



\$275,000,000

**SOUTH CAROLINA STUDENT LOAN CORPORATION
EDUCATION LOAN REVENUE BONDS
2003 SERIES**

Dated: Delivery Date

Price: 100%

2003 Series Bonds	Principal Amount	Interest Rate	First Auction Date	First Interest Payment Date	Standard Auction Period	Final Maturity Date	CUSIP
Series A-1	\$75,000,000	Auction Rate	June 21, 2004	September 2, 2003	1 year	June 1, 2033	83714RAR4
Series A-2	\$67,000,000	Auction Rate	July 18, 2003	July 21, 2003	28 days	June 1, 2033	83714RAS2
Series A-3	\$67,000,000	Auction Rate	July 25, 2003	July 28, 2003	28 days	June 1, 2033	83714RAT0
Series A-4	\$66,000,000	Auction Rate	August 1, 2003	August 4, 2003	28 days	June 1, 2043	83714RAU7

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

The 2003 Bonds will be limited obligations of the Corporation. The Corporation has no taxing power.

The 2003 Bonds will 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	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	\$275,000,000 of the Corporation's Education Loan Revenue Bonds, 2003 Series (the "2003 Bonds") will be issued in fully registered book-entry form only on or about June 25, 2003. The 2003 Bonds will be initially issued and thereafter transferable in denominations of \$50,000 and integral multiples thereof.
Interest	Interest on the 2003 Series A-1 Bonds will be payable in arrears semi-annually at the Auction Rate on the first Business Day of September and March of each year, commencing September 2, 2003. Interest on the 2003 Series A-2 Bonds, the 2003 Series A-3 Bonds and the 2003 Series A-4 Bonds will be payable in arrears every 28 days on the first Business Day after each Auction Date, commencing July 21, 2003, July 28, 2003 and August 4, 2003, respectively. Interest on the 2003 Bonds will also be payable in arrears on any redemption date and at maturity. All such interest payment dates are subject to adjustment as described herein.
Auctions	Auctions for the 2003 Series A-1 Bonds will be held on June 21, 2004, and thereafter annually on June 20 or the first Business Day thereafter. Auctions for the 2003 Series A-2 Bonds will be held on July 18, 2003, and thereafter generally every 28 days. Auctions for the 2003 Series A-3 Bonds will be held on July 25, 2003, and thereafter generally every 28 days. Auctions for the 2003 Series A-4 Bonds will be held on August 1, 2003, and thereafter generally every 28 days. All such auction dates are subject to adjustment as described herein.
Principal	Principal will be due at stated maturity, although the 2003 Bonds will be subject to redemption prior to maturity, at the option of the Corporation, in whole or in part, without premium, on the first date of any Auction Period.
Seniority	The 2003 Bonds will be "Senior Lien Bonds" on a parity with the Corporation's Outstanding 1996 Bonds, 1997 Bonds, 1998 Bonds, 1999 Bonds, 2000 Bonds, 2001 Bonds and 2002 Bonds.
Security	The 2003 Bonds will be limited obligations of the Corporation payable primarily from collections on a pool of student loans for 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

The date of this Official Statement is June 12, 2003

SOUTH CAROLINA STUDENT LOAN CORPORATION

BOARD OF DIRECTORS

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

SENIOR MANAGEMENT

William M. Mackie, Jr., *President and CEO*
Charlie C. Sanders, Jr., *Executive Vice President and COO*
Randall G. Thompson, *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*

BOND COUNSEL

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

TRUSTEE

The Bank of New York
New York, New York

AUCTION AGENT

Wilmington Trust Company
Wilmington, Delaware

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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 the Corporation or the Underwriters.

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 2003 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 2003 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 2003 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 SECURITIES AND EXCHANGE COMMISSION, THESE JURISDICTIONS NOR ANY OF THEIR AGENCIES HAVE APPROVED, DISAPPROVED, GUARANTEED OR PASSED UPON THE SAFETY OF THE 2003 BONDS AS AN INVESTMENT, UPON THE PROBABILITY OF ANY EARNINGS THEREON, OR UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT.

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 the Corporation’s 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 anticipated results, 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 2003 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. See “*RISK FACTORS*.”

SUMMARY STATEMENT

This Summary Statement is subject in all respects to more complete information contained in this Official Statement. The offering of the 2003 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. All capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Resolution. *See EXHIBIT II – “GLOSSARY OF CERTAIN DEFINED TERMS FROM THE GENERAL AND 2003 SERIES RESOLUTIONS.”*

PRINCIPAL PARTIES

Issuer	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 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. <i>See “THE CORPORATION.”</i>
Guarantee Agency	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”). <i>See “SOUTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY.”</i>
Trustee	The Bank of New York, New York, New York (the “Trustee”). The Trustee will also act as paying agent and registrar for the 2003 Bonds.
The Securities Depository	The Depository Trust Company, New York, New York (the “Securities Depository”). Delivery of the 2003 Bonds will be made through the Securities Depository and its participating organizations.
Rating Agencies	Fitch Ratings, Standard & Poor’s and Moody’s Investors Service, Inc. (the “Rating Agencies”). It is a condition to the issuance and delivery of the 2003 Bonds that the 2003 Bonds be rated AAA by Fitch and Standard & Poor’s and Aaa by Moody’s. <i>See “RATINGS.”</i>
Auction Agent	Wilmington Trust Company
Market Agent	William R. Hough & Co.
Broker-Dealers	Banc of America Securities LLC Scott & Stringfellow, Inc. (trading as BB& T Capital Markets) Wachovia Securities, LLC William R. Hough & Co.

THE 2003 BONDS

The 2003 Bonds

The 2003 Bonds will be issued in four tranches (each a “Tranche”):

- 2003 Series A-1 Senior Lien Auction Rate Bonds in the aggregate principal amount of \$75,000,000 (the “2003 Series A-1 Bonds”),
- 2003 Series A-2 Senior Lien Auction Rate Bonds in the aggregate principal amount of \$67,000,000 (the “2003 Series A-2 Bonds”),
- 2003 Series A-3 Senior Lien Auction Rate Bonds in the aggregate principal amount of \$67,000,000 (the “2003 Series A-3 Bonds”), and
- 2003 Series A-4 Senior Lien Auction Rate Bonds in the aggregate principal amount of \$66,000,000 (the “2003 Series A-4 Bonds”).

The 2003 Bonds will be issued pursuant to a June 7, 1996 General Resolution (the “General Resolution”) and a Series Resolution to be effective as of June 19, 2003 (the “2003 Series Resolution”) (collectively, the “Resolution”), each adopted by the Corporation’s Board of Directors.

The 2003 Bonds will be payable primarily from collections on a pool of student loans, discussed below.

Denominations.....

The 2003 Bonds will be issued and available for purchase in multiples of \$50,000 and available in book-entry form only. Purchasers will not receive certificates representing their interests except as described herein.

Maturity Dates

2003 Series A-1 Bonds: June 1, 2033
2003 Series A-2 Bonds: June 1, 2033
2003 Series A-3 Bonds: June 1, 2033
2003 Series A-4 Bonds: June 1, 2043

Outstanding Parity Bonds.....

The 2003 Bonds will be issued as “Senior Lien Bonds” on parity with the lien of 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 under the General Resolution (“Additional Bonds”). See “*Priority of Security and Additional Bonds*” and “*CORPORATION DEBT OUTSTANDING*.” The Corporation’s Outstanding Senior Lien Bonds are referred to herein as the “Prior Bonds” and are Outstanding in the total principal amount of \$1,197,377,363 as of the date of this Official Statement. The Prior Bonds, the 2003 Bonds and any Additional Bonds are referred to herein as the “Bonds.”

Interest Rates on the 2003 Bonds

The 2003 Bonds will bear interest at the Initial Interest Rate for each Tranche during the respective Initial Periods and thereafter at the Auction Rate for such Tranche.

The Initial Interest Rate is the rate of interest that will be set forth in the Corporation Issuance and Sale Certificate for the period beginning on the delivery date and ending on and including the day prior to the first Interest Rate Adjustment Date for each Tranche (i.e., the Initial Period). The Interest Rate Adjustment Date, with respect to any Tranche, is the first Business Day after each Auction Date (i.e., the commencement of each Auction Period).

The Auction Rate, with respect to each Tranche, is the rate of interest established for each Auction Period pursuant to the implementation of certain auction procedures established by the 2003 Series Resolution. *See EXHIBIT III hereto -- "AUCTION AND SETTLEMENT PROCEDURES."*

The Maximum Auction Rate is the lesser of (i) the Average CP Rate plus 1.00% (for 2003 Bonds rated AAA by Fitch and Standard & Poor's and rated Aaa by Moody's), or (ii) the maximum rate permitted by South Carolina law, but in no event greater than 20%. The Average CP Rate is the three (3) month Commercial Paper Rate for the 30 days preceding the current Auction Date and reported on the Federal Reserve Statistical Release H.15 as of the Business Day prior to the Auction Date (converted if necessary from a discount basis to a bond equivalent yield as herein described - *see definition of "Average CP Rate" in EXHIBIT II hereto*).

**Auctions, Auction Dates
and Auction Periods**

Auctions for the 2003 Series A-1 Bonds will be held on June 21, 2004, and thereafter annually on June 20 or the first Business Day thereafter. Auctions for the 2003 Series A-2 Bonds will be held on July 18, 2003, and thereafter generally every 28 days. Auctions for the 2003 Series A-3 Bonds will be held on July 25, 2003, and thereafter generally every 28 days. Auctions for the 2003 Series A-4 Bonds will be held on August 1, 2003, and thereafter generally every 28 days. All such Auction Dates are subject to adjustment as described herein. To the extent that the Maximum Auction Rate applies to a Tranche with an Auction Period of greater than 180 days, the Standard Auction Period with respect to such Tranche will automatically convert to an Auction Period of 28 days. *See "THE 2003 BONDS."*

**Interest Computations
and Payments**

Interest on the outstanding principal balance of the 2003 Bonds will be computed on the basis of the actual number of days elapsed in each Interest Period divided by 360 and payable in arrears. For each Tranche during an Auction Period of not greater than 180 days, interest will be payable on the Business Day immediately following each Auction Date. For each Tranche during an Auction Period of greater than 180 days, interest will be payable on the first Business Day of each March and September.

The first Interest Payment Date for each Tranche is as follows:

- 2003 Series A-1 Bonds: September 2, 2003
- 2003 Series A-2 Bonds: July 21, 2003
- 2003 Series A-3 Bonds: July 28, 2003
- 2003 Series A-4 Bonds: August 4, 2003

Interest on the 2003 Bonds will accrue for each Interest Period and will be payable, in arrears, on each succeeding Interest Payment Date. With respect to an Auction Period of not greater than 180 days for a given Tranche, the Interest Period is the Initial Period and thereafter the period commencing on and including the first Business Day after each Auction Date and ending on and excluding the Business Day immediately following the next Auction Date (i.e., the Interest Accrual Period). With respect to an Auction Period of greater than 180 days for a given Tranche, the Interest Period is the period from the date of delivery of the 2003 Bonds through and including August 31, 2003, and thereafter the period from (i) each September 1 through and including February 28, or if applicable, February 29, and (ii) each March 1 through and including August 31.

On each Interest Payment Date, interest on the 2003 Bonds will be 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 2003 Bonds shall be Cede & Co., as nominee of the Securities Depository.

Redemption

The 2003 Bonds will be subject to redemption, at the option of the Corporation, prior to maturity in whole or in part, without premium, on the first day of any Auction Period.

USE OF PROCEEDS

**Use of Initial Proceeds
of 2003 Bonds**

The initial proceeds of the 2003 Bonds will be used to:

- finance and refinance the acquisition and making of Guaranteed Loans, as discussed below,
- fund a deposit to the Senior Lien Account of the Debt Service Reserve Fund, and
- pay costs and expenses associated with the issuance of the 2003 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 between a Guarantee Agency and the Secretary pursuant to the Higher Education Act.

**Use of Recycled Proceeds
of the Bonds.....**

Through June 30, 2005 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 and 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 will be financed with the initial proceeds of the 2003 Bonds, and the Corporation has no present intention to finance Alternative Loans with proceeds of any Bonds issued under the General Resolution. The Guaranteed Loans and the Alternative Loans, if any, are collectively referred to herein 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 by the Corporation with initial proceeds of the 2003 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 IV – “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 2003 Bonds may include:

- Education Loans, including Guaranteed Loans and Alternative Loans, pledged under the Resolution. See “*EXPECTED APPLICATION OF 2003 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 ratings confirmation 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 of 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 held from time to time 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 conveyed, mortgaged, pledged, assigned or transferred from time to time 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 by the Corporation with the initial proceeds of the 2003 Bonds and thereafter acquired with payments in respect of Pledged Assets will be guaranteed by the Authority, or another approved Guarantee Agency, as to unpaid principal and accrued interest at not less than the maximum percentage permitted under the Higher Education Act, and reinsured by the Secretary under a formula of reimbursement as provided in the Higher Education Act. As of the date hereof, no Alternative Loans have been financed with proceeds of the Prior Bonds, no Alternative Loans will be financed with the initial proceeds of the 2003 Bonds, and the Corporation has no 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 2003 Bonds will be 1% of the Outstanding principal amount of the 2003 Bonds. Immediately after issuance of the 2003 Bonds, the balance in the Senior Lien Account of the Debt Service Reserve Fund is expected to equal \$15,842,111, which is 1.08% 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 that constitute Pledged Assets, and any other moneys or assets designated by the Corporation from time to time as Pledged Assets, 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 of Senior Lien Bonds;
- *Third*, for the payment of interest on Subordinate Lien Bonds, if any;
- *Fourth*, for the payment of principal of 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*, to finance additional Education Loans or to retire or redeem the Bonds, subject to certain limitations as discussed herein.

See EXHIBIT IV - "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 2003 Bonds will be on a parity 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 on parity with the Prior Bonds and the 2003 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 Additional Bonds, the rights of the holders of all other notes, bonds and other obligations of the Corporation (with respect to 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 2003 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.*

Collateralization

Upon issuance and after application of the initial proceeds of the 2003 Bonds, Pledged Assets are expected to equal approximately 108% of the outstanding principal amount of and accrued interest on the Bonds.

MISCELLANEOUS

**Bond Purchase
Agreement**

The 2003 Bonds will be purchased by the Underwriters specified on the cover of this Official Statement pursuant to the terms and conditions of two (2) Bond Purchase Agreements to be entered into by and between the Corporation and the Underwriters on or before June 24, 2003, subject to certain conditions, at an aggregate purchase price equal to \$274,070,500. *See "UNDERWRITING."*

Cutoff Date

The Corporation plans to acquire Guaranteed Loans with initial proceeds of the 2003 Bonds based upon a cutoff date of June 1, 2003.

Tax Matters

In the opinion of McNair Law Firm, P.A., Bond Counsel, interest on the 2003 Bonds will not be excluded from the gross income of the owners thereof for either federal or State income tax purposes. *See "TAX MATTERS."*

ERISA Considerations ...	Subject to important considerations and conditions described in this Official Statement, the 2003 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 2003 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 2003 Bonds will be deemed to represent that a prohibited transaction will not occur by reason of the purchase or holding of the 2003 Bonds or, if one does occur, that an appropriate exemption applies. See “ <i>ERISA AND OTHER CODE CONSIDERATIONS.</i> ”
Risk Factors.....	For a detailed discussion of risk factors that should be considered by potential purchasers of the 2003 Bonds, see “ <i>RISK FACTORS.</i> ”
Related Parties	Two of the Directors of the Corporation are also employees of an Underwriter of the 2003 Bonds or of a related party to an Underwriter. See “ <i>THE CORPORATION</i> ” and the table therein entitled “ <i>Management and Administration.</i> ” The Board of Directors of the Corporation authorized and approved the transactions contemplated by the General Resolution and all subsequent Series Resolutions, including the 2003 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 2003 Series Resolution, the Corporation has agreed to provide such continuing, secondary market disclosures and confirmations as are described by Rule 15c2-12 issued under the Securities Exchange Act of 1934, as amended, promulgated by the Securities and Exchange Commission. As of the date hereof, the Corporation is in compliance with its continuing disclosure undertaking with respect to the Prior Bonds.
CUSIP Numbers.....	2003 Series A-1 Bonds: 83714RAR4 2003 Series A-2 Bonds: 83714RAS2 2003 Series A-3 Bonds: 83714RAT0 2003 Series A-4 Bonds: 83714RAU7

THE 2003 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.

RISK FACTORS

Experience with Respect to Pledged Assets May Vary from Assumptions.

There can be no assurance that the assumptions and considerations on which the Corporation relied concerning the timing and sufficiency of receipts of revenues with respect to 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 2003 Bonds could experience a delay in payment or losses on the 2003 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 2003 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 Agency, and the amount of claims reimbursed by the Secretary, discussed below. Should a Guarantee Agency’s financial condition deteriorate, holders of the 2003 Bonds may suffer delays in payment or losses on the 2003 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 guarantee 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 2003 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 2003 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 2003 Bonds in any period. Consequently, the repayment of the 2003 Bonds may be earlier than anticipated.

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 2003 Bonds are outstanding and accruing interest may be longer than anticipated.

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

After the Initial Period, unless and until the interest rate determination is changed to another method, the interest rates on 2003 Bonds for each Interest Accrual Period will be the Auction Rates that result from implementation of the Auction Procedures described in *EXHIBIT III – "AUCTION AND SETTLEMENT PROCEDURES"* hereto. The Auction Rate 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 2003 Bonds and the determination of the interest and interest-related payments received by the Corporation from Education Loans securing the Prior Bonds and the 2003 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 2003 Bonds and other costs of the Corporation in servicing such Education Loans and administering its Student Loan Finance Program. Further, initial proceeds of the 2003 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 2003 Bonds.

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

The Higher Education Act is expected to be reauthorized by the end of September 2004. There can be no assurance, however, 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 make principal and interest payments on the Prior Bonds, the 2003 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 2003 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 Corporation's ability to make principal and interest payments on the 2003 Bonds. 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 principal and interest payments on the 2003 Bonds.

There is Uncertainty as to the Remedies Available to Holders of the 2003 Bonds.

The remedies available to owners of the 2003 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 issuance of the 2003 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 2003 Bonds Does Not Develop, the Value of the 2003 Bonds May Diminish.

The 2003 Bonds will be a new issue by the Corporation without an established trading market. The Underwriters may assist in resales of the 2003 Bonds but are not required to do so. A secondary market for the 2003 Bonds may not develop, which may adversely affect the value of the 2003 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 2003 Bonds.

Furthermore, the interest rate procedures and transfer requirements described herein may limit the liquidity, marketability and value of the 2003 Bonds and therefore may not yield an owner the best possible price for a 2003 Bond. The ratings of the 2003 Bonds by the Rating Agencies will not address the market liquidity of the 2003 Bonds.

The 2003 Bonds are Limited Obligations.

The 2003 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 2003 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 principal of and interest on the 2003 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 2003 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 2003 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 2003 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 purchasers 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 2003 Bonds May be Unable to Reinvest Principal Payments at the Yield Earned on the 2003 Bonds.

Asset-backed securities such as the 2003 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 2003 Bonds. Similarly, holders are likely to receive less money to reinvest when other investments generally are producing higher yields than the yield on the 2003 Bonds.

The Withdrawal or Downgrade of Initial Ratings May Decrease the Value of the 2003 Bonds.

A Rating Agency may revise or withdraw its rating of the 2003 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 2003 Bonds and the price a subsequent purchaser is willing to pay for such securities.

Holders of the 2003 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 Rating Agencies that the outstanding respective ratings assigned by such Rating 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 2003 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 2003 Bonds, purchasers of the 2003 Bonds will be relying on the evaluation by the Rating Agencies of such actions and their impact on credit quality.

The 2003 Bonds are to be Issued in Book-Entry Form Only.

The 2003 Bonds will be issued in book-entry form only, represented by a single fully registered bond for each of the Tranches, initially registered in the name of Cede & Co., the nominee of The Depository Trust Company (“DTC”). The Beneficial Owners of the 2003 Bonds will be able to exercise their rights as Beneficial Owners only indirectly through DTC and its participating organizations (“DTC Participants”).

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 2003 Bonds, and the ability of any Beneficial Owner to pledge or otherwise take actions with respect to its interest in the 2003 Bonds may be limited due to the lack of a physical certificate evidencing such interest. See “*THE 2003 BONDS – Book-Entry Only System.*”

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

The Soldiers’ and Sailors’ Relief Act of 1940 (the “Relief Act”). 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 response of the United States to terrorist attacks domestically and abroad and issues in the Middle East may increase the number of citizens who are in active military service, including persons in reserve status who have been called or will be called to active military duty. The Relief Act 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 one (1) year period thereafter. As a result, there may be delays in payment or losses on the related 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, and cannot resume collection activities until 30 days after the end of the borrower’s military service.

The number and aggregate principal balance of loans made under the Corporation’s program in particular and under the Federal Family Education Loan Program in general that may be affected by the application of the Relief Act and the Department of Education’s guidelines will not be known at the time the Corporation issues the 2003 Bonds. Accordingly, payments received on Education Loans made to a borrower who qualifies for such relief may be subject to certain limitations during the borrower’s period of active military duty. If a substantial number of borrowers of Education Loans become eligible for the relief provided under the Relief Act, there could be an adverse effect on the total collections on those Education Loans and the ability of the Corporation to make principal and interest payments on the 2003 Bonds.

The Higher Education Opportunities for Students Act of 2001 (the “HEROS Act”). The HEROS Act was approved in response to the September 11, 2001 terrorist attacks and provides immediate relief to borrowers called up for military duty in response to any national emergency due to terrorists attacks (a “National Emergency”) and borrowers who reside or are employed in an area that is declared a disaster area in connection with a National Emergency or who suffer direct economic hardship as a direct result of a National Emergency. The HEROS Act grants the Secretary the authority, through September 30, 2005, to waive or modify any statutory or regulatory provision applicable to the student financial assistance programs under Title IV of the Higher Education Act as the Secretary deems necessary. If a substantial number of borrowers of Guaranteed Loans become eligible for the relief provided under the HEROS Act, there could be an adverse effect on the total collections on those Guaranteed Loans and the ability of the Corporation to make principal and interest payments on the 2003 Bonds.

