

Expected Ratings: S&P: "AA (sf)"
See "RATINGS" herein **Fitch:** "Asf"

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

NEW ISSUE—BOOK-ENTRY ONLY



\$222,035,000
MASSACHUSETTS EDUCATIONAL
FINANCING AUTHORITY
Education Loan Revenue Bonds, Issue K, Series 2013 (AMT)

Dated: Date of Delivery

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

The Massachusetts Educational Financing Authority (the "Authority") is offering \$222,035,000 of its Education Loan Revenue Bonds, Issue K, Series 2013 (the "Series 2013 Bonds" or the "Offered Bonds"). The Offered Bonds are the first series of bonds under the Authority's Issue K General Bond Resolution dated as of December 1, 2012 (the "Issue K General Resolution" and "Issue K Bonds").

The Offered Bonds are being issued for the principal purposes of funding new education loans to, or on behalf of, undergraduate and graduate students who are Massachusetts residents or who attend participating institutions in Massachusetts to pay a portion of the higher education expenses of such students under the Authority's MEFA Loan Program and of refunding certain currently outstanding bonds that were issued by the Authority to fund such education loans. Upon completion of such refunding, the Authority expects to transfer approximately \$110,000,000 of existing Variable Rate MEFA Loans, as described herein, to the Issue K General Resolution to secure Issue K Bonds, including the Series 2013 Bonds. The Authority expects to subsequently apply a portion of the Series 2013 Bond proceeds to acquire approximately \$142,100,000 of newly originated Fixed Rate MEFA Loans, as described herein, that will also secure Issue K Bonds. All such Variable Rate MEFA Loans have been, and all such Fixed Rate MEFA Loans are expected to be, originated on the basis of borrower and, if applicable, co-borrower credit evaluation and no such MEFA Loan is, or is expected to be, guaranteed by the Authority or any other entity. See "PLAN OF FINANCING" and "RISK FACTORS."

Proceeds of the Offered Bonds may be applied to one or more of the following purposes: (i) to fund some or all of the Capitalized Interest Account deposit for the Issue K Bonds; (ii) to fund some or all of the Reserve Fund deposit for the Issue K Bonds; and (iii) to pay some or all of the costs of issuance of the Offered Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" and "SECURITY FOR THE ISSUE K BONDS AND SOURCES OF PAYMENT — Capitalized Interest Account" and "— Reserve Fund."

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

The Offered Bonds will bear interest from their date of delivery at the applicable rates per annum set forth on the inside front cover, payable January 1, 2014 and semiannually thereafter on each July 1 and January 1 and will mature on July 1 in the years and in the principal amounts set forth on the inside front cover. The Offered Bonds are available in denominations of \$5,000 or any integral multiple thereof. The Offered Bonds are subject to redemption prior to maturity, at par, as described herein. See "REDEMPTION PROVISIONS."

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

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

The Offered Bonds are offered when, as and if issued and received by the Underwriters, subject to approval of legality by Mintz, Levin, Cohn, Ferris, Glowsky and Popeo, P.C., Boston, Massachusetts, Bond Counsel, and certain other conditions. Certain legal matters are subject to the approval of Hawkins Delafield & Wood LLP, New York, New York, Counsel to the Underwriters. It is expected that the Offered Bonds will be available for delivery to DTC in New York, New York on or about June 27, 2013.

Morgan Stanley

BofA Merrill Lynch

J.P. Morgan

\$222,035,000
MASSACHUSETTS EDUCATIONAL FINANCING AUTHORITY
EDUCATION LOAN REVENUE BONDS, ISSUE K, SERIES 2013 (AMT)

MATURITY SCHEDULE

Serial Bonds

<u>Maturity</u> <u>July 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u>	<u>Yield</u> ¹	<u>CUSIP</u> [†]
2015	\$ 2,600,000	2.000%	101.285% ²	1.350%	57563RKM0
2016	1,580,000	3.000	103.352 ²	1.850	57563RKN8
2017	1,190,000	4.000	106.874 ²	2.200	57563RKP3
2018	8,540,000	5.000	109.973 ²	2.850	57563RQ1
2019	13,455,000	5.000	109.485 ²	3.250	57563RKR9
2020	14,735,000	5.000	108.929 ²	3.550	57563RKS7
2021	16,320,000	5.000	107.505 ²	3.900	57563RKT5
2022	17,895,000	5.000	106.723 ²	4.100	57563RKU2
2023	19,710,000	4.375	99.000	4.500	57563RKV0
2024	20,815,000	4.500	98.295	4.700	57563RKW8
2025	18,315,000	5.000	100.000	5.000	57563RXX6

Term Bonds

July 1, 2029 Principal Amount \$80,595,000 Interest Rate 5.250% Price 98.932%
Yield 5.350% CUSIP[†] 57563RKY4

July 1, 2032 Principal Amount \$6,285,000 Interest Rate 5.375% Price 99.118%
Yield 5.450% CUSIP[†] 57563RKZ1

¹ Yield to maturity.

² Approximate.

[†] CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed on behalf of the American Bankers Association by S&P Capital IQ. The CUSIP numbers are included solely for the convenience of Bondowners, and the Authority is not responsible for the selection or the correctness of the CUSIP numbers printed herein. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors, including, but not limited to, the refunding or defeasance of such securities or the use of secondary market financing products.

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

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

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

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

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

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

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

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

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SUMMARY STATEMENT

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

Issuer The Massachusetts Educational Financing Authority, a body politic and corporate constituting a public instrumentality of the Commonwealth of Massachusetts (the “Commonwealth”) established pursuant to the Act (as defined below) to assist in the financing and refinancing of the costs of post-secondary education (“we” or the “Authority”). See “INTRODUCTORY STATEMENT” and “THE AUTHORITY.”

Offered Bonds..... \$222,035,000 aggregate principal amount of Education Loan Revenue Bonds, Issue K, Series 2013 (the “Series 2013 Bonds” or the “Offered Bonds”), offered as fixed rate bonds, dated, maturing, bearing interest and priced as set forth on the inside cover page hereof. We expect to issue the Offered Bonds under a resolution dated as of December 1, 2012 (the “Issue K General Resolution”) and a First Issue K Series Resolution dated as of June 1, 2013 (the “Series Resolution” and, together with the Issue K General Resolution, the “Resolution”). The Issue K Loans, as described below, to be financed with proceeds of Bonds issued under the Issue K General Resolution (“Issue K Bonds”), including the Offered Bonds, along with revenues and other assets that we expressly pledge under the Resolution are the only security for payment of the Offered Bonds, and we are not obligated to provide payment for the Offered Bonds from any other source.

The Offered Bonds will be the first series of Issue K Bonds under the Issue K General Resolution. The Issue K General Resolution permits the issuance of additional Issue K Bonds, including Issue K Bonds that may be secured on a parity basis with or on a basis subordinate to the Offered Bonds. We have previously issued numerous series of bonds that were, or that are, separately secured under resolutions other than the Issue K General Resolution. In addition, we may issue additional separately secured series of bonds secured under existing or new resolutions. The Offered Bonds are not payable from any of the education loans or other assets that are pledged under other resolutions to secure such separately secured series of bonds, and the Issue K Loans and other assets that are pledged to secure the payment of the Issue K Bonds are not available to pay any such separately secured series. See “SECURITY FOR THE ISSUE K BONDS AND SOURCES OF PAYMENT—Additional Bonds.”

The Authority expects to transfer existing Variable Rate MEFA Loans to the Issue K General Resolution and may additionally apply Authority funds: (i) to pay costs of issuance of the Offered Bonds and (ii) make deposits to one or more accounts established under the Issue K General Resolution in an aggregate amount sufficient to cause the Parity Ratio for the Issue K General Resolution to be approximately 118.14% upon completion of the initial application of the proceeds of the Offered Bonds that are expected to be applied for refunding purposes. See “PLAN OF FINANCING” and “ESTIMATED SOURCES AND USES OF FUNDS.”

Interest Payments on Offered Bonds.....

Interest on the Offered Bonds will accrue from their delivery date and be payable on each January 1 and July 1, commencing January 1, 2014 or, if any such day is not a Business Day, the next Business Day. Interest on the Offered Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Redemption or Acceleration.....

We may redeem all or a portion of the Offered Bonds prior to their scheduled maturity without payment of a premium in certain circumstances as described herein. The timing and percentage of Offered Bonds that may be affected by any such redemption cannot be determined with certainty at this time. Such redemption may result from factors reflecting the application of proceeds of the Offered Bonds, and of other funds available to the Authority for such purpose, to originate MEFA Loans, the performance of Issue K Loans and the degree to which the Authority’s actual experience with respect to such factors conforms to certain cash flow assumptions that were reviewed by the Authority in connection with the structuring of the Offered Bonds. In certain cases, the Resolution does not require redemption of Issue K Bonds of different maturities of like tenor on a pro rata basis or in any particular order. Principal payment of the Offered Bonds may also be accelerated under the circumstances described herein. See “REDEMPTION PROVISIONS,” “RISK FACTORS — Redemption of Bonds” and “APPENDIX C — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — Acceleration.”

Special Obligations.....

The Offered Bonds are special obligations of the Authority and are payable solely from the Revenues and certain funds and accounts established and pledged under the Resolution. No revenues or other assets are available to fund payment of the Offered Bonds except as expressly provided by the Resolution. The Authority has no taxing power. Neither the Commonwealth nor any political subdivision thereof is or shall be obligated to pay the principal of or interest on the Offered Bonds, and neither the full faith and credit nor the taxing power of the

Commonwealth or any political subdivision thereof is pledged to such payment. See “SECURITY FOR THE ISSUE K BONDS AND SOURCES OF PAYMENT.”

Sources of Payments for the Offered Bonds.....

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

- (1) All Revenues.
- (2) All Issue K Loans and promissory notes or other documentation evidencing the Authority’s interest in Issue K Loans, and any other Revenue-producing contracts and all rights and interests of the Authority incident thereto, excluding certain indemnifications payable to the Authority.
- (3) All moneys and securities on deposit in all funds and accounts created by or pursuant to the Resolution as described herein (except for the Rebate Fund), including without limitation any Reserve Fund Facilities, any funds drawn on Reserve Fund Facilities and any Investment Obligations in which such moneys are invested.
- (4) All general intangibles (including payment intangibles) comprising or relating to any of the foregoing.
- (5) The proceeds of any of the foregoing whether any of the foregoing is now existing or is hereafter acquired.

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

Reserve Fund.....

A Reserve Fund for the Issue K Bonds has been established under the Resolution. The Resolution requires that the Reserve Fund be funded upon issuance of a Series of Issue K Bonds and maintained in an amount at least equal to the most recently established Reserve Fund Requirement. Upon initial issuance of the Offered Bonds, the Reserve Fund Requirement will be 2.0% of the outstanding amount of the Issue K Bonds, subject to a minimum balance requirement of 1.0% of the initial Bond balance. The Reserve Fund Requirement is subject to change upon compliance with certain requirements of the Issue K General Resolution. The Reserve Fund Requirement is expected to be initially satisfied by cash and Investment Obligations. See “ESTIMATED SOURCES AND USES OF FUNDS” and “SECURITY FOR THE ISSUE K BONDS AND SOURCES OF PAYMENT—Reserve Fund.”

Use of Bond Proceeds.....

We expect to use the proceeds of the Offered Bonds for some or all of the following purposes: (i) to fund a portion of the cost of refunding certain outstanding bonds that were previously issued by the Authority under resolutions that are separate and apart from the Resolution; (ii) to fund the initial acquisition of MEFA Loans; (iii) to fund some or all of the Capitalized Interest Account deposit for the Issue K Bonds; (iv) to fund some or all of the Reserve Fund deposit for the Issue K Bonds; and (v) to pay some or all of the costs of issuance of the Offered Bonds. See “SECURITY FOR THE ISSUE K BONDS AND SOURCES OF PAYMENT — Issue K Loans,” “PLAN OF FINANCING” and “ESTIMATED SOURCES AND USES OF FUNDS.”

Issue K Loans

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

We currently expect that approximately \$110,000,000 of existing MEFA Loans bearing interest at a variable rate (“Variable Rate MEFA Loans”) will be transferred to the Issue K General Resolution upon completion of the application of the proceeds of the Issue K Bonds that are intended for refunding purposes. Such Variable Rate MEFA Loans were originated as credit-based loans with terms and conditions that are substantially similar to those described herein. See “APPENDIX F — POOL OF VARIABLE RATE MEFA LOANS ELIGIBLE FOR INCLUSION IN ISSUE K LOAN PORTFOLIO AS OF MARCH 31, 2013.”

We currently expect that all other Issue K Loans will be newly originated MEFA Loans that bear interest at fixed rates (“Fixed Rate MEFA Loans”). Such Fixed Rate MEFA Loans will be credit-based loans with terms and conditions that are substantially similar to those described herein. We reserve the right, however, to apply proceeds of the Offered Bonds and of any subsequently issued Issue K Bonds and Revenues to finance MEFA Loans with terms and conditions that vary from those described herein, upon compliance with certain requirements of the Issue K General Resolution. See “PLAN OF FINANCING” and “RISK FACTORS.”

It is currently expected that all Issue K Loans will be originated solely on the basis of borrower and, if applicable, co-borrower credit evaluation, will be payable solely by the borrower and any applicable co-borrower and will not be guaranteed by the Authority or by any other person, other than any such co-borrower.

MEFA Loan Program.....

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

We have previously issued numerous series of bonds that were, or that are, secured under resolutions other than the Issue K General Resolution to fund education loans under the MEFA Loan Program. In addition, we may issue additional separately secured series of bonds for this purpose in the future. MEFA Loans that were originated, or that in the future may be originated, from funds that we obtain from the issuance of such separately secured series of bonds may have terms and conditions that are similar to, or that are different from, the terms and conditions of Issue K Loans. As of the date of this Official Statement, there are no uncommitted proceeds under the Issue J General Resolution. See “INTRODUCTORY STATEMENT,” “ESTIMATED SOURCES AND USES OF FUNDS,” “THE MEFA LOAN PROGRAM” and “RISK FACTORS — Redemption of Bonds” and “— Composition and Characteristics of the Issue K Loan Portfolio Will Change.”

The description of the MEFA Loan Program included in this Official Statement does not address every type of MEFA Loan, but it does describe the types of Variable Rate MEFA Loans and Fixed Rate MEFA Loans that are currently expected to become Issue K Loans. Certain additional information included in this Official Statement concerning MEFA Loans is included for general reference purposes only and is not intended to suggest that the characteristics or performance of Issue K Loans that bear interest at a fixed rate or at a variable rate necessarily will be at any time similar to that which would be expected from a representative sample of all MEFA Loans that bear interest on such basis. See “ESTIMATED SOURCES AND USES OF FUNDS” and “RISK FACTORS — Performance of MEFA Loans in the Issue K Loan Portfolio May Differ From Historical MEFA Loan Performance.”

We regularly review the terms and conditions of the MEFA Loan Program and reserve the right to alter such terms and conditions with respect to Issue K Loans, or with respect to other MEFA Loans, at any time. See “SECURITY FOR THE ISSUE K BONDS AND SOURCES OF PAYMENT,” “RISK FACTORS — Performance of MEFA Loans in the Issue K Loan Portfolio May Differ From Historical MEFA Loan Performance,” “— Composition and Characteristics of the Issue K Loan Portfolio Will Change” and “— Changes in Relevant Laws” and “THE MEFA LOAN PROGRAM.”

Servicing

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

Additional Bonds.....

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

Risk Factors.....

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

Ratings

The Offered Bonds are expected to be rated “AA (sf)” by Standard & Poor’s Credit Ratings Services, a division of The McGraw-Hill Companies, Inc. (“S&P”), and “Asf” by Fitch, Inc. (“Fitch”). Assignment of such ratings is a precondition to issuance of the Offered Bonds. Neither we nor the Underwriters have undertaken any responsibility either to directly notify you of any proposed change in or withdrawal of such ratings or to oppose any such proposed revision, although certain rating changes are reportable under the proposed Continuing Disclosure Agreement for the Offered Bonds. See “RISK FACTORS — Certain Actions May Be Permitted Without Bondholder Approval” and “— Effect of Ratings,” “RATINGS” and “CONTINUING DISCLOSURE.”

MASSACHUSETTS EDUCATIONAL FINANCING AUTHORITY

Members of the Authority

160 Federal Street
Boston, Massachusetts 02110

Thomas M. Graf,
Executive Director

Keith C. Shaughnessy, *Chair*
William J. Papp, Jr., *Vice Chair*
Gary Bailey
Dennis D. Berkey
Matthew J. Gorzkowicz
Gary E. Martinelli
Philip N. Shapiro
Secretary of the Executive Office
for Administration and Finance, *ex officio*
Secretary of the Executive Office
of Housing and Economic Development, *ex officio*

OFFICIAL STATEMENT

Relating to

\$222,035,000

**MASSACHUSETTS EDUCATIONAL FINANCING AUTHORITY
EDUCATION LOAN REVENUE BONDS, ISSUE K, SERIES 2013 (AMT)**

The purpose of this Official Statement is to set forth information in connection with the sale by the Massachusetts Educational Financing Authority (“we” or the “Authority”) of \$222,035,000 aggregate principal amount of Education Loan Revenue Bonds, Issue K, Series 2013 (the “Series 2013 Bonds” or the “Offered Bonds”) pursuant to Chapter 15C of the General Laws of the Commonwealth of Massachusetts (the “Commonwealth”), as amended (the “Act”), and a resolution dated as of December 1, 2012 (the “Issue K General Resolution”), as supplemented by a First Issue K Series Resolution dated as of June 1, 2013 (the “Series Resolution,” and, together with the Issue K General Resolution, the “Resolution”).

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

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

There follows in this Official Statement certain information concerning the Authority and certain other MEFA Loan Program participants, descriptions of the terms of the Offered Bonds, description of the terms and conditions that are currently expected to be applicable to Issue K Loans that the Authority expects to finance through March 31, 2014, and descriptions of the Act, the Resolution, and certain other documents related to the security for the Offered Bonds, and of certain applicable laws. All references herein to laws and documents are qualified in their entirety by reference to such laws and to such documents, as in effect on the date of issuance of the Offered Bonds, and all references to the Offered

Bonds are qualified in their entirety by reference to the respective definitive form thereof and to the Resolution. This Official Statement is intended for use in connection with the sale of the Offered Bonds and may not be reproduced or used, in whole or in part, for any other purpose.

INTRODUCTORY STATEMENT

The Authority is issuing the Offered Bonds for the principal purposes of funding new education loans to undergraduate and graduate students who are Massachusetts residents or who attend Participating Institutions within the Commonwealth, and to others borrowing for the benefit of such students under the Authority's MEFA Loan program and of refunding certain currently outstanding bonds that were issued by the Authority to fund such education loans. Education loans funded with the proceeds of Issue K Bonds and the Revenues received by the Authority from such education loans are the primary expected source of debt service for the Offered Bonds. The Authority currently expects that all education loans funded with the proceeds of Issue K Bonds will be credit-based MEFA Loans, as described herein.

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

The MEFA Loan Program provides supplemental assistance for students receiving other forms of financial aid and primary assistance for students not eligible for other forms of financial aid. MEFA Loans are originated in cooperation with participating non-profit independent and public colleges and universities and other sponsors, if any, designated from time to time by the Authority (collectively, the "Participating Institutions"). The principal components of the existing MEFA Loan Program currently include: (i) the Fixed Rate Undergraduate MEFA Loan Program; (ii) the Variable Rate Undergraduate MEFA Loan Program; and (iii) the MEFA Loans for Graduate Education Program, which are offered as fixed rate and as variable rate education loans. The Authority does not currently expect to offer variable rate MEFA Loans during the 2013-2014 academic year, but reserves the right to again offer such loans. See "THE MEFA LOAN PROGRAM" and "AUTHORITY LOAN ORIGINATION AND SERVICING — The Servicer."

Fixed Rate Undergraduate MEFA Loans and MEFA Loans for Graduate Education that bear interest at fixed rates are referred to, collectively, herein as "Fixed Rate MEFA Loans." MEFA Loans bearing interest at a variable rate of interest are referred to herein as "Variable Rate MEFA Loans." "Issue K Loans" are MEFA Loans that are funded through application of proceeds of, or other funds allocable to, Issue K Bonds, or are pledged as security under the Resolution, and the subset of the MEFA Loan Program so funded or pledged is referred to herein as the "Issue K Loan Program." Initially, all Issue K Loans will consist of approximately \$110,000,000 of existing credit-based Variable Rate MEFA Loans, as described herein. The Authority currently expects that all additional Issue K Loans will be newly originated credit-based Fixed Rate MEFA Loans, as described herein. The Resolution permits the Authority to apply Issue K Bond proceeds to finance Issue K Loans with terms and conditions that vary from those described herein upon compliance with certain Resolution requirements. The Authority also reserves the right to fund such loans from other sources. See "THE MEFA LOAN PROGRAM," "AUTHORITY MEFA LOAN PORTFOLIO," "RISK FACTORS — Composition and Characteristics of

the Issue K Loan Portfolio Will Change” and “APPENDIX F — POOL OF VARIABLE RATE MEFA LOANS ELIGIBLE FOR INCLUSION IN ISSUE K LOAN PORTFOLIO AS OF MARCH 31, 2013.”

Xerox Education Services, LLC, a Delaware limited liability company doing business as ACS Education Services (“XEROX-ES”), currently acts as Servicer for the MEFA Loan Program and as originator of all MEFA Loans. The MEFA Loan origination and servicing process is a joint effort among the Authority, Participating Institutions and the Servicer. Undergraduate MEFA Loan and MEFA Loan for Graduate Education applications are submitted directly to the Servicer by the applicants for credit analysis. After approval of a borrower’s application, certification by the Participating Institution and execution by the borrower(s) and student of a promissory note, the promissory note is delivered to the Servicer to be held in custody. The Authority finances MEFA Loans by disbursing funds to the Servicer. The Servicer transfers such funds upon receipt to the Participating Institution for credit to the student’s account. See “THE MEFA LOAN PROGRAM” and “AUTHORITY LOAN ORIGINATION AND SERVICING.”

The Authority regularly reviews the terms and conditions of its MEFA Loan Program and its administrative arrangements for the origination, servicing and collection of MEFA Loans and reserves the right to alter such terms and conditions, including all terms and conditions described herein as being applicable to Issue K Loans, and such administrative arrangements, at any time; subject, with respect to Issue K Loans, to compliance with certain requirements of the Issue K General Resolution. See “RISK FACTORS — Certain Actions May Be Permitted Without Bondholder Approval,” “— Dependence Upon Third-Party Servicers and Originators” and “— Composition and Characteristics of the Issue K Loan Portfolio Will Change.”

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

The Offered Bonds are being issued for one or more of the following purposes: (i) to refund certain currently outstanding bonds that were previously issued by the Authority under resolutions that are separate and apart from the Resolution; (ii) to fund new MEFA Loans; (iii) to fund some or all of the Capitalized Interest Account deposit for the Issue K Bonds; (iv) to fund some or all of the Reserve Fund deposit for the Issue K Bonds; and (v) to fund some or all of the costs of issuance of the Offered Bonds. All Issue K Loans are pledged as security for Issue K Bonds and no other MEFA Loans are pledged for this purpose. See “PLAN OFFINANCING” and “ESTIMATED SOURCES AND USES OF FUNDS.”

Upon completion of the projected application of a portion of the proceeds of the Offered Bonds to refund certain separately secured Authority bonds, and of related transfers of cash and education loans, the Authority expects that approximately \$110,000,000 in aggregate outstanding amount of currently existing Variable Rate MEFA Loans will have been acquired as Issue K Loans and that approximately \$142,100,000 of Offered Bond proceeds will remain available for application to finance additional Issue K Loans. The Authority further expects that all such additional Issue K Loans will be Fixed Rate MEFA

Loans. See “RISK FACTORS — Composition and Characteristics of the Issue K Loan Portfolio Will Change.”

The Authority currently expects, based upon its projections of demand for Fixed Rate MEFA Loans, that it will be able to fully apply, or commit for application, all available proceeds of the Offered Bonds and all available funds that the Authority currently expects to be available under the Authority’s Issue J General Resolution to fund Fixed Rate MEFA Loans prior to March 31, 2014. As of the date of this Official Statement, there are no uncommitted proceeds under the Issue J General Resolution. See “AUTHORITY MEFA LOAN PORTFOLIO — The Authority’s Fixed Rate MEFA Loan Portfolio.” However, due to a variety of factors that may influence demand for Fixed Rate MEFA Loans, including, without limitation, general economic conditions, the seasonal nature of education loan demand and the current or potential availability of competing education loans or other forms of financial aid under the Federal Direct Student Loan Program and other federal or Commonwealth programs, as well as student and parent loans offered by other parties and, potentially, variable rate MEFA Loans, there can be no assurance that the actual demand for Fixed Rate MEFA Loans that can be funded under the Issue K General Resolution will be sufficient to fully expend the funds available to the Authority to fund such loans from sources that include, but are not limited to, the Offered Bonds. Although the Authority currently expects that amounts available for application to finance newly originated MEFA Loans during this period under the Issue K General Resolution will not substantially exceed \$142,100,000, the Authority reserves the right to implement actions, including but not limited to the issuance of bonds in addition to the Offered Bonds, to obtain additional funds to finance MEFA Loans during this period. The Authority reserves the right to allocate funds from different sources that are available to it to finance MEFA Loans in any manner that it deems appropriate. The Resolution does not require or prevent the application of Series 2013 Bond proceeds prior to the application of other funds available to the Authority to make Fixed Rate MEFA Loans or require the Authority to apply all funds available to the Authority to make Fixed Rate MEFA Loans prior to making Variable Rate MEFA Loans. See “ESTIMATED SOURCES AND USES OF FUNDS.”

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

THE AUTHORITY

General

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

In 1990, the Act was amended to add to the Authority’s functions that of developing and administering one or more savings programs designed to facilitate and encourage savings by or on behalf of students, future students and parents for the purposes of paying the costs of attendance at institutions of higher education. In connection with that amendment, the Authority’s name was changed from the Massachusetts Education Loan Authority to its current name, and the number of members of the Authority was increased from seven to nine. In 1994, the Authority established the “U. Plan Prepaid Tuition Program,” which is a prepaid tuition program that currently includes over eighty (80) public and private Massachusetts colleges and universities. In 1999, the Authority established the Commonwealth’s Qualified 529 College Savings Program, the “U. Fund College Investing Plan,” which gives families an opportunity to save for qualified educational expenses through investments in mutual funds. Investments can be used at any accredited college in the country.

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

In 2003, MEFA introduced services providing guidance to families and students about planning, saving and paying for college. Working through schools, libraries and community organizations, MEFA provides step-by-step assistance in achieving higher education through in-person seminars, one-on-one telephone counseling, and online, interactive resources for families at every stage of the college financing process. The technology available through *YourPlanForTheFuture.org*, introduced in 2010, offers a complete college and career planning resource for students, high school counselors, parents and mentors across the Commonwealth. The Commonwealth’s college and career web portal is provided free for all citizens of the Commonwealth.

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

Members and Staff

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

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

Members

KEITH C. SHAUGHNESSY, Chair; term expires July 1, 2017.

Mr. Shaughnessy is the Chairman and Chief Executive Officer of Metapoint Partners, which he co-founded in 1988. He was previously Division Executive/Managing Director of the Acquisition Finance Division of Bank of Boston.

WILLIAM J. PAPP, JR., Vice-Chair; term expires June 30, 2015.

Mr. Papp has over twenty years of experience across the financial services industry focusing on the global equity capital markets. He is the Director of Institutional Equity Sales at Mizuho Securities US Inc., and in recent years has served as a Managing Director of Pacific Crest Securities, Senior Vice President at Prudential Equity Group and Vice President of Lehman Brothers. Additionally, Mr. Papp has assisted with a number of education and workforce related initiatives across the Commonwealth and served on the Commonwealth's Finance Advisory Board.

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

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

DENNIS D. BERKEY; term expires July 1, 2017.

Dr. Berkey is a distinguished higher education leader, most recently serving as Worcester Polytechnic Institute's fifteenth President. For over thirty years he served as a tenured faculty member and senior administrator at Boston University. He is the author of several mathematics textbooks and his published research is in applied mathematics. Dr. Berkey serves on numerous boards.

MATTHEW J. GORZKOWICZ; term expires July 1, 2018.

Mr. Gorzkowicz is the Assistant Vice President for Accounting and Planning at the University of Massachusetts President's Office. Previously he held key finance and budget related positions in Massachusetts government, most recently serving as the Undersecretary for the Executive Office for Administration and Finance.

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

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

PHILIP N. SHAPIRO; term expires April 4, 2014.

Mr. Shapiro is the Vice President for Finance and Chief Financial Officer at Babson College. He was previously a Managing Director of Standard and Poor's Rating Group, the CFO of the Massachusetts Water Resources Authority, a Director of Investor Relations for the Bank of New England, and a Deputy Director of the Massachusetts Energy Facilities Siting Council.

SECRETARY OF THE EXECUTIVE OFFICE FOR ADMINISTRATION AND FINANCE OF THE COMMONWEALTH, *ex-officio.*

SECRETARY OF THE EXECUTIVE OFFICE OF HOUSING AND ECONOMIC DEVELOPMENT OF THE COMMONWEALTH, *ex officio.*

Staff

THOMAS M. GRAF, Executive Director.

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

ELIZABETH K. FONTAINE, Assistant Executive Director.

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

JAMES S. LEIGHTON, Chief Financial Officer.

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

ZARAH MASALES-TRINGALI, Director of Portfolio Servicing.

Ms. Masales-Tringali joined the Authority in May, 1999. She has served as an Assistant Director of Loan Operations and held several accounting positions within the Authority. Prior to joining the Authority, she was an Accounting Supervisor for Genetics Institute and a Control Analyst for Key Education Resources. Ms. Masales-Tringali received her B.S. in Business Administration from Northeastern University.

FRANCIS X. CAVANAUGH, Director of Portfolio Origination and Funding.

Mr. Cavanaugh joined the Authority in December, 2006. Prior to joining the Authority, he held various management positions in finance and operations in the manufacturing and distribution industry. Mr. Cavanaugh received his B.S. and M.B.A. from Babson College.

SARAH R. CALLANDER, Director of Financial Operations.

Ms. Callander joined the Authority in August, 2000. Prior to joining the Authority, she was an Analyst at Citizens Power, LLC. Ms. Callander received her B.S. in Business Administration from the University of New Hampshire and her M.B.A. from Boston University.

LAURA GROVES, Finance Associate–Capital Markets.

Ms. Groves joined the Authority in July, 2009. Prior to joining the Authority, she was a Financial Analyst at the San Diego County Regional Airport Authority. She has also served as a Financial Analyst and Finance Intern within the Authority from 2002-2007. Ms. Groves received her B.S. in Finance from Bentley University.

THE OFFERED BONDS

The Offered Bonds will be issued in denominations of \$5,000 and in integral multiples thereof, will be dated the date of delivery, and will bear interest from their date, payable on January 1, 2014 and on each July 1 and January 1 thereafter, or if any such day is not a Business Day, the next Business Day. The Offered Bonds bear interest at the rates and mature on the dates set forth on the front inside cover of this Official Statement.

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

REDEMPTION PROVISIONS

General. The Series 2013 Bonds are subject to optional redemption, cumulative mandatory sinking fund redemption, mandatory redemption resulting from non-origination, special optional redemption from excess revenues and special mandatory redemption from excess revenues, as described below. All such redemptions result in the payment to the holder of a Redemption Price equal to the principal amount of the Series 2013 Bonds being redeemed, without premium, plus accrued interest, if any, to the redemption date, except as expressly noted with respect to the Series 2013 Bonds maturing on July 1, 2015, July 1, 2016, July 1, 2017, July 1, 2018, July 1, 2019, July 1, 2020, July 1, 2021 and July 1, 2022. There are numerous factors that may affect the likelihood that any Series 2013 Bond may be called for redemption prior to maturity, including certain factors that may be related to financial market and economic conditions. See “RISK FACTORS — Redemption of Bonds.”

Optional Redemption. The Series 2013 Bonds maturing on or after July 1, 2023 will be subject to redemption prior to maturity, in whole or in part, on any date on or after July 1, 2022, at the option of the Authority, at a Redemption Price equal to the principal amount thereof being redeemed, without premium, plus accrued interest, if any, to the redemption date. Any such redemption will be applied to each such maturity on a pro rata basis (or in such other manner as the Authority, consistent with a Projection of Revenues, may direct). Any such redemption of Series 2013 Bonds of a maturity that is

subject to cumulative mandatory sinking fund redemption is to be credited against Sinking Fund Installments applicable to such maturity as described in the last paragraph under “— *Cumulative Mandatory Sinking Fund Redemption.*” No such redemption, however, shall cause the Series 2013 Bonds of any maturity of like tenor that remain Outstanding to be in an amount other than an Authorized Denomination and the amount to be so redeemed shall be increased or decreased as directed by the Authority to avoid such a result. See “RISK FACTORS — Certain Actions May Be Permitted Without Bondholder Approval.”

