417,466	20,934	586,835	18,000	17,254	746	24,299
Retirement	355,500	483,660	(128,160)	390,886	14,600	20,928	(6,328)	15,518
Unemployment	6,400	6,413	(13)	6,063	325	305	20	328
Total Personnel	\$ 4,647,250	\$ 4,580,866	\$ 66,384	\$ 4,410,376	\$ 210,150	\$ 218,156	\$ (8,006)	\$ 212,565
Contractual:								
Loan Servicing	\$ 413,200	\$ 412,327	\$ 873	\$ 396,875	\$ 17,000	\$ 15,172	\$ 1,828	\$ 14,090
Legal	28,500	24,296	4,204	11,335				
Accounting	43,300	45,315	(2,015)	42,565	1,600	1,594	6	1,654
Credit Bureau Fees	75,000	57,568	17,432	58,754				
Total Contractual	\$ 560,000	\$ 539,506	\$ 20,494	\$ 509,529	\$ 18,600	\$ 16,766	\$ 1,834	\$ 15,744
General Operating:								
Rent	\$ 201,650	\$ 200,786	\$ 864	\$ 199,241	\$ 8,275	\$ 8,251	\$ 24	\$ 8,188
Telephone	188,700	179,869	8,831	171,791	7,750	7,392	358	7,060
Printing	250,650	252,659	(2,009)	234,010	8,575	7,031	1,544	5,696
Postage	535,750	543,034	(7,284)	442,591	15,000	15,094	(94)	15,942
Supplies	82,000	76,036	5,964	87,150	3,300	3,118	182	3,085
Travel	54,000	52,018	1,982	50,644	600	407	193	445
Equipment Maintenance	44,125	44,489	(364)	42,093	1,800	1,708	92	1,730
Subscriptions and Fees	34,500	32,557	1,943	28,042	125	47	78	45
Meeting and Conference Expenses	8,600	8,269	331	7,939	200	137	63	168
Insurance - General and Automotive	43,500	40,160	3,340	35,404	1,700	1,646	54	1,434
Contingencies	40,000	30,538	9,462	28,273	1,000	47	953	13
Depreciation	375,500	226,031	149,469	248,729				
Total General Operating	\$ 1,858,975	\$ 1,686,446	\$ 172,529	\$ 1,575,907	\$ 48,325	\$ 44,878	\$ 3,447	\$ 43,806
Total Operating Expenses	\$ 7,066,225	\$ 6,806,818	\$ 259,407	\$ 6,495,812	\$ 277,075	\$ 279,800	\$ (2,725)	\$ 272,115

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF EXPENSES
YEAR ENDED JUNE 30, 2001

	Operating Fund				Teacher Loan Program - EIA			
	2001		Variance Favorable (Unfavorable)	2000 Actual	2001		Variance Favorable (Unfavorable)	2000 Actual
	Total Budget	Actual			Total Budget	Actual		
Capital Additions:								
Equipment, Furniture and Fixtures	\$ 95,200	\$ 87,761	\$ 7,439	\$ 206,579	\$ 2,200	\$ 2,100	\$ 100	\$ 2,000
Automobile				18,897				
Total Capital Additions	<u>95,200</u>	<u>87,761</u>	<u>7,439</u>	<u>225,476</u>	<u>2,200</u>	<u>2,100</u>	<u>100</u>	<u>2,000</u>
Total Operating Expenses and Capital Additions	<u>\$ 7,161,425</u>	<u>\$ 6,894,579</u>	<u>\$ 266,846</u>	<u>\$ 6,721,288</u>	<u>\$ 279,275</u>	<u>\$ 281,900</u>	<u>\$ (2,625)</u>	<u>\$ 274,115</u>