Congressional Actions May Affect the Education Loans Held as Pledged Assets

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

OFFICIAL STATEMENT

relating to

\$275,000,000

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

2003 SERIES

consisting of

\$75,000,000	\$67,000,000	\$67,000,000	\$66,000,000
2003 Series A-1 Senior	2003 Series A-2 Senior	2003 Series A-3 Senior	2003 Series A-4 Senior
Lien Auction Rate Bonds	Lien Auction Rate Bonds	Lien Auction Rate Bonds	Lien Auction Rate Bonds
CUSIP 83714RAR4	CUSIP 83714RAS2	CUSIP 83714RAT0	CUSIP 83714RAU7

INTRODUCTION

This Official Statement, which includes the cover page, the Summary Statement (including the Risk Factors) and the Exhibits hereto, is being provided by South Carolina Student Loan Corporation (the "Corporation") with respect to the offering and sale of its \$275,000,000 Education Loan Revenue Bonds, 2003 Series (the "2003 Bonds"). The 2003 Bonds will be issued in four tranches (each a "Tranche") pursuant to a June 7, 1996 General Resolution (the "General Resolution") and a Series Resolution to be effective as of June 19, 2003 (the "2003 Series Resolution" and together with the General Resolution, the "Resolution") adopted by the Board of Directors of the Corporation, consisting of: (1) Series A-1 Senior Lien Auction Rate Bonds, which mature on June 1, 2033 (the "2003 Series A-1 Bonds"); (2) Series A-2 Senior Lien Auction Rate Bonds, which mature on June 1, 2033 (the "2003 Series A-2 Bonds"); (3) Series A-3 Senior Lien Auction Rate Bonds, which mature on June 1, 2033 (the "2003 Series A-3 Bonds"); and (4) Series A-4 Senior Lien Auction Rate Bonds, which mature on June 1, 2043 (the "2003 Series A-4 Bonds").

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 2003 Bonds will be Senior Lien Bonds under the General Resolution. The 2003 Bonds will be issued on parity with the lien of 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 2003 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 2003 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 initial proceeds of the 2003 Bonds will be used in connection with the Corporation's Student Loan Finance Program (the "Student Loan Finance Program") to:

- 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, and
- pay costs and expenses associated with the issuance of the 2003 Bonds. *See "EXPECTED APPLICATION OF 2003 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 will be financed with the initial proceeds of the 2003 Bonds, and the Corporation has no 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 2003 SERIES RESOLUTIONS."*

Brief summaries and descriptions of the 2003 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 2003 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

The Corporation has previously issued approximately \$1.68 billion of Senior Lien Bonds, and the tranches currently Outstanding are shown in the table below. 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.

Series	Original Par Amount	Outstanding Par Amount	Final Maturity	Interest Rate Basis	Payment Frequency
1996 Series A-3	85,000,000	85,000,000	09/01/26	Auction Rate	28 Day
1997 Series A-2	165,300,000	51,290,167	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	9,687,196	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
2002 Series L	160,000,000	160,000,000	06/01/13	LIBOR Indexed	Quarterly
2002 Series CP	50,000,000	50,000,000	06/01/13	CP Indexed	Quarterly
Totals	\$1,451,700,000	\$1,197,377,363			

The 1996, 1997, 1998, 1999, 2000, 2001 and 2002 Bonds are collectively referred to herein as the “Prior Bonds.” The Prior Bonds, the 2003 Bonds and permitted Additional Bonds issued by the Corporation are collectively referred to herein as the “Bonds.”

THE 2003 BONDS

General

The 2003 Bonds will be issued pursuant to the General Resolution and the 2003 Series Resolution. The Bank of New York, New York, New York, serves as Trustee (the “Trustee”) pursuant to the Resolution. The 2003 Bonds will be dated and mature as set forth on the cover of this Official Statement.

The 2003 Bonds will be issued 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 2003 Bonds will be made through DTC and its participating organizations (“DTC Participants”). Purchasers will not receive certificates representing their interests in the 2003 Bonds, except as described herein. Ownership interest will be recorded in book-entry form by the DTC Participants. Payments of principal of and interest on the 2003 Bonds will be made to DTC (or its nominee) or, in certain instances, DTC Participants. See “*Book-Entry Only System*” below.

The 2003 Bonds will be issued in denominations of \$50,000 and integral multiples thereof.

The first Auction for the 2003 Series A-1 Bonds will be held on June 21, 2004, and thereafter an Auction will be held annually on June 20 or the first Business Day thereafter. The first Auction for the 2003 Series A-2 Bonds will be held on July 18, 2003, and thereafter an Auction will be held generally every 28 days. The first Auction for the 2003 Series A-3 Bonds will be held on July 25, 2003, and thereafter an Auction will be held generally every 28 days. The first Auction for the 2003 Series A-4 Bonds will be held on August 1, 2003, and thereafter an Auction will be held generally every 28 days. All such Auction Dates are subject to adjustment as described herein under “*Changes in Auction Period, Interest Payment Dates or Auction Dates.*”

Principal and interest payments on the 2003 Bonds will be payable solely from revenues to be derived with respect to the Pledged Assets and from other amounts, if any, deposited with the Trustee. The 2003 Bonds will be subject to redemption, at the option of the Corporation, prior to maturity in whole or in part, without premium on the first day of any Auction Period. Other than redemption, principal of the 2003 Bonds will be payable at maturity upon presentation and surrender of such 2003 Bonds at the principal corporate trust office of the Trustee.

Interest

Interest Payments. Interest on the 2003 Bonds will accrue for each Interest Period and will be payable, in arrears, on each succeeding Interest Payment Date. An “Interest Period” means (a) during an Auction Period of not greater than 180 days for a given Tranche, the Initial Period and thereafter the period commencing on and including the first Business Day after each Auction Date and ending on and excluding the Business Day immediately following the next Auction Date, and (b) during an Auction Period of greater than 180 days for a given Tranche, the date of delivery of the 2003 Bonds through and including August 31, 2003, and thereafter the period from (i) each September 1 through and including February 28, or if applicable, February 29, and (ii) each March 1 through and including August 31. An “Interest Payment Date” means, with respect to each Tranche, those dates set forth in the table below. Interest Payment Dates may be changed in the event of a change in the length of one or more Auction Periods. See “*Changes in Auction Period, Interest Payment Dates or Auction Dates*” below.

The term “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.

The amount of interest distributable to holders of 2003 Bonds on each Interest Payment Date will be calculated by the Trustee by (i) multiplying, for each Interest Accrual Period or portion thereof, the principal amount of the 2003 Bonds Outstanding during such Interest Accrual Period by the Initial Interest Rate or the Auction Rate established in the Auction for such Interest Accrual Period, as applicable; (ii) dividing by 360; (iii) multiplying by the number of days in such Interest Accrual Period or portion thereof; and (iv) adding the resultant figures for each Interest Accrual Period or portion thereof in such Interest Period. An “Interest Accrual Period” means, with respect to each Tranche, the Initial Period and thereafter the period commencing on and including the Interest Rate

Adjustment Date, and ending on and including the day prior to the next Interest Rate Adjustment Date. The Interest Rate Adjustment Date, with respect to any Tranche, is the first Business Day after each Auction Date (i.e., the commencement of each Auction Period).

Interest payments on each Tranche of the 2003 Bonds will be made on the respective Interest Payment Dates by the Trustee to the persons who are the registered owners of the 2003 Bonds as of the Record Date, which is the Business Day preceding each Interest Payment Date. The 2003 Bonds will be initially registered in the name of Cede & Co., as nominee of DTC, which is acting as the Securities Depository.

The following table provides summary information regarding the 2003 Bonds and reference is hereby made to the provisions of the 2003 Series Resolution and the remainder of this Official Statement for a more complete description of the 2003 Bonds.

<u>2003 Series Bonds</u>	<u>Initial Period*</u>	<u>Initial Auction Dates*</u>	<u>Interest Period*</u>	<u>Interest Payment Dates*</u>	<u>Standard Auction Period*</u>
A-1	Delivery date to and including June 21, 2004.	June 21, 2004	The date of delivery through and including August 31, 2003, and thereafter the periods from (1) each September 1 through and including February 28, or if applicable February 29, and (b) each March 1 through and including August 31.	First Business Day of March and September, commencing September 2, 2003.	1 year
A-2	Delivery date to and including July 20, 2003.	July 18, 2003	The date of delivery through and including July 20, 2003, and thereafter the period commencing on the first Business Day after each Auction Date and ending on and excluding the Business Day following the next Auction Date.	First Business Day after each Auction Date commencing July 21, 2003.	28 days
A-3	Delivery date to and including July 27, 2003.	July 25, 2003	The date of delivery through and including July 27, 2003, and thereafter the period commencing on the first Business Day after each Auction Date and ending on and excluding the Business Day following the next Auction Date.	First Business Day after each Auction Date commencing July 28, 2003.	28 days
A-4	Delivery date to and including August 3, 2003.	August 1, 2003	The date of delivery through and including August 3, 2003, and thereafter the period commencing on the first Business Day after each Auction Date and ending on and excluding the Business Day following the next Auction Date.	First Business Day after each Auction Date commencing August 4, 2003.	28 days

* Subject to adjustment as described in this Official Statement.

Interest Rate. Subsequent to the Initial Periods, unless and until the interest rate determination method for the 2003 Bonds is changed to another method under the circumstances as described in “Mandatory Tender of 2003 Bonds” below, the rate of interest on each Tranche shall equal the respective Auction Rate as

determined pursuant to the implementation of the Auction Procedures described in *EXHIBIT III* hereto, subject to the Maximum Auction Rate. If all Outstanding 2003 Bonds of a given Tranche are subject to Submitted Hold Orders (as defined in the Auction Procedures), the rate of interest on such Tranche shall equal the All-Hold Rate for the next succeeding Auction Period. If on any scheduled Auction Date, an Auction is not held for any reason on an Auction Date, the provisions described in “Failure to Hold Auction on an Auction Date” below shall govern. If a Payment Default shall have occurred and is continuing, Auctions will be suspended and the rate of interest on the 2003 Bonds shall equal the Non-Payment Rate on the Auction Date for (i) each subsequent Auction Period commencing after the occurrence and during the continuance of such a Payment Default, and (ii) any subsequent Auction Period commencing less than two Business Days after such Payment Default is cured or waived. If a proposed Conversion shall have failed, then the rate of interest shall equal the Maximum Auction Rate as of the failed Conversion Date for the Interest Accrual Period commencing on such date. Notwithstanding anything herein to the contrary, the rate of interest on the 2003 Bonds will in no event exceed the respective Maximum Auction Rate. The following table sets forth the Maximum Auction Rate, the Non-payment Rate and the All-Hold Rate for the 2003 Bonds.

Maximum Auction Rate and Non-payment Rate	All-Hold Rate
The lesser of (i) the Average CP Rate plus 1.00%, or (ii) the maximum rate permitted by State law, but in no event greater than 20%.	The Average CP Rate less 0.20%; provided, however, that in no event shall such All-Hold Rate exceed the Maximum Auction Rate.

The Average CP Rate is the three (3) month Commercial Paper Rate for the 30 days preceding the current Auction Date and reported on the Federal Reserve Statistical Release H.15 as of the Business Day prior to the Auction Date (converted if necessary from a discount basis to a bond equivalent yield as described in the definition of “Average CP Rate” in *EXHIBIT II* hereto).

Mandatory Tender of 2003 Bonds. The 2003 Bonds will be subject to mandatory tender for purchase upon conversion of the interest thereon from an Auction Rate to some other method for determining the rate of interest thereon (a “Conversion”). The effective date of a Conversion will be set forth in a Supplemental Resolution.

Notice of Conversion shall be in substantially the form that is attached as an exhibit to the 2003 Series Resolution. Such notice as prepared by the Corporation and provided to the Trustee at least 40 days prior to the date established for the Conversion (the “Conversion Date”), shall be mailed by the Trustee to the holders of 2003 Bonds, the Auction Agent and to the Rating Agencies at least 30 days prior to the Conversion Date. In the event of a failure of a Conversion on the Conversion Date, 2003 Bonds then submitted for purchase will be returned with an appropriate notice explaining the failure of the Conversion and that the former position of holders of the 2003 Bonds will be restored in all respects. Any Conversion shall be subject to the written request for, and confirmation of, ratings on all Bonds Outstanding by the Rating Agencies.

2003 Bonds which are not tendered by the Conversion Date will be deemed tendered to the Trustee as of the Conversion Date, subject, however, to remarketing or purchase by the entity selected by the Corporation for such purpose (the “Remarketing Agent”) for settlement on the Conversion Date and receipt by the Trustee of the price equal to 100% of the principal amount thereof from the purchasers thereof or the Remarketing Agent. In the event that on the Conversion Date the Remarketing Agent has been unable to remarket all 2003 Bonds for settlement on the Conversion Date and has elected not to purchase for its own account such unremarketed 2003 Bonds, or on the Conversion Date the Trustee has not received the purchase price therefor, the proposed Conversion will be cancelled, the 2003 Bonds will remain subject to the Auction Procedures and will bear interest at the Maximum Auction Rate as of the failed Conversion Date for the Interest Accrual Period commencing on such date.

Auction Participants

Existing Owners and Potential Owners. Participants in each Auction will include (i) “Existing Owners,” which shall mean (a) with respect to and for the purposes of dealing with the Auction Agent in connection with an Auction, a Person who is a Broker-Dealer listed in the Existing Owner Registry at the close of business on the Business Day immediately preceding the Auction Date for such Auction and (b) with respect to and for the purpose of dealing with the Broker-Dealer in connection with an Auction, a Person who is a beneficial owner of 2003 Bonds, and (ii) “Potential Owners,” which shall mean any Person (including any Existing Owner that is (a) a

Broker-Dealer when dealing with the Auction Agent and (b) a potential beneficial owner when dealing with a Broker-Dealer) who may be interested in acquiring 2003 Bonds, or, in the case of an Existing Owner thereof, an additional principal amount thereof.

By purchasing 2003 Bonds, whether in an Auction or otherwise, each purchaser or its Broker-Dealer must agree and will be deemed by such purchase to have agreed: (i) to participate in Auctions on the terms set forth in *EXHIBIT III* hereto, (ii) to have its beneficial ownership of the 2003 Bonds maintained at all times in book-entry form for the account of its Participant, which in turn will maintain records of such beneficial ownership, and (iii) to authorize such Participant to disclose to the Auction Agent such information with respect to such beneficial ownership as the Auction Agent may request.

Auction Agent. Wilmington Trust Company has been appointed as the Initial Auction Agent for the 2003 Bonds. The Trustee has been directed to enter into the Initial Auction Agency Agreement with Wilmington Trust Company. Any substitute Auction Agent shall be (i) a bank, national banking association or trust company duly organized under the laws of the United States of America or any state or territory thereof having a combined capital stock or surplus of at least \$50,000,000 or (ii) a member of the National Association of Securities Dealers, Inc., having a capitalization of at least \$50,000,000 and, in either case, authorized by law to perform all the duties imposed upon it under the Resolution and under the Auction Agency Agreement. The Auction Agent may resign and be discharged of the duties and obligations created by the Resolution by giving at least 90 days' written notice to the Trustee and the Corporation (25 days' written notice if the Auction Agent has not been paid its fee). The Auction Agent may be removed at any time by the Trustee, acting at the direction of either (i) the Corporation or (ii) the holders of at least 66-2/3% of the aggregate principal amount of the 2003 Bonds then Outstanding. Neither the resignation nor removal of the Auction Agent pursuant to the foregoing shall be effective until and unless a Substitute Auction Agent has been appointed and accepted such appointment. If required by the Corporation, a Substitute Auction Agency Agreement shall be entered into with a Substitute Auction Agent.

If the Auction Agent shall resign or be removed or be dissolved, or if the property or affairs of the Auction Agent shall be taken under the control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, the Corporation shall appoint a Substitute Auction Agent.

The Auction Agent is acting as agent for the Corporation in connection with Auctions. In the absence of bad faith, negligent failure to act or negligence on its part, the Auction Agent shall not be liable for any action taken, suffered or omitted or for any error of judgment made by it in the performance of its duties under the Auction Agency Agreement and shall not be liable for any error of judgment made in good faith unless the Auction Agent shall have been negligent in ascertaining (or failing to ascertain) the pertinent facts.

Broker-Dealers. Existing Owners and Potential Owners may participate in Auctions only by submitting Orders (in the manner described below) through a "Broker-Dealer." A Broker-Dealer is any broker or dealer (as defined in the Securities Exchange Act of 1934, as amended), commercial bank or other entity permitted by law to perform the functions required of a Broker-Dealer set forth in the Auction Procedures that is a DTC Participant (or an affiliate of a DTC Participant), has been selected by the Corporation, is acceptable to the Auction Agent and has entered into a Broker-Dealer Agreement Agent that remains effective. The initial Broker-Dealers for the 2003 Bonds are expected to be Scott & Stringfellow, Inc., trading as BB&T Capital Markets, Banc of America Securities LLC, Wachovia Securities, LLC and William R. Hough & Co.

Market Agent. The "Market Agent," initially William R. Hough & Co., acting pursuant to the Market Agent Agreement with the Trustee, in connection with the 2003 Bonds will act solely as agent of the Trustee and will not assume any obligations or relationship of agency or trust for or with any of the beneficial owners.

Auctions

Auctions to establish the Auction Rate are to be held on each Auction Date, except as described above under "*Interest — Interest Rate*," by application of the Auction Procedures described in *EXHIBIT III* hereto. "Auction Date" shall mean the dates set forth in the table above under "*Interest — Interest Payments*" (provided that if such days are not Business Days, the Auction Date will be the next succeeding Business Day). Notwithstanding the foregoing, the Auction Date for one or more Auction Periods may be changed as described below under "*Changes in Auction Period, Interest Payment Dates or Auction Dates*."

The Auction Agent will determine the Maximum Auction Rate and the All-Hold Rate on each Auction Date and for the 2003 Bonds. If a Payment Default shall have occurred and be continuing, the Trustee shall calculate the Non-Payment Rate on the Auction Date for (i) each subsequent Auction Period commencing after the occurrence and during the continuance of such a Payment Default and (ii) any subsequent Auction Period commencing less than two Business Days after the cure or waiver of any Payment Default in accordance with the 2003 Series Resolution and the General Resolution. If the beneficial ownership of a Tranche of the 2003 Bonds is no longer maintained in book-entry form, then the Trustee will determine the Maximum Auction Rate for each Interest Accrual Period on the Business Day immediately preceding the first day of each such Interest Accrual Period commencing after the delivery of the 2003 Bonds in fully registered form pursuant to the Resolution.

An Existing Owner may sell, transfer or otherwise dispose of 2003 Bonds only pursuant to a Bid or Sell Order (as defined in *EXHIBIT III* hereto) placed in an Auction or through a Broker-Dealer, provided that, in the case of all transfers other than pursuant to Auctions, such Existing Owner, its Broker-Dealer or its Participant advises the Auction Agent of such transfer. Auctions shall be conducted on each Auction Date, if there is an Auction Agent on such Auction Date, in the manner described in *EXHIBIT III* hereto. A description of the Settlement Procedures to be used with respect to Auctions is contained in *EXHIBIT III* hereto.

Changes in Auction Period, Interest Payment Dates or Auction Dates

Change of Auction Period or Interest Payment Dates by the Corporation. The Corporation may change the length of a single Auction Period or the Standard Auction Period by means of a written notice delivered at least 10 days prior to the Auction Date for such Auction Period to the Rating Agencies, the Trustee, the Market Agent, the Auction Agent, the Broker-Dealers and the Securities Depository in substantially the forms attached to the 2003 Series Resolution. If any such single Auction Period or Standard Auction Period will be of less than 7 days, such notice shall be effective only if it is accompanied by a written statement of the Trustee, the Market Agent, the Auction Agent and the Securities Depository to the effect that they are capable of performing their duties under the 2003 Series Resolution and under the Market Agent Agreement and the Auction Agency Agreement with respect to such Auction Period. If such notice specifies a change in the length of the Standard Auction Period, such notice shall be effective only if it is accompanied by the written consent of the Market Agent to such change. The length of a single Auction Period or the Standard Auction Period may not be changed unless Sufficient Clearing Bids existed at both the Auction immediately preceding the date the notice of such change was given and the Auction immediately preceding such changed Auction Period.

The change in length of Auction Period or the Standard Auction Period will take effect only if (i) the Trustee and the Auction Agent receive, by 11:00 a.m. (New York City time) on the Business Day immediately preceding the Auction Date for such Auction Period, a certificate from the Corporation, by telecopy or similar means in substantially the forms attached to the 2003 Series Resolution, respectively, authorizing the change in the Auction Period or the Standard Auction Period, which shall be specified in such certificate, (ii) the Trustee shall not have delivered to the Auction Agent by 12:15 p.m. (New York City time) on the Auction Date for such Auction Period notice that an Insufficient Funds Event has occurred and (iii) Sufficient Clearing Bids exist at the Auction on the Auction Date for such Auction Period. If the condition referred to in (i) above is not met, the Auction Rate for the next succeeding Auction Period shall be determined pursuant to the Auction Procedures and the next succeeding Auction Period shall be a Standard Auction Period. If any of the conditions referred to in (ii) or (iii) above is not met, the interest rate for the next succeeding Auction Period shall equal the Maximum Auction Rate as determined as of such Auction Date, and to the extent the Maximum Auction Rate applies to a Tranche with an Auction Period of greater than 180 days, the Standard Auction Period with respect to such Tranche shall automatically convert to an Auction Period of 28 days.

The Corporation may change the methodology for determining Interest Payment Dates on the 2003 Bonds in connection with a change in the Auction Period pursuant to the provisions described under this subheading. Such information and procedures relating to the change in Interest Payment Dates for the 2003 Bonds shall be set forth in one or more Supplemental Resolutions.