Cumulative Mandatory Sinking Fund Redemption. The Series 2013 Bonds maturing on July 1, 2029 and July 1, 2032 (the “Series 2013 Term Bonds”) are subject to cumulative mandatory sinking fund redemption, to the extent that moneys are available therefor, pursuant to the provisions of the Resolution, in the respective amounts and on July 1 in each of the respective years set forth in the following schedules of Sinking Fund Installments, at a Redemption Price equal to the principal amount thereof being redeemed, without premium, plus accrued interest, if any, to the redemption date.

Series 2013 Term Bonds

<u>Date</u> <u>(July 1)</u>	<u>Sinking</u> <u>Fund Installment</u>
2026	\$18,280,000
2027	19,360,000
2028	20,595,000
2029 [†]	22,360,000

<u>Date</u> <u>(July 1)</u>	<u>Sinking</u> <u>Fund Installment</u>
2030	\$3,215,000
2031	3,070,000
2032 [†]	-0-

[†] Final maturity.

If, on the second to last Business Day of the second calendar month preceding the due date of any Sinking Fund Installment, prior to the scheduled maturity of the Series 2013 Term Bonds subject to such Sinking Fund Installment, the amounts available to make the Sinking Fund Installment are less than the scheduled Sinking Fund Installment, the amount of the insufficiency will be due on the next Sinking Fund Installment due date, to the extent funds are available therefor, until paid in full. A failure to make a Sinking Fund Installment, prior to the scheduled maturity of the Series 2013 Term Bonds to which such Sinking Fund Installment applies that results from insufficient Revenues being available to fund such payment in accordance with the Resolution is not a default and will not give rise to an Event of Default under the Resolution. The amounts which would otherwise be available for a Sinking Fund Installment may be applied, prior to notice of cumulative mandatory sinking fund redemption, to the purchase, for cancellation, of the Series 2013 Term Bonds to which such Sinking Fund Installment applies at prices not exceeding par, plus accrued interest to the date of purchase, in which event the principal amount of Series 2013 Term Bonds scheduled to be redeemed on the immediately succeeding Sinking Fund Installment due date will be reduced by the principal amount of Series 2013 Term Bonds so purchased.

Any redemption of Series 2013 Term Bonds, other than by operation of cumulative mandatory sinking fund redemption, and any delivery by the Authority to the Trustee for cancellation of Series 2013 Term Bonds purchased by the Authority, shall result in the reduction of the remaining Sinking Fund Installments of such Series 2013 Term Bonds of such maturity on a pro rata basis (or in such other manner as the Authority, consistent with a Projection of Revenues, may direct). No such reduction, however, shall cause any Sinking Fund Installment to be in an amount other than an Authorized Denomination and reductions shall be increased or decreased as directed by the Authority to avoid such a result. See “RISK FACTORS — Certain Actions May be Permitted Without Bondholder Approval.”

Mandatory Redemption Resulting From Non-Origination. The Series 2013 Bonds are subject to redemption prior to maturity, in whole or in part, on any date, from original proceeds of the Series 2013 Bonds that are initially available to fund Issue K Loans upon issuance of the Series 2013 Bonds and remaining in the Series 2013 Purchase Account at the expiration of the Origination Period (except with respect to the retention for subsequent application of any amounts reserved in the Series 2013 Purchase Account to fund Issue K Loans that the Authority is committed, as of the end of the Series 2013 Origination Period, to originate or acquire). With respect to the Series 2013 Bonds maturing on July 1, 2015, July 1, 2016, July 1, 2017, July 1, 2018, July 1, 2019, July 1, 2020, July 1, 2021 and July 1, 2022, the Redemption Price applicable to such redemption will be equal to the sum of: (i) the principal amount thereof to be redeemed, plus accrued interest to the date of redemption; and (ii) the unamortized portion of the amount by which the applicable offering price exceeded 100%. The methodology to calculate the unamortized portion of such amount for a maturity will use the yield of such Series 2013 Bonds stated on the inside cover of this Official Statement to calculate a price based on the redemption date, semi-annual compounding and a 360-day year consisting of twelve 30-day months. The excess of the calculated price over 100% will be the unamortized portion. With respect to all other Series 2013 Bonds, the Redemption Price will be equal to the principal amount thereof to be redeemed, without premium, plus accrued interest to the date of redemption. As of the date of delivery of the Series 2013 Bonds, the Series 2013 Origination Period will end on March 31, 2014, unless extended, upon compliance with certain requirements of the General Resolution. Unless the Origination Period is extended, any such redemption would take place by July 1, 2014. Any such redemption will be applied to each maturity of Series 2013 Bonds of like tenor (i.e. bearing the same interest rate) on a pro rata basis (or in such other manner as the Authority, consistent with a Projection of Revenues, may direct). Any such redemption of Series 2013 Bonds of a maturity that is subject to cumulative mandatory sinking fund redemption is to be credited against Sinking Fund Installments applicable to such maturity as described in the last paragraph under “— *Cumulative Mandatory Sinking Fund Redemption.*” No such redemption, however, shall cause the Series 2013 Bonds of any maturity and of like tenor that remain Outstanding to be in an amount other than an Authorized Denomination and the amount to be so redeemed shall be increased or decreased as directed by the Authority to avoid such a result. See “RISK FACTORS — Redemption of Bonds,” “— Certain Actions May Be Permitted Without Bondholder Approval” and “— Competition May Reduce Demand For or Increase Prepayments on Issue K Loans,” “ESTIMATED SOURCES AND USES OF FUNDS,” “THE MEFA LOAN PROGRAM” and “AUTHORITY MEFA LOAN PORTFOLIO.”

Special Optional Redemption From Excess Revenues. The Series 2013 Bonds (excluding the Series 2013 Bonds maturing on July 1, 2015, July 1, 2016, July 1, 2017, July 1, 2018, July 1, 2019, July 1, 2020, July 1, 2021 and July 1, 2022) and certain Additional Bonds that may be issued in the future, are subject to optional redemption prior to maturity, in whole or in part, on each Interest Payment Date on which: (i) the aggregate Outstanding principal amount of the Issue K Bonds equals or exceeds an amount equivalent, at the time of computation, to such amount as may be required by the then most recently adopted Series Resolution authorizing the issuance of then Outstanding Issue K Bonds or such other amount as the Authority may direct, subject to Rating Agency Notice (which amount, as of the date of delivery of the Offered Bonds, shall be \$26,644,200); and (ii) either (a) such Interest Payment Date

occurs during the Recycling Period or (b) the Parity Ratio exceeds the amount then required with respect to a Parity Ratio Certificate, which upon issuance of the Series 2013 Bonds will be 119.5% (each such Interest Payment Date being a “Potential Special Optional Excess Revenues Redemption Date”), at a Redemption Price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest, if any, to the redemption date, in such amounts as the Authority may direct, from any Excess Revenues derived from or allocable to any Series of Issue K Bonds and any moneys transferred from the Reserve Fund available in the Redemption Fund on the second to last Business Day of the second prior calendar month. As of the date of delivery of the Series 2013 Bonds, the Series 2013 Recycling Period will end on June 30, 2014, unless extended in compliance with certain requirements of the General Resolution. Any such redemption will be applied to each maturity of like tenor of Series 2013 Bonds, and to such other maturities of such other Series of Issue K Bonds, as may then be subject to such redemption on such basis, on a pro rata basis (or in such other manner as the Authority, consistent with a Projection of Revenues, may direct). Any such redemption of Series 2013 Bonds of a maturity that is subject to cumulative mandatory sinking fund redemption is to be credited against Sinking Fund Installments applicable to such maturity as described in the last paragraph under “— *Cumulative Mandatory Sinking Fund Redemption.*” No such redemption, however, shall cause the Issue K Bonds of any Series and maturity of like tenor that remain Outstanding to be in an amount other than an Authorized Denomination and the amount to be so redeemed shall be increased or decreased as directed by the Authority to avoid such a result. See “RISK FACTORS — Certain Actions May Be Permitted Without Bondholder Approval” and “— Redemption of Bonds,” “APPENDIX B — DEFINITIONS OF CERTAIN TERMS — Excess Revenues” and “APPENDIX C — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — Establishment of Funds and Accounts,” “— Monthly Transfers from Revenue Fund” and “— Semi-Annual Transfers from Revenue Fund.”

Special Mandatory Redemption From Excess Revenues. The Series 2013 Bonds (excluding the Series 2013 Bonds maturing on July 1, 2015, July 1, 2016, July 1, 2017, July 1, 2018, July 1, 2019, July 1, 2020, July 1, 2021 and July 1, 2022) and certain Additional Bonds that may be issued in the future, are subject to mandatory redemption prior to maturity, in whole or in part, on each Interest Payment Date that is not a Potential Special Optional Excess Revenues Redemption Date (and with respect to certain amounts transferred from the Reserve Fund as described under “SECURITY FOR THE ISSUE K BONDS AND SOURCES OF PAYMENT — Reserve Fund,” on any date), at a Redemption Price equal to the principal amount thereof to be redeemed, without premium, plus accrued interest, if any, to the redemption date, from all Excess Revenues derived from or allocable to any Series of Issue K Bonds and any moneys transferred from the Reserve Fund available in the Redemption Fund, on the second to last Business Day of the second calendar month prior to the Interest Payment Date. Any such redemption will be applied to each maturity of like tenor of Series 2013 Bonds, and to such other maturities of such other Series of Issue K Bonds, as may then be subject to such redemption on such basis, on a pro rata basis (or in such other manner as the Authority, consistent with a Projection of Revenues, may direct). Any such redemption of Series 2013 Bonds of a maturity that is subject to cumulative mandatory sinking fund redemption is to be credited against Sinking Fund Installments applicable to such maturity as described in the last paragraph under “—*Cumulative Mandatory Sinking Fund Redemption.*” No such redemption, however, shall cause the Issue K Bonds of any Series and maturity of like tenor that remain Outstanding to be in an amount other than an Authorized Denomination and the amount to be so redeemed shall be increased or decreased as directed by the Authority to avoid such a result. See “RISK FACTORS — Certain Actions May Be Permitted Without Bondholder Approval” and “— Redemption of Bonds,” “APPENDIX B — DEFINITIONS OF CERTAIN TERMS — Excess Revenues” and “APPENDIX C — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — Establishment of Funds and Accounts,” “— Monthly Transfers from Revenue Funds” and “— Semi-Annual Transfers from Revenue Funds.”

Selection of Series 2013 Bonds to be Redeemed. If less than all of the Series 2013 Bonds of a particular maturity of like tenor shall be redeemed, the particular Series 2013 Bonds of such maturity and tenor to be redeemed shall be selected at random by the Trustee in such manner as the Trustee in its discretion may deem fair and appropriate; provided, that, so long as DTC or its nominee is the Bondholder, if less than all of the Series 2013 Bonds of such maturity and tenor are redeemed, the particular Series 2013 Bonds or portions of such Series 2013 Bonds to be redeemed shall be selected by DTC in such other customary manner as DTC may determine. For the purpose of such selection, any Series 2013 Bond of a denomination greater than the minimum denomination permitted shall be deemed to consist of several Series 2013 Bonds each in the minimum denomination and shall be redeemable in part in multiples of such minimum denomination or in whole in accordance with the results of such selection process.

Notice of Redemption of Series 2013 Bonds. At least 20 days prior to the date fixed for the redemption of any Series 2013 Bonds, notice of redemption shall be mailed by first-class mail to the Registered Owner (which initially will be DTC or its nominee) of such Series 2013 Bonds, or portions thereof, to be redeemed at its last address as it appears on the books of registry, stating the Series 2013 Bonds to be redeemed, the redemption date, the place or places where the amounts due upon such redemption will be paid and the redemption price of such Series 2013 Bonds to be redeemed and, if less than all of the Series 2013 Bonds are to be redeemed, the letters and numbers or other distinguishing marks of such Series 2013 Bonds to be redeemed, and in the case of Series 2013 Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that on the redemption date each affected Series 2013 Bond, or portion thereof, to be redeemed shall be due and payable at the applicable redemption price, plus accrued interest to the redemption date, and that interest on such Series 2013 Bonds to be redeemed shall cease to accrue from and after the redemption date.

Notice having been given as provided above, the Series 2013 Bonds or portions thereof designated in the notice shall become due and payable at the applicable redemption price, plus interest accrued thereon to the redemption date, and, upon surrender in accordance with the notice, shall be paid, together with interest accrued thereon to the date fixed for redemption; provided, however, that failure so to provide such notice to any one or more owners of any Series 2013 Bonds designated for redemption will not affect the sufficiency of the proceedings for redemption of Series 2013 Bonds with respect to owners to whom such notice was made.

PLAN OF FINANCING

Upon issuance and delivery of the Offered Bonds, \$210,729,193.72 of the proceeds of the sale thereof, along with certain additional funds available to the Authority, are expected to be applied or deposited by the Trustee as follows: \$200,338,493.72 to fund the purchase for retirement of all or a portion of the Authority's currently outstanding Education Loan Revenue Bonds Issue E, Series 2002, Series 2003, Series 2004, Series 2006 and Series 2007 (collectively, the "Refunded Obligations"), resulting in the transfer to the Trustee from the trustee for the Refunded Obligations of a projected aggregate outstanding balance of approximately \$110,000,000 of Variable Rate MEFA Loans for deposit to the Series 2013 Purchase Account. The Authority currently expects to deposit: (i) \$4,440,700 to the Series 2013 Reserve Account; and (ii) \$5,950,000 to the Series 2013 Capitalized Interest Account, and to pay some or all of the costs of issuing the Offered Bonds, from Series 2013 Bond proceeds or other sources available to the Authority as a condition to issuance of the Offered Bonds.

The Authority currently projects that, upon completion of the transactions described in the first paragraph under this caption, (i) \$142,100,000 of the proceeds of the Series 2013 Bonds will remain available to finance additional MEFA Loans and will be the only uncommitted funds then available to the Authority to finance education loans (other than certain recycled amounts); (ii) the Parity Ratio under the Resolution will be approximately 118.14%; and (iii) the Issue K Loans will be substantially as described herein. The Authority also currently projects that all proceeds of the Series 2013 Bonds available to finance newly originated Issue K Loans will be applied to finance Fixed Rate MEFA Loans by March 31, 2014. See "RISK FACTORS — Composition and Characteristics of the Issue K Loan Portfolio Will Change" and APPENDIX F — POOL OF VARIABLE RATE MEFA LOANS ELIGIBLE FOR INCLUSION IN ISSUE K LOAN PORTFOLIO AS OF MARCH 31, 2013."

ESTIMATED SOURCES AND USES OF FUNDS

Sources of Funds:

Principal Amount of Offered Bonds	\$222,035,000.00
Net Original Issue Premium on Offered Bonds	4,571,474.10
Other Available Funds ⁽¹⁾	129,162,719.62
Total.....	\$355,769,193.72

Uses of Funds:

Refunding of Refunded Obligations ⁽²⁾	\$200,338,493.72
Deposit to the Series 2013 Reserve Account.....	4,440,700.00
Deposit to Series 2013 Capitalized Interest Account	5,950,000.00
Deposit to 2013 Purchase Account.....	142,100,000.00
Other Uses ⁽³⁾	2,940,000.00
Total.....	\$355,769,193.72

(1) As projected as of the date of this Official Statement. The actual amounts will be adjusted to reflect an Authority contribution that is expected to be to result in a Parity Ratio of at least 118.14% on the date of initial delivery of the Offered Bonds. Reflects the net effect under the bond resolutions governing the Refunded Obligations after the application of Offered Bond proceeds to the redemption or purchase of the Refunded Obligations and related transfers.

(2) Resulting in the transfer of approximately \$110,000,000 of Variable Rate MEFA Loans to the Issue K General Resolution.

(3) Includes costs of issuance and the underwriting fee for the Offered Bonds.

SECURITY FOR THE ISSUE K BONDS AND SOURCES OF PAYMENT

The Offered Bonds are special obligations of the Authority payable from and secured solely by a pledge and grant of a security interest in: (i) all Revenues; (ii) all Issue K Loans and promissory notes or other documentation evidencing the Authority's interest in Issue K Loans, and any other Revenue-producing contracts and all rights and interests of the Authority incident thereto, excluding certain indemnifications payable to the Authority; (iii) all moneys and securities on deposit in the funds and accounts established pursuant to the Resolution, except the Rebate Fund; (iv) all general intangibles (including payment intangibles) comprising or relating to any of the foregoing; and (v) proceeds of any of the foregoing (collectively, the "Trust Assets"), subject to the application of such amounts for the purposes permitted under the Resolution.

Revenues

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

The Resolution provides that the Revenues shall be deposited in the various funds and accounts established for the particular Series of Issue K Bonds to which such Revenues are allocable to facilitate tracing for tax purposes, but such Revenues may, if necessary, be used for the purposes set forth in the Resolution without regard to the particular Series of Issue K Bonds they are allocable to. Revenues allocable to a Series of Issue K Bonds are used to pay Program Expenses, to pay interest on and Principal Installments of the Issue K Bonds, and to make up any deficiency in any fund or account established under the Resolution, including the Series 2013 Reserve Account and the Rebate Fund. Any Revenues allocable to a Series of Issue K Bonds that are available after such payments and transfers may be applied to finance additional Issue K Loans (but only until the end of the Recycling Period for the applicable Series of Issue K Bonds established upon issuance or such other date as may be established by the Authority upon compliance with certain requirements of the Issue K General Resolution) or, otherwise, transferred to the Redemption Fund account for the applicable Series to be used either to purchase or to redeem Bonds. Upon initial delivery of the Offered Bonds, the end of the Recycling Period for all the Outstanding Bonds under the Issue K General Resolution will be June 30, 2014. In lieu of a transfer to the Redemption Fund, the Authority may direct the Trustee, subject to certain Resolution requirements including that the Parity Ratio would be 119.5% or higher upon completion of such transfer, to transfer all or part of such balance to the Authority free and clear of the lien of the Resolution. See "— Release of Excess Trust Assets."

If Revenues are not sufficient to pay scheduled principal maturities of and interest on the Issue K Bonds of a Series or to pay Program Expenses as required for any semi-annual period, moneys in the Redemption Account (other than amounts then committed to the redemption of specific Issue K Bonds as to which notice has been given), the Capitalized Interest Account (but only with respect to interest and Program Expenses), the Series 2013 Purchase Account (other than amounts then contractually committed to the origination or acquisition of specific Issue K Loans and without requiring the liquidation of Issue K Loans), and the Reserve Account will be applied, in that order of priority, to make up the deficiency. See “APPENDIX C — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — Monthly Transfers from Revenue Fund” and “— Semi-Annual Transfers from Revenue Fund.”

The Authority expects that Revenues and other available moneys held in the funds and accounts under the Resolution will be sufficient to pay when due the Principal Installments of and interest on all Bonds, including the Offered Bonds, and Program Expenses. This expectation is based, among other things, on the assumptions that: (i) approximately \$110,000,000 of the Issue K Loans will be credit-based Variable Rate MEFA Loans bearing interest rates and having remaining scheduled repayment periods and other terms and conditions as described herein and will be credited to the 2013 Purchase Account on the date of initial delivery of the Series 2013 Bonds; (ii) all other Issue K Loans will be credit-based Fixed Rate MEFA Loans and will include origination fees and bear interest at rates which the Authority currently believes to be reasonable; (iii) such Fixed Rate MEFA Loans will be amortized over a maximum of 15 years, commencing on the date approximately 45 days after final disbursement; (iv) such Fixed Rate MEFA borrowers will select between 10-year immediate repayment, 15-year immediate repayment, interest-only repayment and deferred repayment options in a manner that will conform to current Authority volume and academic class distribution expectations; (v) all original proceeds of the Offered Bonds to be deposited to the Series 2013 Purchase Account and all other amounts becoming available under the Issue K General Resolution to fund such Fixed Rate MEFA Loans upon issuance of the Offered Bonds will be applied, or committed for application, to finance such Fixed Rate MEFA Loans by March 31, 2014; and (vi) all available Revenues are recycled and used to finance additional Fixed Rate MEFA Loans until June 30, 2014. The Authority has also assumed that moneys in the various funds and accounts established under the Resolution will be invested prior to application, in accordance with Issue K General Resolution requirements, at rates that the Authority currently believes to be reasonable based upon current market conditions. The Authority has made additional assumptions with respect to the amounts and timing of prepayments, the level of borrower delinquency and default and the amount of Program Expenses to be due in each year. The Resolution limits the amounts of Program Expenses that may be paid annually. The assumptions relating to Issue K Loans described in this paragraph relate solely to Issue K Loans financed by the Authority with moneys allocable to the Offered Bonds. There can be no assurance that the actual experience of the Issue K Loans and of other Trust Assets will in fact conform to these assumptions. However, the Authority believes that these assumptions are reasonable. The Authority has prepared projections of revenues testing a range of assumptions in order to determine the effect of variation of these assumptions on the sufficiency of Revenues to be generated under the Loan Program to pay Principal Installments of and interest on the Issue K Bonds and Program Expenses as part of the process of obtaining the assignment of initial credit ratings to the Offered Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS,” “RISK FACTORS — Redemption of Bonds,” “— Effect of Ratings,” “— Performance of MEFA Loans in the Issue K Loan Portfolio May Differ From Historical MEFA Loan Performance,” “— Certain Factors Could Potentially Affect Timing and Receipt of Revenues,” “— Composition and Characteristics of the Issue K Loan Portfolio Will Change” and “— General Economic Conditions,” “THE MEFA LOAN PROGRAM — General” and “— Fixed Rate MEFA Loan Terms,” “AUTHORITY MEFA LOAN PORTFOLIO,” and “APPENDIX F — POOL OF VARIABLE RATE MEFA LOANS ELIGIBLE FOR INCLUSION IN ISSUE K LOAN PORTFOLIO AS OF MARCH 31, 2013.”

Issue K Loans

The Issue K Bonds are secured by a pledge of and lien upon all Issue K Loans, as evidenced by Issue K Loan Notes or by other appropriate documentation, which are financed with proceeds of the Issue K Bonds or other moneys available therefor under the Resolution. The Authority has covenanted in the Issue K General Resolution that it will use and apply funds made available in connection with the issuance of the Issue K Bonds, to the extent not reasonably required for other Program purposes of the Authority, to finance Issue K Loans, in a manner consistent with the Act and with the provisions of the Resolution. In addition, in order to receive and collect Revenues, the Authority has covenanted to do all such acts and things necessary and to take all steps, actions and proceedings necessary in the judgment of the Authority to enforce all terms, covenants and conditions of Issue K Loans in a manner consistent with the Act and with the provisions of the Resolution. The Issue K General Resolution requires that all Issue K Loans financed by the Authority have terms of repayment which, together with other moneys available therefor, shall be at least sufficient to pay Principal Installments of and interest on the Issue K Bonds when due and all reasonably anticipated Program Expenses. For a further description of the currently anticipated Issue K Loans, see “THE MEFA LOAN PROGRAM,” “AUTHORITY MEFA LOAN PORTFOLIO” and “APPENDIX F — POOL OF VARIABLE RATE MEFA LOANS ELIGIBLE FOR INCLUSION IN ISSUE K LOAN PORTFOLIO AS OF MARCH 31, 2013.”

The Authority anticipates, in part based on its experience with the MEFA Loan Program, that a portion of the Issue K Loans allocable to the Series 2013 Bonds will be partially or completely prepaid prior to their respective final maturity dates as a result of borrower prepayment. However, the Authority cannot predict the actual average life of the portfolio of Issue K Loans allocable to the Offered Bonds. A portion of the Offered Bonds are likely to be redeemed prior to maturity pursuant to the special optional redemption or special mandatory redemption provisions of the Resolution. See “REDEMPTION PROVISIONS,” “THE MEFA LOAN PROGRAM — Historical Program Financing Special Redemption Experience,” “AUTHORITY MEFA LOAN PORTFOLIO” and “RISK FACTORS — Redemption of Bonds,” “— General Economic Conditions” and “— Prepayment of Issue K Loans is Subject to Uncertainty.”

Certain Resolution Requirements

The Resolution permits the Authority to issue Additional Bonds pursuant to a Series Resolution without Bondholder consent and further permits the Authority to take a wide range of actions in connection with its administration of the Trust Assets without either an amendment or supplement to the Resolution or Bondholder consent, but requires that the Authority satisfy certain other conditions prior to undertaking, or in conjunction with, certain such actions. Certain of these actions are conditioned upon delivery by the Authority to each Nationally Recognized Rating Agency of Rating Agency Notice, including: (i) issuance of Additional Bonds (including Subordinated Bonds) or other subordinated liens or indebtedness; (ii) any extension of the period during which sale proceeds of Issue K Bonds, or during which otherwise available Revenues, may be applied to finance Issue K Loans; (iii) change in the Parity Ratio level at which assets may be released from the Issue K General Resolution; (iv) change in the Outstanding Issue K Bond threshold for mandatory redemption from Excess Revenues and the Parity Ratio affecting the applicability of provisions relating to mandatory or optional redemption from Excess Revenues; (v) selection of Bonds for redemption; (vi) entry into Hedge Agreements; (vii) reduction in the Capitalized Interest Account Requirement or Reserve Fund Requirement; (viii) any sale or transfer of Issue K Loans from the Issue K General Resolution for a price that is less than par plus accrued interest or if the aggregate outstanding principal amount to be sold or transferred, along with all previous sales or transfers, exceeds ten percent of the aggregate original principal amount or, if applicable, accreted value of all Issue K Loans originated prior to that date; (ix) certain changes to the terms and conditions of Issue K Loans; (x) changes in the Servicer or certain changes in Service Agreement terms and conditions;

(xi) any substitution or replacement of the Trustee; (xii) post-issuance entry into any investment agreements; and (xiii) any amendments to the Resolution.

The Resolution requirements applicable to certain permitted actions may also include delivery to the Trustee of a Projection of Revenues, but do not condition the implementation of such actions upon any response, or absence thereof, by any Nationally Recognized Rating Agency. Such actions include: (i) issuance of Additional Bonds; (ii) sales or transfers of Issue K Loans other than Defaulted Education Loans; (iii) certain changes to the terms and conditions of Issue K Loans; (iv) certain redemption elections; (v) change in the Parity Ratio level at which assets may be released from the Issue K General Resolution; and (vi) certain payments to the Trustee. The Resolution further requires that the Authority make any such Rating Agency Notice publicly available in the manner applicable to post-issuance disclosures under Rule 15c2-12 as promulgated by the Securities and Exchange Commission. See “RISK FACTORS — Redemption of Bonds,” “— Certain Actions May Be Permitted Without Bondholder Approval” and “— Effect of Ratings,” “APPENDIX B — DEFINITIONS OF CERTAIN TERMS — Nationally Recognized Rating Agency,” “— Projection of Revenues” and “— Rating Agency Notice,” “APPENDIX C — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — Additional Bonds,” “— Notice to Nationally Recognized Rating Agencies” and “— Projection of Revenues,” and “APPENDIX E — PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT.”

Capitalized Interest Account

The Issue K General Resolution establishes a Capitalized Interest Account, which is expected to be funded in the amount of \$5,950,000 upon completion of the initial deposit of proceeds of the Offered Bonds.

Moneys on deposit in the Capitalized Interest Account shall be used to pay interest on the Issue K Bonds if amounts in the Debt Service Fund and the Revenue Fund are insufficient therefor and, upon direction of the Authority, Program Expenses, if amounts in the Program Expense Fund and the Revenue Fund are insufficient therefor. See “— Revenues.” The Series Resolution provides that the Capitalized Interest Account Requirement under the Issue K General Resolution will be equal to the respective amounts set forth below, subject to completion of all required transfers from the Capitalized Interest Account to pay interest or Program Expenses, upon the respective dates set forth below:

<u>Date</u>	<u>Requirement Amount</u>
January 1, 2014	\$2,200,000
July 1, 2014	600,000
January 1, 2015	-0-

The Capitalized Interest Account Requirement is subject to change upon compliance with certain requirements of the Issue K General Resolution. Amounts in the Capitalized Interest Account in excess of the then applicable Capitalized Interest Account Requirement on each Interest Payment Date shall be transferred to the Revenue Fund. See “ESTIMATED SOURCES AND USES OF FUNDS,” “SECURITY FOR THE ISSUE K BONDS AND SOURCES OF PAYMENT — Certain Resolution Requirements,” “APPENDIX B — DEFINITIONS OF CERTAIN TERMS — Capitalized Interest Account Requirement” and “APPENDIX C — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — Program Fund— *Capitalized Interest Account.*”

Reserve Fund

The Issue K General Resolution requires that a Reserve Fund be established and provides for its funding and maintenance in an amount at least equal to the Reserve Fund Requirement. Moneys on deposit in the Reserve Fund, including the proceeds of drawings upon Reserve Fund Facilities, shall be used to pay: (i) principal of and interest on the Issue K Bonds, if amounts in the Debt Service Fund, the Revenue Fund, the Capitalized Interest Account (with respect to interest), the Purchase Account (other than amounts then contractually committed to the origination or acquisition of specific MEFA Loans and without liquidating Issue K Loans) and the Redemption Fund (other than amounts that have been committed to the redemption of specific Issue K Bonds as to which notice has been given) are insufficient therefor; and (ii) Program Expenses, if amounts in the Program Expense Fund, Revenue Fund, Capitalized Interest Account and the Purchase Account (other than amounts then contractually committed to the origination or acquisition of specific MEFA Loans and without liquidating Issue K Loans) are insufficient therefor. Under the Issue K General Resolution, the Reserve Fund Requirement means, as of any date of calculation on and after the date of initial delivery of the Offered Bonds, the amount specified in the most recently adopted Series Resolution authorizing Outstanding Issue K Bonds or Supplemental Resolution.

The Series Resolution provides that the Reserve Fund Requirement under the Issue K General Resolution will be equal at all times to 2.0% of the Issue K Bonds secured thereby, subject to a minimum balance requirement of 1.0% of the initial Bond balance. The Reserve Fund Requirement is subject to change upon compliance with certain requirements of the Issue K General Resolution. Upon issuance of the Offered Bonds, it is expected that the Reserve Fund Requirement will be initially satisfied by cash and Investment Obligations. See “— Certain Resolution Requirements.”

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

Additional Bonds

The Issue K General Resolution permits the issuance of Additional Bonds thereunder (including Parity Bonds and Subordinated Bonds) for the purpose of providing funds for the Program and, in addition, to refund Outstanding Bonds issued under the Issue K General Resolution or other bonds or notes of the Authority issued to finance MEFA Loans qualifying under the Resolution. Any Additional Bonds issued under the Issue K General Resolution (other than Subordinated Bonds) will be on a parity basis with the Outstanding Bonds and will be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Issue K General Resolution. The Issue K General Resolution provides that upon the issuance of any such Additional Bonds there is to be deposited in the Reserve Fund, if necessary, an amount sufficient to increase the amount therein to be equal to the Reserve Fund Requirement, calculated after such issuance. In addition, the Authority is required to satisfy certain other conditions contained in the Issue K General Resolution prior to the delivery of any Additional Bonds to the initial purchasers thereof. The Resolution provides that the Authority shall not create or permit the creation of any obligations or additional indebtedness secured by a lien on the revenues and assets pledged as security for the Offered Bonds under the Resolution except for Additional Bonds. See “— Certain Resolution Requirements” and “APPENDIX C — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — Issuance of Additional Bonds.”

Release of Excess Trust Assets

Upon issuance of the Offered Bonds, the initial Parity Ratio will be at least 118.14%. The Resolution provides that the Trustee shall transfer to the Authority from time to time, at the direction of the Authority, free and clear of the lien of the Resolution, amounts held in the Revenue Fund on each Interest Payment Date, after all payments and transfers required by the Resolution to be made prior thereto on such date have been made; provided, that the Parity Ratio after completion of such transfer is at least 119.5%. The Resolution permits the Authority to change this minimum Parity Ratio upon satisfaction of certain conditions contained in the Issue K General Resolution, including delivery to the Trustee of a Projection of Revenues and the provision of Rating Agency Notice. See “— Certain Resolution Requirements” and “APPENDIX C — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — Semi-Annual Transfers from Revenue Fund.”