SOUTH CAROLINA STUDENT LOAN CORPORATION

SCHEDULE OF ORGANIZATIONAL DATA

YEAR ENDED JUNE 30, 2001

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
Robert W. Derrick	Vice-Chairman	2002
Sharon W. Bryant	Vice-Chairman	2003
H. Roderick Murchison	Treasurer	2003
William M. Mackie, Jr.	Secretary, President	2004
Melvin E. Barnette		2002
R. Thornwell Dunlap, Jr.		2003
J. Thornton Kirby		2002
Ronald L. Epps		2004
James C. McColl		2004
Lisa Montgomery		2004
Dr. Dennis A. Pruitt, Sr.		2003

SOUTH CAROLINA STUDENT LOAN CORPORATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2001

<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		\$ 7,368,227
Subsidized Interest	84.032		<u>30,076,341</u>
Total U.S. Department of Education Programs (Major Program)			\$ <u>37,444,568</u>



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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 Directors
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, 2001, and have issued our report thereon dated August 24, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Directors 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 24, 2001



DERRICK, STUBBS & STITH, L.L.P.
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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 Directors
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, 2001. 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 auditing standards generally accepted in the United States of America; 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, 2001.

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

To the Board of Directors
South Carolina Student Loan Corporation
Page 2

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 Directors 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, Stulke + Stith, LLP

August 24, 2001

SOUTH CAROLINA STUDENT LOAN CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2001

1. Summary of Auditor's Results:
 - (i) Type of report issued on financial statements Unqualified
 - (ii) Reportable material weaknesses in internal control over financial reporting None Identified
 - (iii) Reportable conditions not considered to be material weaknesses in internal control None Identified
 - (iv) Noncompliance material to the financial statements None Noted
 - (v) Material weaknesses in internal control over major programs None Identified
 - (vi) Reportable conditions not considered to be material weaknesses in internal control over major programs None Identified
 - (vii) Type of report issued on compliance for major programs Unqualified
 - (viii) Audit findings required to be reported under paragraph .510(a) OMB 133 None Disclosed
 - (ix) Identification of major programs:
 - U.S. Department of Education:
 - Higher Education Act Insured Loan Programs:
 - Federal Family Education Loan Program:
 - Special Allowances CFDA# Expenditure
84.032 \$ 7,368,227
 - Subsidized Interest 84.032 30,076,341
 - Total Federal Family Education Loan Program (Major Program) \$ 37,444,568
 - (x) Dollar threshold used to distinguish between Type A and Type B programs \$ 1,123,337
 - (xi) 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 Reported
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 Reported
 - (ii) Audit findings which relate to both the financial statements and Federal awards None Reported

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF SUMMARY OF PRIOR YEAR AUDIT FINDINGS

JUNE 30, 2001

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

SOUTH CAROLINA STUDENT LOAN CORPORATION

SCHEDULE OF CORRECTIVE ACTION PLAN

JUNE 30, 2001

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

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SOUTH CAROLINA STUDENT LOAN CORPORATION