Change of Auction Date by Market Agent at Direction of the Corporation. The Market Agent, at the direction of the Corporation, may change, in order to conform with then-current market practice with respect to similar securities or to accommodate economic and financial factors that may affect or be relevant to the day of the

week constituting an Auction Date, the Auction Date for all future Auction Periods to a different day, so long as the first such Auction Date will be a Business Day in the calendar week in which the next succeeding Auction Date is then scheduled to occur. If a change in an Auction Date is undertaken in conjunction with a change in an Auction Period or the Standard Auction Period and the conditions for the establishment of such change in Auction Period or the Standard Auction Period are not met, the Auction Date may be, and the next succeeding Auction Period may be adjusted to end, on a Business Day in the calendar week in which such Auction Date was scheduled to occur and such Auction Period was scheduled to end to accommodate the change in the Auction Date. The Market Agent shall communicate its determination to change an Auction Date by means of a written notice delivered at least 10 days prior to the proposed new Auction Date to the Rating Agencies, Corporation, the Trustee, the Auction Agent, the Broker-Dealers and the Securities Depository which shall state (a) the determination of the Market Agent to change the Auction Date, (b) the new Auction Date and (c) the date on which such Auction Date shall be changed. If after any proposed change in the Auction Date any Auction Period would be less than 7 days in duration, such notice shall be effective only if it is accompanied by a written statement of the Auction Agent, the Trustee, the Market Agent and the Securities Depository to the effect that they are capable of performing their duties under the 2003 Series Resolution, the Market Agent Agreement and the Auction Agency Agreement with respect to any such Auction Period.

Automatic Conversion of Auction Period. To the extent that the Maximum Auction Rate applies to a Tranche with an Auction Period of greater than 180 days, the Standard Auction Period with respect to such Tranche will automatically convert to an Auction Period of 28 days.

In connection with any change in the Auction terms described above, the Auction Agent shall provide such further notice to such parties as is specified in the Auction Agency Agreement.

Failure to Hold Auction on an Auction Date

If on any scheduled Auction Date, an Auction is not held for any reason (with the determination that an Auction was not held to be made by the Auction Agent and if the Auction Agent is not capable of or does not make such determination, then such determination shall be made by the Market Agent), then the following will apply:

- (1) With respect to a Tranche with an Auction Period of greater than 180 days, the Standard Auction Period shall automatically convert to an Auction Period of 28 days;
- (2) An Auction will have been deemed to have occurred on the scheduled Auction Date;
- (3) The Auction Rate for such deemed Auction to be in effect for the succeeding Auction Period shall be equal to the Auction Rate for the preceding Auction Period; and
- (4) The succeeding Auction Period will begin on the calendar day following the scheduled Auction Date.

Such procedures set forth above shall be applicable for one Auction Period with respect to the applicable Tranche. In the event that the next Auction is not held for any reason with respect to the applicable Tranche (with the determination to be made by the Auction Agent that an Auction was not held and if the Auction Agent is not capable of or does not make such determination, then such determination shall be made by the Market Agent) then the Maximum Auction Rate shall apply with respect to succeeding Auction Periods until an Auction can be held with respect to the applicable Tranche.

Book-Entry Only System

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the 2003 Bonds. The 2003 Bonds will be issued as fully registered bonds in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered 2003 Bond will be issued for each Tranche, in the aggregate principal amount of such Tranche, and will be deposited with DTC. Delivery of the 2003 Bonds will be made through DTC and its participating organizations. The Corporation intends to apply for eligibility for the 2003 Bonds with Clearstream and Euroclear, but cannot assure that eligibility will be granted.

The following description concerning DTC and DTC's book-entry system is based solely on information provided by DTC. The information on Clearstream and Euroclear is from sources believed to be reliable. No representation is made as to the completeness or accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

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 and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's 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 transfers and pledges between 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 and Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both 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 Direct and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the 2003 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2003 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2003 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2003 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2003 Bonds, except in the event that use of the book-entry system for the 2003 Bonds is discontinued.

To facilitate subsequent transfers, the 2003 Bonds deposited by Direct Participants 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 2003 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 2003 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2003 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.

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.

Redemption notices shall be sent to DTC. If less than all of the 2003 Bonds within a Tranche are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2003 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 2003 Bonds are credited on the record date (identified in a listing attached to the omnibus proxy).

Principal, redemption proceeds and interest payments on the 2003 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Corporation or the Trustee on payable date in accordance with their respective holdings shown on DTC's records. 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, redemption proceeds and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Corporation and Trustee as set forth in 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.

A Beneficial Owner shall give notice to elect to have the 2003 Bonds purchased or tendered through its Direct or Indirect Participant to the Trustee and shall effect delivery of such 2003 Bonds causing the Direct Participant to transfer the Direct Participant's interest in the 2003 Bonds on DTC's records to the Trustee. The requirement for physical delivery of the 2003 Bonds in connection with an optional or mandatory tender for purchase will be deemed satisfied when the ownership rights in the 2003 Bonds are transferred by Direct Participants on DTC's records.

DTC may discontinue providing its services as securities depository with respect to the 2003 Bonds at any time by giving reasonable notice to the Corporation or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, the 2003 Bonds are required to be printed and delivered as described in the 2003 Resolution.

The Corporation may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the 2003 Bonds will be printed and delivered as described in the 2003 Resolution.

BENEFICIAL OWNERS WILL NOT RECEIVE PHYSICAL DELIVERY OF THE 2003 BONDS AND WILL NOT BE RECOGNIZED BY THE TRUSTEE AS OWNERS THEREOF, AND BENEFICIAL OWNERS WILL BE PERMITTED TO EXERCISE THE RIGHTS OF OWNERS ONLY INDIRECTLY THROUGH DTC AND THE PARTICIPANTS.

THE CORPORATION WILL HAVE NO RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO DTC PARTICIPANTS OR THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS.

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 Clearing 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.

Distribution of the 2003 Bonds through Clearstream or Euroclear. Distributions with respect to the 2003 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 2003 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 2003 Bonds may hold their 2003 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 2003 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 2003 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.

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 2003 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 2003 Bonds shall be discontinued. In addition, the Corporation may discontinue the book-entry only system for the 2003 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 2003 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 2003 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 2003 Bonds so delivered (and any 2003 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 2003 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 2003 Bonds. The principal of the 2003 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 2003 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 2003 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 2003 Bonds.

Transfers and Exchanges. The 2003 Bonds would be exchangeable at the principal office of the Trustee for a like aggregate principal amount of 2003 Bonds of authorized denominations, and the execution by the Corporation of any 2003 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 2003 Bond. Upon surrender for transfer of any fully registered 2003 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 2003 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 2003 Bond being called for redemption after the Record Date with respect to the redemption of such 2003 Bond.

Interest Rate. The rate of interest on the 2003 Bonds for any Interest Accrual Period commencing after the delivery of the 2003 Bonds in fully registered form would be the Maximum Auction Rate. To the extent that the 2003 Bonds are restored to the book-entry only system as authorized by the Series Resolution, the rate of interest on the 2003 Bonds will be determined by the Auction Procedures.

Redemption

The 2003 Bonds will be subject to redemption, at the option of the Corporation, prior to maturity in whole or in part, without premium, on the first day of any Auction Period.

THE PLEDGED ASSETS

General

The 2003 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 2003 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 2003 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 2003 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 of 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 IV – “SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL RESOLUTION.”*

The Portfolios of Guaranteed Loans - Summary Information

A substantial portion of the initial proceeds of the 2003 Bonds will be used to finance and refinance the acquisition and the making of Guaranteed Loans. Such Guaranteed Loans to be financed with initial proceeds of the 2003 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 2003 Bonds. The following charts provide summary information concerning certain characteristics of such Guaranteed Loans based on information with respect thereto as of May 31, 2003. 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	\$1,489,024,803
Number of Loans	404,362
Average Balance per Loan	\$3,682
Number of Borrowers	135,348
Average Balance per Borrower	\$11,002
Weighted Average Borrower Interest Rate*	4.30%
Weighted Average Remaining Term to Maturity**	151.92 mos.

* Not adjusted for any interest rate reductions earned by borrowers, but does reflect applicable interest rate caps in effect as of May 31, 2003. See *"THE CORPORATION – Borrower Benefit Programs"* for a description of such possible reductions.

** Determined from May 31, 2003 to the stated maturity date of the applicable loan, including any remaining in-school period, grace period, current deferment or forbearance period and repayment, but without giving effect to any deferment or forbearance periods that may be granted in the future.

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	\$644,434,448	43.3%	241,787
Unsubsidized Stafford Loans	397,711,538	26.7%	123,528
PLUS	43,410,926	2.9%	11,925
SLS	2,646,019	0.2%	837
Consolidation	<u>400,821,872</u>	<u>26.9%</u>	<u>26,285</u>
Total	<u>\$1,489,024,803</u>	<u>100.0%</u>	<u>404,362</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	\$210,872,060	14.2%	68,317
T+2.50% for Interim Status and T+3.10% for Repayment Status	225,150,683	15.1%	83,049
T+3.10%	192,758,087	13.0%	73,208
CP+2.64%	366,897,335	24.6%	28,122
CP+1.74% for Interim Status and CP+2.34% for Repayment Status	493,108,176	33.1%	151,655
None	<u>238,461</u>	<u>0.0%</u>	<u>11</u>
Total	<u>\$1,489,024,803</u>	<u>100.0%</u>	<u>404,362</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 Federal Reserve Statistical Release H.15.

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	\$64,095,647	4.3%	47,049
61 to 72	42,391,625	2.9%	19,733
73 to 84	56,186,204	3.8%	23,251
85 to 96	73,937,522	5.0%	27,308
97 to 108	109,487,152	7.4%	36,200
109 to 120	759,743,456	51.0%	226,766
121 to 240	227,691,409	15.3%	18,791
241 to 360	155,491,788	10.5%	5,264
Total	<u>\$1,489,024,803</u>	<u>100.0%</u>	<u>404,362</u>

* Excludes any in-school period, grace period, deferment and forbearance periods.

Borrower Status Distribution

<u>Status</u>	<u>Current Principal Balance</u>	<u>Percent of Total</u>	<u>Number of Loans</u>
In-School	294,413,349	19.8%	92,561
Grace	148,292,436	10.0%	42,913
Deferment	194,338,746	13.1%	49,193
Forbearance	171,262,404	11.5%	38,193
Repayment	679,529,854	45.6%	181,112
Claim	1,188,014	0.1%	390
Total	<u>1,489,024,803</u>	<u>100.0%</u>	<u>404,362</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	\$1,001,131,099	67.2%	330,402
2-Year Public & Private	79,227,312	5.3%	44,020
For Profit / Vocational	7,809,072	0.5%	3,642
Consolidation or Unknown	400,857,320	26.9%	26,298
Total	<u>\$1,489,024,803</u>	<u>100.0%</u>	<u>404,362</u>

Guarantee Percentage Distribution

<u>Guarantee Percentage</u>	<u>Current Principal Balance</u>	<u>Percent of Total</u>	<u>Number of Loans</u>
100% Guaranteed	\$301,649,859	20.3%	118,083
98% Guaranteed	1,187,374,943	79.7%	286,279
Total	<u>\$1,489,024,803</u>	<u>100.0%</u>	<u>404,362</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	\$7,340,876	0.5%	1,671
Alaska	694,908	0.0%	199
Arizona	2,505,202	0.2%	556
Arkansas	1,218,452	0.1%	279
California	12,030,907	0.8%	2,697
Colorado	3,723,030	0.3%	942
Connecticut	5,842,139	0.4%	1,369
Delaware	1,668,445	0.1%	467
District of Columbia	2,497,458	0.2%	562
Florida	31,880,391	2.1%	7,486
Georgia	71,214,482	4.8%	18,208
Hawaii	761,372	0.1%	195
Idaho	410,259	0.0%	100
Illinois	6,915,385	0.5%	1,461
Indiana	3,766,640	0.3%	960
Iowa	1,250,952	0.1%	264
Kansas	907,648	0.1%	250
Kentucky	5,078,302	0.3%	1,238
Louisiana	3,915,788	0.3%	793
Maine	1,531,208	0.1%	399
Maryland	17,230,926	1.2%	4,230
Massachusetts	7,364,398	0.5%	1,818
Michigan	4,744,610	0.3%	1,069
Minnesota	1,699,991	0.1%	364
Mississippi	2,125,496	0.1%	430
Missouri	2,171,927	0.1%	549
Montana	414,423	0.0%	110
Nebraska	934,162	0.1%	153
Nevada	1,197,037	0.1%	300
New Hampshire	1,235,142	0.1%	329
New Jersey	10,804,757	0.7%	2,979
New Mexico	1,042,906	0.1%	201
New York	18,504,253	1.2%	4,602
North Carolina	74,091,833	5.0%	17,933
North Dakota	153,503	0.0%	48
Ohio	9,445,145	0.6%	2,521
Oklahoma	1,357,610	0.1%	399
Oregon	1,637,393	0.1%	402
Pennsylvania	11,777,083	0.8%	2,851
Rhode Island	939,859	0.1%	264
South Carolina	1,081,378,527	72.6%	305,600
South Dakota	442,501	0.0%	95
Tennessee	14,195,943	1.0%	3,146
Texas	14,983,833	1.0%	3,406
Utah	1,526,134	0.1%	274
Vermont	725,119	0.0%	177
Virginia	28,823,878	1.9%	6,803
Washington	2,995,137	0.2%	655
West Virginia	2,250,868	0.2%	573
Wisconsin	1,984,383	0.1%	420
Wyoming	349,225	0.0%	60
Other	<u>5,342,956</u>	<u>0.4%</u>	<u>1,505</u>
Total	<u>\$1,489,024,803</u>	<u>100.0%</u>	<u>404,362</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 2003 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).

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 2003 Bonds, and the Corporation does not have any present intention to finance Alternative Loans with the proceeds of any Additional 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 2003 Bonds and such Additional Bonds only upon satisfaction of the rating confirmation requirement of the General Resolution.

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 2003 Bonds will be 1% of the Outstanding principal amount of the 2003 Bonds. Immediately after issuance of the 2003 Bonds, the balance in the Senior Lien Account of the Debt Service Reserve Fund is expected to equal \$15,842,111, which is 1.08 % 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 2003 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.

EXPECTED APPLICATION OF 2003 BOND PROCEEDS

Initial proceeds of the 2003 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 2003 Bonds and (ii) the Cost of Issuance Account of the Program Fund in an amount sufficient to pay costs of issuance of the 2003 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 initial proceeds of the 2003 Bonds will be deposited in the Taxable Bond Subaccount of the Loan Account of the Program Fund. The Corporation expects that substantially all of the initial proceeds of the 2003 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 December 31, 2003 (or such later date as may be confirmed by the Rating Agencies) to finance and refinance the acquisition and the making of Guaranteed Loans. If any moneys shall remain after December 31, 2003 (or such later date as may be confirmed by the Rating Agencies), 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 initial proceeds of the sale of the 2003 Bonds will be applied approximately as follows:

Deposit to the Loan Account of Program Fund, to be used to finance or acquire Guaranteed Loans	\$270,846,500
Deposit to the Debt Service Reserve Fund.....	2,750,000
Underwriting discount and deposit to the Program Fund to pay certain other Costs of Issuance.....	<u>1,403,500</u>
Total.....	<u>\$275,000,000</u>

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>
Robert W. Derrick, Chairman	Senior Vice President, Wachovia Bank, N.A.	6/30/05
Sharon W. Bryant, Vice Chairman	Executive Vice President, First Citizens Bank & Trust Company of South Carolina	6/30/06
Dr. Dennis A. Pruitt, Sr., Vice Chairman	Vice Pres. for Student & Alumni Services and Dean of Students - University of South Carolina	6/30/06
William M. Mackie, Jr., President and Secretary	President and CEO, South Carolina Student Loan Corporation	6/30/04
H. Roderick Murchison, Treasurer	Treasurer, South Carolina Public Service Authority (Santee Cooper)	6/30/03*
Melvin E. Barnette	President and Principal Consultant, Melvin E. Barnette & Associates, Inc.	6/30/05
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	6/30/05
Thomas A. Little, Jr.,	Chief Human Resources Executive, NetBank, Inc.	6/30/05
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

* The following Directors will have terms beginning July 1, 2003 and ending on June 30, 2006: T. Graham Edwards, retired Chief Executive Officer of the South Carolina Public Service Authority (Santee Cooper), and William G. McMaster, Vice President, Scott & Stringfellow, Inc.

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 230 people. The Corporation's Senior Management is as follows:

Senior Management

William M. Mackie, Jr., *President and CEO*
Charlie C. Sanders, Jr., *Executive Vice President and COO*
Randall G. Thompson, *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.

Charlie C. Sanders, Jr. serves as Executive Vice President and Chief Operating Officer of the Corporation and is responsible for the day-to-day management and coordination of all corporate business activities. Mr. Sanders served as Director of Investments and Debt Management for the South Carolina State Treasurer's Office from 1988 to 2001. He received his B.S. in Banking and Finance 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 1,003,000 loans to more than 295,000 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 April 30, 2003, the aggregate principal amount of Guaranteed Loans being serviced by the Corporation was approximately \$1.7 billion. Since the inception of the Corporation, the cumulative aggregate principal amount of Guaranteed Loans serviced by the Corporation totals approximately \$3.51 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	4,725	41,577	0.21
2002	21,865,057	107,569	0.49	77,841	29,729	0.14
Grand Total	\$95,470,395	\$165,853	0.17	\$88,696	\$77,157	0.08

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 May 31, 2003.

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 initial proceeds of the 2003 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 Assistance 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 V* 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 The State Education Assistance Act, 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 (1972), appeal dismissed 413 U.S. 902 (1973).

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. Marshall C. Sanford
Hon. Grady L. Patterson, Jr.
Hon. Richard Eckstrom
Hon. Hugh K. Leatherman, Sr.
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 April 30, 2003, the outstanding principal amount of Guaranteed Loans guaranteed by the Authority, and originated and serviced by the Corporation, was \$1.7 billion, of which approximately \$933 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:

<u>Federal Fiscal Year Ended September 30</u>	<u>Default Claims</u>	<u>Default Rate (Trigger Rate)*</u>	<u>Recoveries</u>	<u>Recovery Rate</u>
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
2002	10,343,213	0.96	9,254,524	23.27

* 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.”*

Federal Student Loan Reserve Fund

The 1998 reauthorization of the Higher Education Act required each guarantee agency 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 aversion fees to an agency operating fund ("Agency Operating Fund"). All loan processing and issuance fees, account maintenance fees and default aversion 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 respective guarantee agency. As of March 31, 2003, the balance in the Authority's Agency Operating Fund was \$18,307,290.

The fund that the Authority established pursuant to the Act that satisfies such requirement is also referred to in the Act as the "State Education Assistance Authority Loan Guarantee Reserve Fund", which 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. Sources of funds for the Federal 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. As of March 31, 2003, the balance in the Federal Fund established by the Authority was \$12,067,670.

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 Federal 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 Federal Fund.

See also the discussion of the 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."

Recall of Guarantee Agency Reserves

A recall of guarantee agency reserves was enacted by the Balanced Budget Act of 1997 (the "1997 Budget Act"). The Authority has satisfied its required share of recalls under the 1997 Budget Act. Additional reserve recalls were enacted by Congress as a part of the 1998 reauthorization of the Higher Education Act, which requires the Secretary to recall additional guarantee agency reserves in each of federal fiscal years 2006 and 2007. The Authority's required share of recall is \$574,141.50 in each of such years.

A guarantee agency's reserve ratio is determined by dividing its Federal Fund balance by the original principal amount of outstanding loans it has agreed to guarantee. The following table sets forth the Authority's reserve ratio over the past four (4) federal fiscal years:

Federal Fiscal Year Ended September 30	Original Principal Amount of Outstanding Loans	Federal Fund Balance	Reserve Ratio
1999	\$1,445,824,569	\$18,906,258	1.31%
2000	1,584,662,500	16,822,492	1.06%
2001	1,719,140,374	15,629,506	0.91%
2002	1,894,113,342	12,434,807	0.66%

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

In the 2003 Series Resolution, the Corporation has agreed to provide such continuing, secondary market disclosures and confirmations as are described by the Rule 15c2-12 (the “Rule”) under the Securities Exchange Act (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 2003 Series Resolution. However, a default under the Continuing Disclosure Undertaking shall not be deemed a default under the 2003 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 2003 Bonds when such bonds are no longer Outstanding.

Pursuant to the 2003 Series Resolution, the Corporation has specifically undertaken, for the benefit of the Beneficial Owners of the 2003 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 2003 Bonds to the extent such items are not included in the audited financial statements referred to in (a) above;
- (c) in a timely manner, to each NRMSIR or to the Municipal Securities Rulemaking Board (“MSRB”), and to the SID, if any, notice of any of the events set forth in subsection (b)(5)(i)(C) of the Rule (as such Rule exists on the date of this Official Statement) with respect to the 2003 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 2003 Bonds and will not result in any acceleration of payment of the 2003 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 2003 Bonds pursuant to the 2003 Series Resolution at the time of the amendment.

The 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 2003 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 2003 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 2003 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 2003 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 2003 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 2003 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 2003 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 2003 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 2003 Bonds were treated as “equity” for purposes of the Plan Assets Regulation, a Plan purchasing the 2003 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 2003 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 2003 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 2003 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 or other relevant regulatory authorities inside or outside of the United States, as applicable, to determine if the 2003 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 2003 Bonds are conditionally guaranteed by the Secretary. The Corporation has sought no such ruling or determination and makes no representation, express or implied, with respect thereto.

TAX MATTERS

Legal Opinion

In the opinion of McNair Law Firm, P.A., Bond Counsel, interest on the 2003 Bonds will not be 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 2003 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 2003 Bonds

A U.S. Beneficial Owner will generally recognize the sale, exchange, redemption, retirement or other taxable disposition of a 2003 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 2003 Bond. The U.S. Beneficial Owner’s tax basis in a 2003 Bond generally will equal the amount the Beneficial Owner paid for the 2003 Bond reduced by any payments on the 2003 Bond that are not payments of stated interest. Gain or loss recognized on the sale, exchange, retirement or other taxable disposition of a 2003 Bond generally will be capital gain or loss and will be long-term capital gain or loss if the Beneficial Owner held the 2003 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 2003 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. Interest on the 2003 Bonds is also taxable to non-U.S. Beneficial Owners.