RISK FACTORS

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

Redemption of Bonds

The Offered Bonds are subject to redemption prior to maturity as a result of Excess Revenues. Excess Revenues may result from Issue K Loan portfolio payment performance that exceeds assumptions utilized by the Authority for purposes of structuring the Offered Bonds. In addition, Issue K Loans are subject to prepayment, without penalty. Numerous sources of such prepayment, including loans from lenders other than the Authority, are available to Issue K Loan borrowers. In addition, the Offered Bonds are subject to redemption if, and to the extent that, the Authority does not apply the full amount of Offered Bond proceeds that are available to finance MEFA Loans during the applicable Origination Period. The Authority currently expects that MEFA Loans to be financed by the Authority with the proceeds of the Offered Bonds and with other funds that the Authority currently expects to be available to it for such purpose during the Origination Period will be Fixed Rate MEFA Loans and will bear effective interest rates, and will offer other terms and conditions, that are competitive with loans that are currently made available by other lenders to Massachusetts borrowers attending Massachusetts colleges and universities to fund the costs of post-secondary education (“Education Loans”). However, interest rates and other terms applicable to Education Loans, or to other loans that are available to potential Fixed Rate MEFA Loan borrowers, may change significantly during the applicable Origination Period. In addition, numerous factors may affect the demand for Education Loans during the Origination Period. Accordingly, there can be no assurance that the Authority will, in fact, apply the full amount of funds that will be available to it during the Origination Period to finance Fixed Rate MEFA Loans. The Authority reserves the right to allocate funds from different sources that are available to it to finance MEFA Loans in any manner that it deems appropriate. The Origination Period as of the date of issuance of the Offered Bonds will expire on March 31, 2014, subject to continued disbursement of Issue K Loans to borrowers to whom funding commitments have been made prior to the end of the Origination Period, unless extended upon compliance with certain requirements of the Issue K General Resolution. There can be no assurance that the Origination Period would, in fact, be extended if the Authority did not apply, or commit for application, all amounts available in the Series 2013 Purchase Account to finance Issue K Loans during the applicable Origination Period. In this event, unexpended moneys in the Series 2013 Purchase Account would be transferred to the Redemption Fund and used to redeem, or to purchase and retire, Offered Bonds. See “REDEMPTION PROVISIONS,” “ESTIMATED SOURCES AND USES OF FUNDS,” “SECURITY FOR THE ISSUE K BONDS AND SOURCES OF PAYMENT,” “RISK FACTORS — Certain Actions May Be Permitted Without Bondholder Approval,” “— Certain Factors Could Potentially Affect Timing and Receipt of Revenues,” “— General Economic Conditions,” “— Prepayment of Issue K Loans is Subject to Uncertainty” and “— Competition May Reduce Demand for or Increase Prepayments on Issue K Loans,” “THE MEFA LOAN PROGRAM and “AUTHORITY MEFA LOAN PORTFOLIO.”

Certain Actions May Be Permitted Without Bondholder Approval

The Resolution permits the Authority to issue Additional Bonds pursuant to a Series Resolution without Bondholder consent and further permits the Authority to take a wide range of actions in connection with its administration of the Trust Assets without either an amendment or supplement to the Resolution or Bondholder consent, but requires that the Authority satisfy certain other conditions prior to undertaking, or in conjunction with, certain such actions. The Resolution requirements applicable to these actions may include either the provision of Rating Agency Notice or delivery to the Trustee of a Projection of Revenues, or both such requirements, but do not condition the implementation of such actions upon any response, or absence thereof, by any Nationally Recognized Rating Agency. The Resolution further requires that the Authority make any such Rating Agency Notice publicly available in the manner applicable to post-issuance disclosures under Rule 15c2-12. To the extent such actions are taken, investors in the Offered Bonds will be relying primarily upon the evaluation by the Authority of the potential impact of such actions upon the ability of the Trust Assets to provide for the full and timely payment of scheduled principal and interest on the Issue K Bonds and of Program Expenses. In addition, to the extent that such actions are taken, a resulting adverse rating action by any Nationally Recognized Rating Agency, or any other rating agency then assigning a rating to the Offered Bonds, in response to such Authority action could materially decrease the market value of or existence of a secondary market for the Issue K Bonds. Moreover, the market price or marketability of the Offered Bonds could be adversely affected by such actions even in the absence of such an adverse rating action. See “SECURITY FOR THE ISSUE K BONDS AND SOURCES OF PAYMENT — Certain Resolution Requirements,” “RISK FACTORS — Redemption of Bonds,” “— Bonds are Limited Authority Obligations Without Third-Party Credit or Liquidity Support” and “— Effect of Ratings,” “APPENDIX C — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION,” and “APPENDIX E — PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT.”

Bonds Are Limited Authority Obligations Without Third-Party Credit or Liquidity Support

The Offered Bonds are special obligations of the Authority and are payable solely from the Revenues and certain funds and accounts established and pledged under the Resolution. No revenues or other assets are available to fund payment of the Offered Bonds except as expressly provided by the Resolution. The Authority has no taxing power. Neither the Commonwealth nor any political subdivision thereof is or shall be obligated to pay the principal of or interest on the Offered Bonds, and neither the full faith and credit nor the taxing power of the Commonwealth or any political subdivision thereof is pledged to such payment. The Authority does not currently expect to contract with any financial institution to provide third-party credit or liquidity support for the Offered Bonds or to provide third-party credit support for the Issue K Loans. It is currently expected that all Issue K Loans will be originated solely on the basis of borrower and, if applicable, co-borrower credit evaluation, will be payable solely by the borrower and any applicable co-borrower and will not be guaranteed by the Authority or by any other person, other than by any such co-borrower. Accordingly, Bondholders’ receipt of full and timely payment of principal of and interest upon the Offered Bonds will be primarily dependent upon the material conformance of the Authority’s actual experience in originating Issue K Loans, and of the actual portfolio performance of the Issue K Loans, to the Authority’s current expectations. A material disparity between such actual origination or portfolio performance and the Authority’s current expectations might result in a delay in the scheduled receipt by Bondholders of interest upon the Offered Bonds, of Offered Bond principal or of both interest and principal or might result in Bondholders receiving less than the full scheduled amount of interest and principal. There can be no assurance of the marketability or market value of the Issue K Loans if it should, at any time, prove necessary to sell all or a portion of the Issue K Loans to fund the payment of interest upon and principal of the Offered Bonds. In addition, factors affecting, or potentially affecting, actual Issue K Loan origination and portfolio performance, other factors affecting, or potential affecting, the marketability and

market value of Issue K Loans, and the perceptions of market participants of such factors, are among a variety of factors that may affect the marketability and market value of the Offered Bonds. See “SECURITY FOR THE ISSUE K BONDS AND SOURCES OF PAYMENT,” “RISK FACTORS — Certain Actions May Be Permitted Without Bondholder Approval” and “— Effect of Ratings.”

Effect of Ratings

It is a condition to the issuance of the Offered Bonds that the Offered Bonds be rated as indicated on the cover hereof. Ratings are based on the assigning Nationally Recognized Rating Agency’s assessment of the creditworthiness of the Trust Estate, which will be primarily dependent upon its assessment of the creditworthiness of the MEFA Loans that are expected to be included therein, the inclusion of certain other assets therein and the legal structure of the transaction. References to ratings in this Official Statement are not included herein, and should not be relied upon, as recommendations by the assigning Nationally Recognized Rating Agencies to investors to purchase, hold or sell the Offered Bonds as such ratings do not take into account either the suitability of such actions for any specific investor or the market price of the Offered Bonds at any time. One or more additional Nationally Recognized Rating Agencies may assign ratings to the Offered Bonds, either in response to a request by the Authority or otherwise, and any such rating may or may not be equivalent to the initial ratings described in this Official Statement. Any rating may be increased, lowered, suspended or withdrawn at any time by the Nationally Recognized Rating Agency assigning such rating if, in the assigning Nationally Recognized Rating Agency’s judgment, circumstances so warrant. A lowering, suspension or withdrawal with respect to any rating assigned to the Offered Bonds might adversely affect the Authority’s ability to fund its student loan finance program or the market value or marketability of the Offered Bonds. In addition, a rating action that is, by its terms, limited to Additional Bonds that may be issued by the Authority or to obligations other than Bonds that have been issued, or that may be issued, by the Authority, or potentially by other issuers, might also adversely affect the Authority’s ability to fund its student loan finance program or the market value or marketability of the Offered Bonds. Rating actions may take place at any time. The Authority cannot predict the timing or nature of rating actions. See “RISK FACTORS — Certain Actions May Be Permitted Without Bondholder Approval” and “— Bonds Are Limited Authority Obligations Without Third-Party Credit or Liquidity Support.”

Student Loan Auction Rate Securities and Investment Agreements of the Authority

The Offered Bonds are fixed rate securities. No interest rate exchange agreements have been entered into by the Authority with respect to Issue K Bonds. The Issue K General Resolution permits the Authority to issue variable rate Issue K Bonds upon compliance with certain requirements of the Issue K General Resolution. The Authority may enter into interest rate exchange agreements with respect to Issue K Bonds upon compliance with certain requirements of the Issue K General Resolution. The Authority does not currently plan to take such actions, but reserves the right to do so in the future to provide funding for MEFA Loans. See “APPENDIX C — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — Hedging Transactions.”

The Authority has previously issued a number of series of currently outstanding student loan auction rate securities that are insured by a monoline insurer (“MEFA Auction Rate Securities”) under trust documents that are separate and apart from the Resolution. None of the series of MEFA Auction Rate Securities are payable from the general funds of the Authority or from any asset pledged under the Resolution. There can be no assurance as to the nature or timing of any future ratings actions that might directly affect the respective ratings that are currently assigned to one or more series that includes such MEFA Auction Rate Securities.

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

An adverse rating action by one or more Nationally Recognized Rating Agency regarding MEFA bonds, whether or not based upon the factors described above, could adversely affect the Authority's overall MEFA Loan financing program or the secondary market price of or existence of a secondary market for Issue K Bonds. Such an adverse affect upon the Authority's overall MEFA Loan financing program or the secondary market for Issue K Bonds could also occur without the occurrence of a rating action. See "APPENDIX A — AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY — Note 7 — *Bonds Payable*" and "— Note 18 — *Subsequent Events*."

Uncertainty as to Available Remedies

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

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

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

Performance of MEFA Loans in the Issue K Loan Portfolio May Differ From Historical MEFA Loan Performance

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

There can be no assurance that the performance of Issue K Loans that are currently outstanding or that are to be originated in the future will in fact be consistent with that of previously originated MEFA Loans. Previously originated MEFA Loans bore or bear a variety of interest rates and were repaid by borrowers in a variety of interest rate and economic environments. In addition, the Authority has from time to time modified the credit criteria and certain other origination and repayment terms applicable to MEFA Loans. As a result, the majority of previously originated MEFA Loans were originated on the basis of credit criteria that differ and bear terms that differ in certain respects from those expected to be applicable to newly originated Issue K Loans. Although the Authority believes that such differences have proven to not have a material effect on the overall performance to date of MEFA Loans that have been originated during different periods, there can be no assurance that no such effect will result in the future. There can be no assurance that the ability of borrowers of Issue K Loans to repay such loans, or their propensity to prepay such loans, may not differ materially from that of borrowers of previously originated MEFA Loans. The 2011-2012 academic year was the first for which the Authority offered Fixed Rate MEFA Loans with a 10-year immediate repayment option. In addition, the Resolution permits MEFA to apply proceeds of the Offered Bonds and Revenues to purchase MEFA Loans with terms and conditions that vary from those described herein, upon compliance with certain requirements of the Resolution. See “RISK FACTORS — Certain Actions May Be Permitted Without Bondholder Approval” “— Effect of Ratings,” “— Certain Factors Could Potentially Affect Timing and Receipt of Revenues,” “— Composition and Characteristics of the Issue K Loan Portfolio Will Change” and “— General Economic Conditions,” “THE MEFA LOAN PROGRAM,” “AUTHORITY MEFA LOAN PORTFOLIO” and “APPENDIX F — POOL OF VARIABLE RATE MEFA LOANS ELIGIBLE FOR INCLUSION IN ISSUE K LOAN PORTFOLIO AS OF MARCH 31, 2013.”

Certain Factors Could Potentially Affect Timing and Receipt of Revenues

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

There can be no assurance, however, that interest and principal payments from the Issue K Loans will be received as anticipated, that the projected yield on the Issue K Loans will be realized, that the reinvestment rates assumed with respect to the investment of various funds and accounts will be realized, or that Program Expenses will be incurred at the levels and on the schedule anticipated. Such projections are based, in part, upon the Authority’s prior experience with Fixed Rate MEFA Loan origination and with Variable Rate MEFA Loan and Fixed Rate MEFA Loan performance and upon assumptions, which the Authority believes to be reasonable, as to the selection by borrowers of 10-year and 15-year repayment periods with respect to newly originated MEFA Loans. There can be no assurance, however, that the origination and performance experience of Issue K Loans will conform to prior MEFA Loan Program experience or to the future performance of other existing MEFA portfolios. Furthermore, future events over which the Authority has no control, such as general economic conditions, military and

national emergencies and regulatory changes among others, may adversely affect the Authority's actual receipt of Revenues pursuant to the Resolution. See "RISK FACTORS — Performance of MEFA Loans in the Issue K Loan Portfolio May Differ From Historical MEFA Loan Performance," "— General Economic Conditions," "— Certain Military and National Emergency Events Could Delay Borrower Payments," "— Prepayment of Issue K Loans is Subject to Uncertainty" and "— Changes in Relevant Laws," "THE MEFA LOAN PROGRAM," "AUTHORITY MEFA LOAN PORTFOLIO" and "APPENDIX F — POOL OF VARIABLE RATE MEFA LOANS ELIGIBLE FOR INCLUSION IN ISSUE K LOAN PORTFOLIO AS OF MARCH 31, 2013."

Receipt of principal and interest on Issue K Loans may be accelerated, causing an unanticipated redemption of Bonds, including the Offered Bonds, due to various factors, including, without limitation: (i) faster than anticipated Issue K Loan origination; (ii) greater than anticipated borrower selection of 10-year repayment options; (iii) less than anticipated Issue K Loan repayment deferral; (iv) the commencement of principal repayment by borrowers on earlier dates than are assumed; and (v) economic conditions that induce borrowers to refinance or repay their loans prior to maturity. See "RISK FACTORS — Redemption of Bonds" and "— Prepayment of Issue K Loans is Subject to Uncertainty."

Delay in the receipt of principal of and interest on Issue K Loans may adversely affect the availability of Revenues to fund payment when due of the Principal Installments of and interest on the Issue K Bonds, including the Offered Bonds, and Program Expenses. Principal of and interest on Issue K Loans may be delayed due to numerous factors, including, without limitation: (i) more borrowers electing initial Interest-Only Payment Options than are assumed, or longer than assumed option duration; (ii) less than anticipated borrower selection of 10-year repayment options; (iii) slower than assumed Issue K Loan origination; (iv) greater than anticipated Issue K Loan deferral; (v) less than projected total Issue K Loan origination; and (vi) loans in forbearance, modified payment or delinquency more frequently or for periods longer than assumed. Additional factors which may have a material effect on the sufficiency of Revenues include, but are not limited to, Program Expenses or Fund investment results which vary materially from those projected by the Authority.

The origination period applicable to the Offered Bonds currently permits the application of such funds through March 31, 2014. The Authority currently expects to fully apply all original proceeds of the Offered Bonds that are to be initially deposited to the Series 2013 Purchase Account during such period, along with any additional amounts that may become available as result of receipts upon MEFA Loans and other assets pledged thereunder during such period, to the financing of Fixed Rate MEFA Loans. The Issue K General Resolution does not require the application of amounts credited to the Series 2013 Purchase Account prior to the application of funds available to the Authority from other sources and the Authority reserves the right to fund Fixed Rate MEFA Loans from any source available to it at any time. There is no assurance that the Authority will be able to apply the full amount of Offered Bond proceeds and allocable Revenues which are currently expected to be made available therefor to the purchase of Fixed Rate MEFA Loans. Fixed Rate MEFA Loans to be funded by the Authority with the proceeds of the Offered Bonds are expected to bear effective interest rates and to offer other terms and conditions that are competitive with fixed rate education loans that are currently made available by other lenders. However, interest rates applicable to fixed rate loans made to fund the costs of post-secondary education, or interest rates applicable to other loans available to borrowers, may decline significantly during the loan origination period or other material changes may occur in competing education loan programs. In addition, Fixed Rate MEFA Loans compete with variable rate loans, which might potentially include variable rate MEFA Loans, as well as grants and other forms of student assistance. The demand for education loans is affected by a number of factors, including general economic conditions, student perceptions of the value of post-secondary education and their ability to participate in post-secondary education programs on at least a half-time basis, factors affecting the costs of post-secondary education

and the availability of other forms of financial assistance, the ability of borrowers and cosigners to satisfy credit criteria and the schedule upon which students and their families must pay post-secondary education costs, which is generally based upon an academic year commencing in September, or upon semesters commencing in September and January. The Authority reserves the right to apply moneys in the Series 2013 Purchase Account and other moneys available to it to originate MEFA Loans in the manner it deems most advantageous to MEFA Loan borrowers and the Authority. The ability of the Trust Assets to produce Revenues sufficient to fund the timely payment of principal and interest of the Issue K Bonds and other Issue K General Resolution requirements might be adversely affected by certain actions that the Authority might take in response to lower than anticipated origination of Fixed Rate MEFA Loans from the Series 2013 Purchase Account consistent with the Issue K General Resolution.

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

Composition and Characteristics of the Issue K Loan Portfolio Will Change

The Issue K Loans that the Authority currently intends to finance with the proceeds of the Offered Bonds are described in this Official Statement. The Authority currently expects to transfer approximately \$110,000,000 in principal and interest of existing Variable Rate MEFA Loans that are currently in repayment to the Issue K General Resolution contemporaneously with the issuance of the Series 2013 Bonds in connection with the refunding of the Refunded Obligations. The Authority also currently expects to apply Series 2013 Bond proceeds to fund the acquisition of approximately \$142,100,000 in principal amount of new Fixed Rate MEFA Loans that are expected to be originated during the period ending March 31, 2014 and expects that a substantial portion of the borrowers of such Fixed Rate MEFA Loans will choose to defer repayment during the in-school period in whole or in part. Accordingly, although it is expected that the Issue K Loan Portfolio will initially consist entirely of Variable Rate MEFA Loans that are currently in repayment, it is further expected that, by no later than March 31, 2014, the majority of the Issue K Loan Portfolio resulting from application of proceeds of the Series 2013 Bonds will consist of newly originated Fixed Rate MEFA Loans. Further, it is currently expected that the relative portion of the Issue K Loan Portfolio resulting from application of proceeds of the Series 2013 Bonds that will consist of Fixed Rate MEFA Loans will grow over the following period during which in-school deferment applies to a portion of such Fixed Rate MEFA Loans. Thereafter, unless recycled Revenues or the proceeds of Additional Bonds are applied to fund additional MEFA Loans, changes in the relative portions of the Issue K Loan Portfolio that consist of Fixed Rate MEFA Loans and of Variable Rate MEFA Loans would be dependent upon the respective repayment experience of such Issue K Loans. The Variable Rate MEFA Loan component of the Issue K Loan Portfolio is currently expected to have somewhat different future repayment characteristics than the Fixed Rate MEFA component as a result of factors that may include the respective origination criteria applied in connection with such groups of MEFA Loans and the differing terms of such groups of MEFA Loans as well as the repayment experience to date of the Variable Rate MEFA Loans. Although the projections

that were reviewed by the Authority in connection with the structuring of the Series 2013 Bonds were based upon cash flow projections that were intended to reflect these expectations, there can be no assurance that actual Issue K Loan Portfolio acquisition and performance will conform to such assumptions. See “RISK FACTORS — Performance of MEFA Loans in the Issue K Loan Portfolio May Differ From Historical MEFA Loan Performance,” “— Certain Factors Could Potentially Affect Timing and Receipt of Revenues,” “THE MEFA LOAN PROGRAM,” “THE AUTHORITY MEFA LOAN PORTFOLIO” and “APPENDIX F — POOL OF VARIABLE RATE MEFA LOANS ELIGIBLE FOR INCLUSION IN ISSUE K LOAN PORTFOLIO AS OF MARCH 31, 2013.”

Certain amounts received with respect to the Issue K Loans may be recycled and proceeds of Additional Bonds may be used to finance additional Issue K Loans in the future, including, without limitation, Variable Rate MEFA Loans. Generally, the characteristics of the Issue K Loan Portfolio may be expected to change as new Issue K Loans are financed with Issue K Bond proceeds and as Issue K Loans are repaid, and may also change as a result of changes in the MEFA Loan Program. The Authority regularly reviews the terms and conditions of its MEFA Loan Program and reserves the right to alter such terms and conditions at any time subject, with respect to Issue K Loans, to compliance with certain requirements of the Issue K General Resolution. See “RISK FACTORS — Certain Actions May Be Permitted Without Bondholder Approval,” “— Certain Factors Could Potentially Affect Timing and Receipt of Revenues,” “— Prepayment of Issue K Loans is Subject to Uncertainty,” “— Competition May Reduce Demand for or Increase Prepayments on Issue K Loans” and “— Changes in Relevant Laws,” “AUTHORITY MEFA LOAN PORTFOLIO” and “APPENDIX F — POOL OF VARIABLE RATE MEFA LOANS ELIGIBLE FOR INCLUSION IN ISSUE K LOAN PORTFOLIO AS OF MARCH 31, 2013.”

General Economic Conditions

The Authority’s current projections of the performance of Issue K Loans are based upon historical MEFA Loan performance. The MEFA Loan Program was established in 1983. Regional and national recessionary conditions over the past several years have resulted in a reduction in household wealth and in the availability of civilian employment. Such developments have also resulted in a reduction in the availability of consumer credit and of general financial market liquidity. It is impossible to predict how long such conditions may continue or whether such conditions may worsen during the period for which they continue. Future performance of Issue K Loans may be adversely affected by the current economic recession or by subsequent economic and other events affecting the employment prospects of borrowers or otherwise affecting their ability and willingness to incur and to repay Issue K Loans. High levels of unemployment, either regionally or nationally, may result in increased borrower delinquency and default. Failures by borrowers to pay the principal of and interest on the Issue K Loans in a timely fashion or an increase in deferments or forbearances or in utilization of modified repayment provisions could affect the timing and amount of available funds for any collection period. The effect of these factors on the timing and amount of available funds for any collection period, the ability of the Authority to pay the Principal Installments of and interest on the Offered Bonds and Program Expenses and the incidence of redemption of the Offered Bonds prior to their maturity, is impossible to predict with certainty. See “RISK FACTORS— Redemption of Bonds,” “— Certain Factors Could Potentially Affect Timing and Receipt of Revenues,” “Certain Military and National Emergency Events Could Delay Borrower Payments” and “— Changes in Relevant Law.”

Certain Military and National Emergency Events Could Delay Borrower Payments

The Servicemembers Civil Relief Act of 2003 (the “Civil Relief Act”), which replaced and clarified certain benefits extended to military persons under the Soldiers’ and Sailors’ Civil Relief Act of 1940, provides relief to borrowers who enter active military service and to borrowers in reserve status

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

Prepayment of Issue K Loans is Subject to Uncertainty

Issue K Loans may be prepaid by borrowers at any time prior to their respective final maturity dates. For this purpose the term “prepayments” includes repayments in full or in part. The rate of prepayments on the Issue K Loans may be influenced by a variety of economic, social and other factors affecting borrowers, including interest rates, the availability of alternative financing and the general job market for graduates of institutions of higher education. The Issue K Loan Portfolio is expected to include Fixed Rate MEFA Loans with a range of interest rates, principal balances and other characteristics, as well as Variable Rate MEFA Loans. The Authority cannot predict with certainty the actual average life of the Issue K Loans. In addition, the availability of education loan consolidation financing from other sources may materially increase the rate of prepayment actually experienced by the Authority with respect to Issue K Loans. An increase in the rate of Issue K Loan repayment actually experienced by the Authority could result in increased redemption of Bonds prior to maturity and could have a material and adverse affect upon the sufficiency of Revenues and other moneys held under the Resolution to pay when due the Principal Installments of and interest on the Issue K Bonds and Program Expenses. See “RISK FACTORS — Redemption of Bonds,” “— General Economic Conditions,” “— Competition May Reduce Demand for or Increase Prepayments on Issue K Loans” and “— Changes in Relevant Laws,” “THE MEFA LOAN PROGRAM,” “AUTHORITY MEFA LOAN PORTFOLIO” and “APPENDIX F — POOL OF VARIABLE RATE MEFA LOANS ELIGIBLE FOR INCLUSION IN ISSUE K LOAN PORTFOLIO AS OF MARCH 31, 2013.”

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

To the extent that Issue K Loans are prepaid, the proceeds of such prepayments may be used to redeem Offered Bonds prior to maturity pursuant to the special optional redemption, special mandatory redemption or optional redemption provisions of the Resolution. See “REDEMPTION PROVISIONS.”

Dependence Upon Third-Party Servicers and Originators

The Authority is currently dependent upon third parties to originate and service MEFA Loans. As of the date of this Official Statement, XEROX-ES, a wholly-owned subsidiary of Xerox Corporation, is acting as originator, servicer and custodian with respect to MEFA Loans pursuant to an agreement that is currently scheduled to expire on November 30, 2013, subject to automatic renewal for successive twelve-month periods in the absence of written notice of intention not to so renew by either party delivered to the other party at least ninety days prior to the then scheduled expiration date. The Authority reserves the right, however, to establish different Issue K Loan origination and servicing arrangements in accordance with the Resolution. Appointment of a successor or additional Servicer is subject to satisfaction of certain requirements of the Issue K General Resolution. The cash flow projections relied upon by the Authority in structuring the bond issue were based upon assumptions with respect to servicing costs which the Authority based upon these existing agreements. No assurance can be given that the Authority will be able to extend the term of the agreement, or to enter into agreements with other acceptable Servicers at the assumed level of servicing cost upon scheduled expiration of the current agreements. Although XEROX-ES is obligated to cause the Issue K Loans to be originated and serviced in accordance with the terms of the respective servicing agreements, the timing of payments to be actually received with respect to Issue K Loans will be dependent upon the ability of XEROX-ES, to adequately originate and service the Issue K Loans. In addition, investors and the Authority will be relying on XEROX-ES' compliance with applicable federal and state laws and regulations. See "APPENDIX C — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — Covenants as to the Program."

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

Competition May Reduce Demand for or Increase Prepayments on Issue K Loans

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

Dodd-Frank Act

On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) to reform and strengthen supervision of the U.S. financial services industry. The Dodd-Frank Act requires the creation of new federal regulatory agencies, and grants additional authorities and responsibilities to existing regulatory agencies to identify and address emerging systemic risks posed by financial services activities. The Dodd-Frank Act will result in comprehensive changes to the regulation of most financial institutions operating in the United States. It will also foster new regulation in the business and the markets in which the Authority operates. Specifically, significant new regulation is anticipated in many areas of consumer financial products and services, including private education loans. Under the Dodd-Frank Act, entities such as the Authority will be subject to regulations developed by a new agency designed to regulate federal consumer financial protection laws, the Consumer Financial Protection Bureau (the “CFPB”). The CFPB is an independent agency that is housed within the Federal Reserve Board, but is not subject to Federal Reserve Board jurisdiction or to the Congressional appropriations process. It has substantial power to regulate financial products and services received by consumers from both banks and non-bank lenders including rulemaking authority in enumerated areas of federal law traditionally applicable to consumer lending such as truth in lending, fair credit reporting and fair debt collection. In addition, the Dodd-Frank Act provides for significant new enforcement authority, including authorization of state attorneys general to bring lawsuits under federal consumer protection laws with the consent of the CFPB.

The effects of the Dodd-Frank Act will depend significantly upon the content and implementation of the rules and regulations issued pursuant to its provisions and to the administration and enforcement of such requirements. It is unclear what the operational impact of these developments will be on the Authority, but it is possible that the Authority’s operational expenses may be materially increased. No assurance can be given that these developments will not have an adverse effect on the security, market value or liquidity of the Issue K Bonds. See “— Certain Factors Could Potentially Affect Timing and Receipt of Revenues,” “— Dependence Upon Third-Party Servicers and Originators,” and “— Consumer Protection Lending Laws Could Change.”

Consumer Protection Lending Laws Could Change

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

Changes in Relevant Laws

The Higher Education Opportunity Act of 2008 (the “2008 Higher Education Act Reauthorization”) expanded the availability of a number of federal grant and loan programs to provide financial assistance to current and former students and, in certain instances, amended the terms of such

financial assistance and other related federal requirements. In addition, Title X of the 2008 Higher Education Act Reauthorization imposed certain new marketing practices, documentation, disclosure and other administrative requirements upon lenders making loans expressly to fund postsecondary educational expenses, other than pursuant to certain federal loan programs. The Authority believes that it has implemented operational procedures that are adequate to enable it to comply with such requirements and does not currently believe that compliance with such requirements will adversely affect its ability to fully expend the Series 2013 Purchase Account to finance Issue K Loans in accordance with the Resolution or would materially increase the cost of administering such Issue K Loans.

The Student Aid and Fiscal Responsibility Act of 2009 (“SAFRA”) substantially increased the availability of federal grant aid to postsecondary students under the Pell program and of federal loans to postsecondary students under the Perkins Program and mandated the complete replacement of the Federal Family Education Loan Program with a federal program of postsecondary education loans that would be financed directly by the federal government.

The Consumer Financial Protection Act of 2010 (the “2010 Consumer Protection Act”) established a federal Bureau of Consumer Financial Protection as an Executive agency within the Federal Reserve with broad rulemaking, supervisory and enforcement jurisdiction relative to the consumer financial products and services, including extending credit and servicing loans.

The Authority believes that it has taken the currently foreseeable effects of the applicable provisions of the 2008 Higher Education Act Reauthorization, SAFRA and the 2010 Consumer Protection Act in projecting demand for Fixed Rate MEFA Loans during the period described herein and in determining the terms of Fixed Rate MEFA Loans that it currently expects to offer during such period. No assurance can be given, however, as to the long-term effects of the provisions of these or other existing or future federal legislative actions, or of implementing regulations and regulatory actions thereunder, upon borrower demand for, the cost of servicing and administering of, the performance of or the market value of MEFA Loans.

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

There can be no assurance that changes to other relevant federal or state laws will not prospectively or retroactively affect the terms and conditions under which Issue K Loans are made, affect Issue K Loan performance, affect the costs of servicing and administering Issue K Loans or affect demand for MEFA Loans.

THE MEFA LOAN PROGRAM

General

Under the MEFA Loan Program, the Authority finances MEFA Loans in cooperation with the Participating Institutions. The MEFA Loan Program has been implemented in accordance with the provisions of the Servicing Agreement and the provisions of certain other related documents (collectively, the “MEFA Program Documents”). The MEFA Loan Program currently offers borrowers only Fixed Rate MEFA Loans. From the 1994-1995 through the 2007-2008 academic years, the MEFA Loan Program also offered borrowers Variable Rate MEFA Loans. Although the Authority does not currently

plan to offer additional Variable Rate MEFA Loans, it reserves the right to do so if it deems borrower demand and other conditions so warrant. Borrowers are free to choose between MEFA Loans for which they qualify based on current credit criteria.

This Official Statement contains certain historical information relative to the origination and payment experience of the Authority in connection with its previously originated Variable Rate MEFA Loans, including the pool of Variable Rate MEFA Loans from which the initial Issue K Loan Portfolio is to be derived, and in connection with its previously originated Fixed Rate MEFA Loans. Such information is included for general reference purposes only and is not intended as a representation that the future payment experience of the Variable Rate MEFA Loans to be included in the Issue K Loan Portfolio will be similar to the historical experience of Variable Rate MEFA Loans or that the origination and payment experience of the Fixed Rate MEFA Loans to be included in the Issue K Loan Portfolio necessarily will be similar to the historical experience of previously originated MEFA Loans during any period or over the respective lives of such MEFA Loans. There can be no assurance that Issue K borrowers will not be subject to different economic conditions than have affected MEFA Loan borrowers during prior periods or than may in the future affect other MEFA Loan borrowers. The actual future performance of Variable Rate MEFA Loans that become Issue K Loans may not, in fact, conform to projections based on their past performances and the actual performance of MEFA Loans that are originated as Issue K Loans may, in fact, be different from that of prior Fixed Rate MEFA Loans. The Authority reserves the right to vary the terms and conditions of MEFA Loans upon satisfaction of certain requirements of the Resolution. Any Issue K Loans so funded would secure the Issue K Bonds. Any such Issue K Loans may have credit and repayment characteristics which differ substantially from the MEFA Loans described herein. See “ESTIMATED SOURCES AND USES OF FUNDS,” “RISK FACTORS — Performance of MEFA Loans in the Issue K Loan Portfolio May Differ From Historical MEFA Loan Performance,” “— Composition and Characteristics of the Issue K Loan Portfolio Will Change” and “— General Economic Conditions” and “APPENDIX F — POOL OF VARIABLE RATE MEFA LOANS ELIGIBLE FOR INCLUSION IN ISSUE K LOAN PORTFOLIO AS OF MARCH 31, 2013.”

MEFA Loans will be financed by the Authority under the MEFA Loan Program, from moneys in the Series 2013 Current Refunding Account, the Series 2013 Purchase Account and other Accounts that may be established under the Issue K General Resolution in connection with the issuance of Additional Bonds during the respective loan origination periods applicable thereto and from other funds available therefor under the Issue K General Resolution. MEFA Loans will also be financed from funds available under the Authority’s Issue K General Resolution and certain revenues that are currently expected to or that may become available by the repayment or prepayment of MEFA Loans that have been financed under the Authority’s Issue K General Resolution and from other moneys available to the Authority therefor. The Authority has implemented the MEFA Loan Program as described herein with the assistance of Participating Institutions and the MEFA Servicer, which will perform credit evaluations during the origination process and thereafter service MEFA Loans financed by the Authority.