SUMMARY OF OPERATIONS FOR

FISCAL YEARS ENDING JUNE 30, 1997, 1998, 1999, 2000 AND 2001

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

YEARS ENDED JUNE 30, 1997, 1998, 1999, 2000 AND 2001

	1997	1998	1999	2000	2001
<u>Revenue:</u>					
Income from United States Department of Education:					
Student Loan Interest - Subsidized	\$ 26,203,944	\$ 27,370,123	\$ 28,042,548	\$ 26,050,998	\$ 30,076,341
Special Allowances	3,893,336	3,346,769	4,159,288	13,929,937	7,368,227
Student Loan Interest - Non Subsidized	45,297,573	56,173,288	66,458,725	70,970,029	86,212,845
Investment Income	1,633,909	2,283,082	3,107,978	3,303,038	4,188,702
Unrealized Gain (Loss) on Investments	0	432,550	(152,138)	(36,399)	311,237
Late Charges	556,874	591,470	662,791	726,063	736,219
Miscellaneous Payments of Student Loans	17,964	4,658	9,410	2,371	4,718
Premium on Sale of Loans	23,836	33,746	14,147	9,656	7,588
State Appropriations - Department of Education	3,016,250	3,016,250	2,016,250	2,016,250	3,916,250
Processing Fee Income	35,050	62,003	83,256	74,661	73,899
Remittance from S. C. State Education Assistance Authority for Operating Cost	5,095,183	5,469,092	5,182,592	5,884,370	6,767,917
Total Revenue	<u>\$ 85,773,919</u>	<u>\$ 98,783,031</u>	<u>\$ 109,584,847</u>	<u>\$ 122,930,974</u>	<u>\$ 139,663,943</u>
<u>Expenses:</u>					
Personnel	\$ 3,915,603	\$ 4,157,138	\$ 5,021,192	\$ 4,622,940	\$ 4,799,022
Contractual Services	390,914	402,823	464,781	525,273	556,272
General Operating	1,470,416	1,602,587	2,502,370	1,619,713	1,731,324
Interest on Debt	28,831,014	39,613,057	44,790,710	55,265,208	62,328,963
TLP Cancellations	4,476,933	4,091,565	3,898,664	4,188,420	10,682,069
Amortization of Deferred Cost of Bond Issuance	18,017	32,432	43,580	88,713	349,305
Payments to S. C. Education Assistance Authority for:					
Student Loan Income	33,605,752	30,739,335	30,803,775	33,513,035	32,271,894
Loan Fees	1,436,571	1,633,438	1,998,901	2,359,524	2,725,527
Windfall Profit Rebate Expense	0	0	0	0	0
Reinsurance Expense	29,878	43,770	102,964	71,397	161,176
Borrower Incentives	0	0	0	0	242,178
Loss (Gain) on Disposal of Equipment	0	19,966	27,016	0	0
Broker Dealer Fees	230,602	459,032	1,020,013	952,328	1,000,748
Other	112,453	121,867	151,342	214,691	232,334
Total Expenses	<u>\$ 74,518,153</u>	<u>\$ 82,917,010</u>	<u>\$ 90,825,308</u>	<u>\$ 103,421,242</u>	<u>\$ 117,080,812</u>
Change in Net Assets	<u>\$ 11,255,766</u>	<u>\$ 15,866,021</u>	<u>\$ 18,759,539</u>	<u>\$ 19,509,732</u>	<u>\$ 22,583,131</u>
Net Assets, Beginning	<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>
<u>Net Assets, Ending:</u>					
Temporarily Restricted for Bonds	\$ 11,316,955	\$ 23,696,062	\$ 40,443,259	\$ 55,632,030	\$ 78,182,265
Temporarily Restricted for Teacher Loans	24,943,829	27,333,549	28,737,310	29,791,514	26,516,694
Unrestricted	16,312,884	17,410,078	18,018,659	21,285,416	24,413,132
Total Liabilities and Net Assets	<u>\$ 52,573,668</u>	<u>\$ 68,439,689</u>	<u>\$ 87,199,228</u>	<u>\$ 106,708,960</u>	<u>\$ 129,112,091</u>

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SOUTH CAROLINA STUDENT LOAN CORPORATION

UNAUDITED

BALANCE SHEET AND INCOME STATEMENT

FOR THE SIX MONTH PERIOD

JULY 1, 2001 THROUGH DECEMBER 31, 2001

AS PREPARED BY THE CORPORATION

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SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF FINANCIAL POSITION BY FUND
DECEMBER 31, 2001