Withholding on Interest and Portfolio Interest Exemption. If a Beneficial Owner is a non-U.S. holder, payments of principal and interest on the 2003 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 profit 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 2003 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 2003 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 Disposition of Bonds. A non-U.S. 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 2003 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 2003 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 2003 Bonds or gain from the sale, exchange, retirement, redemption, or other taxable disposition of the 2003 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 2003 Bonds unless the non-U.S. 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 2003 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 2003 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 2003 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 2003 Bonds, or in any way contesting or affecting the validity of the 2003 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 2003 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 2003 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, Williams Mullen, Washington, DC. The final approving opinion of Bond Counsel is to accompany delivery of the 2003 Bonds substantially in the form attached to this Official Statement as *EXHIBIT VI*.

UNDERWRITING

The 2003 Bonds are to be purchased by William R. Hough & Co., Banc of America Securities LLC, and Wachovia Securities, LLC (collectively, the "Underwriters") pursuant to the terms and conditions of two (2) Bond Purchase Agreements to be entered into by and between the Corporation and the Underwriters on or before June 24, 2003, subject to certain conditions, at an aggregate purchase price equal to \$274,070,500, which reflects an underwriters' discount of \$929,500. The Bond Purchase Agreements will provide that the Underwriters shall not be obligated to purchase any 2003 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 2003 Bonds will commence or be maintained, the Underwriters expect to make a market in the 2003 Bonds for a limited period of time after the initial public offering.

RATINGS

It is a condition precedent to the issuance of the 2003 Bonds that the Corporation obtain a confirmation of ratings on the Prior Bonds. The Corporation has applied for ratings of the 2003 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 2003 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 2003 Bonds.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Corporation and the purchasers or holders of any of the 2003 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 2003 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 2003 Bonds.

This Official Statement is "deemed final" within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act.

Dated this 12th day of June, 2003.

SOUTH CAROLINA STUDENT LOAN CORPORATION

By: /s/ _____
Authorized Officer

EXHIBIT I

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

SUMMARY OF CERTAIN PROVISIONS OF
THE FEDERAL FAMILY EDUCATION LOAN PROGRAM

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INTRODUCTION

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

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

The following summary of certain provisions of FFELP is not intended to be complete and is qualified in its entirety by reference to the complete provisions of the Higher Education Act and 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 most recently reauthorized by the enactment of the Higher Education Amendments of 1998 (Public Law 105-244), signed into law on October 7, 1998. The Higher Education Amendments of 1998 extended the principal provisions of FFELP to September 30, 2004 (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, 2004.

No representation is made as to the effect, if any, of future Federal budgetary appropriation, legislation or regulatory actions upon expenditures by the United States Department of Education or upon the financial condition of the Authority.

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. 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.

Promissory Notes. Each loan, whether subsidized or unsubsidized, is to be evidenced by an unsecured 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 on December 20, 1993, lenders were required to convert all fixed rate loans disbursed on or after July 23, 1993 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 "Auxiliary Loans for Students" or "ALAS" and subsequently renamed "Supplemental Loans to Students" or "SLS" by the October 1986 amendments. 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 (which became effective on January 1, 1981), 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 Loans made and disbursed on or after July 1, 1987. The annual variable interest rate also applies to PLUS Loans that are refinanced on or after July 1, 1987 (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.

Refinancing of PLUS Loans. A lender may refinance 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 refinance 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. Title IV loans (NDLS/Perkins) and 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 FDSL. 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.

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.

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 first trigger for a reduction in reinsurance payments is when the amount of the defaulted loan reimbursements exceeds 5% of the amount of all loans guaranteed by the Guaranty Agency in repayment status at the beginning of the federal fiscal year. The second trigger is when the amount of defaults exceeds 9% of the loans in repayment. 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. Guarantee reinsurance rates are presented in the following table:

<u>Claims Paid Date</u>	<u>Maximum</u>	<u>5% Trigger</u>	<u>9% Trigger</u>
Before October 1, 1993	100%	90%	80%
October 1, 1993 – September 30, 1998*	98%	88%	78%
On or after October 1, 1998*	95%	85%	75%

* 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 is 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 2003 SERIES RESOLUTIONS

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GLOSSARY OF CERTAIN DEFINED TERMS FROM THE GENERAL AND 2003 SERIES RESOLUTIONS

The following are some of the terms defined in the Corporation's General Resolution and 2003 Series Resolution pursuant to which the 2003 Series 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 2003 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.

"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.

"All-Hold Rate" on any date of determination, means the Average CP Rate less 0.20%; provided, however, that in no event shall such All-Hold Rate exceed the Maximum Auction Rate.

"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.

"Applicable Spread" means, on any date of determination, the following percentages, based on the lowest rating assigned to the 2003 Series Bonds in effect on the close of business on the Business Day immediately preceding such date, as set forth below:

<u>Moody's</u>	<u>Fitch</u>	<u>S&P</u>	<u>Applicable Spread</u>
Aaa	AAA	AAA	1.00%
Aa	AA	AA	1.00%
A	A	A	1.25%
Baa	BBB	BBB	1.50%
Below Baa	Below BBB	Below BBB	2.00%

provided that if the 2003 Series Bonds are not then rated by at least one Rating Agency, the "Applicable Spread" shall be 2.00%. For purposes of this definition, Fitch's rating categories of "AAA," "AA," "A" and "BBB," Moody's rating categories of "Aaa," "Aa," "A" and "Baa," and S&P's rating categories of "AAA," "AA," "A" and "BBB" shall refer to and include the respective rating categories correlative thereto if any of such Rating Agencies shall have changed or modified their generic rating categories or if Fitch, Moody's or S&P shall not rate, or no longer rate, the 2003 Series Bonds and shall have been replaced. All ratings referred to above shall be without regard to the gradations within each rating category. The Applicable Spread may be increased based on a rating confirmation from each Rating Agency.

"Auction" means each periodic implementation of the Auction Procedures set forth in the 2003 Series Resolution and *EXHIBIT III* hereto.

"Auction Agent" means the Initial Auction Agent under the Initial Auction Agency Agreement unless and until a Substitute Auction Agency Agreement becomes effective, after which "Auction Agent" shall mean the Substitute Auction Agent.

"Auction Agency Agreement" means the Initial Auction Agency Agreement unless and until a Substitute Auction Agency Agreement is entered into, after which "Auction Agency Agreement" shall mean such Substitute Auction Agency Agreement.

"Auction Date" means with respect to each Auction Period for a Tranche, initially, the date set forth in the Corporation Issuance and Sale Certificate and thereafter, on such Auction Dates for each Tranche as are set forth in the Corporation Issuance and Sale Certificate (or such other day that the Market Agent, at the direction of the Corporation shall establish as the Auction Date); provided, that if such day is not a Business Day, the Auction Date shall be the next succeeding Business Day.

"Auction Period" means the Standard Auction Period or such other period established as provided by the 2003 Series Resolution.

"Auction Procedures" means the procedures set forth in *EXHIBIT III* hereto.

"Auction Rate" means, with respect to each respective Auction Period, the rate of interest per annum determined for a Tranche of the 2003 Series Bonds pursuant to the implementation of the Auction Procedures or, if an Auction is not held or is cancelled hereunder, the rate determined pursuant to the 2003 Series Resolution.

"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 2003 Series Bonds, \$50,000 and integral multiples thereof.

“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.

“Available Bonds” means the excess of the total principal amount of Outstanding 2003 Series Bonds over the sum of the aggregate principal amount of Outstanding 2003 Series Bonds subject to Submitted Hold Orders

“Average CP Rate” means the simple average of the 3-month Financial Commercial Paper Rates for the 30 days preceding the current Auction Date and reported on the Federal Reserve Statistical Release H.15 as of the Business Day prior to the Auction Date. If such rates are no longer available from such source, the Trustee or Auction Agent, as applicable, will ascertain the rates in good faith from such sources as it shall determine to be comparable to such source. If such rates are only published as a discount rate, such discount rates are 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 rate is to take effect.

“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 2003 Series Bonds Outstanding in book-entry form.

“Bid” shall have the meaning set forth in the Auction Procedures.

“Bidder” shall have the meaning set forth in the Auction Procedures.

“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 obligations of municipal, state and public agencies 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.

“Broker-Dealer” means any broker or dealer (as defined in the Securities Exchange Act of 1934, as amended), commercial bank or other entity permitted by law to perform the functions required of a Broker-Dealer set forth in the Auction Procedures that is a Participant (or an affiliate of a DTC Participant), has been selected by the Corporation, is acceptable to the Auction Agent and has entered into a Broker-Dealer Agreement that remains effective on the date of reference.

“Broker-Dealer Agreement” means any agreement between the Auction Agent and a Broker-Dealer, and approved by the Corporation, pursuant to which such Broker-Dealer agrees to participate in Auctions as set forth in the Auction Procedures, as from time to time amended or supplemented.

“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.

“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.

“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.

“Conversion” means the change in the interest methodology on the 2003 Series Bonds from an Auction Rate to some other method for determining the rate of interest thereon.

“Conversion Date” means the date established for the Conversion of the 2003 Series Bonds.

“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 2003 Series Bonds and shall determine the methodology for determining interest rate payments or yields thereon, the initial principal amount thereof, 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 2003 Series 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.

“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.

“Existing Owner” means (i) with respect to and for the purposes of dealing with the Auction Agent in connection with an Auction, a Person who is a Broker-Dealer listed in the Existing Owner Registry at the close of business on the Business Day immediately preceding the Auction Date for such Auction, and (ii) with respect to and for the purpose of dealing with the Broker-Dealer in connection with an Auction, a Person who is a beneficial owner of 2003 Series Bonds.

“Existing Owner Registry” means the registry of Persons who are owners of the 2003 Series Bonds, maintained by the Auction Agent as provided in the Auction Agency Agreement.

“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.

“Hold Order” shall have the meaning set forth in the Auction Procedures.

“Initial Auction Agent” means Wilmington Trust Company and its successors and assigns.

“Initial Auction Agency Agreement” means the agreement dated in the form of Exhibit C to the Series Resolution, entered into by and among the Corporation, the Initial Auction Agent and the Trustee.

“Initial Interest Rate” means the rate of interest established for the respective Initial Periods for a Tranche and as set forth in the Corporation Issuance and Sale Certificate.

“Initial Period” means the period beginning on the date of delivery of the 2003 Series Bonds and ending on the day before the first Interest Rate Adjustment Date for the respective Tranche of the 2003 Series Bonds.

“Insufficient Funds Event” means the failure of the Corporation to make or cause to be made the deposit to the Interest Account.

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

“Interest Accrual Period” means with respect to a Tranche, the Initial Period and thereafter the period commencing on and including the Interest Rate Adjustment Date, and ending on and including the day prior to the next Interest Rate Adjustment Date.

“Interest Payment Date” means, initially, the dates set forth in the Corporation Issuance and Sale Certificate for each Tranche and thereafter any redemption date for a given Tranche and (i) during an Auction Period of not greater than 180 days for a given Tranche, the Business Day immediately following each Auction Date and (ii) during an Auction Period of greater than 180 days for a given Tranche, the first Business Day of each March and September.

“Interest Period” means (i) during an Auction Period of not greater than 180 days for a given Tranche, the Interest Accrual Period and (ii) during an Auction Period of greater than 180 days for a given Tranche, the period from the date of delivery of the 2003 Series Bonds through and including August 31, 2003, and thereafter the period from (a) each September 1 through and including February 28, or if applicable, February 29, and (b) each March 1 through and including August 31.

“Interest Rate” means with respect to a Tranche, the rate of interest on the 2003 Series Bonds determined in the manner provided in the 2003 Series Resolution.

“Interest Rate Adjustment Date” means with respect to a Tranche, the date of commencement of each Auction Period, being the first Business Day after each Auction Date.

“Interest Rate Determination Date” means with respect to a Tranche, the Auction Date, or if no Auction Date is applicable, the Business Day immediately preceding the date of commencement of an Auction Period.

“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.

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

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

"Market Agent" means William R. Hough & Co. or another market agent or market agents designated by the Corporation in accordance with the terms of the 2003 Series Resolution, and its or their successors or assigns.

"Maximum Auction Rate" means the lesser of (i) the Average CP Rate plus the Applicable Spread and (ii) the maximum rate permitted by State law, but in no event greater than 20%; provided, however, if the Maximum

Auction Rate applies to a Tranche with an Auction Period of greater than 180 days, the Standard Auction Period with respect to such Tranche shall be automatically converted to an Auction Period of 28 days.

“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 2003 Series Bonds administered by the Securities Depository.

“Paying Agent” means The Bank of New York, as well as any successor appointed by the Corporation under the General Resolution.

“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.

“Potential Owner” means any Person (including an Existing Owner that is (i) a Broker-Dealer when dealing with the Auction Agent and (ii) a potential Beneficial Owner (when dealing with a Broker-Dealer) who may be interested in acquiring 2003 Series Bonds or, in the case of an Existing Owner thereof, an additional principal amount thereof.

“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 a respective Tranche of any Series of Bonds Outstanding 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 an applicable Tranche of any Series of Bonds Outstanding.

“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 2003 Series Bonds, “Record Date” means, with respect to any installment of interest due on an Interest Payment Date, the Business Day prior to the Interest Payment Date.

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

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

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

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

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

“Remarketing Agent” means the entity selected by the Corporation and bound by a Remarketing Agreement following a Conversion to remarket or purchase the 2003 Series Bonds, or any successor to it as such Remarketing Agent.

“Remarketing Agreement” means an agreement between the Corporation and a Remarketing Agent, providing for the remarketing of any 2003 Series Bonds in accordance with the terms of the 2003 Series Resolution.

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

“Resolution” means, collectively, the General Resolution and the 2003 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 2003 Series Bonds.

“Sell Order” shall have the meaning set forth in the Auction Procedures.

“Senior Lien Bonds” means any Bonds so designated in the applicable Series Resolution authorizing such Senior Lien Bonds. With respect to the 2003 Series Bonds, “Senior Lien Bonds” means all 2003 Series 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.

“Standard Auction Period” means with respect to the 2003 Series A-1 Bonds, an Auction Period of approximately one year following the Initial Period, and with respect to the 2003 Series A-2 Bonds, 2003 Series A-3 Bonds and 2003 Series A-4 Bonds, an Auction Period of 28 days following the Initial Period or such other Standard Auction Period prescribed by Section 301 of the Series Resolution or authorized by Section 305 of the 2003 Series Resolution.

“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.

“Submission Deadline” means 1:00 p.m. (New York City time) on any Auction Date or such other time on any Auction Date by which Broker-Dealers are required to submit Orders to the Auction Agent as specified by the Auction Agent from time to time.

“Submitted Bid” shall have the meaning set forth in the Auction Procedures.

“Submitted Hold Order” shall have the meaning set forth in the Auction Procedures.

“Submitted Sell Order” shall have the meaning set forth in the Auction Procedures.

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

“Substitute Auction Agent” means a Person with whom the Corporation and the Trustee enter into a Substitute Auction Agency Agreement.

“Substitute Auction Agency Agreement” means an auction agent agreement containing terms substantially similar to the terms of the Initial Auction Agency Agreement, whereby a Person having the qualifications required by the 2003 Series Resolution agrees with the Trustee and the Corporation to perform the duties of the Auction Agent.

“Sufficient Clearing Bids” shall have the meaning for which such term is used in the Auction Procedures.

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

“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 that may at any time be substituted in its place pursuant to the Resolution.

“2003 Series A-1 Bonds” means the 2003 Series Bonds bearing interest at an Auction Rate in the original principal amount of \$75,000,000.

“2003 Series A-2 Bonds” means the 2003 Series Bonds bearing interest at an Auction Rate in the original principal amount of \$67,000,000.

“2003 Series A-3 Bonds” means the 2003 Series Bonds bearing interest at an Auction Rate in the original principal amount of \$67,000,000.

“2003 Series A-4 Bonds” means the 2003 Series Bonds bearing interest at an Auction Rate in the original principal amount of \$66,000,000.

“2003 Bonds” or “2003 Series Bonds” means the South Carolina Student Loan Corporation Auction Rate Education Loan Revenue Bonds, 2003 Series, bearing interest at an Auction Rate in the original principal amount of \$275,000,000 consisting of the following Tranches: (i) 2003 Series A-1 Bonds, (ii) 2003 Series A-2 Bonds, (iii) 2003 Series A-3 Bonds, and (iv) 2003 Series A-4 Bonds.

“2003 Series Resolution” means the 2003 Series Resolution.

“Winning Bid Rate” shall have the meaning set forth in the Auction Procedures.

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EXHIBIT III

AUCTION AND SETTLEMENT PROCEDURES

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AUCTION PROCEDURES

Subject to certain provisions contained in the 2003 Series Resolution, Auctions shall be conducted on each Auction Date in the following manner:

(a) (i) Prior to 1:00 p.m. (New York City time) on each Auction Date:

(A) each Existing Owner of 2003 Series Bonds may submit to a Broker-Dealer information as to:

(1) the principal amount of Outstanding 2003 Series Bonds, if any, held by such Existing Owner which such Existing Owner desires to continue to hold without regard to the Auction Rate for the next succeeding Auction Period;

(2) the principal amount of Outstanding 2003 Series Bonds, if any, which such Existing Owner offers to sell if the Auction Rate for the next succeeding Auction Period shall be less than the rate per annum specified by such Existing Owner; and/or

(3) the principal amount of Outstanding 2003 Series Bonds, if any, held by such Existing Owner which such Existing Owner offers to sell without regard to the Auction Rate for the next succeeding Auction Period; and

(B) one or more Broker-Dealers may contact Potential Owners to determine the principal amount of 2003 Series Bonds which each such Potential Owner offers to purchase if the Auction Rate for the next succeeding Auction Period shall not be less than the rate per annum specified by such Potential Owner.

For the purposes hereof, the communication to a Broker-Dealer of information referred to in clause (A)(1), (A)(2), (A)(3), or (B) of this paragraph (i) is hereinafter referred to as an "Order" and collectively as "Orders," and each Existing Owner and each Potential Owner placing an Order is hereinafter referred to as a "Bidder" and collectively as "Bidders"; an Order containing the information referred to in (x) clause (A)(1) of this paragraph (i) is hereinafter referred to as a "Hold Order" and collectively as "Hold Orders," (y) clause (A)(2) or (B) of this paragraph (i) is hereinafter referred to as a "Bid" and collectively as "Bids" and (z) clause (A)(3) of this paragraph (i) is hereinafter referred to as a "Sell Order" and collectively as "Sell Orders."

(ii) (A) Subject to the provisions of subsection (b) of this Section, a Bid by an Existing Owner shall constitute an irrevocable offer to sell:

(1) the principal amount of Outstanding 2003 Series Bonds specified in such Bid if the Auction Rate determined as provided in this Section shall be less than the rate specified therein; or

(2) such principal amount or a lesser principal amount of Outstanding 2003 Series Bonds to be determined as set forth in clause (D) of paragraph (i) of subsection (d) of this Section if the Auction Rate determined as provided in this Section shall be equal to the rate specified therein; or

(3) such principal amount or a lesser principal amount of Outstanding 2003 Series Bonds to be determined as set forth in clause (C) of paragraph (ii) of subsection (d) of this Section if the rate specified therein shall be higher than the Maximum Auction Rate and Sufficient Clearing Bids have not been made.

(B) Subject to the provisions of subsection (b) of this Section, a Sell Order by an Existing Owner shall constitute an irrevocable offer to sell:

(1) the principal amount of Outstanding 2003 Series Bonds specified in such Sell Order; or

(2) such principal amount or a lesser principal amount of Outstanding 2003 Series Bonds as set forth in clause (C) of paragraph (ii) of subsection (d) of this Section if Sufficient Clearing Bids have not been made.

(C) Subject to the provisions of subsection (b) of this Section, a Bid by a Potential Owner shall constitute an irrevocable offer to purchase:

(1) the principal amount of Outstanding 2003 Series Bonds specified in such Bid if the Auction Rate determined as provided in this Section shall be higher than the rate specified therein; or

(2) such principal amount or a lesser principal amount of Outstanding 2003 Series Bonds as set forth in clause (E) of paragraph (i) of subsection (d) of this Section if the Auction Rate determined as provided in this Section shall be equal to the rate specified therein.

(b) (i) Each Broker-Dealer shall submit in writing to the Auction Agent by the Submission Deadline on each Auction Date all Orders obtained by such Broker-Dealer and shall specify with respect to each Order:

(A) the name of the Bidder placing such Order;

(B) the aggregate principal amount of 2003 Series Bonds that are the subject of such Order;

(C) to the extent that such Bidder is an Existing Owner:

(1) the principal amount of 2003 Series Bonds, if any, subject to any Hold Order placed by such Existing Owner;

(2) the principal amount of 2003 Series Bonds, if any, subject to any Bid placed by such Existing Owner and the rate specified in such Bid; and

(3) the principal amount of 2003 Series Bonds, if any, subject to any Sell Order placed by such Existing Owner; and

(D) to the extent such Bidder is a Potential Owner, the principal amount of 2003 Series Bonds and the rate specified in such Potential Owner's Bid.

(ii) If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round such rate up to the next highest one thousandth (.001) of 1%.

(iii) If an Order or Orders covering all Outstanding 2003 Series Bonds held by any Existing Owner is not submitted to the Auction Agent prior to the Submission Deadline, the Auction Agent shall deem a Hold Order to have been submitted on behalf of such Existing Owner covering the principal amount of Outstanding 2003 Series Bonds held by such Existing Owner and not subject to an Order submitted to the Auction Agent.

(iv) Neither the Corporation, the Trustee nor the Auction Agent shall be responsible for any failure of a Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Owner or Potential Owner.