The Authority believes that Fixed Rate MEFA Loans will continue to be an attractive source of financial assistance to parents, students and others responsible for paying the costs of education and that the Authority will be able to finance additional Fixed Rate MEFA Loans under the MEFA Loan Program notwithstanding the availability of education financing from other sources. The Authority believes that there are several sources of competition to the Fixed Rate MEFA Loans, including, but not limited to, the federal Higher Education Act student assistance programs. In addition, there are, or may in the future be, other Authority loan programs offering assistance to finance education costs of students attending school in the Commonwealth. See “SECURITY FOR THE ISSUE K BONDS AND SOURCES OF PAYMENT” and “RISK FACTORS — Competition May Reduce Demand for or Increase Prepayments on Issue K Loans.”

Eligible Borrowers

Borrowers in the MEFA Loan Program have generally been individuals meeting the credit standards established by the Authority for this program. The Authority does not require a co-borrower on MEFA Loans if the student meets the Authority's credit standards, but students may choose to rely on a co-borrower who meets certain credit standards established by the Authority. Typically, a parent or other credit-worthy individual will be the borrower and the student will be a co-borrower on the MEFA Loan. In all cases, the student must be enrolled or admitted to a degree program on at least a half-time basis at a non-profit educational institution and be in good standing and making satisfactory academic progress, as defined by such institution. Students in the MEFA Loans for Graduate Education Program must be in a program of study leading to a post-baccalaureate degree or engaged in post-doctoral study at a non-profit educational institution. The Authority has established credit guidelines for applicants for specific types of MEFA Loans under the MEFA Loan Program.

Certain information concerning the distribution of currently outstanding Fixed Rate MEFA Loans, at the time of loan origination, between undergraduate and graduate students, between loans that were made to borrowers with and without co-borrowers and among students in Participating Institutions is contained under "AUTHORITY MEFA LOAN PORTFOLIO." Such information is included herein for general informational purposes and is not intended as a representation that the distribution of Fixed Rate MEFA Loans to be originated as Issue K Loans will resemble that of previously originated Fixed Rate MEFA Loans. Certain information concerning the distribution of currently outstanding Variable Rate MEFA Loans that are eligible for inclusion in the Issue K Loan Portfolio at the time of loan origination between school type and FICO scores is contained under "APPENDIX F — POOL OF VARIABLE RATE MEFA LOANS ELIGIBLE FOR INCLUSION IN ISSUE K LOAN PORTFOLIO AS OF MARCH 31, 2013." The Authority does expect that the Variable Rate MEFA Loans that will actually become Issue K Loans will materially conform to such distributions. See "AUTHORITY LOAN ORIGINATION AND SERVICING — MEFA Loan Origination — *Credit Evaluation by the Servicer*," "SECURITY FOR THE ISSUE K BONDS AND SOURCES OF PAYMENT," "RISK FACTORS — Composition and Characteristics of Issue K Loan Portfolio Will Change" and "THE MEFA LOAN PROGRAM — Fixed Rate MEFA Loan Terms."

Fixed Rate MEFA Loan Terms

The Authority has covenanted in the Resolution that Issue K Loans will have scheduled payments of principal and interest or other legally enforceable payment requirements which, together with other money available therefor under the Resolution, will be at least sufficient to pay when due the Principal Installments or redemption price of and interest on the Issue K Bonds and Program Expenses. The Authority's policy is to set the interest rate and other terms on newly originated Fixed Rate MEFA Loans on an annual basis for Fixed Rate MEFA Loans to be originated during the next academic year, although the Authority reserves the right to vary the interest rate or other terms offered on newly originated MEFA Loans during an academic year and reserves the right to apply amounts available therefor under the Resolution, including proceeds of additional Bonds, to finance Fixed Rate MEFA Loans with interest rate or other terms which vary from those described herein upon compliance with certain requirements of the Resolution. The Authority disburses nearly all MEFA Loans in multiple segments. See "THE AUTHORITY," "ESTIMATED SOURCES AND USES OF FUNDS," "SECURITY FOR THE ISSUE K BONDS AND SOURCES OF PAYMENT," "RISK FACTORS — Composition and Characteristics of Issue K Loan Portfolio Will Change" and "— Competition May Reduce Demand for or Increase Prepayments on Issue K Loans," "THE MEFA LOAN PROGRAM — Participating Institutions" and "APPENDIX C — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — Covenants as to the Program."

Fixed Rate MEFA Loan Programs — Academic Year 2013-2014⁽¹⁾

Name	Currently expected to be included in Issue K Trust Assets	Interest Rate	Origination Fee	Borrowing Limit	Repayment Terms
Fixed Rate Undergraduate MEFA Loan Program (Immediate Repayment Option)	Yes	6.29% during the Anticipated In-School Period, and 7.29% thereafter	4.00% with co-applicant; 7.00% without a co-applicant	Cost of attendance less other financial aid	Interest payment and principal repayment begin approximately 45 days after final disbursement. The interest rate is fixed at a lower rate during the Anticipated In-School Period ⁽²⁾ with a step up to a higher fixed rate after the end of the Anticipated In-School Period. The loan must be fully repaid within 15 years of final disbursement.
Fixed Rate Undergraduate MEFA Loan Program (Immediate Repayment Option)	Yes	5.99% during the Anticipated In-School Period, and 7.24% thereafter	4.00% with co-applicant; 7.00% without a co-applicant	Cost of attendance less other financial aid	Interest payment and principal repayment begin approximately 45 days after final disbursement. The interest rate is fixed at a lower rate during the Anticipated In-School Period ⁽²⁾ with a step up to a higher fixed rate after the end of the Anticipated In-School Period. The loan must be fully repaid within 10 years of final disbursement.
Fixed Rate Undergraduate MEFA Loan Program (Deferment Option)	Yes	7.59%	4.00% with co-applicant; 7.00% without a co-applicant	Cost of attendance less other financial aid	Full in school payment deferment option ⁽³⁾ , with interest payment and principal repayment beginning 6 months after the student graduates, leaves the program or reduces his/her hours to less than half-time status while in school. The loan must be fully repaid within 15 years of final disbursement. ⁽⁴⁾
Fixed Rate Undergraduate MEFA Loan Program (Interest-Only Payment Option)	Yes	7.09% during the Anticipated In-School Period; and 8.09% thereafter	4.00% with co-applicant; 7.00% without a co-applicant	Cost of attendance less other financial aid	Interest payment begins approximately 45 days after final disbursement in any academic year and principal repayment begins after the end of the undergraduate Anticipated In-School Period ⁽³⁾ ; interest accrues at a higher rate after the end of the undergraduate Anticipated In-School Period. The loan must be fully repaid within 15 years of final disbursement. ⁽⁴⁾
Fixed Rate Student Alternative Loan Program (Deferment Option)	Yes	8.09%	4.00% with co-applicant; 7.00% without a co-applicant	Cost of attendance less other financial aid	Full in school payment deferment option ⁽³⁾ , with interest payment and principal repayment beginning 6 months after the student graduates, leaves the program or reduces his/her hours to less than half time status while in school. The loan must be fully repaid within 15 years of final disbursement. ⁽⁴⁾ The borrower may request co-applicant release after 48 consecutive on-time payments if meeting then current underwriting standards.

⁽¹⁾ Includes only Fixed Rate MEFA Loans pursuant to programs currently expected to be offered during the 2013-2014 academic year.

⁽²⁾ The undergraduate Anticipated In-School Period begins on the initial disbursement date of the loan and ends on the date which is expected, at the time of origination, to be the first anniversary of the final disbursement date of the loan on which the student will have completed his or her current course of study (e.g. for a loan for a freshman, four years from the final disbursement date of the loan), but no later than the fourth anniversary.

⁽³⁾ Subject to a maximum 5-year deferment period.

⁽⁴⁾ The interest-only payment option and deferment option do not extend the overall repayment period.

Fixed Rate MEFA Loan Programs — Academic Year 2013-2014⁽¹⁾

Name	Currently expected to be included in Issue K Trust Assets	Interest Rate	Origination Fee	Borrowing Limit	Repayment Terms
MEFA Loan for Graduate Education - Fixed Rate (Deferment Option)	Yes	7.59%	4.00% with co-applicant; 7.00% without a co-applicant	Cost of attendance less other financial aid	Full in school payment deferment option ⁽⁵⁾ , with interest payment and principal repayment beginning 6 months after the student graduates, leaves the program or reduces his/her hours to less than half-time status while in school. The loan must be fully repaid within 15 years of final disbursement. ⁽⁴⁾
MEFA Loan for Graduate Education - Fixed Rate (Interest-Only Payment Option)	Yes	7.09%, during the Anticipated In-School Period; and 8.09% thereafter	4.00% with co-applicant; 7.00% without a co-applicant	Cost of attendance less other financial aid	Interest payment begins approximately 45 days after final disbursement in any academic year and principal repayment begins after the end of the graduate Anticipated In-School Period ⁽⁶⁾ ; interest accrues at a higher rate after the end of the graduate Anticipated In-School Period. The loan must be fully repaid within 15 years of final disbursement. ⁽⁴⁾

⁽¹⁾ Includes only Fixed Rate MEFA Loans pursuant to programs currently expected to be offered during the 2013-2014 academic year.

⁽²⁾ The undergraduate Anticipated In-School Period begins on the initial disbursement date of the loan and ends on the date which is expected, at the time of origination, to be the first anniversary of the final disbursement date of the loan on which the student will have completed his or her current course of study (e.g. for a loan for a freshman, four years from the final disbursement date of the loan), but no later than the fourth anniversary.

⁽³⁾ Subject to a maximum 5-year deferment period.

⁽⁴⁾ The interest-only payment option and deferment option do not extend the overall repayment period.

⁽⁵⁾ Subject to a maximum 3-year deferment period.

⁽⁶⁾ The graduate Anticipated In-School Period begins on the initial disbursement date of the loan and ends on the date which is expected, at the time of origination, to be the first anniversary of the final disbursement date of the loan on which the student will have completed his or her current course of study (e.g. for a loan for a first year graduate student, three years from the final disbursement date of the loan), but no later than the third anniversary.

Fixed Rate Undergraduate MEFA Loans and MEFA Loans for Graduate Education may be originated in amounts from a minimum of \$2,000 (\$1,500 at Public Participating Institutions) (or such lesser amounts as the Authority may determine from time to time) to a maximum of the cost of attendance for the academic year at the institution in which the student is enrolled, less other financial aid for the year and may be prepaid in full or in part at any time without penalty. Borrowers are generally required to repay the principal of Undergraduate MEFA Loans and MEFA Loans for Graduate Education in level monthly installments sufficient to amortize the loan over a maximum of 15 years, commencing within approximately forty-five (45) days of the final loan disbursement. For MEFA Loans originated for academic years prior to 2011-2012, the 10-year immediate repayment option was not available. See “AUTHORITY LOAN ORIGINATION AND SERVICING — MEFA Loan Origination — *Credit Evaluation by the Servicer.*”

Step up rates will be available to borrowers selecting the immediate repayment option or the Interest-Only Payment Option. If the Interest-Only Payment Option is elected, the borrower will be required to pay interest at a reduced initial rate, but not principal, during an initial period commencing approximately 45 days after final disbursement and ending with the first anniversary of the final disbursement date of the loan upon which the student is expected, on the initial disbursement date, to have completed his or her current course of study (the “Anticipated In-School Period”). If the immediate repayment option is elected, the borrower will be required to pay interest at a reduced initial fixed rate, along with principal, until the expiration of the Anticipated In-School Period. This Anticipated In-School Period is limited to four years for undergraduate, and three years for graduate students. After the Anticipated In-School Period, such borrowers will pay interest at a higher fixed rate, along with principal, on their Fixed Rate MEFA Loans. The Authority reserves the right, however, to originate MEFA Loans with longer total repayment terms in the future, including MEFA Loans funded through application of proceeds of the Issue K Bonds and of Revenues, and to extend, in its discretion, the maximum total repayment term of individual outstanding MEFA Loans subject, in certain cases, to satisfaction of certain requirements of the Resolution.

The Series Resolution currently requires that the Authority cause the aggregate purchase price of all MEFA Loans financed from moneys in the Series 2013 Purchase Account to which the Deferral Option applies as of the end of the Origination Period to be no greater than 65% of the initial deposit to the Series 2013 Purchase Account made from the proceeds of the Series 2013 Bonds. The requirement described in the preceding sentence is subject to change upon compliance with certain requirements of the Issue K General Resolution. See “SECURITY FOR THE ISSUE K BONDS AND SOURCES OF PAYMENT — Certain Resolution Requirements,” “RISK FACTORS — Certain Actions May Be Permitted Without Bondholder Approval,” “— Effect of Ratings,” “— Performance of MEFA Loans in the Issue K Loan Portfolio May Differ From Historical MEFA Loan Performance,” “— Certain Factors Could Potentially Affect Timing and Receipt of Revenues” and “Composition and Characteristics of the Issue K Loan Portfolio Will Change” and “APPENDIX F — POOL OF VARIABLE RATE MEFA LOANS ELIGIBLE FOR INCLUSION IN ISSUE K LOAN PORTFOLIO AS OF MARCH 31, 2013.”

Participating Institutions

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

The ninety-nine (99) Massachusetts institutions currently participating in the MEFA Loan Program represents in excess of 90% of the total enrollment of post-secondary students in the Commonwealth. This group of Participating Institutions has remained generally stable over time. Certain information concerning the distribution of currently outstanding Fixed Rate MEFA Loans at the time of loan origination among students attending different Participating Institutions is contained under “THE AUTHORITY MEFA LOAN PORTFOLIO.” Such information is included herein for general informational purposes and is not intended as a representation that the distribution of Issue K Loans will resemble that of previously originated Fixed Rate MEFA Loans.

Historical Program Financing Special Redemption Experience

The following chart contains historical information concerning the special redemption experience of publicly marketed fixed rate bonds issued by the Authority to date to fund MEFA Loans since 1999. Such information is included in this Official Statement for general reference purposes only and not as a representation that the special redemption experience, if any, of the Series 2013 Bonds will be consistent with that of bonds that were previously issued by the Authority. The portfolios of MEFA Loans securing such previously issued fixed rate bonds contain or contained Fixed Rate MEFA Loans that were originated on the basis of criteria, and that had terms and conditions, that differ from those of current Fixed Rate MEFA Loans that are expected to be originated as Issue K Loans and did not include Variable Rate MEFA Loans. The 2011-2012 academic year was the first for which the Authority offered Fixed Rate MEFA Loans with a 10-year repayment option. In addition, the availability to potential borrowers of other loans, including MEFA Loans, or of other types of student assistance has changed a number of times during the period shown. There can be no assurance that these factors may not affect special redemption experience. See “ESTIMATED SOURCES AND USES OF FUNDS,” and “RISK FACTORS — Redemption of Bonds,” “— General Economic Conditions” and “— Changes in Relevant Law.”

Massachusetts Educational Financing Authority
Special Redemption Experience – Fixed Rate Bonds⁽¹⁾
(As of January 1, 2013)
(\$000's)

Calendar Year	Issue E (1999) ⁽²⁾	Issue G (2000) ⁽²⁾	Issue E (2001)	Issue E (2002)	Issue E (2007)	Issue H (2008)	Issue I (2009)	Issue I (2010)	Issue J (2011)	Issue J (2012)
Original Issuance	\$98,065	\$139,890	\$66,775	\$74,565	\$200,000	\$400,000	\$289,005	\$405,000	\$102,870	\$168,335
2002	16,070 (16%)	7,990 (6%)	-	-	-	-	-	-	-	-
2003	10,910 (11%)	19,830 (14%)	-	-	-	-	-	-	-	-
2004	12,385 (13%)	17,325 (12%)	13,245 (20%)	2,090 (3%)	-	-	-	-	-	-
2005	7,705 (8%)	13,245 (9%)	4,905 (7%)	5,220 (7%)	-	-	-	-	-	-
2006	5,310 (5%)	9,170 (7%)	-	-	-	-	-	-	-	-
2007	5,230 (5%)	6,725 (5%)	-	-	-	-	-	-	-	-
2008	4,265 (4%)	1,000 (1%)	1,500 (2%)	-	-	-	-	-	-	-
2009	3,580 (4%)	2,920 (2%)	-	-	-	206,000 (52%)	-	-	-	-
2010	12,115 (12%)	34,110 (24%)	-	-	-	-	-	-	-	-
2011	-	-	-	-	-	31,090 (8%)	19,685 (7%)	29,880 (7%)	-	-
2012	-	-	-	-	-	15,380 (4%)	19,115 (7%)	28,885 (7%)	-	-
2013	-	-	-	-	-	7,280 (2%)	7,245 (2%)	10,950 (3%)	-	-
Total	\$77,570	\$112,315	\$19,650	\$7,310	-	\$259,750	\$46,045	\$69,715	-	-

Debt Outstanding	\$0	\$0	\$15,380	\$15,670	\$200,000	\$140,250	\$234,545	\$310,350	\$102,870	\$168,335
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⁽¹⁾ Percentages are calculated on original issuance amounts.

⁽²⁾ Issue E of 1999 and Issue G of 2000 were optionally refunded in 2010.

AUTHORITY LOAN ORIGINATION AND SERVICING

The Servicer

Xerox Education Services, LLC, a Delaware limited liability company doing business as ACS Education Services (“XEROX-ES”), currently acts as Servicer for the MEFA Loan Program pursuant to an agreement dated as of June 1, 2008 (the “MEFA Loan Servicing Agreement”) that is currently scheduled to expire on November 30, 2013, subject to automatic renewal for successive twelve-month periods in the absence of written notice of intention not to so renew by either party delivered to the other party at least ninety days prior to the then scheduled expiration date. In such capacity, XEROX-ES has been responsible for the origination processing, custody and servicing of MEFA Loans since January 1, 2003. The Resolution permits the appointment of other or additional Servicers, subject to compliance with certain requirements of the Issue K General Resolution and the Authority reserves the right to establish other MEFA Loan origination, custody and servicing arrangements in compliance with such requirements. See “APPENDIX C — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — Covenants as to the Program.”

The following information has been furnished by Xerox Corporation (“Xerox”) for use in this Official Statement. The Authority does not guarantee or make any representation as to the accuracy or completeness thereof or the absence of material adverse change in such information or in the condition of Xerox subsequent to the date hereof.

XEROX-ES acts as a loan servicer for the trust. XEROX-ES is a for-profit limited liability company and a wholly-owned subsidiary of Xerox Corporation (“Xerox”). Headquartered in Norwalk, Connecticut, Xerox is a Fortune 500 company providing document technology, services, software and supplies for production and office environments, as well as business process and technology outsourcing solutions to world-class commercial and government clients. Xerox’s common stock trades on the New York Stock Exchange under the symbol “XRX.” XEROX-ES has its headquarters at 2277 E. 220th Street, Long Beach, CA 90810, and has domestic regional processing centers in Long Beach and Bakersfield, California; Utica, New York; Oak Brook, Illinois; Aberdeen, South Dakota and Madison, Mississippi.

The Guaranteed Loan Servicing Group is operated by XEROX-ES as an independent, third party education loan servicer with approximately 1,300 employees, providing full service loan origination and servicing for the Federal Stafford, PLUS, GRAD Plus and Consolidation education loan programs and many alternative/private loan programs. XEROX-ES and its predecessors have over 42 years of experience providing outsourcing services to higher education. As of April 2013, the Guaranteed Loan Servicing Group of XEROX-ES currently services approximately 3.4 million education loan accounts with loans valued at approximately \$49 billion.

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

Origination services include receipt and validation of application data, underwriting (if required), school and borrower customer service and loan disbursement. A wide range of schools are supported, as well as a variety of different disbursement methods, including: check, master check and EFT (Electronic Funds Transfer).

Conversion services include set-up of new accounts to the servicing platform from the origination system or a lender's system. This area also supports transfer of existing education loan portfolios from other servicers' systems, as well as loan sales and securitizations.

Loan servicing includes lender and borrower services, payment and transaction processing, due diligence activities as required by federal regulations or private/alternative loan program requirements, and communications with schools, guarantors, the National Student Loan Clearing House, and others. In the event of borrower default, XEROX-ES prepares and submits a claim package on the lender's behalf to the appropriate guaranty agency for review and guarantee payment, if applicable.

Xerox files periodic reports with the Securities and Exchange Commission (the "SEC") as required by the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Reports filed with the SEC are available for inspection without charge at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. Information as to the operation of the public reference facilities is available by calling the SEC at 1-800-SEC-0330.

Information filed with the SEC can also be inspected at the SEC's site on the World Wide Web at "<http://www.sec.gov>." Xerox also currently provides information through Xerox's website at "<http://www.xerox.com>." Information filed by Xerox with the SEC or contained on Xerox's website is not intended to be incorporated as part of this Official Statement and information contained on Xerox's website is not a part of the documents that Xerox files with the SEC.

MEFA Loan Origination

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

Applications for MEFA Loans are submitted directly to the Servicer and are processed according to guidelines established by the Authority. The Servicer completes a credit evaluation for each initial MEFA Loan application by a borrower. For any subsequent MEFA Loan, a previously eligible borrower is again subject to credit evaluation by the Servicer.

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

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

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

In conducting its credit analysis, the Servicer will use a combination of credit scoring and a review of application data. For the Issue K Loans, unless changed by the Authority upon compliance with certain Resolution requirements, the credit requirements include that each qualified borrower or a co-borrower must have a minimum FICO Score[†] of 670 or, with respect to such Issue K Loans that are fully deferred as to repayment, a FICO Score of 710. A FICO Score is any of several generally similar numeric measures of projected consumer credit risk, each of which was created by Fair Isaac Corporation for use by one of several consumer credit reporting agencies on the basis of information concerning an individual borrowing and repayment history that has been received by the respective consumer credit reporting agency from lenders. FICO Scores are based upon a number of time-weighted factors and range from 300-850, with higher scores reflecting more favorable projected credit risk. The use of FICO Scores, or of a particular FICO Score threshold in connection with credit analysis for loan origination purposes does not, however, guarantee any particular level of repayment performance for the resulting loan portfolio. The student or co-signer, if any, must meet a minimum income requirement equal to the most recently published federal poverty guideline for a family of four.

MEFA reserves the right to increase or, upon compliance with certain requirements of the Resolution, to decrease the FICO Score threshold used in connection with Issue K Loan credit analysis, or to otherwise change the credit analysis procedures applicable to MEFA Loans, including Issue K Loans. Such information is included herein for general informational purposes and is not intended as a representation that the credit characteristics of Issue K Loans will resemble those of previously originated Fixed Rate MEFA Loans. See “APPENDIX F — POOL OF VARIABLE RATE MEFA LOANS ELIGIBLE FOR INCLUSION IN ISSUE K LOAN PORTFOLIO AS OF MARCH 31, 2013.”

If any of the following circumstances exist without an explanation satisfactory to the Authority, the Authority may in its reasonable judgment reject the application: excessive payment delinquencies; garnishment; attachment; foreclosure; repossession; or legal proceedings against the applicant or co-applicant which may affect the borrower’s ability to repay or the Authority’s ability to collect a MEFA Loan. In addition, the absence of a credit history may be grounds for denial of a MEFA Loan.

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

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

[†] Copyright 2000; Fair Isaac Corporation.

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

MEFA Loan Servicing

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

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

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

A Servicer is required to service delinquent MEFA Loans so as to enable, to the maximum extent possible, payment in full of such notes on their respective original repayment schedules. The Servicer must notify the borrower of the delinquency by repeated telephone calls and letters at specified intervals, with copies of all servicer aging reports produced going to the applicable Participating Institution when and after any payment is thirty (30) to forty-five (45) days overdue, all as set forth in the Operations Manual.

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

Collections and Defaults. When a MEFA Loan is one hundred eighty (180) days past due (or such later date as the Authority may determine in compliance with applicable Resolution requirements), it is generally deemed to be “Defaulted” and a Servicer is required to cease contact with the borrower unless and until instructed otherwise by the Authority or the Trustee. The Authority and the Servicer continuously work with individual borrowers in order to bring MEFA Loans current prior to their being deemed Defaulted. See “RISK FACTORS — Changes in Relevant Laws” and “AUTHORITY MEFA LOAN PORTFOLIO.”

AUTHORITY MEFA LOAN PORTFOLIO

The historical information relative to the origination, distribution and payment experience of the Authority in connection with its previously originated MEFA Loans contained in this Official Statement is included for general reference purposes only and is not intended as a representation that the origination, distribution or payment experience of the Issue K Loan Portfolio necessarily will be similar to that of previously originated MEFA Loans during any period or over the respective lives of such MEFA Loans. See “RISK FACTORS — Performance of MEFA Loans in the Issue K Loan Portfolio May Differ From Historical MEFA Loan Performance,” “— Composition and Characteristics of the Issue K Loan Portfolio Will Change” and “— General Economic Conditions,” “THE MEFA LOAN PROGRAM” and “APPENDIX F— POOL OF VARIABLE RATE MEFA LOANS ELIGIBLE FOR INCLUSION IN ISSUE K LOAN PORTFOLIO AS OF MARCH 31, 2013.”

Since the inception of the MEFA Loan Program in 1983, the volume, number of borrowers, number of Participating Institutions, and the types of MEFA Loans offered have expanded significantly. In 1983, thirteen (13) independent institutions participated in the program and 1,230 borrowers received MEFA Loans financed through the Authority. Public institutions began participating in 1984. In the same year, the Authority introduced the MEFA Loans for Graduate Education Program for independent institutions. Participation by students at public institutions in the MEFA Loan Program has generally increased since 1984. As of the 2012-2013 academic year, ninety-nine (99) independent and public Massachusetts institutions are expected to participate in the MEFA Loan Program. Annual MEFA Loan volume is approximately \$167 million in loan purchases for the current academic year of 2012-2013.

The average size of MEFA Loans has grown steadily since 1983, reflecting rising education costs. The average initial principal amount of MEFA Loans financed during the 1983-84 academic year was \$6,120. The average initial principal amounts of Undergraduate MEFA Loans and of MEFA Loans for Graduate Education financed during the 2012-2013 academic year through March 31, 2013 were approximately \$13,900 and \$13,300, respectively.

It is the Authority’s usual practice to treat a MEFA Loan as Defaulted when such loan becomes over 180 days past due. However, in certain limited circumstances, the Authority will not treat a MEFA Loan as Defaulted during a period of up to two years following the date it becomes over 180 days past due if: (i) the borrower has agreed to, and is complying with, a modified payment plan that is acceptable to the Authority and has agreed to bring the MEFA Loan current by the end of such two year period; or (ii) the Authority has reason to believe the delinquency is due to temporary circumstances and that the delinquency is likely to be cured during such two year period. It is also the Authority’s practice, in certain circumstances, not to treat a MEFA Loan as Defaulted while a bankruptcy proceeding involving the borrower is pending. Such MEFA Loans are generally classified as delinquent. However, because MEFA Loans generally are non-dischargeable in bankruptcy, payments on MEFA Loans of some borrowers in bankruptcy proceedings are kept current, and in such cases it is the Authority’s practice not to treat such MEFA Loans as Defaulted or delinquent. When a MEFA Loan becomes Defaulted it is the Authority’s usual practice to refer the default to a collection agent or an attorney. In recent years, the Authority has more frequently directed collection agents or attorneys to initiate litigation to collect Defaulted MEFA Loans than it had previously done. The Authority retains continuous oversight and responsibility for enforcement and settlement decisions related to defaulted and delinquent accounts.

The following chart shows the dollar amount of applications received, disbursement volume and principal balance outstanding since the 2005-2006 academic year.

**Massachusetts Educational Financing Authority
Historic Application and Disbursement Volume
All MEFA Loans
(\$ 000's)**

Year	Applications Volume ⁽¹⁾	Disbursement Volume ⁽²⁾	Outstanding Principal Balance ⁽³⁾
2005-2006	\$213,000	\$165,000	\$ 639,000
2006-2007	363,000	293,000	852,000
2007-2008	488,000	402,000	1,153,000
2008-2009	72,000	38,000	1,087,000
2009-2010	270,000	151,000	1,135,000
2010-2011	339,000	177,000	1,205,000
2011-2012	277,000	170,000	1,247,000
2012-2013 ⁽⁴⁾	272,000	164,000	1,310,000

⁽¹⁾ Applications Volume occurred between the period of April 1 through March 31.

⁽²⁾ Disbursement Volume for years 2005-2006 through 2011-2012 occurred between the period of July 1 through June 30; Disbursement Volume for 2012-2013 occurred between July 1, 2012 through March 31, 2013.

⁽³⁾ Outstanding Principal Balances are as of June 30 for each Fiscal Year except 2012-2013, which is as of March 31, 2013.

⁽⁴⁾ As of March 31, 2013, projected Disbursement Volume for 2012-2013 is approximately \$167,000,000.

The following chart contains information regarding the historic distribution of all MEFA Loans disbursed by repayment option. The percentages represent the portion for each repayment option for all MEFA Loans disbursed for that disbursement year.

Massachusetts Educational Financing Authority
Historic MEFA Loan Disbursements by Repayment Option⁽¹⁾
All MEFA Loans

<u>Disbursement Years</u> ⁽²⁾	<u>Immediate Repayment</u>	<u>Interest-Only Payment</u> ⁽³⁾	<u>Total In-School Payment</u> ⁽⁴⁾	<u>Deferment</u>	<u>Total</u>
2005-2006	42.3%	0.0%	42.3%	57.7%	100.0%
2006-2007	38.1	0.0	38.1	61.9	100.0
2007-2008	33.9	0.0	33.9	66.1	100.0
2008-2009	32.9	0.0	32.9	67.1	100.0
2009-2010	43.9	0.4	44.3	55.7	100.0
2010-2011	20.0	17.9	37.9	62.1	100.0
2011-2012	23.1	18.6	41.7	58.3	100.0
2012-2013	30.7	15.1	<u>45.8</u>	<u>54.2</u>	<u>100.0</u>
Weighted Average			39.1%	60.9%	100.0%

(1) Includes both graduate and undergraduate MEFA Loans.

(2) Disbursement years are from July 1 to June 30 for each year except 2012-2013, which is through March 31.

(3) The Interest-Only Payment option was not available prior to April 2010.

(4) Total In-School Payment includes Immediate Repayment and Interest-Only Payment options.

The Authority's Fixed Rate MEFA Loan Portfolio

The Authority began purchasing Fixed Rate MEFA Loans in 1983 and since that time has issued numerous series of Prior Obligations to finance Fixed Rate MEFA Loan purchases. This section provides information relating to the historical results of the Fixed Rate MEFA Loan Portfolio. The distribution, default and delinquency information included relates to Fixed Rate MEFA Loans originated through application of proceeds of the Authority's Issue E Bonds, Issue G Bonds, Issue H Bonds, Issue I Bonds and Issue J Bonds. The Authority believes that Fixed Rate MEFA Loans originated throughout the history of the MEFA Loan Program have experienced to date substantially similar patterns and rates of delinquency and gross default. See "RISK FACTORS — Certain Factors Could Potentially Affect Timing and Receipt of Revenues" and "— General Economic Conditions" and "THE MEFA LOAN PROGRAM — General."

As of the date of this Official Statement, there are no uncommitted proceeds under the Authority's Issue J General Resolution. Substantially all of the other original lendable proceeds and recycled proceeds of the bonds that were previously issued by the Authority to fund MEFA Loans or Authority FFELP Loans have been fully expended to purchase MEFA Loans or Authority FFELP Loans or to redeem or retire bonds. The Authority reserves the right to allocate funds from different sources available to it to finance MEFA Loans in any manner that it deems appropriate.

The average FICO score that was applicable to approved Fixed Rate MEFA Loans, at the time of origination, was 748 for the 2008-2009 academic year, 757 for the 2009-2010 academic year, 757 for the 2010-2011 academic year, 756 for the 2011-2012 academic year and 753 for the 2012-2013 academic year through March 31, 2013. For Fixed Rate Loans originated as Issue K Loans, the minimum FICO score will be 670 or, with respect to such Issue K Loans that are fully deferred as to repayment, 710 unless changed by the Authority upon compliance with certain requirements of the Resolution.

The following chart contains information regarding the recent historic application receipt and approval experience of the Authority with respect to Fixed Rate MEFA Loans.

	Application Timing⁽¹⁾ (2011-2012)	Application Timing⁽¹⁾ (2012-2013)	Cumulative Approved Applications⁽²⁾ (2012-2013)
April	4.1%	2.7%	\$ 4,400,000
May	10.0	6.3	10,400,000
June	22.9	17.3	28,500,000
July	58.2	57.3	94,600,000
August	82.9	82.7	136,700,000
September	85.9	85.4	141,000,000
October	87.6	87.0	143,700,000
November	90.0	89.5	147,900,000
December	94.7	94.6	156,300,000
January	98.8	98.4	162,600,000
February	99.4	99.1	163,700,000
March	100.0	100.0	165,200,000

(1) Cumulative approved applications received by the Authority in the April through March application cycle; percentages reflect rounding.

(2) Cumulative approved applications represents the timing of approved applications for the Authority in the most recent application cycle.