ASSETS	Unrestricted		Temporarily Restricted			Total	
	Operating	PAL Loans	Taxable Bond Loans	Teacher Loans	Line-of-Credit Bank Loans		Tax-Exempt Bond Loans
Current Assets:							
Cash and Cash Equivalents	\$ 3,628,704	\$ 570,257	\$	\$ 13,312,501	\$ 4,185,501	\$ 54,358,878	\$ 76,055,841
Investments	192,189		845,788				1,037,977
Current Portion of Student Loan Receivables			112,453,843	10,509,634	578,424	78,774,726	202,316,627
Interest Due from Borrowers	7,439	609,298	24,251,213	1,736,057	138,028	4,477,383	31,219,418
Due from United States Department of Education	7		4,327,856		47,807	337,578	4,713,248
Due from SC State Education Assistance Authority	22,393	15,242	21,760,342	168,393	31,350		21,997,720
Accrued Investment Income	17,826		149,683	151,473			318,982
Miscellaneous Operating Receivables	727		52				779
Prepaid Expenses	4,915						4,915
Due from (to) Other Funds	10,527,656		13,353		(10,541,009)		
Total Current Assets	\$ 14,401,856	\$ 1,194,797	\$ 163,802,130	\$ 25,878,058	\$ (5,559,899)	\$ 137,948,565	\$ 337,665,507
Investments and Long-Term Receivables:							
Investments	\$	\$	\$ 68,626,033	\$	\$	\$	\$ 68,626,033
Other Student Loan Receivables Less, Current Portion	47,746	11,125,609	1,016,292,468		6,540,088	284,994,029	1,318,999,940
Teacher Loans Receivable - Net Allowance for Teacher Loan Cancellations of \$16,310,213.17 and Current Portion				2,806,590			2,806,590
Deferred Cost of Issuance of Bonds			3,801,556				3,801,556
Total Investments and Long-Term Receivables	\$ 47,746	\$ 11,125,609	\$ 1,088,720,057	\$ 2,806,590	\$ 6,540,088	\$ 284,994,029	\$ 1,394,234,119
Property and Equipment:							
Furniture and Equipment	\$ 2,308,964	\$	\$	\$	\$	\$	\$ 2,308,964
Automobiles	37,397						37,397
Less, Accumulated Depreciation	(2,008,924)						(2,008,924)
Net Property and Equipment	\$ 337,437	\$	\$	\$	\$	\$	\$ 337,437
Total Assets	\$ 14,787,039	\$ 12,320,406	\$ 1,252,522,187	\$ 28,684,648	\$ 980,189	\$ 422,942,594	\$ 1,732,237,063

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF FINANCIAL POSITION BY FUND

DECEMBER 31, 2001

LIABILITIES AND NET ASSETS	Unrestricted		Temporarily Restricted				Total
	Operating	PAL Loans	Taxable Bond Loans	Teacher Loans	Line-of-Credit Bank Loans	Tax-Exempt Bond Loans	
<u>Current Liabilities:</u>							
Current Portion of Notes Payable - Finance Loans	\$	\$	\$	\$	\$	\$ 78,774,726	\$ 78,774,726
Current Maturities of Bonds Payable			118,555,714				118,555,714
Interest Payable			1,702,388		8,796		1,711,184
Accounts Payable	40,686	13,530		34,564		30,592	119,372
Customer Refunds Payable			29,800	249	236	19,513	49,798
Accrued Pension Payable	593,397			21,779			615,176
Compensated Absences	176,668			18,016			194,684
Retiree Medical Insurance Payable	111,550			1,725			113,275
Due to S.C. State Education Assistance Authority						4,814,961	4,814,961
Total Current Liabilities	\$ 922,301	\$ 13,530	\$ 120,287,902	\$ 76,333	\$ 9,032	\$ 83,639,792	\$ 204,948,890
<u>Long-Term Debt:</u>							
Bonds Payable Less, Current Maturities and Bond Premiums and Discounts	\$	\$	\$ 1,039,301,214	\$	\$	\$	\$ 1,039,301,214
Notes Payable - Finance Loans Less, Current Maturities						339,302,802	339,302,802
Notes Payable to Banks					971,157		971,157
Total Long-Term Debt	\$	\$	\$ 1,039,301,214	\$	\$ 971,157	\$ 339,302,802	\$ 1,379,575,173
Total Liabilities	\$ 922,301	\$ 13,530	\$ 1,159,589,116	\$ 76,333	\$ 980,189	\$ 422,942,594	\$ 1,584,524,063
<u>Net Assets:</u>							
Temporarily Restricted For Bond Indentures							
Current Debt Service	\$	\$	\$ 43,410,607	\$	\$	\$	\$ 43,410,607
Temporarily Restricted For Bond Indentures			49,522,464				49,522,464
Temporarily Restricted For Teacher Loans				28,608,315			28,608,315
Unrestricted	13,864,738	12,306,876					26,171,614
Total Net Assets	\$ 13,864,738	\$ 12,306,876	\$ 92,933,071	\$ 28,608,315	\$	\$	\$ 147,713,000
Total Liabilities and Net Assets	\$ 14,787,039	\$ 12,320,406	\$ 1,252,522,187	\$ 28,684,648	\$ 980,189	\$ 422,942,594	\$ 1,732,237,063