(v) If any Existing Owner submits through a Broker-Dealer to the Auction Agent one or more Orders covering in the aggregate more than the principal amount of Outstanding 2003 Series Bonds held by such Existing Owner, such Orders shall be considered valid as follows and in the following order of priority:

(A) all Hold Orders shall be considered valid, but only up to and including in the aggregate the principal amount of 2003 Series Bonds held by such Existing Owner;

(B) (1) any Bid shall be considered valid up to and including the excess of the principal amount of Outstanding 2003 Series Bonds held by such Existing Owner over the aggregate principal amount of 2003 Series Bonds subject to any Hold Orders referred to in clause (A) of this paragraph (v);

(2) subject to subclause (1) of this clause (B), if more than one Bid with the same rate is submitted on behalf of such Existing Owner and the aggregate principal amount of Outstanding 2003 Series Bonds subject to such Bids is greater than such excess, such Bids shall be considered valid up to and including the amount of such excess;

(3) subject to subclauses (1) and (2) of this clause (B), if more than one Bid with different rates is submitted on behalf of such Existing Owner, such Bids shall be considered valid first in the ascending order of their respective rates until the highest rate is reached at which such excess exists and then at such rate up to and including the amount of such excess; and

(4) in any such event, the aggregate principal amount of Outstanding 2003 Series Bonds, if any, subject to Bids not valid under this clause (B) shall be treated as the subject of a Bid by a Potential Owner at the rate therein specified; and

(C) all Sell Orders shall be considered valid up to and including the excess of the principal amount of Outstanding 2003 Series Bonds held by such Existing Owner over the aggregate principal amount of 2003 Series Bonds subject to valid Hold Orders referred to in clause (A) of this paragraph (v) and valid Bids referred to in clause (B) of this paragraph (v).

(vi) If more than one Bid for Bonds is submitted on behalf of any Potential Owner, each Bid submitted shall be a separate Bid with the rate and principal amount therein specified.

(vii) An Existing Owner that offers to purchase additional 2003 Series Bonds is, for purposes of such offer, treated as a Potential Owner.

(viii) Any Bid or Sell Order submitted by an Existing Owner covering an aggregate principal amount of 2003 Series Bonds not equal to \$50,000 or an integral multiple thereof shall be rejected and shall be deemed a Hold Order. Any Bid submitted by a Potential Owner covering an aggregate principal amount of 2003 Series Bonds not equal to \$50,000 or an integral multiple thereof shall be rejected.

(c) (i) Not earlier than the Submission Deadline on each Auction Date, the Auction Agent shall assemble all valid Orders submitted or deemed submitted to it by the Broker-Dealers (each such Order as submitted or deemed submitted by a Broker-Dealer being hereinafter referred to individually as a "Submitted Hold Order," a "Submitted Bid" or a "Submitted Sell Order," as the case may be, or as a "Submitted Order" and collectively as "Submitted Hold Orders," "Submitted Bids" or "Submitted Sell Orders," as the case may be, or as "Submitted Orders") and shall determine:

(A) the excess of the total principal amount of Outstanding 2003 Series Bonds over the sum of the aggregate principal amount of Outstanding 2003 Series Bonds subject to Submitted Hold Orders (such excess being hereinafter referred to as the "Available Bonds"); and

(B) from the Submitted Orders whether the aggregate principal amount of Outstanding 2003 Series Bonds subject to Submitted Bids by Potential Owners specifying one or more rates equal to or lower than the Maximum Auction Rate exceeds or is equal to the sum of:

(1) the aggregate principal amount of Outstanding 2003 Series Bonds subject to Submitted Bids by Existing Owners specifying one or more rates higher than the Maximum Auction Rate; and

(2) the aggregate principal amount of Outstanding 2003 Series Bonds subject to Submitted Sell Orders. In the event such excess or such equality exists (other than because the sum of the principal amounts of 2003 Series Bonds in subclauses (A) and (B) above is zero because all of the Outstanding 2003 Series Bonds are the subject of Submitted Hold Orders), such Submitted Bids in this subclause (B) are hereinafter referred to collectively, as "Sufficient Clearing Bids"; and

(C) if Sufficient Clearing Bids exist, the lowest rate specified in such Submitted Bids (the "Winning Bid Rate") which if:

(1) (aa) each such Submitted Bid from Existing Owners specifying such lowest rate and (bb) all other Submitted Bids from Existing Owners specifying lower rates were rejected, would entitle such Existing Owners to continue to hold the principal amount of 2003 Series Bonds subject to such Submitted Bids; and

(2) (aa) each such Submitted Bid from Potential Owners specifying such lowest rate and (bb) all other Submitted Bids from Potential Owners specifying lower rates were accepted;

the result would be that the Existing Owners described in subclause (1) above continuing to hold an aggregate principal amount of Outstanding 2003 Series Bonds which, when added to the aggregate principal amount of Outstanding 2003 Series Bonds to be purchased by such Potential Owners described in this subclause (2), would equal not less than the Available Bonds.

(ii) Promptly after the Auction Agent has made the determinations pursuant to paragraph (i) of this subsection (c), the Auction Agent shall, by telecopy confirmed in writing, advise the Corporation and the Broker-Dealers of the Maximum Auction Rate and the All Hold Rate and the components thereof on the Auction Date and, based on such determinations, the Auction Rate for the next succeeding Auction Period as follows:

(A) if Sufficient Clearing Bids exist, that the Auction Rate for the next succeeding Auction Period shall be equal to the Winning Bid Rate so determined;

(B) if Sufficient Clearing Bids have not been made (other than because all of the Outstanding 2003 Series Bonds are subject to Submitted Hold Orders), that the Auction Rate for the next succeeding Auction Period shall be equal to the Maximum Auction Rate; or

(C) if all Outstanding 2003 Series Bonds are subject to Submitted Hold Orders, that the Auction Rate for the next succeeding Auction Period shall be equal to the All Hold Rate.

(iii) Promptly after the Auction Agent has determined the Auction Rate, the Auction Agent shall advise the Trustee thereof.

(d) Existing Owners shall continue to hold the principal amount of 2003 Series Bonds that are subject to Submitted Hold Orders, and, based on the determinations made pursuant to paragraph (i) of subsection (c) of this Section 302, Submitted Bids and Submitted Sell Orders shall be accepted or rejected and the Auction Agent shall take such other action as set forth below:

(i) If Sufficient Clearing Bids have been made, all Submitted Sell Orders shall be accepted and, subject to the provisions of paragraph (iv) of this subsection (d), Submitted Bids shall be accepted or rejected as follows in the following order of priority and all other Submitted Bids shall be rejected:

(A) Existing Owners' Submitted Bids specifying any rate that is higher than the Winning Bid Rate shall be accepted, thus requiring each such Existing Owner to sell the aggregate principal amount of 2003 Series Bonds subject to such Submitted Bids;

(B) Existing Owners' Submitted Bids specifying any rate that is lower than the Winning Bid Rate shall be rejected, thus entitling each such Existing Owner to continue to hold the aggregate principal amount of 2003 Series Bonds subject to such Submitted Bids;

(C) Potential Owners' Submitted Bids specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring such Potential Owner to purchase the aggregate principal amount of 2003 Series Bonds subject to such Submitted Bid;

(D) Each Existing Owner's Submitted Bid specifying a rate that is equal to the Winning Bid Rate shall be rejected, thus entitling such Existing Owner to continue to hold the aggregate principal amount of 2003 Series Bonds subject to such Submitted Bid, unless the aggregate principal amount of Outstanding 2003 Series Bonds subject to all such Submitted Bids shall be greater than the principal amount of 2003 Series Bonds (the "remaining principal amount") equal to the excess of the Available Bonds over the aggregate principal amount of 2003 Series Bonds subject to Submitted Bids described in clauses (B) and (C) of this paragraph (i), in which event such Submitted Bid of such Existing Owner shall be rejected in part, and such Existing Owner shall be entitled to continue to hold the principal amount of 2003 Series Bonds subject to such Submitted Bid, but only in an amount equal to the aggregate principal amount of 2003 Series Bonds obtained by multiplying the remaining principal amount by a fraction the numerator of which shall be the principal amount of Outstanding 2003 Series Bonds held by such Existing Owner subject to such Submitted Bid and the denominator of which shall be the sum of the principal amount of Outstanding 2003 Series Bonds subject to such Submitted Bids made by all such Existing Owners that specified a rate equal to the Winning Bid Rate; and

(E) Each Potential Owner's Submitted Bid specifying a rate that is equal to the Winning Bid Rate shall be accepted but only in an amount equal to the principal amount of 2003 Series Bonds obtained by multiplying the excess of the aggregate principal amount of Available Bonds over the aggregate principal amount of 2003 Series Bonds subject to Submitted Bids described in clauses (B), (C) and (D) of this paragraph (i) by a fraction the numerator of which shall be the aggregate principal amount of Outstanding 2003 Series Bonds subject to such Submitted Bid of such Potential Owner and the denominator of which shall be the sum of the principal amounts of Outstanding 2003 Series Bonds subject to Submitted Bids made by all such Potential Owners that specified a rate equal to the Winning Bid Rate.

(ii) If Sufficient Clearing Bids have not been made (other than because all of the Outstanding 2003 Series Bonds are subject to Submitted Hold Orders), subject to the provisions of paragraphs (iv) and (v) of this subsection (d), Submitted Orders shall be accepted or rejected as follows in the following order of priority and all other Submitted Bids shall be rejected:

(A) Existing Owners' Submitted Bids specifying any rate that is equal to or lower than the Maximum Auction Rate shall be rejected, thus entitling such Existing Owners to continue to hold the aggregate principal amount of 2003 Series Bonds subject to such Submitted Bids;

(B) Potential Owners' Submitted Bids specifying any rate that is equal to or lower than the Maximum Auction Rate shall be accepted, thus requiring such Potential Owners to purchase the aggregate principal amount of 2003 Series Bonds subject to such Submitted Bid; and

(C) Each Existing Owner's Submitted Bid specifying any rate that is higher than the Maximum Auction Rate and the Submitted Sell Order of each Existing Owner shall be accepted, thus entitling each Existing Owner that submitted any such Submitted Bid or Submitted Sell Order to sell the 2003 Series Bonds subject to such Submitted Bid or Submitted Sell Order, but in both cases only in an amount equal to the aggregate principal amount of 2003 Series Bonds obtained by multiplying the aggregate principal amount of 2003 Series Bonds subject to Submitted Bids described in clause (B) of this paragraph (ii) by a fraction the numerator of which shall be the aggregate principal amount of Outstanding 2003 Series Bonds held by such Existing Owner subject to such Submitted Bid or Submitted Sell Order and the denominator of which shall be the aggregate principal amount of Outstanding 2003 Series Bonds subject to all such Submitted Bids and Submitted Sell Orders.

(iii) If all Outstanding 2003 Series Bonds are subject to Submitted Hold Orders, all Submitted Bids shall be rejected.

(iv) If, as a result of the procedures described in paragraphs (i) or (ii) of this subsection (d), any Existing Owner would be entitled or required to sell, or any Potential Owner would be entitled or required to purchase, a principal amount of 2003 Series Bonds that is not equal to \$50,000 or an integral multiple thereof, the Auction Agent shall, in such manner as, in its sole discretion, it shall determine, round up or down the principal amount of 2003 Series Bonds to be purchased or sold by any Existing Owner or Potential Owner so that the principal amount of 2003 Series Bonds purchased or sold by each Existing Owner or Potential Owner shall be equal to \$50,000 or any integral multiple thereof.

(v) If, as a result of the procedures described in paragraph (ii) of this subsection (d), any Potential Owner would be entitled or required to purchase less than \$50,000 principal amount of 2003 Series Bonds, the Auction Agent shall, in such manner as, in its sole discretion, it shall determine, allocate 2003 Series Bonds for purchase among Potential Owners so that only 2003 Series Bonds in principal amounts of \$50,000 or an integral multiple thereof are purchased by any Potential Owner, even if such allocation results in one or more such Potential Owners not purchasing any 2003 Series Bonds.

(e) Based on the results of each Auction, the Auction Agent shall determine the aggregate principal amount of 2003 Series Bonds to be purchased by Potential Owners and the aggregate principal amount of 2003 Series Bonds to be purchased or sold by Existing Owners on whose behalf each Broker-Dealer submitted Bids or Sell Orders and, with respect to each Broker-Dealer, to the extent that such aggregate principal amount of 2003 Series Bonds to be sold differs from such aggregate principal amount of 2003 Series Bonds to be purchased, determine to which other Broker-Dealer or Broker-Dealers acting for one or more purchasers such Broker-Dealer shall deliver, or from which other Broker-Dealer or Broker-Dealers acting for one or more sellers such Broker-Dealer shall receive, as the case may be, 2003 Series Bonds.

(f) Any calculation by the Auction Agent or the Trustee, as applicable, of the Auction Rate, the Maximum Auction Rate, the All-Hold Rate and the Non-Payment Rate shall, in the absence of manifest error, be binding on all other parties.

SETTLEMENT PROCEDURES

Capitalized terms used herein shall have the respective meanings specified in the Resolution.

(a) Not later than 3:00 P.M. on each Auction Date, the Auction Agent is required to notify by telephone the Broker-Dealers that participated in the Auction held on such Auction Date and submitted an Order on behalf of any Existing Owner or Potential Owner of:

- (i) the Auction Rate fixed for the next Interest Period;
- (ii) whether there were Sufficient Clearing Bids in such Auction;
- (iii) if such Broker-Dealer (a "Seller's Broker-Dealer") submitted a Bid or a Sell Order on behalf of an Existing Owner, whether such Bid or Sell Order was accepted or rejected, in whole or in part, and the principal amount of Auction Rate Bonds, if any, to be sold by such Existing Owner;
- (iv) if such Broker-Dealer (a "Buyer's Broker-Dealer") submitted a Bid on behalf of a Potential Owner, whether such Bid was accepted or rejected, in whole or in part, and the principal amount of Auction Rate Bonds, if any, to be purchased by such Potential Owner;
- (v) if the aggregate principal amount of Auction Rate Bonds to be sold by all Existing Owners on whose behalf such Seller's Broker-Dealer submitted Bids or Sell Orders exceeds the aggregate principal amount of Auction Rate Bonds to be purchased by all Potential Owners on whose behalf such Buyer's Broker-Dealer submitted a Bid, the name or names of one or more other Buyer's Broker-Dealers (and the Participant, if any, of each such other Buyer's Broker-Dealer) acting for one or more purchasers of such excess principal amount of Auction Rate Bonds and the principal amount of Auction Rate Bonds to be purchased from one or more Existing Owners on whose behalf such Seller's Broker-Dealer acted by one or more Potential Owners on whose behalf each of such Buyer's Broker-Dealers acted; and
- (vi) if the principal amount of Auction Rate Bonds to be purchased by all Potential Owners on whose behalf such Buyer's Broker-Dealer submitted a Bid exceeds the amount of Auction Rate Bonds to be sold by all Existing Owners on whose behalf such Seller's Broker-Dealer submitted a Bid or a Sell Order, the name or names of one or more Seller's Broker-Dealers (and the name of the agent member, if any, of each such Seller's Broker-Dealer) acting for one or more sellers of such excess principal amount of Auction Rate Bonds and the principal amount of Auction Rate Bonds to be sold to one or more Potential Owners on whose behalf such Buyer's Broker-Dealer acted by one or more Existing Owners on whose behalf each of such Seller's Broker-Dealers acted; and
- (vii) the Auction Date for the next succeeding Auction.

(b) On each Auction Date, each Broker-Dealer that submitted an Order on behalf of any Existing Owner or Potential Owner shall:

- (i) advise each Existing Owner and Potential Owner on whose behalf such Broker-Dealer submitted a Bid or Sell Order in the Auction on such Auction Date whether such Bid or Sell Order was accepted or rejected, in whole or in part;
- (ii) in the case of a Broker-Dealer that is a Buyer's Broker-Dealer, advise each Potential Owner on whose behalf such Buyer's Broker-Dealer submitted a Bid that was accepted, in whole or in part, to instruct such Potential Owner's Participant to pay to such Buyer's Broker-Dealer (or its Participant) through the Securities Depository the amount necessary to purchase the principal amount of Auction Rate Bonds to be purchased pursuant to such Bid against receipt of such principal amount of Auction Rate Bonds;
- (iii) in the case of a Broker-Dealer that is a Seller's Broker-Dealer, instruct each Existing Owner on whose behalf such Broker-Dealer submitted a Sell Order that was accepted, in whole or in part, or a Bid that was accepted, in whole or in part, to instruct such Existing Owner's Participant to deliver to such Seller's

Broker-Dealer (or its Participant) through the Securities Depository the principal amount of Auction Rate Bonds to be sold pursuant to such Bid or Sell Order against payment therefor;

(iv) advise each Existing Owner on whose behalf such Broker-Dealer submitted an Order and each Potential Owner on whose behalf such Broker-Dealer submitted a Bid of the Auction Rate for the next Interest Period;

(v) advise each Existing Owner on whose behalf such Broker-Dealer submitted an Order of the next Auction Date, including, without limitation, Existing Owners deemed to have submitted Hold Orders pursuant to the Series Resolution; and

(vi) advise each Potential Owner on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, of the next Auction Date.

(c) On the basis of the information provided to it pursuant to paragraph (a) above, each Broker-Dealer that submitted a Bid or Sell Order in an Auction is required to allocate any funds received by it pursuant to paragraph (b)(ii) above, and any Auction Rate Bonds received by it pursuant to paragraph (b)(iii) above, among the Potential Owners, if any, on whose behalf such Broker-Dealer submitted Bids, the Existing Owners, if any, on whose behalf such Broker-Dealer submitted Bids or Sell Orders in such Auction, and any Broker-Dealers identified to it by the Auction Agent following such Auction pursuant to paragraph (a)(v) or (a)(vi) above.

(d) On each Auction Date:

(i) each Potential Owner and Existing Owner with an Order in the Auction on such Auction Date shall instruct its Participant as provided in (b)(ii) or (b)(iii) above, as the case may be;

(ii) each Seller's Broker-Dealer that is not a Participant in the Securities Depository shall instruct its Participant to deliver such Auction Rate Bonds through the Securities Depository to a Buyer's Broker-Dealer (or its Participant) identified to such Seller's Broker-Dealer pursuant to (a)(v) above against payment therefor; and

(iii) each Buyer's Broker-Dealer that is not a Participant in the Securities Depository shall instruct its Participant to pay through the Securities Depository to a Seller's Broker-Dealer (or its Participant) identified following such Auction pursuant to (a)(vi) above the amount necessary to purchase the Auction Rate Bonds to be purchased pursuant to (b)(ii) above against receipt of such Auction Rate Bonds.

(e) On the Business Day following each Auction Date:

(i) each Participant for a Bidder in the Auction on such Auction Date referred to in (d)(i) above shall instruct the Securities Depository to execute the transactions described under (b)(ii) or (b)(iii) above for such Auction, and the Securities Depository shall execute such transactions;

(ii) each Seller's Broker-Dealer or its Participant shall instruct the Securities Depository to execute the transactions described in (d)(ii) above for such Auction, and DTC shall execute such transactions; and

(iii) each Buyer's Broker-Dealer or its Participant shall instruct DTC to execute the transactions described in (d)(iii) above for such Auction, and DTC shall execute such transactions.

(f) If an Existing Owner selling Auction Rate Bonds in an Auction fails to deliver such Auction Rate Bonds (by authorized book-entry), a Broker-Dealer may deliver to the Potential Owner on behalf of which it submitted a Bid that was accepted a principal amount of Auction Rate Bonds that is less than the principal amount of Auction Rate Bonds that otherwise was to be purchased by such Potential Owner. In such event, the principal amount of Auction Rate Bonds to be so delivered shall be determined solely by such Broker-Dealer (but only in Authorized Denominations). Delivery of such lesser principal amount of Auction Rate Bonds shall constitute good delivery. Notwithstanding the foregoing terms of this paragraph (f), any delivery or nondelivery of Auction Rate Bonds which shall represent any

departure from the results of an Auction, as determined by the Auction Agent, shall be of no effect unless and until the Auction Agent shall have been notified of such delivery or nondelivery in accordance with the provisions of the Auction Agent and the Broker-Dealer Agreements. Neither the Trustee nor the Auction Agent will have any responsibility or liability with respect to the failure of a Potential Owner, Existing Owner or their respective Broker-Dealer or Participant to take delivery of or deliver, as the case may be, the principal amount of the Auction Rate Bonds purchased or sold pursuant to an Auction or otherwise.

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EXHIBIT IV

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 2003 Bonds are the eighth 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 2003 Bonds are issued under the 2003 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 PLEDGED ASSETS – The Debt Service Reserve Fund*."

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 2003 Series Resolution with respect to the 2003 Bonds provides that no such transfer will be made to the Loan Account after June 30, 2005, unless such date is extended by each Rating Agency.

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 2003 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 2003 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.

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TO THE CORPORATION**

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SOUTH CAROLINA STUDENT LOAN CORPORATION

FINANCIAL AND COMPLIANCE REPORT

JUNE 30, 2002

SOUTH CAROLINA STUDENT LOAN CORPORATION

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YEAR ENDED JUNE 30, 2002

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of South Carolina Student Loan Corporation as of June 30, 2002, 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. The prior year's summarized comparative information has been derived from the 2001 financial statements and, in our report, dated August 24, 2001, we expressed an unqualified opinion on those financial statements..