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

Distribution of the Fixed Rate MEFA Loan Portfolio by Participating Institution
MEFA Loans
(As of March 31, 2013)⁽¹⁾

Participating Institution Name	Number of Loans	Approximate Principal Balance	Approximate Percent by Principal
1. Boston University	6,787	\$ 89,831,000	8.04%
2. University of Massachusetts Amherst	7,907	66,380,000	5.94
3. Northeastern University	4,232	55,952,000	5.01
4. Boston College	3,636	54,480,000	4.88
5. Suffolk University	2,792	35,612,000	3.19
6. College of The Holy Cross	1,926	27,046,000	2.42
7. Bentley University	1,808	23,946,000	2.14
8. University of Massachusetts Dartmouth	2,798	23,240,000	2.08
9. Harvard University	1,708	21,536,000	1.93
10. Wentworth Institute of Technology	1,728	21,272,000	1.90
11. Tufts University	1,161	18,920,000	1.69
12. Western New England College	1,239	17,527,000	1.57
13. Massachusetts College of Pharmacy & Health Science	1,025	16,861,000	1.51
14. Assumption College	1,517	16,305,000	1.46
15. Curry College	1,070	15,661,000	1.40
16. Merrimack College	1,173	14,896,000	1.33
17. University of New Hampshire	993	14,750,000	1.32
18. Berklee College of Music	850	14,736,000	1.32
19. University of Massachusetts Lowell	1,902	14,458,000	1.29
20. Bridgewater State University	1,933	14,316,000	1.28
All Others	<u>44,942</u>	<u>539,369,000</u>	<u>48.28</u>
Total	<u>93,127</u>	<u>\$1,117,096,000</u>	<u>100.00%</u>

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

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

**Distribution of the Fixed Rate MEFA Loan Portfolio by Undergraduate and Graduate Status
(As of March 31, 2013)⁽¹⁾**

<u>Academic Program Type</u>	<u>Number of Loans</u>	<u>Approximate Principal Balance</u>	<u>Approximate Percent by Principal</u>
Undergraduate	83,703	\$991,110,000	88.72%
Graduate	<u>9,424</u>	<u>125,986,000</u>	<u>11.28</u>
Total	<u>93,127</u>	<u>\$1,117,096,000</u>	<u>100.00%</u>

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

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

**Distribution of the Fixed Rate MEFA Loan Portfolio by Co-Borrower Status
(As of March 31, 2013)⁽¹⁾**

<u>Co-Borrower Status</u>	<u>Number of Loans</u>	<u>Approximate Principal Balance</u>	<u>Approximate Percent by Principal</u>
<u>Co-Borrower</u>			
Undergraduate	82,523	\$ 984,596,000	88.14%
Graduate	<u>6,581</u>	<u>86,214,000</u>	<u>7.72</u>
Subtotal	89,104	\$1,070,810,000	95.86%
<u>Non Co-Borrower</u>			
Undergraduate	1,180	\$ 6,514,000	0.58%
Graduate	<u>2,843</u>	<u>39,772,000</u>	<u>3.56</u>
Subtotal	4,023	\$ 46,286,000	4.14%
Total	<u>93,127</u>	<u>\$1,117,096,000</u>	<u>100.00%</u>

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

MASSACHUSETTS EDUCATIONAL FINANCING AUTHORITY
Delinquency Experience (Fixed Rate MEFA Loans with a FICO Score of 670 or Greater)^{(1), (2)}
(As of March 31, 2013)
(\$ 000's)

<i>Delinquency Status</i>	<u>2013</u>		<u>2012</u>		<u>2011</u>		<u>2010</u>		<u>2009</u>	
	<i>Principal Balance</i>	<i>% to Total in Repayment</i>	<i>Principal Balance</i>	<i>% to Total in Repayment</i>	<i>Principal Balance Outstanding</i>	<i>% to Total in Repayment</i>	<i>Principal Balance Outstanding</i>	<i>% to Total in Repayment</i>	<i>Principal Balance Outstanding</i>	<i>% to Total in Repayment</i>
Current	\$785,294	96.0%	\$732,920	96.0%	\$644,502	95.9%	\$554,946	95.1%	\$487,852	95.1%
31-60	15,584	1.9	14,466	1.9	11,833	1.8	13,019	2.2	13,029	2.5
61-90	5,556	0.7	4,928	0.6	5,313	0.8	6,336	1.1	3,938	0.8
91-120	4,014	0.5	4,117	0.5	5,881	0.9	6,135	1.1	4,867	0.9
121-150	2,577	0.3	3,407	0.4	1,892	0.3	1,187	0.2	1,195	0.2
Greater Than 150	<u>4,786</u>	<u>0.6</u>	<u>3,960</u>	<u>0.5</u>	<u>2,843</u>	<u>0.4</u>	<u>2,075</u>	<u>0.4</u>	<u>2,320</u>	<u>0.5</u>
	<u>\$817,811</u>	<u>100.0%</u>	<u>\$763,798</u>	<u>100.0%</u>	<u>\$672,264</u>	<u>100.0%</u>	<u>\$583,698</u>	<u>100.0%</u>	<u>\$513,201</u>	<u>100.0%</u>

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

(2) Included in Delinquent > 150 days are approximately (i) \$1,975 as of March 31, 2013, (ii) \$1,451 as of March 31, 2012, (iii) \$1,389 as of March 31, 2011, (iv) \$675 as of March 31, 2010, and (v) \$275 as of March 31, 2009 that represent loans in bankruptcy proceedings.

Massachusetts Educational Financing Authority
Default Experience (Fixed Rate MEFA Loans with FICO Scores of 670 or Greater)^{(1), (2)}
(As of March 31, 2013)
(\$000's)

	<u>2013⁽³⁾</u>	<u>2012⁽³⁾</u>	<u>2011⁽³⁾</u>	<u>2010⁽³⁾</u>	<u>2009⁽³⁾</u>
Gross Loan Defaults	\$13,170	\$11,166	\$8,188	\$6,955	\$4,603
Net Recoveries	\$2,317	\$1,363	\$800	\$700	\$808
Net Loan Defaults	\$10,853	\$9,804	\$7,388	\$6,255	\$3,795
Net Loan Defaults as a percentage of average loans in repayment	1.42%	1.41%	1.24%	1.20%	0.77%
Average Loans in Repayment ⁽¹⁾	\$766,400	\$697,722	\$596,701	\$523,384	\$494,404

⁽¹⁾ Defaults, Recoveries and Loans in Repayment for Fixed Rate MEFA Loans funded from Education Loan Revenue Bonds, Issue E, Issue G, Issue H, Issue I and Issue J.

⁽²⁾ Some numbers in prior years have been updated to reflect current methodology.

⁽³⁾ Twelve (12) months as of March 31.

**MASSACHUSETTS EDUCATIONAL FINANCING AUTHORITY
Static Pool Cohort Default Analysis**

**Fixed Rate MEFA Loans Immediate Repayment (670+) and Deferred Repayment (710+)⁽¹⁾
(As of March 31, 2013)**

Repayment Year	Disbursed Principal Entering Repay (\$m)	Repayment Year of Default																Total	
		0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15		16
1997	\$37	0.00%	0.00%	0.00%	0.11%	0.05%	0.06%	0.06%	0.11%	0.06%	0.09%	0.03%	0.12%	0.06%	0.01%	0.01%	0.02%	0.00%	0.77%
1998	\$79	0.00%	0.00%	0.00%	0.04%	0.13%	0.13%	0.19%	0.13%	0.18%	0.06%	0.09%	0.07%	0.06%	0.05%	0.02%	0.01%	0.00%	1.17%
1999	\$95	0.00%	0.00%	0.01%	0.03%	0.11%	0.22%	0.21%	0.19%	0.11%	0.09%	0.06%	0.10%	0.05%	0.03%	0.05%	0.00%		1.26%
2000	\$105	0.00%	0.00%	0.02%	0.10%	0.22%	0.24%	0.20%	0.12%	0.15%	0.13%	0.13%	0.11%	0.03%	0.03%	0.00%			1.47%
2001	\$109	0.00%	0.00%	0.06%	0.17%	0.15%	0.17%	0.19%	0.16%	0.15%	0.16%	0.18%	0.03%	0.07%	0.00%				1.51%
2002	\$82	0.00%	0.01%	0.16%	0.09%	0.23%	0.19%	0.35%	0.19%	0.22%	0.25%	0.07%	0.08%	0.01%					1.85%
2003	\$58	0.00%	0.04%	0.18%	0.31%	0.24%	0.25%	0.31%	0.36%	0.24%	0.07%	0.05%	0.00%						2.04%
2004	\$53	0.00%	0.00%	0.34%	0.24%	0.35%	0.56%	0.50%	0.32%	0.15%	0.11%	0.03%							2.60%
2005	\$22	0.00%	0.14%	0.16%	0.36%	0.58%	0.51%	0.30%	0.19%	0.23%	0.05%								2.51%
2006	\$70	0.00%	0.16%	0.16%	0.80%	0.94%	0.34%	0.21%	0.20%	0.03%									3.55%
2007	\$125	0.00%	0.32%	0.70%	0.87%	0.79%	0.41%	0.34%	0.08%										3.52%
2008	\$167	0.00%	0.20%	1.16%	0.81%	0.45%	0.46%	0.12%											3.19%
2009	\$94	0.00%	0.27%	1.85%	1.38%	0.55%	0.16%												4.20%
2010	\$172	0.00%	0.24%	1.54%	0.90%	0.23%													2.90%
2011	\$196	0.00%	0.58%	2.67%	0.34%														3.59%
2012	\$170	0.00%	0.56%	0.41%															0.97%
2013	\$79	0.00%	0.00%																0.00%

**Fixed Rate MEFA Loans Immediate Repayment (670+)⁽¹⁾
(As of March 31, 2013)**

Repayment Year	Disbursed Principal Entering Repay (\$m)	Repayment Year of Default																Total	
		0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15		16
1997	\$37	0.00%	0.00%	0.00%	0.11%	0.05%	0.06%	0.06%	0.11%	0.06%	0.09%	0.03%	0.12%	0.06%	0.01%	0.01%	0.02%	0.00%	0.77%
1998	\$76	0.00%	0.00%	0.00%	0.04%	0.14%	0.14%	0.18%	0.13%	0.19%	0.06%	0.10%	0.07%	0.06%	0.04%	0.02%	0.02%	0.00%	1.19%
1999	\$85	0.00%	0.00%	0.01%	0.03%	0.12%	0.15%	0.23%	0.20%	0.12%	0.10%	0.07%	0.10%	0.05%	0.03%	0.06%	0.00%		1.27%
2000	\$89	0.00%	0.00%	0.01%	0.05%	0.21%	0.27%	0.23%	0.14%	0.17%	0.12%	0.13%	0.11%	0.04%	0.03%	0.00%			1.52%
2001	\$85	0.00%	0.00%	0.02%	0.06%	0.10%	0.22%	0.11%	0.16%	0.19%	0.15%	0.10%	0.03%	0.07%	0.01%				1.20%
2002	\$59	0.00%	0.01%	0.03%	0.07%	0.26%	0.18%	0.42%	0.22%	0.30%	0.28%	0.06%	0.11%	0.02%					1.95%
2003	\$36	0.00%	0.00%	0.11%	0.40%	0.32%	0.39%	0.46%	0.36%	0.19%	0.11%	0.08%	0.00%						2.42%
2004	\$35	0.00%	0.00%	0.25%	0.37%	0.43%	0.73%	0.56%	0.15%	0.14%	0.12%	0.04%							2.79%
2005	\$9	0.00%	0.00%	0.27%	0.51%	0.42%	0.70%	0.71%	0.15%	0.50%	0.07%								3.33%
2006	\$58	0.00%	0.17%	0.62%	0.97%	0.95%	0.26%	0.23%	0.21%	0.03%									3.44%
2007	\$102	0.00%	0.25%	0.62%	0.87%	0.80%	0.43%	0.29%	0.10%										3.35%
2008	\$114	0.00%	0.26%	0.71%	0.69%	0.41%	0.38%	0.13%											2.58%
2009	\$22	0.00%	0.13%	0.61%	0.55%	0.29%	0.14%												1.72%
2010	\$69	0.00%	0.35%	0.78%	0.68%	0.28%													2.09%
2011	\$74	0.00%	0.36%	1.02%	0.25%														1.63%
2012	\$74	0.00%	0.58%	0.41%															0.98%
2013	\$65	0.00%	0.00%																0.00%

- (1) • FICO scores are based on the greater of the borrower or co-borrower score as of the original loan application date.
• Includes both undergraduate and graduate programs and both co-signed and non-co-signed Fixed Rate MEFA Loans funded from Education Loan Revenue Bonds, Issue E, Issue G, Issue H, Issue I and Issue J.
• Terms and calculations of the default statistics are defined as follows:
• Repayment Year - The calendar year that the loans entered repayment.
• Original Note Value Entering Repayment - The amount of principal entering repayment in a given year based on the disbursed principal including any interest capitalization at repayment.
• Years in Repayment - Measured in years between repayment start date and default date with zero representing any defaults prior to the start of repayment.
• Periodic Defaults - Defaulted principal in each Year of Repayment as a percentage of the Original Note Value Entering Repayment in each Repayment Year, includes any interest capitalization that occurred prior to default and is not reduced by any amount of recoveries after the loan defaulted.
• Total - The sum of the Periodic Defaults across Years in Repayment for each Repayment Year.

The Authority's Variable Rate MEFA Loan Portfolio

The Authority began purchasing Variable Rate MEFA Loans in 1994 and suspended the availability of Variable Rate MEFA Loans after the 2007-2008 academic year. Although different bases of interest accrual on Variable Rate MEFA Loans were offered during this period, the Variable Rate MEFA Loans that the Authority currently expects to become Issue K Loans in connection with the initial application of Series 2013 Bond proceeds are expected to bear interest at rates based upon the prime rate and to be materially representative of the pool of Variable Rate MEFA Loans that are described herein. The Variable Rate MEFA Loans described below and in APPENDIX F include loans that were originated with 15-year or 20-year repayment periods. See "APPENDIX F — POOL OF VARIABLE RATE MEFA LOANS ELIGIBLE FOR INCLUSION IN ISSUE K LOAN PORTFOLIO AS OF MARCH 31, 2013."

MASSACHUSETTS EDUCATIONAL FINANCING AUTHORITY
Delinquency Experience (Variable Rate Prime MEFA Loans)^{(1), (2)}
(As of March 31, 2013)
(\$ 000's)

<i>Delinquency Status</i>	2013		2012		2011		2010		2009	
	<i>Principal Balance</i>	<i>% to Total in Repayment</i>	<i>Principal Balance</i>	<i>% to Total in Repayment</i>	<i>Principal Balance Outstanding</i>	<i>% to Total in Repayment</i>	<i>Principal Balance Outstanding</i>	<i>% to Total in Repayment</i>	<i>Principal Balance Outstanding</i>	<i>% to Total in Repayment</i>
Current	\$143,011	95.8%	\$147,051	95.2%	\$135,639	94.7%	\$100,997	91.7%	\$58,004	90.7%
31-60	2,976	2.0	3,413	2.2	3,443	2.4	3,501	3.2	2,013	3.1
61-90	782	0.5	1,438	0.9	1,216	0.8	2,428	2.2	991	1.6
91-120	1,004	0.7	1,153	0.7	1,484	1.0	2,022	1.8	973	1.5
121-150	685	0.5	571	0.4	826	0.6	629	0.6	1,096	1.7
Greater Than 150	<u>886</u>	<u>0.6</u>	<u>815</u>	<u>0.5</u>	<u>669</u>	<u>0.5</u>	<u>570</u>	<u>0.5</u>	<u>875</u>	<u>1.4</u>
	<u>\$149,345</u>	<u>100.0%</u>	<u>\$154,442</u>	<u>100.0%</u>	<u>\$143,278</u>	<u>100.0%</u>	<u>\$110,147</u>	<u>100.0%</u>	<u>\$63,953</u>	<u>100.0%</u>

⁽¹⁾ Reflects Variable Rate Prime MEFA Loans funded from Education Loan Revenue Bonds, Issue E.

⁽²⁾ Included in Delinquent > 150 days is approximately (i) \$232 as of March 31, 2013, (ii) \$177 as of March 31, 2012, (iii) \$146 as of March 31, 2011, (iv) \$115 as of March 31, 2010, and (v) \$100 as of March 31, 2009 that represent loans in bankruptcy proceedings.

Massachusetts Educational Financing Authority
Default Experience (Variable Rate Prime MEFA Loans All FICOs)⁽¹⁾
(As of March 31, 2013)
(\$000's)

	2013⁽²⁾	2012⁽²⁾	2011⁽²⁾	2010⁽²⁾	2009⁽²⁾
Gross Loan Defaults	\$3,116	\$3,073	\$4,533	\$3,855	\$1,893
Recoveries	\$895	\$457	\$219	\$226	\$389
Net Loan Defaults	\$2,221	\$2,616	\$4,315	\$3,629	\$1,504
Net Loan Defaults as a percentage of average loans in repayment	1.47%	1.78%	3.50%	5.58%	5.19%
Average Loans in Repayment ⁽¹⁾	\$150,945	\$146,612	\$123,219	\$65,077	\$28,961

⁽¹⁾ Defaults, Recoveries and Loans in Repayment for Variable Rate Prime MEFA Loans funded from Education Loan Revenue Bonds, Issue E.

⁽²⁾ Twelve (12) months as of March 31.

MASSACHUSETTS EDUCATIONAL FINANCING AUTHORITY
Static Pool Cohort Default Analysis
Variable Prime Rate MEFA Loans All FICOs⁽¹⁾
(As of March 31, 2013)

Repayment Year	Disbursed Principal Entering Repay (\$m)	Repayment Year of Default										Total
		0	1	2	3	4	5	6	7	8	9	
2005	\$2	0.00%	1.49%	7.17%	0.45%	1.39%	1.88%	2.03%	1.36%	0.00%	0.00%	15.78%
2006	\$6	0.00%	0.18%	6.98%	2.77%	1.37%	1.27%	0.10%	0.09%	0.00%		12.76%
2007	\$18	0.00%	1.65%	5.34%	3.00%	0.56%	1.00%	0.75%	0.07%			12.37%
2008	\$38	0.00%	0.71%	5.17%	1.16%	0.82%	0.68%	0.11%				8.66%
2009	\$58	0.00%	1.14%	5.85%	1.11%	1.34%	0.23%					9.68%
2010	\$53	0.00%	1.23%	3.33%	1.60%	0.23%						6.39%
2011	\$31	0.00%	0.83%	3.64%	0.40%							4.87%
2012	\$12	0.00%	2.22%	1.02%								3.24%
2013	\$3	0.00%	0.00%									0.00%

- (1)
- FICO scores are based on the greater of the borrower or co-borrower score as of the original loan application date.
 - Includes both co-signed and non-co-signed Variable Rate Prime MEFA Loans funded from Education Loan Revenue Bonds, Issue E.
 - Terms and calculations of the default statistics are defined as follows:
 - Repayment Year - The calendar year that the loans entered repayment.
 - Original Note Value Entering Repayment - The amount of principal entering repayment in a given year based on the disbursed principal including any interest capitalization at repayment.
 - Years in Repayment - Measured in years between repayment start date and default date with zero representing any defaults prior to the start of repayment.
 - Periodic Defaults - Defaulted principal in each Year of Repayment as a percentage of the Original Note Value Entering Repayment in each Repayment Year, includes any interest capitalization that occurred prior to default and is not reduced by any amount of recoveries after the loan defaulted.
 - Total - The sum of the Periodic Defaults across Years in Repayment for each Repayment Year.

BOOK-ENTRY ONLY SYSTEM

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

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

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Offered Bonds. The Offered Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Offered Bond certificate will be issued for each maturity (and interest rate, if applicable) of the Offered Bonds in the aggregate principal amount of such maturity, as set forth on the inside cover page hereof, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of the Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has an S&P rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all Offered Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Offered 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 Offered Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Offered Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

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

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

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

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

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

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

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

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

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

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

Certificated Offered Bonds

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

LEGALITY OF BONDS FOR INVESTMENT

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

BONDS AS SECURITY FOR DEPOSIT

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

LITIGATION AND OTHER MATTERS

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

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

In 2011, the Authority was advised by the Financial Institution Oversight Service ("FIOS") of the federal Department of Education (the "Department") that a program review of the Authority's participation during the Authority's Fiscal Year 2007 in the Federal Family Education Loan Program ("FFELP") had resulted in a preliminary finding that a certain contract the Authority had entered into with a third party for marketing and administrative services included a compensation term not permitted under applicable regulations. The Authority responded to the preliminary FIOS finding by providing requested information and urging FIOS to reconsider the finding. In May 2012, the Department advised the Authority that it had concluded its program review without change to this preliminary finding and that the Department expected to further review this finding for potential responsive action by the Department. By letter dated May 17, 2013, the Department advised the Authority that a \$27,500 fine would be imposed unless the Authority appeals the Department's actions. The Authority will no longer pursue the matter and has agreed to make a payment.

From time to time, bills may be introduced into the Commonwealth legislature affecting government operations generally or that could seek to impose financial and other obligations on the Authority, which might include requiring the transfer of funds or assets from the Authority to the Commonwealth or other agencies of the Commonwealth. Furthermore, measures and legislation may be considered by the federal government, or the Commonwealth legislature, which measures may affect the

Authority's programs. While some of these measures may benefit the programs, no assurance can be given that the programs will not be adversely affected by such measures. In addition, the Congress or the Commonwealth legislature could enact legislation that would affect the demand for or the repayment performance of MEFA Loans in a manner that might adversely affect the availability of amounts for the payment of debt service on Issue K Bonds or that might result in the redemption prior to scheduled amortization of Issue K Bonds. The Authority cannot predict whether any such legislation will be enacted or, if it is enacted, what effect it would have on the timing or amount of revenues received by the Authority from MEFA Loans, the timing of such receipt or the demand for MEFA Loans. There can be no assurance that any such legislation will not be enacted or that such legislation, if enacted, will not have an adverse impact on the operations of the Authority, its financial condition or any of its contractual obligations.

CERTAIN LEGAL MATTERS

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

TAX MATTERS

Federal Tax Matters

Bond Counsel is of the opinion that, under existing law, interest on the Offered Bonds will not be included in the gross income of holders of such Offered Bonds for federal income tax purposes. Bond Counsel's opinion is expressly conditioned upon continued compliance by the Authority with certain requirements imposed by the Internal Revenue Code of 1986, as amended (the "Code"), which requirements must be satisfied subsequent to the date of issuance of the Offered Bonds in order to ensure that the interest on the Offered Bonds is and continues to be excludable from the gross income of the holders of the Offered Bonds for federal income tax purposes. In particular, and without limitation: (i) section 144(b) of the Code imposes requirements for a "qualified student loan bond"; and (ii) section 148 of the Code requires that certain proceeds of the Offered Bonds be invested at a yield not materially higher than the yield on the Offered Bonds and that certain profits earned from investment of proceeds of the Offered Bonds be rebated to the United States. The Authority has provided certifications and covenants as to its continued compliance with such requirements. Failure to so comply could cause the interest on the Offered Bonds to be included in the gross income of the holders thereof retroactive to the date of issuance of the Offered Bonds.

Bond Counsel is of the opinion that, under existing law, interest on the Offered Bonds will constitute a preference item under section 57(a)(5) of the Code for purposes of computation of the alternative minimum tax imposed on certain individuals and corporations under section 55 of the Code.

Bond Counsel has not opined as to other federal tax consequences of holding the Offered Bonds. However, prospective purchasers of the Offered Bonds should also be aware that: (i) section 265 of the Code generally denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Offered Bonds and, in the case of a financial institution, that portion of the holder's interest expense allocated to the Offered Bonds; (ii) with respect to insurance companies subject to the tax imposed by section 831 of the Code, section 832(b)(5)(B)(i) reduces the deduction for losses incurred by 15 percent

of the sum of certain items, including interest on the Offered Bonds; (iii) interest on the Offered Bonds earned by certain foreign corporations doing business in the United States could be subject to a foreign branch profits tax imposed by section 884 of the Code; (iv) passive investment income, including interest on the Offered Bonds, may be subject to federal income taxation under section 1375 of the Code for an S Corporation that has Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such S Corporation is passive investment income; (v) section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest on the Offered Bonds; and (vi) receipt of investment income, including interest on the Offered Bonds, may, pursuant to section 32(i) of the Code, disqualify the recipient thereof from obtaining the earned income credit provided by section 32(a) of the Code.

Interest on the Offered Bonds includes any accrued original issue discount. Generally, original issue discount with respect to an Offered Bond is equal to the excess, if any, of the stated redemption price at maturity of such Offered Bond over the initial offering price at which price a substantial amount of all such Offered Bonds with the same maturity were sold (other than to Underwriters and other intermediaries). Original issue discount accrues actuarially over the term of an Offered Bond and results in a corresponding increase in the holder's tax basis in such Offered Bond. Holders should consult their own tax advisors with respect to the computation of original issue discount during the period in which any such Offered Bond is held.

An amount equal to the excess, if any, of the purchase price of an Offered Bond over the principal amount payable at maturity generally constitutes amortizable bond premium. The required amortization of such premium during the term of an Offered Bond will result in reduction of the holder's tax basis in such Offered Bond. Such amortization also will result in reduction of the amount of the stated interest on the Offered Bond taken into account as interest for tax purposes. Holders of Offered Bonds purchased at a premium should consult their own tax advisors with respect to the determination and treatment of such premium.

Interest paid on tax exempt obligations such as the Offered Bonds is now generally required to be reported by payors to the Internal Revenue Service ("IRS") and to recipients in the same manner as interest on taxable obligations. In addition, such interest may be subject to "backup withholding" if the Bond owner fails to provide the information required on IRS Form W 9, Request for Taxpayer Identification Number and Certification, as ordinarily would be provided in connection with establishment of a brokerage account, or the IRS has specifically identified the Bond owner as being subject to backup withholding because of prior underreporting. Neither the information reporting requirement nor the backup withholding requirement affects the excludability of interest on the Offered Bonds from gross income for federal tax purposes.

Massachusetts Tax Matters

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

Bond Counsel Opinion as to Tax Matters

On the date of delivery of the Offered Bonds the original purchasers will be furnished with the opinion of Bond Counsel substantially in the form included in APPENDIX D.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Offered Bonds, including legislation, court decisions, or administrative actions, whether at the federal or state level, may affect the tax-exempt status of interest on the Offered Bonds or the tax consequences of ownership of the Offered Bonds. No assurance can be given that future legislation, if enacted into law, will not contain provisions which could directly or indirectly reduce the benefit of the exclusion of the interest on the Offered Bonds from gross income for federal income tax purposes or any state tax benefit. Deficit reduction measures, including the limitation of federal tax expenditures, will be under ongoing consideration by the United States Congress, as will tax reform proposals. These efforts to date have included proposals to reduce the benefit of the interest exclusion from income for certain holders of tax-exempt bonds, including bonds issued prior to the proposed effective date of the applicable legislation. Future proposed changes could affect the market value or marketability of the Offered Bonds, and, if enacted into law, could also affect the tax treatment of all or a portion of the interest on the Offered Bonds for some or all holders. Holders should consult their own tax advisors with respect to any of the foregoing tax consequences.

UNDERWRITING

The Offered Bonds are being purchased by Morgan Stanley & Co. LLC, as representative of the underwriters listed upon the front cover of this Official Statement (collectively, the “Underwriters”). The Underwriters have agreed, subject to certain conditions, to purchase all of the Offered Bonds at an aggregate underwriting fee (including reimbursable expenses) equal to \$2,053,421.80. The initial public offering prices of the Offered Bonds set forth on the inside front cover page hereof may be changed without notice by the Underwriters. The Underwriters may offer and sell the Offered Bonds to certain dealers (including dealers depositing the Offered Bonds into investment trusts, certain of which may be sponsored or managed by the Underwriters) and others at prices lower than or yields higher than the offering prices or yields set forth on the inside front cover page hereof.

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

J.P. Morgan Securities LLC (“JPMS”), an underwriter of the Offered Bonds, has entered into negotiated dealer agreements (each, a “Dealer Agreement”) with Charles Schwab & Co., Inc. (“CS&Co.”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to this Dealer Agreement (if applicable to this transaction), CS&Co. will purchase Offered Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any of the Offered Bonds that such firm sells.

RATINGS

At the time of issuance, the Offered Bonds are expected to be rated “AA (sf)” by S&P and “Asf” by Fitch. Assignment of such ratings and underlying ratings to the Offered Bonds is a precondition to delivery of the Offered Bonds. See “RISK FACTORS — Effect of Ratings.”

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

NEGOTIABLE INSTRUMENTS

Pursuant to the Act, the Offered Bonds are negotiable instruments, subject only to the provisions for registration of the Issue K Bonds.

COMMONWEALTH NOT LIABLE ON BONDS

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

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with Rule 15c2-12(b)(5) promulgated by the SEC (the “Rule”), the Authority will enter into a continuing disclosure agreement, with respect to the Series of the Offered Bonds (a “Continuing Disclosure Agreement”) with the Trustee for the benefit of owners of such Series of the Offered Bonds setting forth the undertaking of the Authority regarding continuing disclosure with respect to such Bonds. The proposed form of the Continuing Disclosure Agreement is set forth in APPENDIX E.

The Authority has complied with all previous undertakings to provide annual reports or notices of material events in accordance with the Rule, except that the Authority has recently learned that, due to an administrative oversight, notices of rating downgrades for the bond insurers backing the Issue E Bonds and the Issue H Bonds were not filed on certain occasions. Notice of these downgrades has now been posted and is available on EMMA.

AVAILABILITY OF FINANCIAL AND OTHER AUTHORITY INFORMATION

The financial statements of the Authority as of and for the years ended June 30, 2012 and June 30, 2011 included in APPENDIX A of this Official Statement have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report appearing in APPENDIX A of this Official Statement.

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

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

The Authority has covenanted in the Issue K General Resolution to make periodic Issue K Loan Portfolio information publicly available no less frequently than quarterly. Such information will include operating data substantially of the type described under “APPENDIX F — POOL OF VARIABLE RATE MEFA LOANS ELIGIBLE FOR INCLUSION IN ISSUE K LOAN PORTFOLIO AS OF MARCH 31, 2013” as applicable to the Fixed Rate MEFA Loans and to the Variable Rate MEFA Loans then included in the Issue K Loan Portfolio. The Authority reserves the rights, however: (i) to alter the format in which such periodic information is presented including, without limitation, to reflect the inclusion of Fixed Rate MEFA Loans in the Issue K Loan Portfolio either as a single combine portfolio with the Variable Rate MEFA Loans included therein or as separate sub-portfolios; and (ii) to make such periodic information available either by posting as part of, or in the same manner as, annual reports filed pursuant to the Continuing Disclosure Agreement described in APPENDIX E to this Official Statement or, subject to compliance with such Continuing Disclosure Agreement, by posting on a publicly accessible website. See “CONTINUING DISCLOSURE” and “APPENDIX F — POOL OF VARIABLE RATE MEFA LOANS ELIGIBLE FOR INCLUSION IN ISSUE K LOAN PORTFOLIO AS OF MARCH 31, 2013.”

The Authority currently follows a practice of regularly releasing certain information concerning the portfolios of education loans included in certain of its trust estates, including the Issue K trust estate, and concerning its overall education loan financing program, by posting such information on a publicly accessible Internet web site maintained by or on behalf of the Authority for such purpose. Such information is currently posted to www.mefa.org. Such information may include some or all of the information described under “APPENDIX F — POOL OF VARIABLE RATE MEFA LOANS ELIGIBLE FOR INCLUSION IN ISSUE K LOAN PORTFOLIO AS OF MARCH 31, 2013,” as applicable to the Fixed Rate MEFA Loans and to the Variable Rate MEFA Loans then included in the Issue K Portfolio, and may include other factual information concerning the Authority’s education loans or the Authority’s education loan financing program that the Authority believes to be appropriate. The Authority reserves the rights: (i) to alter or discontinue this policy at any time without notice; and (ii) to satisfy contractual secondary market disclosure obligations with respect to the Issue K Bonds in part by reference to information that is posted in this manner without thereby becoming contractually obligated to continue releasing such information in this manner. See “CONTINUING DISCLOSURE.”

FINANCIAL ADVISOR

Samuel A. Ramirez and Company, Inc. (“Ramirez”) has acted as an independent financial advisor to the Authority with respect to certain aspects of the transactions described herein. Ramirez is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for, the accuracy, completeness, or adequacy of the information contained in this Official Statement and the appendices hereto. Ramirez is a registered municipal broker-dealer but is not an underwriter of, or a member of any underwriting syndicate or selling group with respect to, the Offered Bonds.

MISCELLANEOUS

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

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

MASSACHUSETTS EDUCATIONAL FINANCING AUTHORITY

By: /s/ Thomas M. Graf
Thomas M. Graf
Executive Director

Dated: June 20, 2013

APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY

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Massachusetts Educational Financing Authority

**Financial Statements with Management's
Discussion and Analysis
June 30, 2012 and 2011**

Massachusetts Educational Financing Authority
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June 30, 2012 and 2011

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Report of Independent Auditors

To the Members of the Agency
Massachusetts Educational Financing Authority:

In our opinion, the accompanying balance sheets and the related statements of revenues, expenses and changes in net assets and of cash flows present fairly, in all material respects, the financial position of the Massachusetts Educational Financing Authority (the "Authority") at June 30, 2012 and 2011, its changes in financial position, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying Management's Discussion and Analysis on pages 2 through 11 is required by accounting principles generally accepted in the United States of America to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in the appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of the Authority taken as a whole. The supplemental information on pages 40 through 47 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers LLP".