SOUTH CAROLINA STUDENT LOAN CORPORATION

SCHEDULE OF ACTIVITIES BY FUND

SIX MONTHS ENDING DECEMBER 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	\$ 7		\$ 9,265,813	\$ (2,133)	\$ 110,788	\$ 1,913,097	\$ 11,287,572
Special Allowances			118,963	61	21	3,496,288	3,615,333
Student Loan Interest - Non Subsidized	1,660	330,351	26,123,919	1,245,491	84,517	6,369,270	34,155,208
Investment Income	119,958	3,057	1,936,294	311,214	223		2,370,746
Unrealized Gain (Loss) on Investments	(55,866)			194,204			138,338
Late Charges	22	275	236,444	3,349	32	58,106	298,228
Miscellaneous Payments of Student Loans			16	35	68	730	849
Premium on Sale of Loans					2,241		2,241
State Appropriations - Department of Education				4,871,034			4,871,034
Processing Fee Income		7,107					7,107
Remittance from SC State Education Assistance Authority for Operating Cost	3,690,193						3,690,193
Total Revenue	\$ 3,755,974	\$ 340,790	\$ 37,681,449	\$ 6,623,255	\$ 197,890	\$ 11,837,491	\$ 60,436,849
Expenses:							
Personnel	\$ 2,523,638			\$ 124,021			\$ 2,647,659
Contractual Services	319,127			11,019			330,146
General Operating	927,486			21,482			948,968
Interest on Debt			20,265,492		39,896		20,305,388
TLP Cancellations				4,446,380			4,446,380
Amortization of Deferred Cost of Bond Issuance			366,326				366,326
Payments to S. C. State Education Assistance Authority for Student Loan Income						10,040,233	10,040,233
Loan Fees			284,179		3,002	1,788,206	2,075,387
Reinsurance Expense			76,152			9,052	85,204
Borrower Incentives							
Loss on Disposal of Equipment							
Broker Dealer Fees			492,123				492,123
Other		(21,050)	108,059	3,012	8,105		98,126
Total Expenses	\$ 3,770,251	\$ (21,050)	\$ 21,592,331	\$ 4,605,914	\$ 51,003	\$ 11,837,491	\$ 41,835,940
Transfers Between Accounts:							
Transfers In	\$ 1,564,835	\$ 2,200,000		\$ 153,915			\$ 3,918,750
Transfers Out	(2,353,916)		(1,338,312)	(79,635)	(146,887)		(3,918,750)
Total Transfers Between Accounts	\$ (789,081)	\$ 2,200,000	\$ (1,338,312)	\$ 74,280	\$ (146,887)		
Change in Net Assets	\$ (803,358)	\$ 2,561,840	\$ 14,750,806	\$ 2,091,621	\$	\$	\$ 18,600,909
Net Assets, Beginning	\$ 14,668,096	\$ 9,745,036	\$ 78,182,265	\$ 26,516,694	\$	\$	\$ 129,112,091
Net Assets, Ending	\$ 13,864,738	\$ 12,306,876	\$ 92,933,071	\$ 28,608,315	\$	\$	\$ 147,713,000

**SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF EXPENSES
FOR THE SIX MONTHS ENDING DECEMBER 31, 2001**

	Operating Fund			2000 Actual
	2001 Total Budget	2001 Actual	2001 Variance Favorable (Unfavorable)	
Operating Expenses:				
Personnel:				
Staff Salaries	\$ 1,832,262	\$ 1,795,207	\$ 37,055	\$ 1,710,033
Part-Time Salaries	41,080	33,844	7,236	28,884
Contractual Salaries	15,350	18,945	(3,595)	10,422
Social Security	131,360	130,138	1,222	123,325
Group Insurance	371,876	343,049	28,827	219,944
Retirement	199,500	201,464	(1,964)	181,019
Unemployment	955	991	(36)	958
Total Personnel	<u>\$ 2,592,383</u>	<u>\$ 2,523,638</u>	<u>\$ 68,745</u>	<u>\$ 2,274,585</u>
Contractual:				
Loan Servicing	\$ 258,000	\$ 231,687	\$ 26,313	\$ 154,433
Legal	9,700	7,200	2,500	17,084
Accounting	33,040	32,988	52	32,009
Credit Bureau	47,410	47,252	158	29,128
Total Contractual	<u>\$ 348,150</u>	<u>\$ 319,127</u>	<u>\$ 29,023</u>	<u>\$ 232,654</u>
General Operating:				
Rent	\$ 104,035	\$ 103,932	\$ 103	\$ 100,393
Telephone	95,710	96,210	(500)	90,474
Printing	125,420	122,559	2,861	144,805
Postage	324,935	320,868	4,067	313,053
Supplies	35,695	35,597	98	31,358
Travel	23,900	25,199	(1,299)	19,859
Equipment Maintenance	30,485	28,589	1,896	27,404
Subscriptions and Fees	34,505	28,878	5,627	31,287
Meeting and Conference Expenses	2,665	1,476	1,189	1,898
Insurance - General & Automobile	39,950	43,215	(3,265)	40,160
Contingencies	20,000	9,463	10,537	6,592
Depreciation	111,500	111,500	0	187,750
Total General Operating	<u>\$ 948,800</u>	<u>\$ 927,486</u>	<u>\$ 21,314</u>	<u>\$ 995,033</u>
Total Operating Expenses	<u>\$ 3,889,333</u>	<u>\$ 3,770,251</u>	<u>\$ 119,082</u>	<u>\$ 3,502,272</u>
Capital Additions:				
Equipment and Software	\$ 4,000	\$ 0	\$ 4,000	\$ 21,702
Automobile	19,000	18,500	500	0
Total Capital Additions	<u>\$ 23,000</u>	<u>\$ 18,500</u>	<u>\$ 4,500</u>	<u>\$ 21,702</u>
Total Operating Expenses and Capital Additions	<u>\$ 3,912,333</u>	<u>\$ 3,788,751</u>	<u>\$ 123,582</u>	<u>\$ 3,523,974</u>

**SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF EXPENSES
FOR THE SIX MONTHS ENDING DECEMBER 31, 2001**

	Teacher Loan Program - EIA			2000
	Total Budget	2001 Actual	Variance Favorable (Unfavorable)	Actual
<u>Operating Expenses:</u>				
<u>Personnel:</u>				
Staff Salaries	\$ 95,136	\$ 92,729	\$ 2,407	\$ 82,513
Social Security	7,275	6,617	658	5,967
Group Insurance	15,303	14,119	1,184	9,065
Retirement	10,398	10,556	(158)	7,460
Unemployment	30	0	30	1
Total Personnel	<u>\$ 128,142</u>	<u>\$ 124,021</u>	<u>\$ 4,121</u>	<u>\$ 105,006</u>
<u>Contractual:</u>				
Loan Servicing	\$ 9,300	\$ 9,516	\$ (216)	\$ 6,490
Accounting	1,514	1,503	11	1,334
Total Contractual	<u>\$ 10,814</u>	<u>\$ 11,019</u>	<u>\$ (205)</u>	<u>\$ 7,824</u>
<u>General Operating:</u>				
Rent	\$ 4,560	\$ 4,271	\$ 289	\$ 4,126
Telephone	3,925	3,954	(29)	3,718
Printing	1,300	555	745	686
Postage	9,147	8,190	957	8,293
Supplies	1,480	1,461	19	1,290
Travel	200	75	125	65
Equipment Maintenance	1,250	1,174	76	1,126
Subscriptions & Fees	75	20	55	20
Meeting and Conference Expenses	50	6	44	10
Insurance - General & Auto	1,610	1,776	(166)	1,645
Contingencies	500	0	500	0
Total General Operating	<u>\$ 24,097</u>	<u>\$ 21,482</u>	<u>\$ 2,615</u>	<u>\$ 20,979</u>
Total Operating Expenses	<u>\$ 163,053</u>	<u>\$ 156,522</u>	<u>\$ 6,531</u>	<u>\$ 133,809</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>\$ 163,053</u>	<u>\$ 156,522</u>	<u>\$ 6,531</u>	<u>\$ 133,809</u>

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FORM OF OPINION OF BOND COUNSEL

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FORM OF OPINION OF BOND COUNSEL

MCNAIR LAW FIRM, P.A.

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[Date of Delivery]

South Carolina Student Loan Corporation
Columbia, South Carolina

First Union Securities, Inc.
Charlotte, North Carolina

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

The Bank of New York
New York, New York

Banc of America Securities LLC
Charlotte, North Carolina

Re: \$210,000,000 South Carolina Student Loan Corporation Education Loan Revenue Bonds, 2002 Series; consisting of \$160,000,000 2002 Series LIBOR Indexed Bonds and \$50,000,000 2002 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 2002 Series Education Loan Revenue Bonds, described above (the "2002 Series Bonds") of the South Carolina Student Loan Corporation (the "Corporation"), a nonprofit, public-benefit corporation under the laws of the State.

The 2002 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, as amended (the "General Resolution"); and

(ii) a Series Resolution Providing for the Issuance and Sale of Not Exceeding Two Hundred Fifty Million Dollars (\$250,000,000) South Carolina Student Loan Corporation Education Loan Revenue Bonds, 2002 Series; and Other Matters Relating Thereto (the "2002 Series Resolution").

The General Resolution and the 2002 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 2002 Series LIBOR Indexed Bonds are dated the date of their delivery and bear interest, after the Initial Period, at the LIBOR Indexed Rate. The 2002 Series CP Indexed Bonds are dated the date of their delivery and bear interest, after the Initial Period, at the CP Indexed Rate. The 2002 Series Bonds mature, subject to Principal Reduction Payments, on the Stated Maturity. The 2002 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 2002 Series Bonds is payable on each Interest Payment Date until maturity or earlier payment of such 2002 Series Bonds.

The 2002 Series Bonds are not subject to optional redemption.

All of the 2002 Series Bonds are issuable as fully registered bonds in Authorized Denominations as provided in the 2002 Series Resolution and are numbered in such fashion as to maintain a proper record thereof.

The 2002 Series Bonds are issued to (i) finance and refinance the acquisition and making of Guaranteed 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 2002 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 2002 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 2002 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 2002 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 2002 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 2002 Series Bonds may be limited by applicable bankruptcy, insolvency, or other laws affecting the enforcement of creditors' rights. Such 2002 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 2002 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 2002 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 2002 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 thereon imposed by law.

Very truly yours,

McNAIR LAW FIRM, P.A.

By: _____
M. William Youngblood

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SOUTH CAROLINA
STUDENT LOAN
CORPORATION



Making Higher Education Affordable