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, 2002 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 September 4, 2002 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

Columbia, South Carolina
September 4, 2002

SOUTH CAROLINA STUDENT LOAN CORPORATION
STATEMENT OF FINANCIAL POSITION

JUNE 30, 2002

(With Comparative Amounts for 2001)

ASSETS	2002			2001
	Unrestricted	Temporarily Restricted	Total	Totals Memorandum Only
<u>Current Assets:</u>				
Cash and Cash Equivalents	\$ 3,370,535	\$ 29,044,717	\$ 32,415,252	\$ 26,585,642
Investments	199,307	144,587	343,894	1,120,750
Current Portion of Student Loan Receivables	262,382	170,674,946	170,937,328	177,810,028
Interest Due from Borrowers	504,354	32,273,553	32,777,907	34,753,335
Due from United States Department of Education	7	5,817,616	5,817,623	7,440,428
Due from SC State Education Assistance Authority	36,474	18,878,444	18,914,918	12,907,052
Accrued Investment Income	14,555	298,468	313,023	395,995
Miscellaneous Operating Receivables	57,632	-	57,632	5,822
Prepaid Expenses	38,915	-	38,915	36,511
Due from (to) Other Funds	10,695,295	(10,695,295)		
Total Current Assets	<u>\$ 15,179,456</u>	<u>\$ 246,437,036</u>	<u>\$ 261,616,492</u>	<u>\$ 261,055,563</u>
<u>Investments and Long-Term Receivables:</u>				
Investments	\$ -	\$ 106,475,636	\$ 106,475,636	\$ 65,613,704
Other Student Loan Receivables Less, Current Portion	13,283,762	1,399,157,013	1,412,440,775	1,263,086,533
Teacher Loans Receivable - Net Allowance for Teacher Loan	-	-		
Cancellations of \$ 16,412,580 and Current Portion	-	2,998,261	2,998,261	3,618,343
Deferred Cost of Issuance of Bonds	-	4,702,537	4,702,537	4,183,067
Total Investments and Long-Term Receivables	<u>\$ 13,283,762</u>	<u>\$ 1,513,333,447</u>	<u>\$ 1,526,617,209</u>	<u>\$ 1,336,501,647</u>
<u>Property and Equipment:</u>				
Furniture and Equipment	\$ 1,673,741	\$ -	\$ 1,673,741	\$ 2,319,866
Automobiles	37,397		37,397	33,016
Less, Accumulated Depreciation	(1,491,881)		(1,491,881)	(1,922,445)
Net Property and Equipment	<u>\$ 219,257</u>	<u>\$ -</u>	<u>\$ 219,257</u>	<u>\$ 430,437</u>
Total Assets	<u>\$ 28,682,475</u>	<u>\$ 1,759,770,483</u>	<u>\$ 1,788,452,958</u>	<u>\$ 1,597,987,647</u>

See Notes to Financial Statements.

SOUTH CAROLINA STUDENT LOAN CORPORATION
STATEMENT OF FINANCIAL POSITION

JUNE 30, 2002

(With Comparative Amounts for 2001)

	2002			2001 Totals Memorandum Only
<u>LIABILITIES AND NET ASSETS</u>	Unrestricted	Temporarily Restricted	Total	
<u>Current Liabilities:</u>				
Current Portion of Notes Payable - Finance Loans	\$ -	\$ 59,440,000	\$ 59,440,000	\$ 51,000,000
Current Maturities of Bonds Payable	-	113,334,354	113,334,354	119,202,499
Interest Payable	-	1,821,111	1,821,111	5,100,334
Accounts Payable	313,726	103,147	416,873	466,958
Accrued Pension Payable	619,008	20,858	639,866	615,177
Compensated Absences	227,762	19,872	247,634	192,959
Due to SC State Education Assistance Authority	-	2,543,167	2,543,167	5,348,711
Total Current Liabilities	<u>\$ 1,160,496</u>	<u>\$ 177,282,509</u>	<u>\$ 178,443,005</u>	<u>\$ 181,926,638</u>
<u>Long-Term Debt:</u>				
Bonds Payable Less, Current Maturities and Bond Premiums and Discounts of \$ 3,897,125	\$ -	\$ 1,193,480,238	\$ 1,193,480,238	\$ 1,096,482,039
Notes Payable - Finance Loans Less, Current Maturities	-	248,402,311	248,402,311	189,916,994
Note Payable to Banks				549,885
Total Long-Term Debt	<u>\$ -</u>	<u>\$ 1,441,882,549</u>	<u>\$ 1,441,882,549</u>	<u>\$ 1,286,948,918</u>
Total Liabilities	<u>\$ 1,160,496</u>	<u>\$ 1,619,165,058</u>	<u>\$ 1,620,325,554</u>	<u>\$ 1,468,875,556</u>
<u>Net Assets:</u>				
Temporarily Restricted:				
For Bond Indentures - Current Debt Service	\$ -	\$ 29,414,157	\$ 29,414,157	\$ 36,413,411
For Bond Indentures	-	86,180,751	86,180,751	41,768,854
For Teacher Loans	-	25,010,517	25,010,517	26,516,694
Total Temporarily Restricted	<u>\$ -</u>	<u>\$ 140,605,425</u>	<u>\$ 140,605,425</u>	<u>\$ 104,698,959</u>
Unrestricted	<u>27,521,979</u>	<u>-</u>	<u>27,521,979</u>	<u>24,413,132</u>
Total Net Assets	<u>\$ 27,521,979</u>	<u>\$ 140,605,425</u>	<u>\$ 168,127,404</u>	<u>\$ 129,112,091</u>
Total Liabilities and Net Assets	<u>\$ 28,682,475</u>	<u>\$ 1,759,770,483</u>	<u>\$ 1,788,452,958</u>	<u>\$ 1,597,987,647</u>

See Notes to Financial Statements.

SOUTH CAROLINA STUDENT LOAN CORPORATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2002
(With Comparative Amounts for 2001)

	2002			2001 Totals Memorandum Only
	Unrestricted	Temporarily Restricted	Total	
<u>Revenue and Other Support:</u>				
Income from United States Department of Education:				
Student Loan Interest - Subsidized	\$ 7	\$ 22,898,985	\$ 22,898,992	\$ 30,076,341
Special Allowances	-	7,124,957	7,124,957	7,368,227
Student Loan Interest - Non Subsidized	638,007	73,991,454	74,629,461	86,212,845
Investment Income	197,386	3,780,982	3,978,368	4,188,702
Unrealized Gain (Loss) on Investments	(48,747)	177,812	129,065	311,237
Late Charges	571	605,160	605,731	736,219
Miscellaneous Payments of Student Loans	(6)	1,248	1,242	4,718
Premium on Sale of Loans	-	7,530	7,530	7,588
State Appropriations - Department of Education	-	4,821,058	4,821,058	3,916,250
Processing Fee Income	78,129	-	78,129	73,899
Remittance from SC State Education Assistance Authority for Operating Cost	6,835,523	-	6,835,523	6,767,917
Net Assets Released from Restrictions	77,502,720	(77,502,720)		
Total Revenue and Support	<u>\$ 85,203,590</u>	<u>\$ 35,906,466</u>	<u>\$ 121,110,056</u>	<u>\$ 139,663,943</u>
<u>Expenses:</u>				
Personnel	\$ 5,347,023	\$ -	\$ 5,347,023	\$ 4,799,022
Contractual Services	663,624	-	663,624	556,272
General Operating	1,822,747	-	1,822,747	1,731,324
Interest on Debt	33,154,374	-	33,154,374	62,328,963
TLP Cancellations	9,329,158	-	9,329,158	10,862,069
Amortization of Deferred Cost of Bond Issuance	771,253	-	771,253	349,305
Payments to SC State Education Assistance Authority for Student				
Loan Income	18,774,718	-	18,774,718	32,271,894
Lender Origination Fees	4,309,098	-	4,309,098	2,725,527
Reinsurance Expense	162,766	-	162,766	161,176
Borrower Incentives	6,515,415	-	6,515,415	242,178
Broker Dealer Fees	957,954	-	957,954	1,000,748
Other	286,613	-	286,613	232,334
Total Expenses	<u>\$ 82,094,743</u>	<u>\$ -</u>	<u>\$ 82,094,743</u>	<u>\$ 117,260,812</u>
<u>Change in Net Assets</u>	<u>\$ 3,108,847</u>	<u>\$ 35,906,466</u>	<u>\$ 39,015,313</u>	<u>\$ 22,403,131</u>
<u>Net Assets</u>				
Beginning	24,413,132	104,698,959	129,112,091	106,708,960
Ending	<u>\$ 27,521,979</u>	<u>\$ 140,605,425</u>	<u>\$ 168,127,404</u>	<u>\$ 129,112,091</u>

See Notes to Financial Statements.

SOUTH CAROLINA STUDENT LOAN CORPORATION
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2002
(With Comparative Amounts for 2001)

	2002			2001 Totals Memorandum Only
	Unrestricted	Temporarily Restricted	Total	
<u>Cash Flows from Operating Activities:</u>				
Change in Net Assets	\$ 3,108,847	\$ 35,906,466	\$ 39,015,313	\$ 22,403,131
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities				
Depreciation	267,475		267,475	226,030
Amortization of Premiums and Discounts on Bonds Payable		332,553	332,553	332,554
Amortization of Cost of Bond Issuance		771,253	771,253	349,305
Changes in Operating Assets and Liabilities				
(Increase) Decrease in Due from Department of Education	36	1,622,769	1,622,805	3,488,800
(Increase) Decrease in Due from SCSEAA	(27,186)	(5,980,584)	(6,007,770)	(2,636,381)
(Increase) Decrease in Interest Due from Borrowers	47,686	1,927,743	1,975,429	(5,147,061)
(Increase) Decrease in Accrued Investment Income	3,843	79,129	82,972	(101,724)
(Increase) Decrease in Miscellaneous Receivable	(51,904)	-	(51,904)	(3,081)
(Increase) Decrease in Prepaid Expenses	(2,403)	-	(2,403)	(4,838)
Increase (Decrease) in Interest Payable	-	(3,279,223)	(3,279,223)	(831,972)
Increase (Decrease) in Accounts Payable	11,415	(289,776)	(278,361)	338,202
Increase (Decrease) in Accrued Pension Expenses	23,949	740	24,689	195,775
Increase (Decrease) in Compensated Absence	51,094	3,581	54,675	(2,045)
Increase (Decrease) in Group Insurance Payable	223,100	5,175	228,275	
Increase (Decrease) in Due to SCSEAA	-	(2,805,544)	(2,805,544)	(3,543,645)
Due to (from) Other funds	(321,654)	321,654		
Net Cash Provided by Operating Activities	\$ 3,334,298	\$ 28,615,936	\$ 31,950,234	\$ 15,063,050
<u>Cash Flows from Investing Activities:</u>				
Purchase of Property and Equipment	\$ (56,295)	\$ -	\$ (56,295)	\$ (89,861)
(Increase) Decrease in Cash Surrender Value of Life Insurance				33,350
Purchase and Issuance of Student Loans	(4,368,305)	(817,367,396)	(821,735,701)	(963,762,587)
Principal Payments on Student Loans	12,097	670,532,986	670,545,083	846,398,580
Teacher Loan Cancellations	-	9,329,158	9,329,158	10,862,069
(Increase) Decrease in Investment	-	(40,133,824)	(40,133,824)	(33,215,561)
Unrealized Gain on Investment	48,748	-	48,748	(22,109)
Net Cash (Used in) Investing Activities	\$ (4,363,755)	\$ (177,639,076)	\$ (182,002,831)	\$ (139,796,119)

See Notes to Financial Statements

SOUTH CAROLINA STUDENT LOAN CORPORATION
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2002
(With Comparative Amounts for 2001)

	2002			2001 Totals Memorandum Only
	Unrestricted	Temporarily Restricted	Total	
<u>Cash Flows from Financing Activities:</u>				
Proceeds from Financing Loans	\$	\$ 484,269,682	\$ 484,269,682	\$ 168,597,572
Payments on Financing Loans		(417,344,365)	(417,344,365)	(299,881,741)
Proceeds from Bank Line-of-Credit		1,390,496	1,390,496	229,036,774
Payments on Bank Line-of-Credit		(1,940,381)	(1,940,381)	(410,495,021)
Proceeds from Issuance of Bonds		210,000,000	210,000,000	550,000,000
Payments of Bonds		(119,202,499)	(119,202,499)	(98,731,193)
Payment of Costs of Bond Issuance		(1,290,726)	(1,290,726)	(3,430,974)
Net Cash Provided by Financing Activities	\$ -	\$ 155,882,207	\$ 155,882,207	\$ 135,095,417
<u>Net Increase (Decrease) in Cash and Cash Equivalents:</u>	\$ (1,029,457)	\$ 6,859,067	\$ 5,829,610	\$ 10,362,348
<u>Cash and Cash Equivalents:</u>				
Beginning	4,399,992	22,185,650	26,585,642	16,223,294
Ending	\$ 3,370,535	\$ 29,044,717	\$ 32,415,252	\$ 26,585,642
<u>Supplemental Disclosures of Cash Flow Information</u>				
Cash Payments for Interest	\$ -	\$ 36,101,045	\$ 36,101,045	\$ 63,163,170
<u>Supplemental Disclosures of Non-Cash Transactions</u>				
Retirement of Fixed Assets - Investing Activities	\$ 698,039	\$ -	\$ 698,039	\$ -
Write-off of Accumulated Depreciation Related to Retirement of Fixed Assets - Investing Activities	\$ 698,039	\$ -	\$ 698,039	\$ -

See Notes to Financial Statements

SOUTH CAROLINA STUDENT LOAN CORPORATIONNOTES TO FINANCIAL STATEMENTSYEAR ENDED JUNE 30, 20021. 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, 2002

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 income on these loans to the Authority as it is received as required by loan agreements.

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 phase out this arrangement by November 2002.

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

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

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

SOUTH CAROLINA STUDENT LOAN CORPORATIONNOTES TO FINANCIAL STATEMENTSYEAR ENDED JUNE 30, 20021. Summary of Significant Accounting Policies (Continued):1.2 Overall Operating Arrangement (Continued):

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

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

1.3 Basis of Accounting:

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

1.4 Display of Net Assets by Class:

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

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

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

SOUTH CAROLINA STUDENT LOAN CORPORATIONNOTES TO FINANCIAL STATEMENTSYEAR ENDED JUNE 30, 20021. 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 CORPORATIONNOTES TO FINANCIAL STATEMENTSYEAR ENDED JUNE 30, 20021. Summary of Significant Accounting Policies (Continued):1.10 Compensated Absences:

Annual leave is earned at the rate of 10 to 25 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, 2001, 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>
Demand Deposits	\$ 56,517	\$ 56,517
Repurchase Agreements	106,669	106,669
South Carolina State Treasurer Pool	231,567	231,567
Commercial Paper	<u>2,975,782</u>	<u>2,975,782</u>
	\$ <u>3,370,535</u>	\$ <u>3,370,535</u>
<u>Temporarily Restricted</u>		
Demand Deposit	\$ 15,297	\$ 15,297
Repurchase Agreement	13,305,573	13,305,573
South Carolina State Treasurer Pool	11,727,799	11,727,799
Commercial Paper	<u>3,996,048</u>	<u>3,996,048</u>
	\$ <u>29,044,717</u>	\$ <u>29,044,717</u>

Cash and Cash Equivalents included in the Teacher Loan Program include the South Carolina State Treasurer Pool totaling \$ 11,727,799.

SOUTH CAROLINA STUDENT LOAN CORPORATION

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2002

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>199,307</u>	\$ <u>199,307</u>
<u>Temporarily Restricted:</u>			
U.S. Treasury Notes - Short-Term	\$ 144,587	\$	\$ 144,587
Guaranteed Investment Contracts	<u>106,475,636</u>		<u>106,475,636</u>
Total	\$ <u>106,620,223</u>	\$ <u>-</u>	\$ <u>106,620,223</u>

4. Amounts Due from/to the Corporation:

The \$ 2,543,167 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 \$ 18,914,918. 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 2002 and 2001, these loans bear interest at a fixed rate of 3.5% to 12% or an annual variable rate of 5.39% to 6.79%, 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, 2002 is 6.56-6.79%. 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 CORPORATIONNOTES TO FINANCIAL STATEMENTSYEAR ENDED JUNE 30, 20025. 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% and subsequently on January 1, 2002 was suspended 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, 2002, the Corporation was required to have assets deposited in the current debt service account of \$ 29,414,157.

The Education Loan Revenue Bonds as of June 30, 2002 are as follows:

<u>Issued</u>	<u>Original Amount</u>	<u>Maturity Date</u>	<u>Balance Outstanding 6/30/01</u>	<u>Issued (Retired) During FY 02</u>	<u>Balance Outstanding 6/30/02</u>
July 11, 1996	\$ 223,900,000	3/1/06 -9/1/26	\$ 109,682,966	\$(23,387,638)	\$ 86,295,328
May 15, 1997	335,300,000	12/1/07-9/1/27	223,551,983	(41,051,707)	182,500,276
May 14, 1998	211,400,000	9/1/2033	211,400,000		211,400,000
July 7, 1999	150,000,000	9/1/2007	125,279,267	(54,763,154)	70,516,113
July 18, 2000	150,000,000	6/1/2010	150,000,000		150,000,000
May 23, 2001	400,000,000	6/1/2012	400,000,000		400,000,000
April 17, 2002	210,000,000	6/1/2013		<u>210,000,000</u>	<u>210,000,000</u>
			<u>\$ 1,219,914,216</u>	<u>\$ 90,797,501</u>	<u>\$ 1,310,711,717</u>

SOUTH CAROLINA STUDENT LOAN CORPORATIONNOTES TO FINANCIAL STATEMENTSYEAR ENDED JUNE 30, 20026. Bonds Payable (Continued):

The Corporation's Treasury Indexed Bonds totaled \$ 103,795,604 as of June 30, 2002, 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, 2002, 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 \$ 540,516,113 as of June 30, 2002 and have variable interest rates equal to one-month LIBOR plus 0.27% as adjusted monthly and three-month LIBOR plus 0.13% to 0.17% as adjusted quarterly. The Corporation's CP Indexed Bonds totaled \$ 290,000,000 and have variable interest rates ranging from the three-month Commercial Paper indexed rate plus 0.24% to 0.31% as adjusted weekly or monthly. Throughout the year ended June 30, 2002, none of the rates exceeded 4.33%. Future interest payment projections are based upon the four year weighted average rate at June 30, 2002, which was 5.17%.

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 respective Targeted Amortization Schedules as of the date of such redemption.

As of June 30, 2002, the scheduled debt service to retire these bonds is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2003	\$ 113,334,354	\$ 65,057,305	\$ 178,391,659
2004	130,363,888	59,566,186	189,930,074
2005	206,241,475	50,267,065	256,508,540
2006	225,169,000	39,221,438	264,390,438
2007	219,449,000	27,526,519	246,975,519
2008	39,754,000	19,802,427	59,556,427
2009		19,459,880	19,459,880
2010		19,459,880	19,459,880
2011		19,459,880	19,459,880
2012		19,459,880	19,459,880
2013		19,459,880	19,459,880
2014		19,459,880	19,459,880
2015		19,459,880	19,459,880
2016		19,459,880	19,459,880
2017		19,459,880	19,459,880
2018		19,459,880	19,459,880
2019		19,459,880	19,459,880
2020		19,459,880	19,459,880
2021		19,459,880	19,459,880

SOUTH CAROLINA STUDENT LOAN CORPORATIONNOTES TO FINANCIAL STATEMENTSYEAR ENDED JUNE 30, 20026. Bonds Payable (Continued):

	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2022	\$	\$ 19,459,880	\$ 19,459,880
2023		19,459,880	19,459,880
2024		19,459,880	19,459,880
2025		19,459,880	19,459,880
2026		19,459,880	19,459,880
2027	85,000,000	15,797,797	100,797,797
2028	80,000,000	11,618,713	91,618,713
2029		10,929,380	10,929,380
2030		10,929,380	10,929,380
2031		10,929,380	10,929,380
2032		10,929,380	10,929,380
2033		10,929,380	10,929,380
2034	<u>211,400,000</u>	<u>1,821,563</u>	<u>213,221,563</u>
Totals	\$ <u>1,310,711,717</u>	\$ <u>695,603,753</u>	\$ <u>2,006,315,470</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 payments of principal which are returned to the Authority. At June 30, 2002, the notes totaled \$ 307,842,311.

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, 2002, the Corporation had available a line of credit in the amount of \$ 238,000,000 with no amount outstanding.

SOUTH CAROLINA STUDENT LOAN CORPORATIONNOTES TO FINANCIAL STATEMENTSYEAR ENDED JUNE 30, 20029. Bank Lines of Credit (Continued):

The due date of the line-of-credit is November 2, 2002. 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 2002 line 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, 2002. The Corporation intends to phase this arrangement out by November 2002.

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 \$ 84,900. 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 2002 totaled \$ 211,098 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 \$ 432,860, plus \$ 33,830 of administrative expenses, totaling \$ 466,690 for the year ended June 30, 2002. The Authority contributed \$ 112,006 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 CORPORATIONNOTES TO FINANCIAL STATEMENTSYEAR ENDED JUNE 30, 200210. Employee Benefit Plans (Continued):

10.2 (Continued):

Service Cost (Benefits Earned)	\$ 185,526
Interest Cost on Projected Benefit Obligation	198,988
Actual Return on Assets	(113,450)
Net Amortization and Deferral	137,106
Minimum Liability	<u>24,690</u>
Net Pension Cost	\$ <u>432,860</u>

The following sets forth the Plan's funded status as of June 30, 2002. The measurement date of the projected benefits obligation and Plan assets was June 30, 2002.

Actuarial Present Value of Benefit Obligations:	
Vested Benefit Obligation	\$ 2,203,765
Nonvested Benefit Obligation	<u>101,568</u>
Accumulated Benefit Obligation	\$ <u>2,305,333</u>
Projected Benefits	\$(3,029,475)
Plan Assets at Fair Value	<u>1,665,467</u>
Projected Benefit Obligation (In Excess of) Plan Assets	\$(1,364,008)
Unrecognized Prior Service Cost	956,996
Unrecognized Net Loss	589,677
Required Additional Minimum Liability	(<u>822,531</u>)
Accrued Pension Cost	\$(<u>639,866</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 \$ 408,170. No participant contributions are permitted by the Plan. Benefit payments made during the year ended June 30, 2002 totaled \$ 22,951.

- 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 \$ 661,822 in 2002.