PricewaterhouseCoopers LLP
December 18, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

This discussion and analysis of the financial position and performance of the Massachusetts Educational Financing Authority (the "Authority") is intended to provide an introduction and analytical overview of the basic financial statements of the Authority on a comparative basis for the fiscal years ended June 30, 2012 and 2011. This unaudited management's discussion and analysis should be read in conjunction with the attached audited financial statements and the notes thereto in its entirety.

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

Since inception, the Authority has originated loans in cooperation with participating non-profit independent and public colleges and universities and other sponsors, if any, designated from time to time by the Authority, in accordance with common criteria and procedures. The programs are funded using proceeds from Educational Loan Revenue Bonds issued by the Authority (the "Bonds"). The primary goal of these programs is to provide education loans to eligible students and families which will assist them with the cost of attendance at eligible higher education institutions within the Commonwealth and beyond.

In addition to the proprietary, unsecured consumer loan programs, the Authority began participating in the Federal Family Education Loan Program (the "FFELP") in July 2002. The FFELP is a federal program that allows undergraduate and graduate borrowers at eligible postsecondary schools to obtain low cost education loans. Effective July 1, 2010 new legislation eliminated the ability to provide new loans under FFELP and requires that all new federal loans are to be made through the Direct Loan Program which is administered by the Federal Government. The new law did not affect the terms and conditions of existing FFELP loans originated by the Authority. The Authority previously offered five types of loans in the FFELP: Subsidized Stafford, Unsubsidized Stafford, Parent Loan for Undergraduate Students (PLUS), Graduate and Professional Students and Consolidation Loans. The interest rate charged to the borrower varies based upon the type of loan and the regulations in effect at the time the loan was originated. The FFELP is also funded using proceeds from the Bonds or Notes. As part of the FFELP, the U.S. Department of Education (the "ED") makes special allowance payments that could result in the loan yield to the lender being higher than the rate charged to the borrowers. Beginning with disbursements on or after April 1, 2006, the ED requires lenders to make payment on their individual FFELP portfolios to the ED for the difference when the rate to the borrower is in excess of the stated lender yield for that particular FFELP program. The lender yield is variable and not dependent on whether the underlying loan to the borrower is fixed or variable. The amount of special allowance payments is based upon the type of loan and regulations in effect at the time of origination.

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

In addition to the loan programs, the Authority offers two college savings programs: The U.Plan: The Massachusetts Tuition Prepayment Program (the "U.Plan") and the U.Fund College Investing Plan (the "U.Fund"). The U.Plan, launched in February 1995, is a pre-paid tuition program that permits saving for a named beneficiary's undergraduate tuition and mandatory fees at participating Massachusetts colleges and universities in a manner designed to preserve the purchasing power of savings. The U.Fund, launched in March 1999, is a tax-advantaged method of saving for higher education costs (under I.R.S. Code, Section 529) generally through investment vehicles such as stock, bond and money market mutual funds. These

funds are professionally administered and managed by Fidelity Investments (an unrelated party) on behalf of the account owners and are accordingly not a component of these financial statements. Proceeds earned by program participants through investing in the U.Fund are available to pay for costs of higher education nationwide.

USING THE FINANCIAL STATEMENTS

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

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

FISCAL YEAR DEVELOPMENTS

At June 30 2012, the Authority had outstanding \$278M in auction rate certificates (ARC). With a decline in investor demand for both taxable and tax-exempt securities, the weekly, monthly and annual auctions failed in February of 2008 and remain in this status at June 30, 2012. The failure of the auctions does not constitute a default on the bonds and all principal and interest due has been paid to date. With the occurrence of a failed auction, the bondholders are entitled to receive a maximum rate of interest as described in the related bond documents. The formulaic maximum rate is greater than the historical market rates achieved through the successful auctions prior to the failures. The Authority continues to evaluate the strategic options to restructure or refinance the auction rate securities to continue providing liquidity to the auction rate investors and mitigate the earnings compression for the outstanding trust estate.

Adopted in July 2010, the Finance Advisory Board ("FAB") was established by the Commonwealth to further transparency, accountability and best practices among state entities with respect to investments, borrowing or other financial transactions involving public funds made or entered into by state entities. These regulations apply to the management of debt and derivative financial products by state entities authorized to issue debt (of which the Authority is one). As part of the State budget process in 2012, the governing laws of the FAB were amended to include provisions establishing the State Finance and Governance Oversight Trust that the Secretary of Administration and Finance may fund, after consulting with the FAB, from assessing fees to state entities for their new debt issuance and their assets under management. As of June 30, 2012, no fees had been proposed or assessed to the Authority through this process.

In April of 2011, the Authority was advised by the Financial Institution Oversight Service (“FIOS”) of the federal Department of Education (the “Department”) that a program review of the Authority’s participation during the Authority’s fiscal year 2007 in the Federal Family Education Loan Program (“FFELP”), which was performed in August 2010, had resulted in a preliminary finding that a certain contract that the Authority had entered into with a third party for marketing and administrative services contained “prohibited inducements” within the meaning of the federal Higher Education Act. The FIOS program review was initiated in response to information included in a report filed with the Department by the Authority’s independent auditor, in accordance with FFELP requirements. The contract in question was entered into in calendar year 2003 and terminated in calendar year 2008. The Authority ceased financing additional Authority FFELP Loans in 2008 in response to federal statutory changes and to capital market conditions. Subsequent federal legislation has terminated FFELP loan origination nationally. In connection with its preliminary finding, FIOS requested certain information from the Authority regarding this and two other contracts between the Authority and the same third party. The Authority has responded to the preliminary FIOS finding by providing the requested information, indicating its disagreement with the preliminary finding and urging FIOS to reconsider the finding. By letter dated May 30, 2012, the Department advised the Authority that it had concluded its program review without change to this preliminary finding and that the Department expected to further review this finding for potential responsive action by the Department. There can be no assurance to the outcome of these proceedings. Although the possibility exists that the Department may seek to impose a monetary penalty upon the Authority, the Department has not at this time advised the Authority of any intent to do so, of the potential amount of any such monetary penalty or of any intent to impose another sanction.

FINANCIAL HIGHLIGHTS

In the financial operations of the Authority, there are principal operating and non-operating components that make up a significant portion of the overall activities. During FY2012, under the loan programs, the Authority disbursed \$165M in private loans, a decrease of 5% from \$173M in private loan disbursements during FY2011. For the U.Plan program, the Authority had \$13.2M of matured tuition certificates on its financial statements as a liability to program participants at June 30, 2012, an increase of 15% from FY2011. In the U.Fund, net assets continued to increase by 3% during FY2012 compared with a 23% increase in FY2011. Contributions to the U.Fund decreased by 6% in FY2012 and increased by 12% in FY2011. The principal operating revenues for the Authority continue to be interest on education loans. Non-operating revenues are primarily composed of investment income and Treasury regulations yield restriction income. The principal operating expenses are bond interest expense and general and administrative costs. Non-operating expenses are primarily composed of loan program features and state program contributions.

The total net assets of \$121.3M at the end of 2012 represented a 5% increase from the beginning of the fiscal year. This increase was the result of the following principal operating and non-operating activities at the Authority. Interest income on education loans was \$84.5M and represents 90% of total revenues in what continues to be a challenging consumer credit environment. Interest expense on bonds outstanding, was \$61.1M, or 69% of total expenses. Non-operating expenses increased to \$3.3M as the Authority recorded the reimbursement expense of commitment fee deposits received by the Authority from participating schools for loans historically originated with bond proceeds that had this program feature. Investment interest income was \$341K, with assets continuing to be invested in a portfolio of vehicles providing short-term flexibility and principal protection. The Authority’s general and administrative expenses remained level at \$16.8M in 2012 and represented 20% of the total operating expenses. The Authority also purchased in lieu of redemption approximately \$5M in outstanding auction rate bonds during FY2012 resulting in a gain of \$788K. Based on these operating and non-operating activities, the Authority reflected an increase in net assets for the fiscal year of \$5.3M to \$121.3M.

OPERATING AND NON-OPERATING RESULTS

The following illustrates the comparative results of total revenues from fiscal years ended June 30, 2012, 2011 and 2010, respectively:

(in thousands)

	2012	2011	2010
Operating revenues			
Interest on educational loans notes receivable	\$ 84,484	\$ 78,854	\$ 73,612
Non-interest revenues	7,846	7,296	8,981
Total operating revenues	92,330	86,150	82,593
Non-operating revenues	378	2,985	7,013
Special items	788	13,003	2,647
Total revenues	<u>\$ 93,496</u>	<u>\$ 102,138</u>	<u>\$ 92,253</u>

Total revenues for the Authority were \$93.5M in FY2012. Interest income on education loan notes receivable increased by 7% from FY2011, representing 92% of operating revenues. The Authority recognized \$165M in new loans disbursed during FY2012, a 5% decrease from \$173M during FY2011. Non-interest revenues, which are comprised of loan origination fees and college savings plan revenues, were \$7.8M in FY2012, an increase of 8% from FY2011. Loan origination fees increased to \$2.3M in FY2012 and represented 30% of non-interest revenues during FY2012. College savings plan revenues increased by 4% to \$4.1M in 2012 and represent approximately 52% of non-interest revenues during FY2012. Other non-interest operating revenues were \$1.4M in FY2012, the same level as FY2011, and were 18%, 20% and 32% of non-interest revenues over the three years presented.

Non-operating revenues were \$378K, an 87% decrease from FY2011. As the Federal Reserve maintained its interest rate policies related to the macro-economic environment, the nominal level of interest rates remained suppressed in FY2012. The investment portfolio reacted accordingly and produced \$341K in interest and dividend income in FY2012, a decrease of 71% from FY2011, which included the fair value change income of \$357K related to an ineffective swap. The Trustee investment income decreased by 78% to \$245K and the Authority and college savings investment income decreased 3% to \$96K as the investment strategy related to principal protection was maintained. Interest and dividend income was 90%, 40% and 79% of non-operating revenues for the years ended June 30, 2012, 2011 and 2010, respectively. Arbitrage rebate estimates for the tax-exempt bond portfolio resulted in \$37K in income for FY2012 as compared to \$70K in income in FY2011.

In FY2012 there was \$788K in special items for the Authority compared to \$13M in FY2011. In FY2012, approximately \$5M in outstanding auction rate bonds were purchased in lieu of redemption resulting in a gain on the retirement of debt of \$788K which was recognized in the current period. In FY2011, approximately \$55M in outstanding auction rate bonds was purchased in lieu of redemption resulting in a net gain on the retirement of debt totaling \$13M.

The following illustrates the comparative results of total expenses from fiscal years ended June 30, 2012, 2011 and 2010, respectively:

(in thousands)

	2012	2011	2010
Operating expenses			
Interest expense on bonds outstanding	\$ 61,143	\$ 62,877	\$ 76,491
Non-interest expenses	23,755	24,649	25,321
Total operating expenses	84,898	87,526	101,812
Non-operating expenses	3,333	1,000	3,856
Total expenses	<u>\$ 88,231</u>	<u>\$ 88,526</u>	<u>\$ 105,668</u>

For the year ending June 30, 2012, expenses totaled \$88.2M. Interest expense for bonds outstanding decreased by 3% from FY2011 and remained level at 72% of operating expenses in FY2012 compared to FY2011. The decrease in the bond interest expense is due to the recognition of deferred gains related to prior period purchase in lieu of redemption activities that are appropriately recorded against bond interest expense in FY2012. The \$13.6M decrease in FY2011 bond interest expense is primarily due to the decrease in interest rate swap payments that are no longer required due to the negotiated settlement of the swap portfolio in FY2010. With the last outstanding swap payment made on January 1, 2011 there are no interest rate swap agreements outstanding at June 30, 2011.

Non-interest operating expenses have decreased by 4% in FY2012. Deferred financing amortization expense was at \$2.3M in both FY2012 and FY 2011 as compared to the \$3.6M in FY2010 results which included a non-recurring accelerated amortization related to the retirement of debt. Bond insurance expense decreased 10%, driven by the reduction in bonds outstanding that are insured. General and administrative expenses remained consistent at \$16.8M in FY2012 as savings in personnel and loan program administration expenses offset an increase in professional fee expenses related to the continued expansion of outreach activities. The provision for doubtful educational loan notes decreased by 15% to \$3.6M in FY2012 as compared to \$4.2M in FY2011 and represented 15%, 17% and 12% of total non-interest operating expenses for each year presented.

Non-operating expenses increased to \$3.3M in FY2012 as the Authority recorded an expense of \$1.9M for commitment fee reimbursements related to historical originations that incorporated this program feature. In FY2012 and FY2011, the non-operating expenses reflected the Authority's continued payments to the Commonwealth for program and administrative expenditures for higher educational services to Massachusetts students that began in FY2009. As a result of these operating and non-operating activities during FY2012, total expenses for the Authority were consistent with the prior year.

CHANGE IN NET ASSETS

The following illustrates the comparative results of increases in net assets from fiscal years ended June 30, 2012, 2011 and 2010, respectively:

(in thousands)

	2012	2011	2010
Operating revenues	\$ 92,330	\$ 86,150	\$ 82,593
Operating expenses	84,898	87,526	101,812
Operating income (loss)	7,432	(1,376)	(19,219)
Non-operating revenues	378	2,985	7,013
Non-operating expenses	3,333	1,000	3,856
Non-operating (loss) income	(2,955)	1,985	3,157
Special items	788	13,003	2,647
Increase (decrease) in net assets	<u>\$ 5,265</u>	<u>\$ 13,612</u>	<u>\$ (13,415)</u>

The Authority had operating income of \$7.4M in FY2012, which was an increase of \$8.8M from the FY2011 operating loss of \$1.4M. The operating income reflects the 7% increase in operating revenues driven by a \$5.6M increase in education loan note interest income and a 3% decrease in operating expenses resulting from lower bond interest and provision for doubtful education loan expenses totaling \$2.4M. The FY2011 operating loss decreased by \$18M, or 93%, to \$1.4M. For FY2011 operating revenues increased 4% as interest on education loan notes increased by \$5.2M. The operating expenses in FY2011 decreased by 14%, or \$14.3M. This continued the trend from FY2010 that produced a 9% reduction.

The non-operating loss in FY2012 was \$3.0M. Related to non-operating revenues, the Authority maintained an investment strategy of short-term flexibility and principal protection. With the Federal Reserve maintaining its low interest rate policies, and the Authority successfully converting cash into higher yielding loan assets, the investment income appropriately reflected a 71% decrease to \$341K in FY2012 from \$1.2M in FY2011, which included the fair value change income related to an ineffective swap of \$357K. In FY2012, the Authority expensed \$1.9M for commitment fee reimbursements related to historical originations that incorporated this program feature. Also, the Authority continued the payments to the Commonwealth, \$1M in FY2012 and FY2011, compared to \$1.6M in FY2010, for program and administrative expenditures related to higher educational services to Massachusetts students that began in FY2009.

Special items were \$788K in FY2012, related to a gain on the cash purchase in lieu of redemption of outstanding auction rate debt of \$5M. This was a decrease from \$13M in FY2011 that resulted from the purchase in lieu of redemption of outstanding auction rate debt of \$55M. As a result of these activities, the net assets increased \$5.3M during FY2012.

FINANCIAL POSITION

The following table reflects the condensed Balance Sheet at June 30, 2012 compared to the prior fiscal years ended 2011 and 2010. The Balance Sheet presents the financial position and financial strength of the Authority at the end of the fiscal year and includes all of the assets and liabilities of the Authority with the residual being classified as net assets.

(in thousands)

	2012	2011	2010
Assets			
Education loan note receivable	\$ 1,456,659	\$ 1,435,584	\$ 1,386,568
Cash and investments	459,570	312,129	477,202
Other assets	56,302	65,326	80,398
Total assets	1,972,531	1,813,039	1,944,168
Liabilities			
Bonds payable	1,754,157	1,610,069	1,757,760
Bond interest payable	29,939	29,470	29,085
Other liabilities	67,092	57,422	54,857
Total liabilities	1,851,188	1,696,961	1,841,702
Net Assets			
Invested in capital assets	1,739	2,164	2,381
Restricted	103,247	89,222	74,334
Unrestricted	16,357	24,692	25,751
Total net assets	\$ 121,343	\$ 116,078	\$ 102,466

The total net assets were \$121.3M at June 30, 2012, an increase of \$5.3M, or 5%. Education loan notes receivable remained consistent year over year in FY2012. The three-year ratio trend of education loan note receivables to total assets was 74%, 79% and 71% at June 30, 2012, 2011 and 2010, respectively. The 47% increase in cash and investments in FY2012 is related to the closing of a \$168M bond transaction at the end of the fiscal year which will support education loan note originations during FY2013. Other assets decreased 14% primarily due to the classification of \$6.7M in interest receivable which resided in other assets when loans were in deferment and moved to educational loan notes receivable as loans entered repayment. Bonds payable increased 9% in FY2012 as the Authority recognized the net impact of new transaction issuance of \$271M related to new loan originations and bond retirements of \$127M. Accrued bond interest payable increased by 2% due to Issue J2011's accrual representing a full term of interest at June 30, 2012 versus a partial term from the closing date at June 30, 2011. Other liabilities increased by 17% primarily due to a \$4.4M increase in deferred loan origination and other fees as a result of the new loan disbursements.

Within net assets, 87% is comprised of invested in capital assets and those assets that are restricted through bond resolutions and program specific regulations. Restricted assets in FY2012 increased by 16% over the prior year as the Authority invested previously unrestricted net assets in two new bond transactions to support loan originations through the Trusts and concurrently unrestricted net assets decreased by 34% reflecting the continued investment in the loan programs by the Authority.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows presents information showing how the Authority's cash and cash equivalents position changed during the fiscal year. The Statement of Cash Flows classifies cash receipts and cash payments as resulting from operating activities, capital and related financing activities, and investing activities. Cash and cash equivalents were \$408.3M, \$254.9M, and \$402.2M at June 30, 2012, 2011 and 2010, respectively. This cash ending balance reflects the net activity of raising proceeds in the capital markets, disbursing that cash into education loans and collecting the loan payments over the assets' life to pay debt service and operating expenses.

EDUCATIONAL LOAN NOTES ALLOWANCE ANALYSIS

As of and for the years ending June 30, 2012, 2011 and 2010, respectively, the activity for the Authority's Education Loan Notes Allowance for Doubtful Accounts was as follows:

(in thousands)

Education Loan Note Defaulted Loans Provision

	<u>FY2012</u>	<u>FY2011</u>	<u>FY2010</u>
Allowance at beginning of period	\$30,193	\$25,953	\$23,022
Provision for Education Loan Losses	<u>\$3,585</u>	<u>\$4,240</u>	<u>\$2,931</u>
Allowance at end of period	<u>\$33,778</u>	<u>\$30,193</u>	<u>\$25,953</u>
Gross Loan Defaults	\$24,268	\$21,721	\$21,673
Recoveries	\$9,078	\$7,436	\$6,285
Net Loan Defaults	<u>\$15,190</u>	<u>\$14,285</u>	<u>\$15,388</u>
Net Loan Defaults as a percentage of average loans in repayment	1.30%	1.33%	1.59%
Allowance multiple of Average Non-Current Loans in Repayment (90+ days)	1.34	1.22	1.12
Allowance as a percentage of the ending total loan balance	2.37%	2.13%	1.88%
Allowance as a percent of ending loans in repayment	2.84%	2.68%	2.56%
Ending total loans, gross	\$1,423,891	\$1,417,877	\$1,380,701
12 Month Average in repayment	\$1,172,081	\$1,075,247	\$967,143
Ending loans in repayment	\$1,189,571	\$1,128,225	\$1,012,057
12 Month Average 90+ Days delinquent	\$25,298	\$24,726	\$23,268
90+ Days delinquent % of Avg Repayment	2.16%	2.30%	2.41%

The Authority purchases proprietary, unsecured consumer loans from participating institutions at the original principal amount of the note less the applicable origination fee for the loan based on the program from which the loan was issued. The Authority historically originated FFELP loans at the principal amount of the note plus any benefit offered to borrowers impacting the origination fee due to the federal government but did not originate new loans in fiscal years 2012, 2011 and 2010.

The Authority uses loan modifications to assist private loan borrowers demonstrating a need for temporary payment relief during difficult economic times. The loan modification plans in place temporarily reduces the borrower's monthly payment for up to a two year period without changing the original loan term or interest rate. As of June 30, 2012, the total principal balance outstanding of loans in a modification status was \$52M, or 4% of all loans outstanding. At June 30, 2012, these modified loans were 96% current, defined as less than 30 days past due, in regards to monthly payments received under the modified terms.

During FY2012, the Authority continued its methodology for estimating the allowance for doubtful accounts. The defaulted loans provision for doubtful accounts increased \$3.6M to \$33.8M in FY2012 compared to a \$4.2M increase to \$30.2M in FY2011. The amount of loans in repayment increased by \$62M, or 5%, in FY2012 and increased \$116M, or 11% in FY2011. The amount of loans in deferment at June 30, 2012 decreased by 19% to \$233M, or 16% of gross education loan receivables. The amount of loans in deferment at June 30, 2011 decreased by 21% to \$288M, or 20% of gross education loan receivables. Approximately \$2.8M of the defaulted loan provision allowance is allocated to education loans in deferment in FY2012. For the prior years, approximately \$4.0M in FY2011 and \$4.3M in FY2010 of the defaulted loan provision allowance is allocated to education loans in deferment. The methodology

for the defaulted loan allowance is derived from historical information based on the loan portfolios performance to achieve the current estimated net realizable value of the outstanding education loan notes.

DEBT ADMINISTRATION

As of June 30, 2012, the Authority had \$1.8B of principal debt outstanding which represented a 9% increase from FY2011. All of the Authority's outstanding debt is rated by the nationally recognized rating agencies. The Issue E indenture is insured by Ambac Assurance Corporation and has published ratings without credit to the insurer of AA by S&P, AA by Fitch and Aa3 by Moody's. The FRN indenture is not insured and is rated AA+ by S&P, Aaa by Moody's, and AAA by Fitch. The Issue H indenture is insured by Assured Guaranty and has published ratings without credit to the insurer of AA by S&P and A1 by Moody's. The Issue I indenture is not insured and has published ratings of AA by S&P and A by Fitch and the Issue J indenture is not insured and has published ratings of AA by S&P and A by Fitch. The following is the segmentation of the bonds' outstanding portfolio:

- Fixed rate tax-exempt revenue bonds that were issued to fund fixed rate loans represents 74% of the outstanding bond portfolio (increase from 69% in FY2011 and 66% in FY2010)
- Annual tax-exempt auction rate bonds that were issued to fund the annual variable rate loans accounted for 4% of the outstanding bond portfolio (decrease from 5% in FY2011 and no change from FY2010)
- 35 day tax-exempt auction rate bonds that were issued to fund FFELP loan products and variable rate private loans were 3% of the outstanding bond portfolio (no change from 3% in FY2011 and FY2010)
- 28 day taxable auction rate bonds that were issued to fund variable rate private loans were 8% of the outstanding bond portfolio (decrease from 9% in FY2011 and 11% in FY2010)
- 7 day taxable auction rate bonds that were issued to fund variable rate private loans were 1% of the outstanding bond portfolio (no change from FY2011 and FY2010)
- Floating Rate Notes indexed to Libor that were issued in 2008 to fund existing FFELP loan products represent 10% of the outstanding bond portfolio (decrease from 13% in FY2011 and 14% in FY2010)

The Authority uses interest rate exchange agreements to provide a cap on the variable rate bonds interest rate. The use of derivatives has multiple risks inherent in their overall structure. Such risks include credit risk, basis risk, termination risk, origination risk, tax risk and prepayment risk. To mitigate some of the risks, the Authority implemented credit support annexes and limited the option of termination by the counterparties to defined events in the International Swap Dealers Association ("ISDA") agreements. At June 30, 2012, the Authority had outstanding \$203M in notional derivative products, a decrease of \$8M from FY2011, composed of tax-exempt and taxable bonds with a cap on the variable interest rate.

CAPITAL ASSETS

For the year ended June 30, 2012, the Authority had \$1.7M invested in capital assets. This amount represents a net decrease (additions, disposals and depreciation) of \$425K in such assets. The following reconciliation summarizes the change in capital assets. The Authority purchased \$453K of new capital assets during FY2012 which were primarily related to a computer software development project associated with the development and implementation of an upgraded loan certification platform that supports the web based origination process

(in thousands)

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Beginning balance, net	\$ 2,164	\$ 2,381	\$ 1,941
Additions	453	586	1,077
Disposals	-	-	-
Depreciation	<u>(878)</u>	<u>(803)</u>	<u>(637)</u>
Ending balance, net	<u>\$ 1,739</u>	<u>\$ 2,164</u>	<u>\$ 2,381</u>

FINANCIAL CONTACT

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

Massachusetts Educational Financing Authority
Balance Sheets
As of June 30, 2012 and 2011
(in thousands)

	2012	2011
Assets		
Current assets		
Cash and cash equivalents (Notes 3 and 4)	\$ 192,355	\$ 149,274
Investments, at fair value (Notes 3 and 4)	32,094	28,452
Education loan notes receivable, net (Notes 5 and 11)	166,993	145,373
Interest receivable on educational loan notes	30,302	37,915
Prepaid expenses and other assets	2,395	2,788
Deferred financing costs, net (Notes 3 and 6)	945	800
Interest receivable for cash, cash equivalents and Investments	3	28
Total current assets	425,087	364,630
Non-current assets		
Cash and cash equivalents (Notes 3 and 4)	215,987	105,670
Investments, at fair value (Notes 3 and 4)	19,134	28,733
Derivative Instruments – caps (Notes 3 and 8)	1,797	2,776
Education loan notes receivable, net (Notes 5 and 11)	1,289,666	1,290,211
Prepaid expenses and other assets	2,924	3,231
Deferred financing costs, net (Notes 3 and 6)	16,197	15,624
Capital equipment, net of accumulated depreciation (Note 14)	1,739	2,164
Total assets	\$ 1,972,531	\$ 1,813,039
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	\$ 15,523	\$ 13,525
Bonds payable – current portion (Note 7)	35,130	24,333
Certificates payable (Note 10)	7,221	4,802
Accrued bond interest payable	29,939	29,470
Deferred loan origination and other fees	2,238	1,933
Total current liabilities	90,051	74,063
Non-current liabilities		
Bonds payable – net of current portion (Note 7)	1,719,027	1,585,736
Deferred Inflow of Resources – caps (Notes 3 and 8)	1,797	2,776
Deferred loan origination and other fees	37,332	33,247
Other liabilities	2,981	1,139
Total liabilities	1,851,188	1,696,961
Net assets		
Invested in capital assets	1,739	2,164
Restricted	103,246	89,222
Unrestricted	16,358	24,692
Total net assets	121,343	116,078
Total liabilities and net assets	\$ 1,972,531	\$ 1,813,039

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

Massachusetts Educational Financing Authority
Statements of Revenues, Expenses and Changes in Net Assets
For the years ended June 30, 2012 and 2011
(in thousands)

	2012	2011
Operating revenues		
Interest on education loan notes receivable (Note 3)	\$ 84,484	\$ 78,854
Loan origination and other fees, net	2,321	1,916
College savings plan interest and fees	4,086	3,942
Other revenue	1,439	1,438
Total operating revenues	92,330	86,150
Operating expenses		
Bond interest expense	61,143	62,877
Bond insurance	655	725
Deferred financing costs, amortized	2,286	2,294
Provision for doubtful education loan notes receivable	3,585	4,240
Credit decision fees	307	375
General and administrative (Notes 3, 12, 13, and 14)	16,834	16,790
Other expense	88	225
Total operating expenses	84,898	87,526
Operating income (loss)	7,432	(1,376)
Non-operating revenues/(expenses)		
Interest and dividends	341	1,193
Arbitrage rebate income	37	70
Commitment fees to participating schools (Note 9)	(1,893)	-
Contributions to the Commonwealth (Note 15)	(1,000)	(1,000)
Yield restriction on education loan notes receivable	(440)	1,722
Net non-operating (expenses)/revenues	(2,955)	1,985
Increase in net assets before special items	4,477	609
Special items		
Net special items related to the bond program (Note 16)	788	13,003
Total increase in net assets	5,265	13,612
Net assets, beginning of year	116,078	102,466
Net assets, end of year	\$ 121,343	\$ 116,078

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

Massachusetts Educational Financing Authority
Statements of Cash Flows
For the years ended June 30, 2012 and 2011
(in thousands)

	2012	2011
Cash flows from operating activities:		
Payments for disbursed loans	\$ (165,460)	\$ (172,856)
Payments received on outstanding loan principal	174,579	160,793
General and administrative payments	(14,870)	(16,525)
Interest received on education loans	65,179	57,670
Proceeds from other sources	5,527	5,331
Net cash provided by operating activities	64,955	34,413
Cash flows from non-capital financing activities		
Proceeds from issuance of bonds	274,973	0
Deferred financing costs	(3,005)	(70)
Bond interest paid	(64,178)	(64,702)
Principal payments on bonds payable	(126,593)	(132,478)
Contributions to the Commonwealth	(1,000)	(1,000)
Net cash provided by (used in) non-capital financing activities	80,197	(198,250)
Cash flows from capital financing activities		
Purchase of capital equipment and software development	(453)	(586)
Net cash used in capital financing activities	(453)	(586)
Cash flows from investing activities		
Proceeds from maturity/sale of investments	48,327	104,171
Purchases of investments	(39,951)	(86,935)
Interest and dividends received on cash and investments	367	851
Arbitrage rebate payments	(44)	(933)
Net cash provided by investing activities	8,699	17,154
Net increase (decrease) in cash and cash equivalents	153,398	(147,269)
Cash and cash equivalents, beginning of year	254,944	402,213
Cash and cash equivalents, end of year	\$ 408,342	\$ 254,944

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

Massachusetts Educational Financing Authority
Statements of Cash Flows, continued
For the years ended June 30, 2012 and 2011
(in thousands)

Reconciliation of operating income (loss) to net cash provided by operating activities	<u>2012</u>	<u>2011</u>
Operating income (loss)	\$7,432	\$(1,376)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation expense	879	803
Provision for doubtful education loan notes receivable	3,585	4,240
Amortization of deferred financing costs	2,286	2,294
Bond interest expense	61,143	62,877
Changes in assets and liabilities:		
Education loan notes receivable	(25,100)	(51,532)
Deferred loan origination and other fees	4,390	5,054
Interest receivable on education loan notes	7,613	10,863
Accounts payable and accrued expenses	2,028	(24)
Prepaid expenses and other assets	699	1,214
Net cash provided by operating activities	<u>\$64,955</u>	<u>\$34,413</u>

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

NOTES TO FINANCIAL STATEMENTS

1. THE AUTHORITY

The Massachusetts Educational Financing Authority (the "Authority") is a body politic and corporate, constituting a public instrumentality of The Commonwealth of Massachusetts (the "Commonwealth"). The Authority was established as the Massachusetts College Student Loan Authority pursuant to Chapter 803 of the Acts of 1982, as amended (the "Act"), in recognition of the increasing costs of higher education, to assist students, their parents and institutions of higher education in the Commonwealth in financing, refinancing, and saving for the costs of such education.

In furtherance of the purposes of the Act, the Authority is engaged in loan purchase programs under which participating institutions originate loans, in accordance with common criteria and procedures, for sale to the Authority. The programs are carried out using proceeds from Education Loan Revenue Bonds and Auction Rate Securities (the "Bonds") (see *Note 7*). The programs incorporate the following features: prudent lending standards, fixed and variable rate loans, financing programs open concurrently to a number of educational institutions, including public, private and out-of-state, and various reserves established as security for the loan programs. A primary goal of the programs is to provide education loans on terms and conditions to finance the costs of attendance for as many families as possible at the not-for-profit institutions in the Commonwealth as well as Commonwealth residents attending higher education institutions out of the state. During FY2012, 95 Massachusetts and 364 out of state public and private not for profit institutions participated in the loan programs.

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

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

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

In July 2002, the Authority, introduced the Federal Family Education Loan Program (the "FFELP") as a means to complement the existing proprietary consumer loan products and enhance the potential borrowing options available to families attending educational institutions within the Commonwealth and residents of the Commonwealth who choose to attend college out of state. FFELP regulations require up-front origination fees be deducted from the proceeds of the student loans and remitted to the federal government. In the case of defaults on FFELP loans, the federal government guarantees to the participating lenders 98% of the principal and interest outstanding for those loans originated prior to July 1, 2006 and 97% for loans originated prior to the conclusion of the program by the Federal government on July 1, 2010.

Beginning with disbursements on or after April 1, 2006, the U.S. Department of Education (the "ED") is requiring lenders to make payment on their individual FFELP portfolios to the ED for the difference when the rate to the borrower is in excess of the stated lender yield for that particular FFELP program. As part of the FFELP, the ED makes special allowance payments that could result in the loan yield to the lender being

higher than the rate charged to the borrowers. The lender yield is variable and not dependent on whether the underlying loan to the borrower is fixed or variable. The amount of special allowance payments is based upon the type of loan and regulations in effect at the time of origination.