11. Operating Leases:

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

<u>Year Ended June 30</u>	<u>Office Space</u>
2003	\$ 304,140
2004	304,140
2005	304,140
2006	304,140
2007	101,380

SOUTH CAROLINA STUDENT LOAN CORPORATIONNOTES TO FINANCIAL STATEMENTSYEAR ENDED JUNE 30, 200211. Operating Leases (Continued):

Total rental expenses including rental agreements under one year in duration were \$ 223,776 for June 30, 2002. Certain lease expense is allocated to South Carolina State Education Assistance Authority based on space occupied.

12. 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.

13. Assets Released from Restrictions:

Net assets during the year ended June 30, 2002 were released from restrictions by incurring expenses satisfying the restricted purposes and by occurrence of other events specified as follows:

Personnel	\$ 251,988
Contractual Services	22,063
General Operating	43,967
Interest on Debt	33,154,374
TLP Cancellations	9,329,158
Amortization of Deferred Cost of Bond Issuance	771,253
Payment to SC State Education Assistance Authority for Student Loan Income	18,774,718
Lender Origination Fees	4,309,098
Reinsurance Expense	162,766
Borrowers Incentives	6,515,415
Broker Dealer Fees	957,954
Other	214,544
Total Expenses	\$ 74,507,298
Other Transfers for Loan Servicing on Bank Loans	306,783
Transfers for Loan Servicing on Taxable Bonds	2,676,625
Transfer from TLP Fund for Operations	12,014
Total	\$ <u>77,502,720</u>

SOUTH CAROLINA STUDENT LOAN CORPORATION

SCHEDULE OF FINANCIAL POSITION BY FUND

JUNE 30, 2002

ASSETS	Unrestricted		Temporarily Restricted				Total
	Operating	PAL Loans	Taxable Bonds	Teacher Loans	Line-of- Credit Bank Loans	Tax- Exempt Bond Loans	
<u>Current Assets:</u>							
Cash and Cash Equivalents	\$ 3,263,866	\$ 106,669	\$	\$ 11,727,799	\$ 4,011,345	\$ 13,305,573	\$ 32,415,252
Investments	199,307		144,587				343,894
Current Portion of Student Loan Receivables		262,382	101,305,005	8,430,869	1,499,072	59,440,000	170,937,328
Interest Due from Borrowers	7,503	496,851	27,380,103	1,725,179	163,490	3,004,781	32,777,907
Due from United States Department of Education	7		4,984,173		46,600	786,843	5,817,623
Due from SC State Education Assistance Authority	36,474		18,831,802	46,642			18,914,918
Accrued Investment Income	14,555		159,855	138,613			313,023
Miscellaneous Operating Receivables	57,632		-				57,632
Prepaid Expenses	38,915						38,915
Due from (to) Other Funds	10,695,295		109,980		(10,711,073)	(94,202)	
Total Current Assets	\$ 14,313,554	\$ 865,902	\$ 152,915,505	\$ 22,069,102	\$ (4,990,566)	\$ 76,442,995	\$ 261,616,492
<u>Investments and Long-Term Receivables:</u>							
Investments	\$	\$	\$ 106,475,636	\$	\$	\$	\$ 106,475,636
Other Student Loan Receivables Less, Current Portion	41,948	13,241,814	1,160,210,326		4,996,681	233,950,006	1,412,440,775
Teacher Loans Receivable - Net Allowance for Teacher Loan Cancellations and Current Portion				2,998,261			2,998,261
Deferred Cost of Issuance of Bonds			4,702,537				4,702,537
Total Investments and Long-Term Receivables	\$ 41,948	\$ 13,241,814	\$ 1,271,388,499	\$ 2,998,261	\$ 4,996,681	\$ 233,950,006	\$ 1,526,617,209
<u>Property and Equipment:</u>							
Furniture and Equipment	\$ 1,673,741	\$	\$	\$	\$	\$	\$ 1,673,741
Automobiles	37,397						37,397
Less, Accumulated Depreciation	(1,491,881)						(1,491,881)
Net Property and Equipment	\$ 219,257	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 219,257
Total Assets	\$ 14,574,759	\$ 14,107,716	\$ 1,424,304,004	\$ 25,067,363	\$ 6,115	\$ 310,393,001	\$ 1,788,452,958

SOUTH CAROLINA STUDENT LOAN CORPORATION

SCHEDULE OF FINANCIAL POSITION BY FUND

JUNE 30, 2002

LIABILITIES AND NET ASSETS	Unrestricted		Temporarily Restricted				Total
	Operating	PAL Loans	Taxable Bonds	Teacher Loans	Line-of- Credit Bank Loans	Tax- Exempt Bond Loans	
<u>Current Liabilities:</u>							
Current Portion of Notes Payable - Finance Loans	\$	\$	\$	\$	\$	\$ 59,440,000	\$ 59,440,000
Current Maturities of Bonds Payable			113,334,354				113,334,354
Interest Payable			1,821,111				1,821,111
Accounts Payable	297,118	16,608	77,251	16,116	6,115	3,665	416,873
Accrued Pension Payable	619,008			20,858			639,866
Compensated Absences	227,762			19,872			247,634
Due to SC State Education Assistance Authority						2,543,167	2,543,167
Total Current Liabilities	\$ 1,143,888	\$ 16,608	\$ 115,232,716	\$ 56,846	\$ 6,115	\$ 61,986,832	\$ 178,443,005
<u>Long-Term Debt:</u>							
Bonds Payable Less, Current Maturities and Bond Premiums and Discounts	\$	\$	\$ 1,193,480,238	\$	\$	\$	\$ 1,193,480,238
Notes Payable - Finance Loans Less, Current Maturities						248,402,311	248,402,311
Total Long-Term Debt	\$ -	\$ -	\$ 1,193,480,238	\$ -	\$ -	\$ 248,402,311	\$ 1,441,882,549
Total Liabilities	\$ 1,143,888	\$ 16,608	\$ 1,308,712,954	\$ 56,846	\$ 6,115	\$ 310,389,143	\$ 1,620,325,554
<u>Net Assets:</u>							
Temporarily Restricted for Bond Indentures							
Current Debt Service	\$	\$	\$ 29,414,157	\$	\$	\$	\$ 29,414,157
Temporarily Restricted for Bond Indentures			86,176,893			3,858	86,180,751
Temporarily Restricted for Teacher Loans				25,010,517			25,010,517
Unrestricted	13,430,871	14,091,108					27,521,979
Total Net Assets	\$ 13,430,871	\$ 14,091,108	\$ 115,591,050	\$ 25,010,517	\$ -	\$ 3,858	\$ 168,127,404
Total Liabilities and Net Assets	\$ 14,574,759	\$ 14,107,716	\$ 1,424,304,004	\$ 25,067,363	\$ 6,115	\$ 310,393,001	\$ 1,788,452,958

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF ACTIVITIES BY FUND
YEAR ENDED JUNE 30, 2002

	Unrestricted		Temporarily Restricted				Total
	Operating	PAL Loans	Taxable Bonds	Teacher Loans	Line-of- Credit Bank Loans	Tax- Exempt Bond Loans	
<u>Revenue:</u>							
Income from United States Department of Education:							
Student Loan Interest - Subsidized	\$ 7	\$	\$ 18,209,011	\$ (2,577)	\$ 207,260	\$ 4,485,291	\$ 22,898,992
Special Allowances	-		118,742	92	38	7,006,085	7,124,957
Student Loan Interest - Non Subsidized	3,122	634,885	54,018,655	2,601,966	169,052	17,201,781	74,629,461
Investment Income	192,732	4,654	3,224,112	556,492	378		3,978,368
Unrealized Gain (Loss) on Investments	(48,747)			177,812			129,065
Late Charges	92	479	497,080	6,878	445	100,757	605,731
Miscellaneous Payments of Student Loans		(6)	(1,805)	283	(16)	2,786	1,242
Premium on Sale of Loans					7,530		7,530
State Appropriations - Department of Education				4,821,058			4,821,058
Processing Fee Income		78,129					78,129
Remittance from SC State Education Assistance Authority for Operating Cost	6,835,523						6,835,523
Total Revenue	\$ 6,982,729	\$ 718,141	\$ 76,065,795	\$ 8,162,004	\$ 384,687	\$ 28,796,700	\$ 121,110,056
<u>Expenses:</u>							
Personnel	\$ 5,095,035	\$	\$	\$ 251,988	\$	\$	\$ 5,347,023
Contractual Services	641,561			22,063			663,624
General Operating	1,778,780			43,967			1,822,747
Interest on Debt			33,099,699		54,675		33,154,374
TLP Cancellations				9,329,158			9,329,158
Amortization of Deferred Cost of Bond Issuance			771,253				771,253
Payments to SC State Education Assistance Authority for Student Loan Income						18,774,718	18,774,718
Lender Origination Fees			817,169		4,715	3,487,214	4,309,098
Reinsurance Expense			147,271			15,495	162,766
Borrower Incentives						6,515,415	6,515,415
Broker Dealer Fees			957,954				957,954
Other		72,069	187,039	8,991	18,514		286,613
Total Expenses	\$ 7,515,376	\$ 72,069	\$ 35,980,385	\$ 9,656,167	\$ 77,904	\$ 28,792,842	\$ 82,094,743
<u>Transfers Between Accounts:</u>							
Transfers In	\$ 2,997,683	\$ 3,700,000	\$	\$ 309,044	\$	\$	\$ 7,006,727
Transfers Out	(3,702,261)		(2,676,625)	(321,058)	(306,783)		(7,006,727)
Total Transfers Between Accounts	\$ (704,578)	\$ 3,700,000	\$ (2,676,625)	\$ (12,014)	\$ (306,783)	\$ -	\$ -
<u>Change in Net Assets</u>	\$ (1,237,225)	\$ 4,346,072	\$ 37,408,785	\$ (1,506,177)	\$	\$ 3,858	\$ 39,015,313
<u>Net Assets:</u>							
Beginning	14,668,096	9,745,036	78,182,265	26,516,694			129,112,091
Ending	\$ 13,430,871	\$ 14,091,108	\$ 115,591,050	\$ 25,010,517	\$ -	\$ 3,858	\$ 168,127,404

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF CASH FLOWS BY FUND
YEAR ENDED JUNE 30, 2002

	Unrestricted		Temporarily Restricted				Total
	Operating	PAL Loans	Taxable Bonds	Teacher Loans	Line-of- Credit Bank Loans	Tax- Exempt Bond Loans	
<u>Cash Flows from Operating Activities</u>							
Change in Net Assets	\$ (1,237,225)	\$ 4,346,072	\$ 37,408,785	\$ (1,506,177)	\$	\$ 3,858	\$ 39,015,313
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:							
Depreciation	267,475						267,475
Amortization of Premiums and Discounts on Bonds Payable			332,553				332,553
Amortization of Cost of Bond Issuance			771,253				771,253
Changes in Operating Assets and Liabilities:							
(Increase) Decrease in Due from Department of Education	36		1,171,733		505,868	(54,832)	1,622,805
(Increase) Decrease in Due from SC State Education Assistance Authority	(27,186)		(5,942,637)	(37,947)			(6,007,770)
(Increase) Decrease in Interest Due from Borrowers	(495)	48,181	367,067	33,246	(84,472)	1,611,902	1,975,429
(Increase) Decrease in Accrued Investment Income	3,843		66,228	12,901			82,972
(Increase) Decrease in Miscellaneous Receivables	(51,904)						(51,904)
(Increase) Decrease in Prepaid Expenses	(2,403)						(2,403)
Increase (Decrease) in Interest Payable			(2,123,219)		(1,156,004)		(3,279,223)
Increase (Decrease) in Accounts Payable	5,483	5,932	(266,289)	(24,092)	3,020	(2,415)	(278,361)
Increase (Decrease) in Accrued Pension Expense	23,949			740			24,689
Increase (Decrease) in Compensated Absences	51,094			3,581			54,675
Increase (Decrease) in Group Insurance Payable	223,100			5,175			228,275
Increase (Decrease) in Due to SC State Education Assistance Authority						(2,805,544)	(2,805,544)
Due to (from) Other Funds	(321,654)		(43,537)		270,989	94,202	
Net Cash Provided by (Used in) Operating Activities	\$ (1,065,887)	\$ 4,400,185	\$ 31,741,937	\$ (1,512,573)	\$ (460,599)	\$ (1,152,829)	\$ 31,950,234
<u>Cash Flows from Investing Activities</u>							
Purchase of Property and Equipment	\$ (56,295)	\$	\$	\$	\$	\$	\$ (56,295)
Purchase and Issuance of Student Loans		(4,368,305)	(315,451,494)	(16,644,561)	(1,001,659)	(484,269,682)	(821,735,701)
Principal Payments on Student Loans	12,097		234,336,606	8,384,529	1,422,545	426,389,306	670,545,083
Teacher Loan Cancellations				9,329,158			9,329,158
Purchase of Investments			(40,133,824)				(40,133,824)
Unrealized (Gain) Loss on Investments	48,748						48,748
Net Cash Provided by (Used in) Investing Activities	\$ 4,550	\$ (4,368,305)	\$ (121,248,712)	\$ 1,069,126	\$ 420,886	\$ (57,880,376)	\$ (182,002,831)

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF CASH FLOWS BY FUND
YEAR ENDED JUNE 30, 2002

	Unrestricted		Temporarily Restricted				Total
	Operating	PAL Loans	Taxable Bonds	Teacher Loans	Line-of- Credit Bank Loans	Tax- Exempt Bond Loans	
<u>Cash Flows from Financing Activities</u>							
Proceeds from Financing Loans	\$	\$	\$	\$	\$	484,269,682	\$ 484,269,682
Payments on Financing Loans						(417,344,365)	(417,344,365)
Proceeds from Bank Line-of-Credit					1,390,496		1,390,496
Payments on Bank Line-of-Credit					(1,940,381)		(1,940,381)
Proceeds from Issuance of Bonds			210,000,000				210,000,000
Payments of Bonds			(119,202,499)				(119,202,499)
Payment of Costs of Bond Issuance			(1,290,726)				(1,290,726)
Net Cash Provided by (Used in) Financing Activities	\$ -	\$ -	\$ 89,506,775	\$ -	\$ (549,885)	\$ 66,925,317	\$ 155,882,207
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	\$ (1,061,337)	\$ 31,880	\$	\$ (443,447)	\$ (589,598)	\$ 7,892,112	\$ 5,829,610
<u>Cash and Cash Equivalents</u>							
Beginning	4,325,203	74,789		12,171,246	4,600,943	5,413,461	26,585,642
Ending	\$ 3,263,866	\$ 106,669	\$ -	\$ 11,727,799	\$ 4,011,345	\$ 13,305,573	\$ 32,415,252
<u>Supplemental Disclosure of Cash Flow Information:</u>							
Cash Payments for Interest	\$ -	\$ -	\$ 34,890,365	\$ -	\$ 1,210,680	\$ -	\$ 36,101,045
<u>Supplemental Disclosure of Non-Cash Transactions</u>							
Retirement of Fixed Assets - Investing Activities	\$ 698,039	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 698,039
Write-off of Accumulated Depreciation Related to Retired Assets- Investing Activities	\$ 698,039	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 698,039

SOUTH CAROLINA STUDENT LOAN CORPORATION

SCHEDULE OF PROPERTY AND EQUIPMENT

YEAR ENDED JUNE 30, 2002

Description and Rate	Cost	Accumulated Depreciation 6/30/01	Depreciation Expense	Disposals and Transfers	Accumulated Depreciation 6/30/02
<u>Furniture and Fixtures:</u>					
Computer Equipment	\$ 1,290,578	\$ 1,321,591	\$ 209,970	\$ 321,154	\$ 1,210,407
Typewriters		10,005		10,005	
Filing Equipment		58,426		58,426	
Furniture		40,340		40,340	
Other Office Machines	274,410	216,075	23,701	34,499	205,277
Partitions and Worksurfaces		109,237		109,237	
Telephone Equipment	55,262	126,208	5,526	104,103	27,631
Miscellaneous	53,491	13,846	15,812	6,156	23,502
Total Furniture and Fixtures	\$ 1,673,741	\$ 1,895,728	\$ 255,009	\$ 683,920	\$ 1,466,817
<u>Automobiles:</u>					
1998 Pontiac Bonneville	\$	\$ 14,119	\$	\$ 14,119	\$
1999 Buick Park Avenue	18,897	12,598	6,299		18,897
2001 Buick Park Avenue	18,500		6,167		6,167
Total Automobiles	\$ 37,397	\$ 26,717	\$ 12,466	\$ 14,119	\$ 25,064
Grand Totals	\$ 1,711,138	\$ 1,922,445	\$ 267,475	\$ 698,039	\$ 1,491,881

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF EXPENSES
YEAR ENDED JUNE 30, 2002

	Operating Fund				Teacher Loan Program - EIA			
	2002		Variance	2001	2002		Variance	2001
	Total		Favorable	Actual	Total		Favorable	Actual
	<u>Budget</u>	<u>Actual</u>	<u>(Unfavorable)</u>		<u>Budget</u>	<u>Actual</u>	<u>(Unfavorable)</u>	
Operating Expenses:								
Personnel:								
Staff Salaries	\$ 3,622,525	\$ 3,573,457	\$ 49,068	\$ 3,339,384	\$ 190,275	\$ 190,078	\$ 197	\$ 167,530
Part-time Salaries	65,250	51,633	13,617	62,492				
Contracted Services	20,400	18,945	1,455	24,489				
Social Security	276,250	263,449	12,801	246,962	14,550	13,065	1,485	12,139
Group Insurance	682,460	635,677	46,783	417,466	28,060	26,145	1,915	17,254
Retirement	414,770	543,449	(128,679)	483,660	18,800	22,334	(3,534)	20,928
Unemployment	7,050	8,425	(1,375)	6,413	325	366	(41)	305
Total Personnel	\$ 5,088,705	\$ 5,095,035	\$ (6,330)	\$ 4,580,866	\$ 252,010	\$ 251,988	\$ 22	\$ 218,156
Contractual:								
Loan Servicing	\$ 523,600	\$ 499,508	\$ 24,092	\$ 412,327	\$ 31,600	\$ 20,282	\$ 11,318	\$ 15,172
Legal	19,400	16,267	3,133	24,296				
Accounting	47,200	47,079	121	45,315	1,800	1,781	19	1,594
Credit Bureau Fees	61,000	78,707	(17,707)	57,568				
Total Contractual	\$ 651,200	\$ 641,561	\$ 9,639	\$ 539,506	\$ 33,400	\$ 22,063	\$ 11,337	\$ 16,766
General Operating:								
Rent	\$ 225,400	\$ 214,943	\$ 10,457	\$ 200,786	\$ 9,275	\$ 8,833	\$ 442	\$ 8,251
Telephone	190,200	185,162	5,038	179,869	7,800	7,609	191	7,392
Printing	246,350	234,810	11,540	252,659	10,125	6,628	3,497	7,031
Postage	580,150	587,724	(7,574)	543,034	15,900	13,441	2,459	15,094
Supplies	83,500	84,220	(720)	76,036	3,400	3,465	(65)	3,118
Travel	56,000	55,022	978	52,018	600	297	303	407
Equipment Maintenance	44,400	41,580	2,820	44,489	1,825	1,708	117	1,708
Subscriptions and Fees	35,950	30,164	5,786	32,557	125	20	105	47
Meeting and Conference Expenses	9,000	8,018	982	8,269	225	190	35	137
Insurance - General and Automotive	44,500	43,215	1,285	40,160	1,800	1,776	24	1,646
Contingencies	40,000	26,447	13,553	30,538	1,000	-	1,000	47
Depreciation	223,000	267,475	(44,475)	226,031		-		
Total General Operating	\$ 1,778,450	\$ 1,778,780	\$ (330)	\$ 1,686,446	\$ 52,075	\$ 43,967	\$ 8,108	\$ 44,878
Total Operating Expenses	\$ 7,518,355	\$ 7,515,376	\$ 2,979	\$ 6,806,818	\$ 337,485	\$ 318,018	\$ 19,467	\$ 279,800

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF EXPENSES
YEAR ENDED JUNE 30, 2002

	Operating Fund				Teacher Loan Program - EIA			
	2002		Variance Favorable (Unfavorable)	2001 Actual	2002		Variance Favorable (Unfavorable)	2001 Actual
	Total Budget	Actual			Total Budget	Actual		
Capital Additions:								
Equipment, Furniture and Fixtures	\$ 115,250	\$ 35,795	\$ 79,455	\$ 87,761	\$ 3,000	\$ 2,000	\$ 1,000	\$ 2,100
Automobile	19,000	18,500	500					
Total Capital Additions	<u>134,250</u>	<u>\$ 54,295</u>	<u>\$ 79,955</u>	<u>\$ 87,761</u>	<u>\$ 3,000</u>	<u>\$ 2,000</u>	<u>\$ 1,000</u>	<u>\$ 2,100</u>
Total Operating Expenses and Capital Additions	\$ <u>7,652,605</u>	\$ <u>7,569,671</u>	\$ <u>82,934</u>	\$ <u>6,894,579</u>	\$ <u>340,485</u>	\$ <u>320,018</u>	\$ <u>20,467</u>	\$ <u>281,900</u>

SOUTH CAROLINA STUDENT LOAN CORPORATIONSCHEDULE OF ORGANIZATIONAL DATAYEAR ENDED JUNE 30, 2002

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>
Robert W. Derrick	Chairman	2005
Sharon W. Bryant	Vice-Chairman	2003
Dr. Dennis A. Pruitt, Sr.	Vice-Chairman	2003
H. Roderick Murchison	Treasurer	2003
William M. Mackie, Jr.	Secretary, President	2004
Melvin E. Barnette		2005
R. Thornwell Dunlap, Jr.		2003
J. Thornton Kirby		2005
Dr. Ronald L. Epps		2004
Thomas J. Little, Jr.		2005
James C. McColl		2004
Lisa Montgomery		2004

SCHEDULE 7

SOUTH CAROLINA STUDENT LOAN CORPORATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2002

<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		\$ 7,124,957
Subsidized Interest	84.032		<u>22,898,992</u>
Total U.S. Department of Education Programs (Major Program)			\$ <u>30,023,949</u>



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

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A. David Masters, CPA
Charles R. Statler, Jr., CPA
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, 2002, and have issued our report thereon dated September 4, 2002. 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 solely 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

September 4, 2002



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, 2002. 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, 2002.

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 solely 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, Hulse & Smith, LLP

September 4, 2002

SOUTH CAROLINA STUDENT LOAN CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2002

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>U.S. Department of Education:</u> <u>Higher Education Act Insured Loan Programs:</u> Federal Family Education Loan Program: Special Allowances Subsidized Interest Total Federal Family Education Loan Program (Major Program)	 CFDA# Expenditure 84.032 \$ 7,124,957 84.032 <u>22,898,992</u> \$ <u>30,023,949</u>
(x)	Dollar threshold used to distinguish between Type A and Type B programs	\$ 900,718
(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

SCHEDULE 9

SOUTH CAROLINA STUDENT LOAN CORPORATION

SCHEDULE OF SUMMARY OF PRIOR YEAR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2002

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

SOUTH CAROLINA STUDENT LOAN CORPORATION

SCHEDULE OF CORRECTIVE ACTION PLAN

YEAR ENDED JUNE 30, 2002

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

SOUTH CAROLINA STUDENT LOAN CORPORATION

SUMMARY OF OPERATIONS FOR

FISCAL YEARS ENDING JUNE 30, 1998, 1999, 2000, 2001 AND 2002

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

YEARS ENDED JUNE 30, 1998, 1999, 2000, 2001, AND 2002

	1998	1999	2000	2001	2002
Revenue:					
Income from United States Department of Education:					
Student Loan Interest - Subsidized	\$ 27,370,123	\$ 28,042,548	\$ 26,050,998	\$ 30,076,341	\$ 22,898,992
Special Allowances	3,346,769	4,159,288	13,929,937	7,368,227	7,124,957
Student Loan Interest - Non Subsidized	56,173,288	66,458,725	70,970,029	86,212,845	74,629,461
Investment Income	2,283,082	3,107,978	3,303,038	4,188,702	3,978,368
Unrealized Gain (Loss) on Investments	432,550	(152,138)	(36,399)	311,237	129,065
Late Charges	591,470	662,791	726,063	736,219	605,731
Miscellaneous Payments of Student Loans	4,658	9,410	2,371	4,718	1,242
Premium on Sale of Loans	33,746	14,147	9,656	7,588	7,530
State Appropriations - Department of Education	3,016,250	2,016,250	2,016,250	3,916,250	4,821,058
Processing Fee Income	62,003	83,256	74,661	73,899	78,129
Remittance from S. C. State Education Assistance Authority for Operating Cost	5,469,092	5,182,592	5,884,370	6,767,917	6,835,523
Total Revenue	\$ 98,783,031	\$ 109,584,847	\$ 122,930,974	\$ 139,663,943	\$ 121,110,056
Expenses:					
Personnel	\$ 4,157,138	\$ 5,021,192	\$ 4,622,940	\$ 4,799,022	\$ 5,347,023
Contractual Services	402,823	464,781	525,273	556,272	663,624
General Operating	1,602,587	2,502,370	1,619,713	1,731,324	1,822,747
Interest on Debt	39,613,057	44,790,710	55,265,208	62,328,963	33,154,374
TLP Cancellations	4,091,565	3,898,664	4,188,420	10,682,069	9,329,158
Amortization of Deferred Cost of Bond Issuance	32,432	43,580	88,713	349,305	771,253
Payments to S. C. Education Assistance Authority for:					
Student Loan Income	30,739,335	30,803,775	33,513,035	32,271,894	18,774,718
Loan Fees	1,633,438	1,998,901	2,359,524	2,725,527	4,309,098
Windfall Profit Rebate Expense	0	0	0	0	0
Reinsurance Expense	43,770	102,964	71,397	161,176	162,766
Borrower Incentives	0	0	0	242,178	6,515,415
Loss (Gain) on Disposal of Equipment	19,966	27,016	0	0	0
Broker Dealer Fees	459,032	1,020,013	952,328	1,000,748	957,954
Other	121,867	151,342	214,691	232,334	286,613
Total Expenses	\$ 82,917,010	\$ 90,825,308	\$ 103,421,242	\$ 117,080,812	\$ 82,094,743
Change in Net Assets	\$ 15,866,021	\$ 18,759,539	\$ 19,509,732	\$ 22,583,131	\$ 39,015,313
Net Assets, Beginning	\$ 52,573,668	\$ 68,439,689	\$ 87,199,228	\$ 106,708,960	\$ 129,112,091
Net Assets, Ending:					
Temporarily Restricted for Bonds	\$ 23,696,062	\$ 40,443,259	\$ 55,632,030	\$ 78,182,265	\$ 115,594,908
Temporarily Restricted for Teacher Loans	27,333,549	28,737,310	29,791,514	26,516,694	25,010,517
Unrestricted	17,410,078	18,018,659	21,285,416	24,413,132	27,521,979
Total Liabilities and Net Assets	\$ 68,439,689	\$ 87,199,228	\$ 106,708,960	\$ 129,112,091	\$ 168,127,404

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SOUTH CAROLINA STUDENT LOAN CORPORATION

UNAUDITED

BALANCE SHEET AND INCOME STATEMENT

FOR THE NINE-MONTH PERIOD

JULY 1, 2002 THROUGH MARCH 31, 2003

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SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF FINANCIAL POSITION BY FUND
MARCH 31, 2003

ASSETS	Unrestricted		Temporarily Restricted					Total
	Operating	SLC	TLP	Tax Exempt				
				96 Resolution	93 Resolution	02 Resolution		
<u>Current Assets:</u>								
Cash and Cash Equivalents	\$ 3,571,870	\$ 5,963,527	\$ 7,422,782	\$	\$ 11,620,347	\$ 12,573,415	\$ 41,151,941	
Investments	60,525			217,384			277,909	
Current Portion of Student Loan Receivables		418,404	9,964,367	100,488,469	73,702,401	19,299,173	203,872,814	
Interest Due from Borrowers		646,472	1,759,072	22,424,380	2,514,786	1,711,575	29,056,285	
Due from United States Department of Education		16,255	606	2,754,598	88,358	0	2,859,817	
Due from SC State Education Assistance Authority	2,000	364,228	263,311	31,262,987			31,892,526	
Accrued Investment Income	4,472		98,727	37,201			140,400	
Miscellaneous Operating Receivables	56,261						56,261	
Prepaid Expenses	65,260						65,260	
Due from (to) Other Funds	9,106,611	(9,122,391)		168,540	(479,366)	72,818	(253,788)	
Total Current Assets	\$ 12,866,999	\$ (1,713,505)	\$ 19,508,865	\$ 157,353,559	\$ 87,446,526	\$ 33,656,981	\$ 309,119,425	
<u>Investments and Long-Term Receivables:</u>								
Investments	\$	\$	\$	\$ 47,558,219	\$	\$	\$ 47,558,219	
Other Student Loan Receivables Less, Current Portion		19,675,265		1,150,858,888	290,085,219	75,959,597	1,536,578,969	
Teacher Loans Receivable - Net Allowance for Teacher							0	
Loan Cancellations of \$17,618,473 and Current Portion			4,271,495				4,271,495	
Deferred Cost of Issuance of Bonds				3,968,067			3,968,067	
Total Investments and Long-Term Receivables	\$ 0	\$ 19,675,265	\$ 4,271,495	\$ 1,202,385,174	\$ 290,085,219	\$ 75,959,597	\$ 1,592,376,750	
<u>Property and Equipment:</u>								
Furniture and Equipment	\$ 1,891,104	\$	\$	\$	\$	\$	\$ 1,891,104	
Automobiles	55,168						55,168	
Less, Accumulated Depreciation	(1,597,756)						(1,597,756)	
Net Property and Equipment	\$ 348,516	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 348,516	
Total Assets	\$ 13,215,515	\$ 17,961,760	\$ 23,780,360	\$ 1,359,738,733	\$ 377,531,745	\$ 109,616,578	\$ 1,901,844,691	

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF FINANCIAL POSITION BY FUND
MARCH 31, 2003

	<u>Unrestricted</u>		<u>Temporarily Restricted</u>				<u>Total</u>
	<u>Operating</u>	<u>SLC</u>	<u>TLP</u>	<u>96 Resolution</u>	<u>93 Resolution</u>	<u>Tax Exempt 02 Resolution</u>	
LIABILITIES AND NET ASSETS							
<u>Current Liabilities:</u>							
Current Portion of Notes Payable - Finance Loans	\$	\$	\$	\$	73,702,401	\$ 19,299,173	\$ 93,001,574
Current Maturities of Bonds Payable				108,537,305			108,537,305
Interest Payable		0		1,182,488			1,182,488
Accounts Payable	26,638	18,511	489	90	7,829	237,198	290,755
Customer Refunds Payable		6,739	253	21,804	14,467	7,213	50,476
Accrued Pension Payable	619,008		20,858				639,866
Compensated Absences	227,762		19,873				247,635
Retiree Medical Insurance Payable	456,262		12,386	0	16		468,664
Due to S.C. State Education Assistance Authority		0			2,603,144	1,474,433	4,077,577
Total Current Liabilities	\$ 1,329,670	\$ 25,250	\$ 53,859	\$ 109,741,687	\$ 76,327,857	\$ 21,018,017	\$ 208,496,340
<u>Long-Term Debt:</u>							
Bonds Payable Less, Current Maturities and Bond Premiums and Discounts	\$	\$	\$	\$ 1,113,194,833	\$	\$	\$ 1,113,194,833
Notes Payable - Finance Loans Less, Current Maturities					301,203,888	88,598,561	389,802,449
Notes Payable to Banks		0					0
Total Long-Term Debt	\$ 0	\$ 0	\$ 0	\$ 1,113,194,833	\$ 301,203,888	\$ 88,598,561	\$ 1,502,997,282
Total Liabilities	\$ 1,329,670	\$ 25,250	\$ 53,859	\$ 1,222,936,520	\$ 377,531,745	\$ 109,616,578	\$ 1,711,493,622
<u>Net Assets:</u>							
Temporarily Restricted For Bond Indentures							
Current Debt Service	\$	\$	\$	\$ 33,243,389	\$	\$	\$ 33,243,389
Temporarily Restricted For Bond Indentures				103,558,824	0	0	103,558,824
Temporarily Restricted For Teacher Loans			23,726,501				23,726,501
Unrestricted	11,885,845	17,936,510					29,822,355
Total Net Assets	\$ 11,885,845	\$ 17,936,510	\$ 23,726,501	\$ 136,802,213	\$ 0	\$ 0	\$ 190,351,069
Total Liabilities and Net Assets	\$ 13,215,515	\$ 17,961,760	\$ 23,780,360	\$ 1,359,738,733	\$ 377,531,745	\$ 109,616,578	\$ 1,901,844,691

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF ACTIVITIES BY FUND
NINE MONTHS ENDING MARCH 31, 2003

	Unrestricted		Temporarily Restricted				
			Tax Exempt				
	Operating	SLC	TLP	96 Resolution	93 Resolution	02 Resolution	Total
Revenue:							
Income from United States Department of Education:							
Student Loan Interest - Subsidized	\$	\$ 62,630	\$ 102	\$ 8,748,491	\$ 2,603,446	\$ 669,650	\$ 12,084,319
Special Allowances		779	(3)	404,196	7,690,051	407,848	8,502,871
Student Loan Interest - Non Subsidized		608,589	1,117,761	33,427,917	7,326,836	3,375,618	45,856,721
Investment Income	100,377	4,141	291,673	1,597,826	0	0	1,994,017
Unrealized Gain (Loss) on Investments	(138,781)		(102,054)				(240,835)
Late Charges		2,683	5,959	478,447	22,443	42,896	552,428
Miscellaneous Payments of Student Loans		(158)	99	(4,089)	10,905	(636)	6,121
Premium on Sale of Loans		1,099					1,099
State Appropriations - Department of Education			4,678,759				4,678,759
Processing Fee Income		(3,888)					(3,888)
Remittance from SC State Education Assistance							0
Authority for Operating Cost	4,631,070						4,631,070
Total Revenue	\$ 4,592,666	\$ 675,875	\$ 5,992,296	\$ 44,652,788	\$ 17,653,681	\$ 4,495,376	\$ 78,062,682
Expenses:							
Personnel	\$ 3,961,777	\$	\$ 202,488	\$	\$	\$	\$ 4,164,265
Contractual Services	342,195		12,949				355,144
General Operating	1,295,305		35,231				1,330,536
Interest on Debt		0		17,368,867			17,368,867
TLP Cancellations			3,732,423	24,763			3,757,186
Amortization of Deferred Cost of Bond Issuance				734,654			734,654
Payments to S. C. State Education Assistance Authority for Student Loan Income					1,444,718	4,196,859	5,641,577
Loan Fees		(15)		1,694,220	3,157,303	279,229	5,130,737
Reinsurance Expense		458	0	132,813	2,815		136,086
Borrower Incentives		(62)		19,057	13,032,739	(8,734)	13,043,000
State Recall of Funds			3,278,710				3,278,710
Loss on Disposal of Equipment	0						0
Broker Dealer Fees				759,478			759,478
Other		18,233	3,055	69,504	16,106	31,880	138,778
Total Expenses	\$ 5,599,277	\$ 18,614	\$ 7,264,856	\$ 20,803,356	\$ 17,653,681	\$ 4,499,234	\$ 55,839,018
Transfers Between Accounts:							
Transfers In	\$ 3,009,449	\$ 1,550,000	\$ 245,484	\$ 0	\$	\$	\$ 4,804,933
Transfers Out	(1,795,484)	(114,239)	(256,941)	(2,638,269)	0		(4,804,933)
Total Transfers Between Accounts	\$ 1,213,965	\$ 1,435,761	\$ (11,457)	\$ (2,638,269)	\$ 0	\$ 0	\$ 0
Change in Net Assets	\$ 207,354	\$ 2,093,022	\$ (1,284,017)	\$ 21,211,163	\$ 0	\$ (3,858)	\$ 22,223,664
Net Assets, Beginning	\$ 11,678,491	\$ 15,843,488	\$ 25,010,518	\$ 115,591,050	\$ 0	\$ 3,858	\$ 168,127,405
Net Assets, Ending	\$ 11,885,845	\$ 17,936,510	\$ 23,726,501	\$ 136,802,213	\$ 0	\$ 0	\$ 190,351,069

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF EXPENSES
NINE MONTHS ENDING MARCH 31, 2003

	Operating Fund			FY 2001-02
	FY 2002-03			
	Total Budget	Actual	Variance Favorable (Unfavorable)	Actual
<u>Operating Expenses:</u>				
<u>Personnel:</u>				
Staff Salaries	\$ 2,604,600	\$ 2,578,607	\$ 25,993	\$ 2,662,568
Part-Time Salaries	25,170	24,003	1,167	39,469
Contractual Salaries	3,630	5,632	(2,002)	18,945
Social Security	192,000	184,223	7,777	195,185
Group Insurance	481,580	507,388	(25,808)	504,519
Retirement	715,640	653,041	62,599	304,479
Unemployment	6,900	8,883	(1,983)	6,418
Total Personnel	<u>\$ 4,029,520</u>	<u>\$ 3,961,777</u>	<u>\$ 67,743</u>	<u>\$ 3,731,583</u>
<u>Contractual:</u>				
Loan Servicing	\$ 291,500	\$ 291,748	\$ (248)	\$ 342,600
Legal	12,420	13,012	(592)	10,836
Accounting	40,269	37,435	2,834	36,695
Credit Bureau	0	0	0	58,316
Total Contractual	<u>\$ 344,189</u>	<u>\$ 342,195</u>	<u>\$ 1,994</u>	<u>\$ 448,447</u>
<u>General Operating:</u>				
Rent	\$ 151,690	\$ 145,987	\$ 5,703	\$ 159,438
Telephone	129,725	129,705	20	140,079
Printing	200,700	198,516	2,184	176,783
Postage	468,575	468,806	(231)	451,084
Supplies	53,025	53,329	(304)	46,037
Travel	46,350	47,385	(1,035)	39,795
Equipment Maintenance	37,750	37,437	313	40,141
Subscriptions and Fees	33,150	30,441	2,709	29,396
Meeting and Conference Expenses	8,550	6,910	1,640	6,528
Insurance - General & Automobile	41,550	44,745	(3,195)	43,215
Contingencies	30,000	21,390	8,610	14,054
Depreciation	150,075	110,654	39,421	167,250
Total General Operating	<u>\$ 1,351,140</u>	<u>\$ 1,295,305</u>	<u>\$ 55,835</u>	<u>\$ 1,313,800</u>
Total Operating Expenses	<u>\$ 5,724,849</u>	<u>\$ 5,599,277</u>	<u>\$ 125,572</u>	<u>\$ 5,493,830</u>
<u>Capital Additions:</u>				
Equipment and Software	\$ 216,800	\$ 216,273	\$ 527	\$ 0
Automobile	23,000	22,549	451	18,500
Total Capital Additions	<u>\$ 239,800</u>	<u>\$ 238,822</u>	<u>\$ 978</u>	<u>\$ 18,500</u>
Total Operating Expenses and Capital Additions	<u>\$ 5,964,649</u>	<u>\$ 5,838,099</u>	<u>\$ 126,550</u>	<u>\$ 5,512,330</u>

SOUTH CAROLINA STUDENT LOAN CORPORATION
SCHEDULE OF EXPENSES
NINE MONTHS ENDING MARCH 31, 2003

	Teacher Loan Program - EIA			FY 2001-02
	FY 2002-03			
	Total Budget	Actual	Variance Favorable (Unfavorable)	Actual
<u>Operating Expenses:</u>				
<u>Personnel:</u>				
Staff Salaries	\$ 147,375	\$ 147,033	\$ 342	\$ 141,649
Social Security	11,250	10,613	637	9,553
Group Insurance	22,610	23,784	(1,174)	20,755
Retirement	21,875	20,645	1,230	14,790
Unemployment	336	413	(77)	247
Total Personnel	<u>\$ 203,446</u>	<u>\$ 202,488</u>	<u>\$ 958</u>	<u>\$ 186,994</u>
<u>Contractual:</u>				
Loan Servicing	\$ 12,050	\$ 11,320	\$ 730	\$ 13,833
Accounting	1,688	1,629	59	1,656
Total Contractual	<u>\$ 13,738</u>	<u>\$ 12,949</u>	<u>\$ 789</u>	<u>\$ 15,489</u>
<u>General Operating:</u>				
Rent	\$ 7,115	\$ 6,843	\$ 272	\$ 6,552
Telephone	6,080	6,080	0	5,757
Printing	5,375	3,779	1,596	3,746
Postage	11,675	11,917	(242)	11,475
Supplies	2,490	2,498	(8)	1,890
Travel	390	162	228	160
Equipment Maintenance	1,775	1,755	20	1,649
Subscriptions & Fees	100	20	80	20
Meeting and Conference Expenses	225	5	220	180
Insurance - General & Auto	1,925	2,097	(172)	1,776
Contingencies	750	75	675	0
Total General Operating	<u>\$ 37,900</u>	<u>\$ 35,231</u>	<u>\$ 2,669</u>	<u>\$ 33,205</u>
Total Operating Expenses	<u>\$ 255,084</u>	<u>\$ 250,668</u>	<u>\$ 4,416</u>	<u>\$ 235,688</u>
<u>Capital Additions:</u>				
Equipment and Software	\$ 1,200	\$ 1,090	\$ 110	\$ 0
Total Capital Additions	<u>\$ 1,200</u>	<u>\$ 1,090</u>	<u>\$ 110</u>	<u>\$ 0</u>
Total Operating Expenses and Capital Additions	<u>\$ 256,284</u>	<u>\$ 251,758</u>	<u>\$ 4,526</u>	<u>\$ 235,688</u>

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FORM OF BOND COUNSEL OPINION

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McNAIR LAW FIRM, P.A.

ATTORNEYS AND COUNSELORS AT LAW

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[Date of Delivery]

South Carolina Student Loan Corporation
Columbia, South Carolina

Wachovia Securities, LLC
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: \$275,000,000 South Carolina Student Loan Corporation Education Loan Revenue Bonds, 2003 Series: consisting of \$75,000,000 2003 Series A-1 Bonds, \$67,000,000 2003 Series A-2 Bonds, \$67,000,000 2003 Series A-3 Bonds, and \$66,000,000 2003 Series A-4 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 2003 Series Education Loan Revenue Bonds, described above (the "2003 Series Bonds") of the South Carolina Student Loan Corporation (the "Corporation"), a nonprofit, public-benefit corporation organized and existing under the laws of the State.

The 2003 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"), adopted June 7, 1996; and

(ii) a Series Resolution Providing for the Issuance and Sale of Not Exceeding Two Hundred Seventy-Five Million Dollars (\$275,000,000) South Carolina Student Loan Corporation Education Loan Revenue Bonds, 2003 Series; and Other Matters Relating Thereto (the "2003 Series Resolution"), effective June 19, 2003.

The General Resolution and the 2003 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 2003 Series Bonds are dated the date of their delivery and bear interest at the Initial Interest Rate for each Tranche during the respective Initial Periods and thereafter at the Auction Rate for such Tranche. The 2003 Series A-1 Bonds, 2003 Series A-2 Bonds and 2003 Series A-3 Bonds mature on June 1, 2033; and the 2003 Series A-4 Bonds mature on June 1, 2043.

The 2003 Series Bonds are subject to optional redemption and mandatory tender. The 2003 Series Bonds are issuable as fully registered bonds in Authorized Denominations as provided in the 2003 Series Resolution and are numbered in such fashion as to maintain a proper record thereof.

The 2003 Series Bonds are issued to (i) finance and refinance the acquisition and the making of Education Loans, (ii) fund the Senior Lien Account of the Debt Service Reserve Fund, and (iii) pay certain Costs of Issuance of the 2003 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 2003 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 2003 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 2003 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 2003 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 2003 Series Bonds may be limited by applicable bankruptcy, insolvency, or other laws affecting the enforcement of creditors' rights. Such 2003 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 2003 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 2003 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 2003 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: _____
A Member of the Firm

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