2. BASIS OF PRESENTATION

Accounting and Reporting Standards

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

On July 1, 1995, the Authority adopted GASB Statement No. 20 "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting", under which it elected to apply all applicable GASB pronouncements as well as pronouncements issued on or before November 30, 1989 by the Financial Accounting Standards Board (FASB), unless those pronouncements conflict with or contradict GASB pronouncements.

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

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

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

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

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

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

- **Participation Fund for Public Colleges and Universities of the Commonwealth**
Pursuant to Chapter 65, Section 3, of the Acts of 1984, the Authority established the State Colleges and Universities Participation Fund. Monies in the participation fund may be used solely for the purpose of supporting the participation of public colleges and universities in the Authority's education loan programs. The contingent liabilities of participating public educational institutions are supported by the participation fund.
- **Program Reserve Fund**
Pursuant to Chapter 15C, Section 5C, of the General Laws as established by Chapter 803 of the Acts of 1981, and as amended by Chapter 133, Section 12, of the Acts of 1992 (the "Act"), the program reserve fund was established by the Authority. The Act authorized the Authority to develop and establish a comprehensive state-supported supplemental education loan program. The program consists of lending medium and long-range fixed rate and variable rate loans. These programs were structured to operate as a line of credit or other programs and options as the Authority may determine to be useful and feasible. These programs shall operate at effective rates of interest and other feasible terms.
- **Unrestricted net assets:** net assets that are not subjected to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Directors or may otherwise be limited by contractual agreements with outside parties. The Authority's unrestricted net assets include the general fund, where operational expenses and purchases of capital assets are paid, and the U.Fund. The general fund may also include outstanding loans that remain after an entire trust is retired.
 - **General Fund**
The General Fund, through monthly draws from the Trusteed Funds, Program Reserve Fund and College Savings Funds, maintains the funds available for paying the operating expenses of the Authority, purchasing the capital assets for the Authority on an as needed basis and supporting the capital market activities through direct contributions for cost of issuance and over collateralization requirements of structured transactions.
 - **U.Fund**
The U.Fund is governed by the terms and conditions of participation described in the Fidelity Brokerage Services, Inc. Customer Agreement and the U.Fund Supplemental Information. While the beneficial interests of the participants of the U.Fund (or overall aggregate value of these funds) are not included in the financial statements, the Authority does receive certain fees and incurs related operating expenses in connection with the U.Fund that are included in these financial statements. The related revenue earned and expenses incurred by the Authority in offering the U.Fund program are not subject to externally imposed stipulations and therefore the aggregate net assets of the program are classified on the Balance Sheet as unrestricted (*see Note 10*).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Management Estimates

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

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

Cash, Cash Equivalents and Investments

Cash and cash equivalents are comprised of cash in bank depository accounts. The investments of the Authority, the alternatives of which are governed by the Authority's enabling legislation, include short term money market funds and guaranteed investment contracts carried at contract value, which approximates fair value.

Purchase Discounts

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

Interest and Fees on Education Loan Notes Receivable

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

Deferred Financing Costs

Deferred financing costs are composed of underwriters' discounts and costs related to the debt issuance and are amortized to expense over the life of the related debt utilizing the effective interest method.

Allowance for Education Loan Notes Receivable

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

In accordance with the Internal Revenue Code of 1986 (the "Code") and the related Treasury regulations, the Authority is required to keep the yield to the Authority on student loans within a designated percentage of the interest cost of the related tax-exempt borrowing. The Authority has traditionally selected to utilize loan forgiveness at the retirement of the bonds to keep the yield within the designated percentage of the interest costs of the related tax-exempt borrowing. A separate method of reducing yield is to make yield reduction payments to the United States Treasury. These estimated yield reduction payments may be made by the end of the tenth year and every fifth year thereafter during the life of each bond issue and when the bonds are retired. Beginning in FY2011, the Authority contracted with a third party to calculate the estimated liability of the yield restrictions for bonds that are near the end of their term. Management works closely with this third party and reviews and evaluates all final output. Previously, the management of the Authority calculated the estimated liability. The resulting estimated liability is recorded as an adjustment to the net realizable value of the loan portfolio. The factors used in determining this estimate are sensitive to change in the future and consequently the change in estimate may be material to the financial statement results. This current model of estimating is subject to change based on management's judgment and discretion.

Arbitrage Rebate

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

Depreciation

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

Investment Earnings

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

Deferred Loan Origination and Other Fees

Within the financial statements of the Authority, there are recorded items related to a program's structure that are capitalized and are being amortized over the term of the related contract utilizing the effective interest method.

GASB 23, Accounting and Financial Reporting for Refunding of Debt

Gains and losses on retirement of debt are accounted for in accordance with GASB 23. The gains and losses on debt refunding, which involve the issuance of new debt whose proceeds are used to pay previously issued debt, have been deferred and amortized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. Gains and losses on extinguishment of debt that does not involve a refunding is recognized immediately.

Advertising

The Authority expenses advertising as incurred. For the years ended June 30, 2012 and 2011, advertising expense (included in general and administrative expenses) was \$861K and \$736K, respectively.

General and Administrative Expenses

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

Derivative Instruments

In June 2008, the GASB issued Statement No. 53 ("GASB 53"), *Accounting and Financial Reporting for Derivative Instruments*. GASB 53 is intended to improve how state and local governments report information about derivative instruments, financial arrangements used by governments to manage specific risks or make investments, in their financial statements. GASB 53 specifically requires governments to measure most derivative instruments at fair value on the balance sheet and to measure the annual change in the fair value of non-hedging derivatives as investment income or loss in the statement of revenues, expenses, and changes in net assets. GASB 53 also provides guidance addressing hedge accounting requirements. This standard was effective for the Authority on July 1, 2009.

The fair values of the hedgeable derivatives and investment derivatives are presented on the balance sheet, either as a derivative liability (negative fair value) or as a derivative asset (positive fair value). The change in fair value of derivatives is recorded as deferred inflow or outflow if determined to be an effective hedge and presented on the Authority's balance sheet. If determined ineffective, the change in fair value is presented as part of investment earnings on the statement of revenues, expenses and changes in net assets.

Reclassification

Certain prior period amounts have been reclassified to conform to current period presentation.

New Accounting Pronouncements

In April of 2011, the FASB issued ASU 2011-02, Receivables (Topic 310), *A Creditor's Determination of Whether a Restructuring is a Troubled Debt Restructuring*. The purpose of this update is to aid creditors in determining whether a creditor has granted a concession and whether a debtor is experiencing financial difficulties for purposes of determining whether a restructuring constitutes a troubled debt restructuring. In evaluating whether a restructuring constitutes a troubled debt restructuring, a creditor must separately conclude that both the determinations noted above exist. The Authority is considering the impact of this guidance which becomes effective in FY2013.

In June 2011, the GASB issued Statement No. 63 ("GASB 63"), *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources as distinct from assets and liabilities. GASB 63 amends the net asset reporting requirements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The Authority is considering the impact of this guidance which becomes effective in FY2013.

In June 2011, the GASB issued Statement No. 64 (“GASB 64”), *Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53*. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The Authority is considering the impact of this guidance which becomes effective in FY2013.

In April, 2012, the GASB issued Statement No. 65 (“GASB 65”), *Items Previously Reported as Assets and Liabilities*. The objective of this Statement is to clarify the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The Authority is considering the impact of this guidance which becomes effective in FY2013.

4. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

The following summarize the cash, cash equivalents and investments of the Authority and identifies certain types of investment risk as defined by Governmental Accounting Standards Board No. 40 Deposit and Investment Risks Disclosures (“GASB 40”) at June 30, 2012 and 2011, respectively.

(in thousands)	<u>Fair Value June 30, 2012</u>	<u>Fair Value June 30, 2011</u>
Cash deposits	\$ 3,031	\$ 7,126
Investment agreements	10,996	10,082
Mutual funds:		
Fidelity Money Market Authority Funds	40,160	46,887
Fidelity Money Market Trusteed Funds	405,311	247,818
Certificate of Deposit	<u>72</u>	<u>216</u>
Total cash, cash equivalents and investments	<u>\$ 459,570</u>	<u>\$ 312,129</u>

Interest Rate Risk

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

Custodial and Credit Risk

Custodial credit risk is the risk that in the event of a financial institution counterparty failure, the Authority’s deposits or investments may not be returned to it. As of June 30, 2012 and June 30, 2011, \$2.4M and \$7.0M were exposed to custodial credit risk as uninsured and uncollateralized deposits, respectively. As stated in the investment policy, depository banks are rated in the top three rating categories by S&P or Moody's.

As of June 30, 2012, the Authority had guaranteed investment contracts with the following financial institutions:

Investment Agreement Contract Provider	Current S&P Ratings
Natixis Funding Corp	A
Rabobank	AA

As of June 30, 2012, the Authority had the following cash and investments by financial institution within each outstanding trust and the Authority:

<u>Authority and College Savings Funds</u>	Cash and Investments	% of Total
Bank of America	\$ 1,021,974	2%
Fidelity U.S. Government Portfolio	\$ 19,792,337	47%
Fidelity MA Municipal Fund	\$ 20,743,034	50%
Fidelity Treasury Portfolio	\$ 354,955	1%
<u>Issue E Indenture</u>	Cash and Investments	% of Total
Natixis Funding Corp	\$ 5,831,227	6%
Rabobank	\$ 5,164,875	5%
Bank of America	\$ 719,438	1%
Fidelity U.S. Government Portfolio	\$ 93,561,818	88%
<u>Issue FRN Indenture</u>	Cash and Investments	% of Total
Bank of America	\$ 792,407	6%
Fidelity U.S. Government Portfolio	\$ 13,463,069	94%
<u>Issue H Indenture</u>	Cash and Investments	% of Total
Bank of America	\$ 48,311	0.2%
Fidelity U.S. Government Portfolio	\$ 21,248,758	99.8%
<u>Issue I Indenture</u>	Cash and Investments	% of Total
Bank of America	\$ 449,291	1%
Fidelity U.S. Government Portfolio	\$ 70,708,900	99%
<u>Issue J Indenture</u>	Cash and Investments	% of Total
Fidelity U.S. Government Portfolio	\$ 205,669,620	100%

5. EDUCATIONAL FINANCINGS

During the years ended June 30, 2012 and 2011, respectively, the activity for the Authority's Education Loan Notes receivable was as follows:

(in thousands)

	2012	2011
Outstanding education loan notes receivable (beginning) gross	\$ 1,469,693	\$ 1,418,500
Increases to education loan notes receivable	199,751	212,536
Decreases to education loan notes receivable	(179,008)	(161,343)
Outstanding education loan notes receivable (ending) gross	1,490,436	1,469,693
Allowance for education loan notes receivable (beginning)	34,109	31,932
(Decrease) increase to allowance for education loan notes receivable	(332)	2,177
Allowance for education loan notes receivable (ending)	33,777	34,109
Outstanding education loan notes receivable, net (ending)	\$ 1,456,659	\$ 1,435,584

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

The allowance is derived from information based on the loan portfolios historical default and recovery performance to achieve the current estimated net realizable value of the outstanding education loan notes. During FY2012, the allowance decreased by \$332K. The change is the result of a \$3.9M decrease to the tax-exempt yield restriction reserve on the education loan notes receivable due to the execution of principal loan forgiveness related to earnings limitations as well as a \$3.6M increase to the provision for doubtful education loan notes receivable. In the prior fiscal year, the allowance increased by \$2.2M. This change was the result of a \$4.2M increase to the provision for doubtful education loan notes receivable as well as a \$2M decrease to the tax-exempt yield restriction on the education loan notes receivable due to a decrease in estimated yield restriction reserves. The Authority has expensed historically in aggregate a net of \$39M of education loan notes related to the tax-exempt yield restrictions through FY2012. No allowance for yield restriction was required at June 30, 2012 and the Authority established an allowance for estimated tax-exempt yield restrictions in the amount of \$4M at June 30, 2011. The yield restriction expense is required in order to maintain the tax-exempt status of the bonds under Federal IRS regulations.

The Authority originates loans in cooperation with participating non-profit independent and public colleges and universities in Massachusetts, which have students from throughout the United States. Further, it originates loans from non-profit independent and public colleges and universities from outside of the Commonwealth for those Massachusetts residents attending schools out of state. Through June 30, 2012, the Authority had originated loans through 931 out of state higher education institutions since 1998 when the program was implemented.

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

The loan and debt service reserve funds are designed and funded to provide another level of support for defaulted loans and debt service payments that provide stability to the cash flow of the bond issuance. On an annual basis, the reserve requirements are reviewed and funded by cash balances or surety bond agreements at levels approved by the insurer or rating agencies of each specific bond issue. The fund balance of the loan and debt service reserve requirements in aggregate was \$23.8M and \$19.3M for fiscal years 2012 and 2011, respectively.

Immaterial Correction to the Allowance for Educational Loan Notes Receivable

As part of the 2011 internal control review process executed by the Authority, an assumption introduced in 2010 that was intended to be a static factor from year to year was found to be deficient in the underlying formula composition. The impact of this deficiency was to overstate the net realizable value of the outstanding education loan note portfolio in 2010. This factor was part of the annual process by the Authority to continually refine the accuracy of the allowance for education loan notes receivable and was introduced in response to the material refinancing of a pool of loans during 2010. The correction of this factor in 2011 had the impact of increasing the annual doubtful allowance provision reflected in the 2011 financial statements by \$1.2M to a total of \$4.2M for the fiscal year. The Authority did assess the materiality of the change in the estimated doubtful allowance provision utilizing generally accepted accounting principles and concluded it was immaterial in both fiscal years 2010 and 2011.

6. DEFERRED FINANCING COSTS

At June 30, 2012 and 2011, deferred financing costs were as follows:

(in thousands)

	2012	2011
Deferred financing costs	\$ 48,271	\$ 48,201
Increases to deferred financing costs	3,005	70
Total deferred financing cost	51,276	48,271
Less: accumulated amortization	(34,134)	(31,847)
Net unamortized deferred financing costs	<u>\$ 17,142</u>	<u>\$ 16,424</u>

The \$3M increase in deferred financing costs during FY2012 relates to the two capital market transactions completed during FY2012. The \$70K increase in deferred financing costs during FY2011 relates primarily to the work completed as the Authority progressed to closing a new capital market transaction completed in July 2011.

7. BONDS PAYABLE

The activity related to the Authority's bonds payable for the fiscal years ended 2012 and 2011 was as follows:

(in thousands)

	<u>2012</u>	<u>2011</u>
Bonds outstanding, gross beginning balance	\$ 1,588,061	\$ 1,733,542
Bonds issued	271,205	-
Bonds redeemed	<u>(127,382)</u>	<u>(145,481)</u>
Bonds outstanding, gross ending balance	1,731,884	1,588,061
Net unamortized gain, loss and issuance premiums	<u>22,273</u>	<u>22,008</u>
Bonds outstanding, net ending balance	<u><u>\$ 1,754,157</u></u>	<u><u>\$ 1,610,069</u></u>

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

As of June 30, 2012 mandatory annual maturities of bonds principal payable for the next five fiscal years and thereafter are as follows (in thousands):

<u>June 30, 2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Remaining Schedule</u>	<u>Total Payable</u>
2001 Issue E	4,780	5,360	5,365	4,655	-	-	20,160
2002 Issue E	6,860	7,375	8,295	-	-	21,150	43,680
2003 Issue E	-	-	-	-	-	57,250	57,250
2004 Issue E	-	-	-	-	-	26,350	26,350
2005 Issue E	-	-	-	-	-	800	800
2006 Issue E	-	-	-	-	-	76,925	76,925
2007 Issue E	-	-	-	-	-	295,850	295,850
2008 FRN	-	-	-	-	-	179,734	179,734
2008 Issue H	-	-	-	-	-	156,910	156,910
2009 Issue I	5,170	10,515	18,730	20,000	8,750	190,995	254,160
2010 Issue I	17,120	8,640	9,350	17,165	31,785	264,800	348,860
2011 Issue J	-	-	-	-	-	102,870	102,870
2012 Issue J	-	-	-	-	-	168,335	168,335
	<u>\$ 33,930</u>	<u>\$ 31,890</u>	<u>\$ 41,740</u>	<u>\$ 41,820</u>	<u>\$ 40,535</u>	<u>\$ 1,541,969</u>	<u>\$ 1,731,884</u>

The Authority also purchased in lieu of redemption \$5M in outstanding auction rate bonds in May 2012 resulting in a gain on the retirement of the debt totaling approximately \$788K, recognized immediately. The Authority redeemed, in addition to those with scheduled maturities, fixed rate bonds outstanding of \$27.9M in July 2012 and \$24M is scheduled for January 2013. The Authority also redeemed in total \$23.3M of the floating rate notes on the July 2012 and October 2012 quarterly distribution date.

The following is a summary of the principal maturities and estimated interest expense for the bonds payable outstanding at June 30, 2012 (in thousands):

Year Ending	Total		
June 30	Principal	Interest	Debt Service
2013	\$ 33,930	\$ 64,396	\$ 98,326
2014	31,890	68,632	100,522
2015	41,740	67,286	109,026
2016	41,820	65,368	107,188
2017	40,535	63,378	103,913
2018-2022	335,320	275,803	611,123
2023-2027	430,090	178,790	608,880
2028-2032	324,390	58,598	382,988
Thereafter	452,169	17,153	469,322
	<u>\$ 1,731,884</u>	<u>\$ 859,404</u>	<u>\$ 2,591,288</u>

Total interest expense for the years ended June 30, 2012 and 2011 was \$61.1M and \$62.9M, respectively. For fiscal years 2012 and 2011 there is \$2.7M and \$1.7M of amortization of the net deferred gain on bond program activities included in the total bond interest expense respectively. Fiscal year 2012 bond interest expense also includes \$800K amortization of bond issuance premium.

Issue E Series 1997A and 1997B

On March 25, 1997, under the Issue E Series 1997 Bond Resolution, the Authority issued \$64.9M principal amount of bonds dated March 1, 1997 requiring annual principal payments each July 1 commencing on July 1, 2000. Semiannual interest payments are required each January 1 and July 1 commencing on July 1, 1997. Issue E Series 1997B Bonds mature as follows: \$56.6M serial bonds which mature annually from fiscal 2000 to 2012 in annual amounts ranging from \$2.5M to \$5.7M and \$8.3M of term bonds maturing in 2014 subject to mandatory redemptions commencing in fiscal 2013 in annual amounts ranging from \$2.6M to \$5.6M with interest at rates ranging from 4.50% to 5.85%. Bonds maturing on or after July 1, 2006 are redeemable at the option of the Authority at prescribed redemption prices ranging from 102% to 100% of the principal amount.

On March 25, 1997, under the Issue E Series 1997 Bond Resolution, the Authority issued \$54.2M principal amount of bonds dated March 25, 1997 bearing an interest rate, which changes weekly. Under certain circumstances, the interest on all or a portion of the Series 1997A Bonds could be converted to a fixed rate. Interest on the Series 1997A Bonds is payable on each January 1 and July 1 commencing on July 1, 1997 and on any conversion date. Final maturity of all Series 1997A Bonds is scheduled for July 1, 2015. On March 19, 1998, the Authority refunded the \$54.2M of variable rate Issue E Series 1997A Bonds into fixed rate Issue G Series 1998A Bonds.

As a result of scheduled maturities and special redemptions of \$325K in 2011, all bonds were retired as of June 30, 2011.

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

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

On April 4, 2001, under the Issue E Series 2001 Bond Resolution, the Authority issued \$10M principal amount of bonds dated April 4, 2001 bearing an interest rate which changes not less than 7 days nor more than 373 days. Under certain circumstances, the interest on all or a portion of the Series 2001B Bonds may be converted to a fixed rate. Interest on the Series 2001B Bonds is payable on each January 1 and July 1 commencing on July 1, 2001 and on any conversion date. On August 29, 2009, the remaining outstanding Series 2001B Bonds were repurchased and the series was retired.

On April 4, 2001, under the Issue E Series 2001 Bond Resolution, the Authority issued \$58.2M principal amount of bonds dated April 4, 2001 bearing an interest rate, which changes every 35 days. Under certain circumstances, the interest on all or a portion of the Series 2001C Bonds could be converted to a fixed rate. Interest on the Series 2001C Bonds is payable on each January 1 and July 1 commencing on July 1, 2001 and on any conversion date. On October 16, 2008, the remaining outstanding Series 2001C Bonds were repurchased and the series was retired.

On April 4, 2001, under the Issue E Series 2001 Bond Resolution, the Authority issued \$18.2M principal amount of bonds dated April 4, 2001 bearing an interest rate, which changes every 35 days. Under certain circumstances, the interest on all or a portion of the Series 2001D Bonds could be converted to a fixed rate. Interest on the Series 2001D Bonds is payable on each January 1 and July 1 commencing on July 1, 2001 and on any conversion date. On October 16, 2008, the remaining outstanding Series 2001D Bonds were repurchased and the series was retired.

As a result of scheduled maturities of \$4.5M in 2012, the ending balance of this entire series at June 30, 2012 is \$20.2M.

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

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

On April 11, 2002, under the Issue E Series 2002 Bond Resolution, the Authority issued \$15M principal amount of bonds dated April 11, 2002 bearing an interest rate, which changes not less than 7 days nor more than 373 days (as of June 30, 2012, the rate was 0.508%). Under certain circumstances, the interest on all or a portion of the Series 2002B Bonds may be converted to a fixed rate. Interest on the Series 2002B Bonds is payable on each January 1 and July 1 commencing on July 1, 2002 and on any conversion date. The Authority entered into an interest rate cap transaction with UBS AG, Stamford Branch for the entire \$15M of Series 2002B Bonds which matured on March 4, 2011. The final maturity of the Series 2002B Bonds is scheduled for January 1, 2037.

On April 11, 2002, under the Issue E Series 2002 Bond Resolution, the Authority issued \$35.1M principal amount of bonds dated April 11, 2002 bearing an interest rate, which changes every 35 days. Under certain circumstances, the interest on all or a portion of the Series 2002C Bonds could be converted to a fixed rate. Interest on the Series 2002C Bonds is payable on each January 1 and July 1 commencing on July 1, 2002 and on any conversion date. On October 16, 2008, the remaining outstanding Series 2002C Bonds were repurchased and the series was retired.

On April 11, 2002, under the Issue E Series 2002D Bond Resolution, the Authority issued \$35.1M principal amount of bonds dated April 11, 2002 bearing an interest rate, which changes every 35 days (as of June 30, 2012, the rate was 0.595%). Under certain circumstances, the interest on all or a portion of the Series 2002D Bonds could be converted to a fixed rate. Interest on the Series 2002D Bonds is payable on each January 1 and July 1 commencing on July 1, 2002 and on any conversion date. The final maturity of the Series 2002D Bonds is scheduled for January 1, 2037.

On April 11, 2002, under the Issue E Series 2002 Bond Resolution, the Authority issued \$42.5M principal amount of bonds dated April 11, 2002 bearing an interest rate, which changes every 35 days (as of June 30, 2012, the rate was 0.613%). Under certain circumstances, the interest on all or a portion of the Series 2002E Bonds could be converted to a fixed rate. Interest on the Series 2002E Bonds is payable on each January 1 and July 1 commencing on July 1, 2002 and on any conversion date. The final maturity of the Series 2002E Bonds is scheduled for January 1, 2037.

As a result of scheduled maturities of \$6.4M in 2012, the ending balance of this entire series at June 30, 2012 is \$43.7M.

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

On March 13, 2003, under the Issue E Series 2003 Bond Resolution, the Authority issued \$45M principal amount of bonds dated March 13, 2003 bearing an interest rate, which changes every 35 days (as of June 30, 2012, the rate was 0.595%). Under certain circumstances, the interest on all or a portion of the Series 2003A Bonds may be converted to a fixed rate. Interest on the Series 2003A Bonds is payable on each January 1 and July 1 commencing on July 1, 2003 and on any conversion date. The Issue E Series 2003A Bonds are subject to mandatory sinking fund redemptions totaling \$24.9M from fiscal 2010 to 2020 in annual amounts ranging from \$200K to \$3.5M. The final maturity of the Series 2003A Bonds is scheduled for January 1, 2038.

On March 13, 2003, under the Issue E Series 2003 Bond Resolution, the Authority issued \$30M principal amount of bonds dated March 13, 2003 bearing an interest rate, which changes not less than 7 days nor more than 373 days (as of June 30, 2012, the rate was 0.508%). Under certain circumstances, the interest on all or a portion of the Series 2003B Bonds may be converted to a fixed rate. Interest on the Series 2003B Bonds is payable on each January 1 and July 1 commencing on July 1, 2003 and on any conversion date. The Authority has entered into an interest rate cap transaction with UBS AG, Stamford Branch for the entire \$30M of Series 2003B Bonds with a maturity of January 1, 2027. The final maturity of the Series 2003B Bonds is scheduled for January 1, 2038.

On March 13, 2003, under the Issue E Series 2003 Bond Resolution, the Authority issued \$20M principal amount of bonds dated March 13, 2003 bearing an interest rate, which changes every 35 days. Under certain circumstances, the interest on all or a portion of the Series 2003C Bonds could be converted to a fixed rate. Interest on the Series 2003C Bonds is payable on each January 1 and July 1 commencing on July 1, 2003 and on any conversion date. On October 16, 2008, the remaining outstanding Series 2003C Bonds were repurchased and the series was retired.

On March 13, 2003, under the Issue E Series 2003 Bond Resolution, the Authority issued \$20M principal amount of bonds dated March 13, 2003 bearing an interest rate, which changes every 35 days. Under certain circumstances, the interest on all or a portion of the Series 2003D Bonds could be converted to a fixed rate. Interest on the Series 2003D Bonds is payable on each January 1 and July 1 commencing on July 1, 2003 and on any conversion date. On October 16, 2008, the remaining outstanding Series 2003D Bonds were repurchased and the series was retired.

On March 13, 2003, under the Issue E Series 2003 Bond Resolution, the Authority issued \$44.9M principal amount of bonds dated March 13, 2003 bearing an interest rate, which changes every 35 days. As of March 18, 2004, the Authority changed the auction mode of the total \$44.9M to bear an interest rate, which changes not less than 7 days nor more than 373 days (as of June 30, 2012, the rate was 0.49%). Under certain circumstances, the interest on all or a portion of the Series 2003E Bonds could be converted to a fixed rate. Interest on the Series 2003E Bonds is payable on each January 1 and July 1 commencing on July 1, 2003 and on any conversion date. On March 10, 2004, the Authority entered into an interest rate cap transaction with UBS AG, Stamford Branch, for \$42M of Series 2003E bonds with a maturity of January 1, 2026. The final maturity of the Series 2003E Bonds is scheduled for January 1, 2038.

As a result of purchase in lieu of redemptions of \$5M in 2012, the ending balance of this series at June 30, 2012 is \$57.3M.

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

On December 2, 2004, under the Issue E Series 2004 Bond Resolution, the Authority issued \$65M principal amount of bonds dated December 2, 2005 bearing an interest rate, which changes every 35 days (as of June 30, 2012, the rate was 0.595%). Under certain circumstances, the interest on all or a portion of the Series 2004A Bonds may be converted to a fixed rate. Interest on the Series 2004A Bonds is payable on each January 1 and July 1 commencing on July 1, 2005 and on any conversion date. The Issue E Series 2004A Bonds are subject to a mandatory sinking fund redemption totaling \$10M for the period ending 2010. The Authority had also entered into an interest rate cap transaction with UBS AG, Stamford Branch for \$10M of the Series 2004A Bonds which matured on July 1, 2009. The final maturity of the Series 2004A Bonds is scheduled for January 1, 2038.

On December 2, 2004, under the Issue E Series 2004 Bond Resolution, the Authority issued \$40M principal amount of bonds dated December 2, 2004 bearing an interest rate, which changes every 35 days (as of June 30, 2012, the rate was 0.630%). Under certain circumstances, the interest on all or a portion of the Series 2004B Bonds may be converted to a fixed rate. Interest on the Series 2004B Bonds is payable on

each January 1 and July 1 commencing on July 1, 2005 and on any conversion date. On March 31, 2005, the Authority also entered into an interest rate cap transaction with UBS AG, Stamford Branch for the entire \$40M of Series 2004B Bonds with a maturity of April 1, 2026. The final maturity of the Series 2004B Bonds is scheduled for January 1, 2038.

On December 2, 2004, under the Issue E Series 2004 Bond Resolution, the Authority issued \$20M principal amount of bonds dated December 2, 2004 bearing an interest rate, which changes every 35 days. Under certain circumstances, the interest on all or a portion of the Series 2004C Bonds could be converted to a fixed rate. Interest on the Series 2004C Bonds is payable on each January 1 and July 1 commencing on July 1, 2005 and on any conversion date. On October 16, 2008, the remaining outstanding Series 2004C Bonds were repurchased and the series was retired.

On December 2, 2004, under the Issue E Series 2004 Bond Resolution, the Authority issued \$20M principal amount of bonds dated December 2, 2004 bearing an interest rate, which changes every 35 days. Under certain circumstances, the interest on all or a portion of the Series 2004D Bonds could be converted to a fixed rate. Interest on the Series 2004D Bonds is payable on each January 1 and July 1 commencing on July 1, 2005 and on any conversion date. On October 16, 2008, the remaining outstanding 2004D Bonds were repurchased and the series was retired.

The ending balance of this series at June 30, 2012 is \$26.4M.

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

On October 20, 2005, under the Issue E Series 2005 Bond Resolution, the Authority issued \$100M principal amount of bonds dated October 20, 2005 bearing an interest rate, which changes every 35 days (as of June 30, 2012, the rate was 0.543%). Under certain circumstances, the interest on all or a portion of the Series 2005A Bonds may be converted to a fixed rate. Interest on the Series 2005A Bonds is payable on each January 1 and July 1 commencing on January 1, 2006 and on any conversion date. The Issue E Series 2005A Bonds are subject to a mandatory sinking fund redemption totaling \$51.9M from fiscal 2006 to 2019 in annual amounts ranging from \$250K to \$8.5M. The final maturity of the Series 2005A Bonds is scheduled for July 1, 2040.

On October 20, 2005, under the Issue E Series 2005 Bond Resolution, the Authority issued \$50M principal amount of bonds dated October 20, 2005 bearing an interest rate, which changes every 35 days (as of June 30, 2011, the rate was 0.560%). Under certain circumstances, the interest on all or a portion of the Series 2005B Bonds may be converted to a fixed rate. Interest on the Series 2005B Bonds is payable on each January 1 and July 1 commencing on January 1, 2006 and on any conversion date. The final maturity of the Series 2005B Bonds is scheduled for July 1, 2040.

On October 20, 2005, under the Issue E Series 2005 Bond Resolution, the Authority issued \$33.7M principal amount of bonds dated October 20, 2005 bearing an interest rate, which changes every 35 days. Under certain circumstances, the interest on all or a portion of the Series 2005C Bonds may be converted to a fixed rate. Interest on the Series 2005C Bonds is payable on each January 1 and July 1 commencing on January 1, 2006 and on any conversion date. On May 15, 2007, the remaining outstanding Series 2005C Bonds were repurchased and the series was retired.

On October 20, 2005, under the Issue E Series 2005 Bond Resolution, the Authority issued \$28.2M principal amount of bonds dated October 20, 2005 bearing an interest rate, which changes every 35 days. Under certain circumstances, the interest on all or a portion of the Series 2005D Bonds may be converted to a fixed rate. Interest on the Series 2005D Bonds is payable on each January 1 and July 1 commencing on January 1, 2006 and on any conversion date. On October 16, 2008, the remaining outstanding Series 2005D Bonds were repurchased and the series was retired.

The ending balance of this series at June 30, 2012 is \$800K.

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

On June 13, 2006, under the Issue E Series 2006 Bond Resolution, the Authority issued \$75M for the 2006A-1 series and \$75M for the 2006A-2 series for a total of \$150M principal amount of bonds dated June 13, 2006 bearing an interest rate, which changes every 35 days (as of June 30, 2012, the rate for 2006A-1 was 0.333% and the rate for the 2006A-2 was 0.350%). Under certain circumstances, the interest on all or a portion of the Series 2006A Bonds may be converted to a fixed rate. Interest on the Series 2006A Bonds is payable on each January 1 and July 1 commencing on July 1, 2006 and on any conversion

date. The Issue E Series 2006A Bonds are subject to a mandatory sinking fund redemption totaling \$17.9M from fiscal 2011 to 2017 in annual amounts ranging from \$600K to \$4.4M. The final maturity of the Series 2006A Bonds is scheduled for January 1, 2036.

On June 13, 2006, under the Issue E Series 2006 Bond Resolution, the Authority issued \$57.9M principal amount of bonds dated June 13, 2006 bearing an interest rate, which changes every 35 days. Under certain circumstances, the interest on all or a portion of the Series 2006B Bonds may be converted to a fixed rate. Interest on the Series 2006B Bonds is payable on each January 1 and July 1 commencing on July 1, 2006 and on any conversion date. On October 16, 2008, the remaining outstanding Series 2006B Bonds were repurchased and the series was retired.

On June 13, 2006 under the Issue E Series 2006 Bond Resolution, the Authority issued \$55M principal amount of taxable bonds dated June 13, 2006 bearing an interest rate, which changes every 28 days (as of June 30, 2012, the rate was 1.704%). Under certain circumstances, the interest on all or a portion of the Series 2006C Bonds may be converted to a fixed rate. Interest on the Series 2006C Bonds is payable every 28 days commencing on July 12, 2006 and upon any conversion date. The Authority also has entered into an interest rate cap transaction with UBS AG, Stamford Branch for \$50M of the Series 2006C Bonds with a maturity of July 1, 2027. The final maturity of the Series 2006C Bonds is scheduled for January 1, 2036.

On June 13, 2006 under the Issue E Series 2006 Bond Resolution, the Authority issued \$50M principal amount of taxable bonds dated June 13, 2006 bearing an interest rate, which changes every 28 days (as of June 30, 2012, the rate was 1.312%). Under certain circumstances, the interest on all or a portion of the Series 2006D Bonds may be converted to a fixed rate. Interest on the Series 2006D Bonds is payable every 28 days commencing on July 14, 2006 and upon any conversion date. The final maturity of the Series 2006D Bonds is scheduled for January 1, 2036.

The ending balance of this entire series at June 30, 2012 is \$76.9M.

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

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

On April 5, 2007, under the Issue E Series 2007 Bond Resolution, the Authority issued \$85.4M principal amount of bonds dated April 5, 2007 bearing an interest rate, which changes every 35 days (as of June 30, 2012, the rate was 0.298%). Under certain circumstances, the interest on all or a portion of the Series 2007B Bonds may be converted to a fixed rate. Interest on the Series 2007B Bonds is payable on each January 1 and July 1 commencing on July 1, 2007 and on any conversion date. The Issue E Series 2007B Bonds are subject to a mandatory sinking fund redemption totaling \$17.4M from fiscal 2011 to 2017 in annual amounts ranging from \$600K to \$6.2M. The final maturity of the Series 2007 Bonds is scheduled for January 1, 2037.

On April 5, 2007 under the Issue E Series 2007 Bond Resolution, the Authority issued \$85M principal amount of taxable bonds dated April 5, 2007 bearing an interest rate, which changes every 28 days (as of June 30, 2012, the rate was 0.065%). Under certain circumstances, the interest on all or a portion of the Series 2007C Bonds may be converted to a fixed rate. Interest on the Series 2007C Bonds is payable every 28 days commencing on May 4, 2007 and upon any conversion date. The Authority also has entered into an interest rate cap transaction with UBS AG, Stamford Branch for \$85M of the Series 2007C Bonds with a maturity of July 1, 2033. The final maturity of the Series 2007C Bonds is scheduled for January 1, 2037.

On April 5, 2007 under the Issue E Series 2007 Bond Resolution, the Authority issued \$60M principal amount of taxable bonds dated April 5, 2007 bearing an interest rate, which changes every 28 days (as of June 30, 2012, the rate was 0.065%). Under certain circumstances, the interest on all or a portion of the Series 2007D Bonds may be converted to a fixed rate. Interest on the Series 2007D Bonds is payable every 28 days commencing on May 4, 2007 and upon any conversion date. The final maturity of the Series 2007D Bonds is scheduled for January 1, 2037.

On April 5, 2007 under the Issue E Series 2007 Bond Resolution, the Authority issued \$55M principal amount of taxable bonds dated April 5, 2007 bearing an interest rate, which changes every 7 days (as of June 30, 2012, the rate was 0.052%). Under certain circumstances, the interest on all or a portion of the Series 2007E Bonds may be converted to a fixed rate. Interest on the Series 2007E Bonds is payable every 7 days commencing on April 13, 2007 and upon any conversion date. The final maturity of the Series 2007E Bonds is scheduled for January 1, 2037.

The ending balance of this entire series at June 30, 2012 is \$295.9M.

Issue FRN 2008

On July 2, 2008, under the FRN Indenture, the Authority issued \$296M principal amount of floating rate bonds with a final maturity date of April 25, 2038. Quarterly interest payments are required on each distribution date, which is the 25th day of the month for the months of January, April, July and October. The notes will bear interest at an annual rate equal to three-month LIBOR plus 0.95%. Outstanding note principal may be redeemed on each quarterly distribution as determined by the Indenture requirements. The ending balance of this entire series as of June 30, 2012 is \$179.7M.

Issue H Series 2008A

On September 16, 2008, under the Issue H Series 2008 Bond Resolution, the Authority issued \$400M principal amount of bonds requiring annual principal payments each January 1 commencing on January 1, 2016. Semiannual interest payments are required each January 1 and July 1 commencing on January 1, 2009. Issue H Series 2008 Bonds mature as follows: \$400M term bonds which mature January 1, 2022 and January 1, 2030 with interest rates ranging from 6.125% to 6.35%. The Issue H Series 2008 Bonds are subject to sinking fund installments totaling \$159.7M from fiscal 2016 to 2022 in annual amounts ranging from \$1.6M to \$30.1M and \$240.4M from fiscal 2022 to 2030 in annual amounts ranging from \$4.6M to \$38.7M. Bonds maturing on or after January 1, 2019, are redeemable at the option of the Authority, in whole or in part, on any date on or after January 1, 2018.

As a result of special redemptions of \$13.9M in 2012, the ending balance of this entire series as of June 30, 2012 is \$156.9M.

Issue I Series 2009A

On June 26, 2009, under the Issue I 2009 Bond Resolution, the Authority issued \$289M principal amount of bonds dated June 30, 2009, requiring annual principal payments each January 1 commencing on January 1, 2012. Semiannual interest payments are required each January 1 and July 1 commencing on January 1, 2010. Issue I 2009A Bonds mature as follows: \$132.4M serial bonds which mature annually from fiscal 2012 to 2020 in annual amounts ranging from \$2.5M to \$17.8M with interest at rates ranging from 3.40% to 5.75%. Bonds maturing on or after January 1, 2023, are redeemable at the option of the Authority, in whole or in part, on any date on or after January 1, 2020. The Issue I 2009 Bonds were issued with a premium of \$1.7M.

As a result of scheduled maturities and special redemptions of \$25.1M in FY2012, the ending balance of this entire series as of June 30, 2012 is \$255.4M including the unamortized premium that was incorporated in the initial sale of the bonds.

Issue I Series 2010A and 2010B

On February 3, 2010, under the Issue I 2010 Bond Resolution, the Authority issued \$318.5M principal amount of bonds dated February 18, 2010 requiring annual principal payments each January 1 commencing January 1, 2012. Semiannual interest payments are required each January 1 and July 1 commencing on July 1, 2010. Issue I Series 2010A Bonds mature as follows: \$318.5M serial bonds which mature annually from 2012 to 2030 in annual amounts ranging from \$4.2M to \$37.7M with interest at rates ranging from 2.00% to 5.30%. Bonds maturing on or after January 1, 2021, are redeemable at the option of the Authority, in whole or in part, on any date on or after January 1, 2020.

On February 3, 2010, under the Issue I 2010 Bond Resolution, the Authority issued \$86.5M principal amount of bonds dated February 18, 2010 requiring annual principal payments each January 1 commencing January 1, 2012. Semiannual interest payments are required each January 1 and July 1 commencing on July 1, 2010. Issue I Series 2010B Bonds mature as follows: \$41.2M serial bonds which mature annually from 2012 to 2020 in annual amounts ranging from \$2.0M to \$7.1M with interest at rates ranging from 2.55% to 5.375%; and \$42.3M term bonds which mature 2023 and 2031. Bonds maturing on or after

January 1, 2023, are redeemable at the option of the Authority, in whole or in part, on any date on or after January 1, 2020.

The Issue I 2010 Bonds were issued with a premium of \$4.4M.

As a result of scheduled maturities and special redemptions of \$41.3M in 2012, the ending balance of this entire series as of June 30, 2012 is \$366.1M, including the unamortized premium that was incorporated in the initial sale of the bonds and net deferred gain on bond program activities.

Issue J Series 2011

On June 24, 2011, under the Issue J 2011 Bond Resolution, the Authority issued \$102.9M principal amount of bonds dated July 13, 2011 requiring annual principal payments each July 1 commencing July 1, 2017. Semiannual interest payments are required each January 1 and July 1 commencing on July 1, 2012. Issue J Series 2011 Bonds mature as follows: \$90.9M serial bonds which mature annually from 2017 to 2029 in annual amounts ranging from \$0.5M to \$11.2M with interest at rates ranging from 4.00% to 5.625%; and \$12M of term bonds which mature in 2033. The Issue J Series 2011 Bonds are subject to sinking fund installments totaling \$12M from fiscal 2030 to 2033 in annual amounts ranging from \$1.5M to \$8.6M. Bonds maturing on or after July 1, 2022, are redeemable at the option of the Authority, in whole or in part, on any date on or after July 1, 2021. The Issue J Series 2011 Bonds were issued at a discount of \$0.4M.

The ending balance of this entire series as of June 30, 2012 is \$102.5M, including the unamortized discount that was incorporated in the initial sale of the bonds.

Issue J Series 2012

On June 1, 2012, under the Issue J 2012 Bond Resolution, the Authority issued \$168.3M principal amount of bonds dated June 27, 2012 requiring annual principal payments each July 1 commencing July 1, 2018. Semiannual interest payments are required each January 1 and July 1 commencing on January 1, 2013. Issue J Series 2012 Bonds are term bonds which mature annually from 2018 to 2030 in annual amounts ranging from \$2.5M to \$25.7M with interest at rates ranging from 3.10% to 5.00%. Bonds maturing on July 1, 2022, are redeemable at the option of the Authority, in whole or in part, on any date on or after July 1, 2021. The Issue J Series 2012 Bonds were issued with a premium of \$4.2M.

The ending balance of this entire series as of June 30, 2012 is \$172.5M, including the unamortized premium that was incorporated in the initial sale of the bonds.

8. DERIVATIVES DISCLOSURE

As a method to manage the debt costs associated with financing fixed and variable rate student loans, the Authority has engaged in the use of interest rate cap derivatives which are structured specifically with regard to its underlying asset portfolio and includes such risks as credit risk, basis risk, termination risk, tax risk and prepayment risk. In recognition of these potential risks associated with the products, the Authority has employed certain risk management techniques such as embedded call options, credit support annexes and amortizing notional amounts that will provide for efficiency and flexibility in its future ability to manage the derivative portfolio. For derivatives, it is the Authority's policy not to engage in trading, market making or other speculative activities.

Interest Rate Caps

Objective of interest rate caps

The purpose of the cap is to place a ceiling on the debt service payments associated with the variable rate bonds. Capping the variable rate debt allows the Authority to offer variable rate loans to borrowers with the assurance that the interest rate assessed on their loans will not exceed a specific rate. It is the intent that the caps will remain in effect until the maturity date of the derivative trade or could be terminated early as part of any balance sheet management strategies.

Terms, fair value and credit risk

As of June 30, 2012, approximately 34% of the portfolio of interest rate caps consisted of a strike rate of 75% of one year USD-LIBOR-BBA as the underlying interest rate with a cap rate of 9.00%, while approximately 66% of the portfolio had a strike rate of 100% of one month USD-LIBOR-BBA and a cap rate of 9.40%. All interest rate caps have been purchased with a one time, up-front payment generally upon the closing of each individual bond issuance. The total cost of all caps purchased historically was \$4.1M.

All of the \$203M in notional outstanding as of June 30, 2012, were structured to amortize until final maturity of the trade.

The fair values of the interest rate caps were as follows:

June 30, 2012

(in thousands)

Bond Issue	Notional Amounts	Effective Date	Fair Values	Cap Maturity Date	Counterparty Credit Rating
Issue E 2003B	\$17,740	3/13/2003	\$22	January 2027	(A2/A)
Issue E 2003E	\$24,570	3/10/2004	\$30	January 2026	(A2/A)
Issue E 2004B	\$25,770	3/31/2005	\$39	January 2026	(A2/A)
Issue E 2006C	\$49,700	6/13/2006	\$207	July 2027	(A2/A)
Issue E 2007C	<u>\$85,000</u>	4/5/2007	<u>\$1,499</u>	January 2033	(A2/A)
	<u>\$202,780</u>		<u>\$1,797</u>		

June 30, 2011

(in thousands)

Bond Issue	Notional Amounts	Effective Date	Fair Values	Cap Maturity Date	Counterparty Credit Rating
Issue E 2003B	\$19,590	3/13/2003	\$43	January 2027	(Aa3/A+)
Issue E 2003E	\$27,460	3/10/2004	\$57	January 2026	(Aa3/A+)
Issue E 2004B	\$28,430	3/31/2005	\$69	January 2026	(Aa3/A+)
Issue E 2006C	\$50,000	6/13/2006	\$411	July 2027	(Aa3/A+)
Issue E 2007C	<u>\$85,000</u>	4/5/2007	<u>\$2,196</u>	January 2033	(Aa3/A+)
	<u>\$210,480</u>		<u>\$2,776</u>		

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

Credit Risk: As of June 30, 2012, the UBS AG counterparty rating for the cap portfolio was at least A2/A by Moody's and S&P, respectively. Credit risk may occur if the auction rate exceeds the cap and the counterparty is unable to fulfill its obligation to reimburse the Authority the difference between the market interest rate and the cap. If this was to occur and trust assets could not cover debt service expenses, the insured trust estate would be responsible for all debt payments on the bonds.

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

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

<u>Debt Issuance</u>	<u>Debt Maturity Date</u>	<u>Cap Maturity Date</u>
Issue E Series 2003B	January 1, 2038	January 1, 2027
Issue E Series 2003E	January 1, 2038	January 1, 2026
Issue E Series 2004B	January 1, 2038	January 1, 2026
Issue E Series 2006C	January 1, 2036	July 1, 2027
Issue E Series 2007C	January 1, 2037	January 1, 2033

9. COMMITMENT FEES TO PARTICIPATING INSTITUTIONS

For fiscal years ended June 30, 2012 and 2011, the Authority did not receive any commitment fee revenue from participating private institutions. Commencing in March 2003, commitment fees were no longer charged to the participating institutions under the Issue E indenture. Under the Bond Resolutions, after all Bonds under each Issue have been retired and program expenses paid, any residual funds may be used to repay participating institutions commitment fees at the discretion of the Authority.

The Authority incurred an expense of \$1.9M in fiscal year 2012 for commitment fees due to participating institutions related to the retirement of historically issued tax-exempt debt outstanding and the associated final payments on those related loans. The fees related to this expense are projected to be paid back to the participating institutions within the next three years and are included in the other liabilities section of the balance sheet.

10. COLLEGE SAVINGS INVESTING PROGRAMS

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

As of June 30, 2012 and 2011, the Authority has deposits of \$7.2M and \$4.8M respectively, for the purchase of tuition certificates under the Commonwealth of Massachusetts General Obligation Bonds, effective August 1, 2012 and August 1, 2011, respectively. As part of the annual cycle of the U.Plan program, Commonwealth of Massachusetts General Obligation Bonds were purchased as follows:

(in thousands)

	Bonds Purchased	Issue Date	Maturity Dates From/Through
1995 College Opportunity Bonds, Series A	\$ 26,122	August 1, 1995	August 1, 2000 / 2015
1996 College Opportunity Bonds, Series A	\$ 18,970	August 1, 1996	August 1, 2001 / 2016
1997 College Opportunity Bonds, Series A	\$ 19,902	August 1, 1997	August 1, 2002 / 2017
1998 College Opportunity Bonds, Series A	\$ 17,683	August 1, 1998	August 1, 2003 / 2018
1999 College Opportunity Bonds, Series A	\$ 12,862	August 1, 1999	August 1, 2004 / 2019
2000 College Opportunity Bonds, Series A	\$ 6,626	August 1, 2000	August 1, 2005 / 2020
2001 College Opportunity Bonds, Series A	\$ 5,636	August 1, 2001	August 1, 2006 / 2021
2002 College Opportunity Bonds, Series A	\$ 5,970	August 1, 2002	August 1, 2007 / 2022
2003 College Opportunity Bonds, Series A	\$ 6,343	August 1, 2003	August 1, 2008 / 2023
2004 College Opportunity Bonds, Series A	\$ 7,118	August 1, 2004	August 1, 2009 / 2024
2005 College Opportunity Bonds, Series A	\$ 7,078	August 1, 2005	August 1, 2010 / 2025
2006 College Opportunity Bonds, Series A	\$ 5,763	August 1, 2006	August 1, 2011 / 2026
2007 College Opportunity Bonds, Series A	\$ 6,028	August 1, 2007	August 1, 2012 / 2027
2008 College Opportunity Bonds, Series A	\$ 5,894	August 1, 2008	August 1, 2013 / 2028
2009 College Opportunity Bonds, Series A	\$ 6,903	August 1, 2009	August 1, 2014 / 2029
2010 College Opportunity Bonds, Series A	\$ 8,426	August 1, 2010	August 1, 2015 / 2030
2011 College Opportunity Bonds, Series A	\$ 9,031	August 1, 2011	August 1, 2016 / 2031
Total	<u>\$ 176,355</u>		

The tuition certificates represent a beneficial ownership interest in these bonds. The bonds bear interest at a rate equal to the annual increase in the consumer price index plus 2.5%. Between the date deposits are collected and the purchase of the bonds, the amounts collected and a related liability to participants are recorded on the balance sheet of the College Savings Funds as certificates payable. Once bonds are purchased, the liability is removed from the balance sheet of the Authority. When bonds mature, the cash is moved to an investment account restricted to MEFA's use and an associated liability to U.Plan participants is recorded on the balance sheet. As of June 30, 2012 and 2011, included in accounts payable and accrued expenses, were certificate redemptions to U.Plan participants in the amounts of \$13.2M and \$11.6M, respectively.

The U.Fund was developed by the Authority on behalf of the Commonwealth of Massachusetts under section 529 of the Internal Revenue Code of 1986, as amended. The purpose of the U.Fund is to allow families to save for higher education expenses through the investment in mutual funds, which are professionally managed by Fidelity Investments. At June 30, 2012 and 2011, the U.Fund was composed of thirty six and twenty eight mutual fund portfolios generally comprised of stock, bond, and money market funds, respectively. Each portfolio is designed to accommodate the asset allocation based on the risk profile of the participants. As of June 30, 2012 and 2011 net assets for the U.Fund were \$3,737M and \$3,641M, respectively.

11. RELATED PARTIES

During FY2012, three Members of the Authority were officers/trustees of participating institutions and during FY2011, two Members of the Authority were officers/trustees of participating institutions. During the years ended June 30, 2012 and 2011, the Authority purchased loans totaling \$6.5M and \$4.4M, respectively, in principal balance, from the institutions. At June 30, 2012 and 2011, \$42M and \$26.9M, respectively, of loans purchased from those institutions were outstanding.

12. DEFINED CONTRIBUTION PLAN

All employees of the Authority participate in a defined contribution plan, the Massachusetts Educational Financing Authority Pension Plan and Trust (the "Plan"). The Authority annually contributes an amount equal to 11% of an employee's annual gross salary. The Authority also matches 50% of employee contributions up to a maximum of 6% to the MEFA Deferred Compensation Plan. Total employee contributions to the MEFA Deferred Compensation Plan for the years ended June 30, 2012 and 2011 were \$332K and \$340K, respectively. It is the Authority's policy to fund contributions on a current basis. Total retirement plan expense for the years ended June 30, 2012 and 2011 was \$544K and \$566K, respectively. Vesting at 100% occurs in the Plan after two years of employment. The Authority pays administrative expenses of the Plans for the plan participants and Reliance Trust is the custodian of the plan's assets.

13. LEASE COMMITMENT

The Authority entered into a ten year operating lease agreement for its current office space which commenced in February 2008 and expires in 2018 and also has other operating lease arrangements for office equipment. The office lease payments are subject to the Authority paying certain operating costs, such as annual escalation for increases in real estate taxes and operating expenses.

As of June 30, 2012, annual minimum operating lease payments for the office space and office equipment are as follows for the following five fiscal years and thereafter:

(in thousands)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>Thereafter</u>
Minimum operating lease payments	\$ 861	\$ 888	\$ 901	\$ 919	\$ 921	\$ 623

The following schedule shows the composition of total operating lease expenses included in general and administrative expense on the Statement of Revenues, Expenses and Changes in Net Assets for the years ended June 30:

(in thousands)

	<u>2012</u>	<u>2011</u>
Minimum operating lease expenses	\$ 876	\$ 879
Additional operating lease expenses	96	114
Total operating lease expenses	<u>\$ 972</u>	<u>\$ 993</u>

14. CAPITAL EQUIPMENT

The activity related to the Authority's capital assets for the fiscal years ended 2012 and 2011, respectively, was as follows:

(in thousands)

	<u>June 30, 2011</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2012</u>
Computer hardware	\$ 494	\$ 39	\$ -	\$ 533
Computer software	3,864	405	-	4,269
Furniture	787	-	-	787
Equipment	147	8	-	155
Leasehold improvements	493	2	-	495
Total capital equipment (at cost)	<u>5,785</u>	<u>454</u>	<u>-</u>	<u>6,239</u>
Accumulated depreciation	<u>(3,621)</u>	<u>(879)</u>	<u>-</u>	<u>(4,500)</u>
Capital equipment, net	<u>\$ 2,164</u>	<u>\$ (425)</u>	<u>\$ -</u>	<u>\$ 1,739</u>

	<u>June 30, 2010</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2011</u>
Computer hardware	\$ 429	\$ 65	\$ -	\$ 494
Computer software	3,351	513	-	3,864
Furniture	787	-	-	787
Equipment	140	7	-	147
Leasehold improvements	492	1	-	493
Total capital equipment (at cost)	<u>5,199</u>	<u>586</u>	<u>-</u>	<u>5,785</u>
Accumulated depreciation	<u>(2,818)</u>	<u>(803)</u>	<u>-</u>	<u>(3,621)</u>
Capital equipment, net	<u>\$ 2,381</u>	<u>\$ (217)</u>	<u>\$ -</u>	<u>\$ 2,164</u>

Included in general and administrative expenses are depreciation expenses of \$879K and \$803K for the years ended June 30, 2012 and June 30, 2011, respectively.

15. CONTRIBUTION TO COMMONWEALTH

During FY2009, the Authority entered into an agreement with the Department of Higher Education to provide funding to the Commonwealth of Massachusetts for a higher education program providing services to Massachusetts students. In both fiscal years 2012 and 2011 \$1M was contributed for funding toward program and administrative expenditures related to this program.

16. NET GAINS RELATED TO THE BOND PROGRAM

In FY2012, the Authority purchased in lieu of redemption approximately \$5M in outstanding auction rate bonds with cash on hand resulting in a current year gain on the retirement of debt totaling approximately \$788K.

17. OTHER MATTERS

In April of 2011, the Authority was advised by the Financial Institution Oversight Service ("FIOS") of the federal Department of Education (the "Department") that a program review of the Authority's participation during the Authority's fiscal year 2007 in the Federal Family Education Loan Program ("FFELP"), which was performed in August 2010, had resulted in a preliminary finding that a certain contract that the Authority had entered into with a third party for marketing and administrative services contained "prohibited inducements" within the meaning of the federal Higher Education Act. The FIOS program review was initiated in response to information included in a report filed with the Department by the Authority's independent auditor, in accordance with FFELP requirements. The contract in question was entered into in calendar year 2003 and terminated in calendar year 2008. The Authority ceased financing additional Authority FFELP Loans in 2008 in response to federal statutory changes and to capital market conditions. Subsequent federal legislation has terminated FFELP loan origination nationally. In connection with its preliminary finding, FIOS requested certain information from the Authority regarding this and two other contracts between the Authority and the same third party. The Authority has responded to the preliminary FIOS finding by providing the requested information, indicating its disagreement with the

preliminary finding and urging FIOS to reconsider the finding. By letter dated May 30, 2012, the Department advised the Authority that it had concluded its program review without change to this preliminary finding and that the Department expected to further review this finding for potential responsive action by the Department. There can be no assurance to the outcome of these proceedings. Although the possibility exists that the Department may seek to impose a monetary penalty upon the Authority, the Department has not at this time advised the Authority of any intent to do so, of the potential amount of any such monetary penalty or of any intent to impose another sanction.

18. SUBSEQUENT EVENTS

As part of the fiscal year 2013 budgeting process, the State Legislature extended a provision in the state budget that State Authorities would participate in the funding of certain programs for the Commonwealth. The estimated impact to the Authority in fiscal year 2013 will be a \$1.0M non-operating expense related to the Commonwealth's educational support program, which is similar to the contribution made in fiscal year 2012.

On July 3, 2012, Fitch Ratings affirmed the long term rating of "AAA" for the 2008 Floating Rate Note transaction. The rating outlook, which is tied to the sovereign rating of the U.S. government due to the default guaranty on the loans that are collateral for the outstanding notes, remains negative. The rating on the senior notes is affirmed based on the sufficient level of credit enhancement consisting of overcollateralization and projected minimum excess spread to cover the applicable risk factor stresses.

On July 31, 2012, Standard & Poor's affirmed the long term rating of "AA" on the Issue H Trust. The affirmation of the rating reflects the viewpoint that the collateral's performance remains in line with initial expectations for cumulative default assumptions. Additionally, the trust currently has relatively low delinquency and forbearance levels, and parity levels have increased since the closing of the transaction. The amount of credit enhancement is sufficient to support the bonds at their current rating level. The rating affirmation also reflects the views of future collateral performance as well as the trust's structure and payment priority. The bonds also benefit from a financial guarantee insurance policy that guarantees payment of scheduled principal and interest by Assured Guaranty Corp ("AA-"). For Standard & Poor's, the credit rating on a fully credit enhanced bond issue is the higher of the credit enhancer's rating or the published underlying rating on the structure.

On July 31, 2012, Standard & Poor's affirmed the long term rating of "AA" on the Issue I Trust. The affirmation of the rating reflects the viewpoint that the collateral's performance remains in line with initial expectations for cumulative default assumptions. Additionally, the trust currently has relatively low delinquency and forbearance levels, and parity levels have increased since the closing of the transaction. The amount of credit enhancement is sufficient to support the bonds at their current rating level. The rating affirmation also reflects the views of future collateral performance as well as the trust's structure and payment priority.

On July 31, 2012, Standard & Poor's affirmed the long term rating of "AA" on the Issue J Trust. The affirmation of the rating reflects the viewpoint that the collateral's performance remains in line with initial expectations for cumulative default assumptions. Additionally, the trust currently has relatively low delinquency and forbearance levels, and parity levels have increased since the closing of the transaction. The amount of credit enhancement is sufficient to support the bonds at their current rating level. The rating affirmation also reflects the views of future collateral performance as well as the trust's structure and payment priority. On June 27, Standard & Poor's rated the series 2012 bonds issued from the Issue J Trust and as part of that process ran cash flows and evaluated the ratings on the entire trust (including the series 2011 bonds) to support the rating affirmation.

On August 29, 2012, the Consumer Financial Protection Bureau and Department of Education released a report on the private student loan marketplace which highlighted the key attributes of the marketplace and also the consumer protection issues (as defined in the report) which policy makers may wish to address. This report was comprehensive in nature and covered four areas – history of private student loans, how consumers have interacted historically with private student loan providers, existing federal consumer protection laws and fair lending compliance requirements and finally, recommendations to Congress that would impact the private student loan marketplace. The report was a requirement of the Dodd-Frank Wall Street Reform and Consumer Protection Act. It is uncertain what impact the report may have on the private loan marketplace and the Authority will continue to monitor the developments related to the Consumer Financial Protection Bureau.

On October 16, 2012, the Consumer Financial Protection Bureau (“CFPB”) released the annual report of the student loan ombudsman. The private student loan ombudsman was created as part of the Dodd-Frank Wall Street Reform and Consumer Protection Act. In the first year of operation, the CFPB and the Department of Education coordinated through a memorandum of understanding on student loan complaints. As part of this process, the CFPB began accepting complaints in March 2012 and this report summarizes the findings to date. The report focuses on the following areas – issues faced by student loan borrowers, a discussion by the ombudsman on the issues and themes present in the complaints and finally, recommendations on how to improve the marketplace based on the consumer feedback. It is uncertain what impact the report may have on the private loan marketplace and the Authority will continue to monitor the developments related to the Consumer Financial Protection Bureau.

On November 7, 2012, Standard & Poor’s affirmed the long term rating of “AA” on the Issue E Trust. The affirmation of the rating reflects the viewpoint that the collateral’s performance remains in line with initial expectations for cumulative default assumptions. Additionally, the trust currently has relatively low delinquency and forbearance levels, and parity levels have increased since the closing of the last series of bonds in 2007. The amount of credit enhancement is sufficient to support the bonds at their current rating level. The rating affirmation also reflects the views of future collateral performance as well as the trust’s structure and payment priority. The bonds also benefit from a financial guarantee insurance policy that guarantees payment of scheduled principal and interest by Ambac Assurance Corp (“NR”). For Standard & Poor’s, the credit rating on a fully credit enhanced bond issue is the higher of the credit enhancer’s rating or the published underlying rating on the structure.

Massachusetts Educational Financing Authority

Balance Sheets

June 30, 2012 and 2011

	2012				2011			
	Trusteed Funds	College Savings Funds	Authority Funds	Total	Trusteed Funds	College Savings Funds	Authority Funds	Total
Assets								
Current assets								
Cash and cash equivalents (Notes 3 and 4)	\$ 191,333	\$ 818	\$ 204	\$ 192,355	\$ 147,928	\$ 1,442	\$ (96)	\$ 149,274
Investments, at fair value (Notes 3 and 4)	10,996	21,098	-	32,094	10,082	18,370	-	28,452
Education loan notes receivable, net (Notes 5 and 11)	164,250	-	2,743	166,993	142,978	-	2,395	145,373
Interest receivable on educational loan notes	30,282	-	20	30,302	37,876	-	39	37,915
Prepaid expenses and other assets	382	1,747	266	2,395	345	1,718	725	2,788
Deferred financing costs, net (Notes 3 and 6)	945	-	-	945	800	-	-	800
Interest receivable for cash, cash equivalents, and investments	3	-	-	3	28	-	-	28
Interfund balances	(372)	-	372	-	(350)	-	350	-
Total current assets	397,819	23,663	3,605	425,087	339,687	21,530	3,413	364,630
Noncurrent assets								
Cash and cash equivalents (Notes 3 and 4)	215,329	-	658	215,987	105,012	-	658	105,670
Investments, at fair value (Notes 3 and 4)	-	11,274	7,860	19,134	-	12,237	16,496	28,733
Derivative Instruments - caps (Notes 3 and 8)	1,797	-	-	1,797	2,776	-	-	2,776
Educational loan notes receivable, net (Notes 5 and 11)	1,288,583	-	1,083	1,289,666	1,289,539	-	672	1,290,211
Prepaid expenses and other assets	2,924	-	-	2,924	3,231	-	-	3,231
Deferred financing costs, net (Notes 3 and 6)	16,197	-	-	16,197	15,624	-	-	15,624
Capital equipment, net of accumulated depreciation (Note 14)	-	-	1,739	1,739	-	-	2,164	2,164
Total assets	\$ 1,922,649	\$ 34,937	\$ 14,945	\$ 1,972,531	\$ 1,755,869	\$ 33,767	\$ 23,403	\$ 1,813,039
Liabilities								
Current liabilities								
Accounts payable and accrued expenses	\$ 1,067	\$ 13,284	\$ 1,172	\$ 15,523	\$ 949	\$ 11,604	\$ 972	\$ 13,525
Bonds payable - current portion (Note 7)	35,130	-	-	35,130	24,333	-	-	24,333
Certificates payable (Note 10)	-	7,221	-	7,221	-	4,802	-	4,802
Accrued bond interest payable	29,939	-	-	29,939	29,470	-	-	29,470
Deferred loan origination and other fees	2,236	-	2	2,238	1,931	-	2	1,933
Total current liabilities	68,372	20,505	1,174	90,051	56,683	16,406	974	74,063
Noncurrent liabilities								
Bonds payable - net of current portion (Note 7)	1,719,027	-	-	1,719,027	1,585,736	-	-	1,585,736
Deferred Inflow of Resources - caps (Notes 3 and 8)	1,797	-	-	1,797	2,776	-	-	2,776
Deferred loan origination and other fees	37,319	-	13	37,332	33,231	-	16	33,247
Other liabilities	2,274	522	185	2,981	375	608	156	1,139
Total liabilities	1,828,789	21,027	1,372	1,851,188	1,678,801	17,014	1,146	1,696,961
Net assets								
Invested in capital assets	-	-	1,739	1,739	-	-	2,164	2,164
Restricted	93,826	7,020	2,400	103,246	77,047	8,130	4,045	89,222
Unrestricted	34	6,890	9,434	16,358	21	8,623	16,048	24,692
Total net assets	93,860	13,910	13,573	121,343	77,068	16,753	22,257	116,078
Total liabilities and net assets	\$ 1,922,649	\$ 34,937	\$ 14,945	\$ 1,972,531	\$ 1,755,869	\$ 33,767	\$ 23,403	\$ 1,813,039

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

Massachusetts Educational Financing Authority
Statements of Revenues, Expenses and Changes in Net Assets
For the years ended June 30, 2012 and 2011

	2012				2011			
	Trusteed	College Savings	Authority	Total	Trusteed	College Savings	Authority	Total
	Funds	Funds	Funds		Funds	Funds	Funds	
Operating revenues								
Interest on education loan notes receivable (Note 3)	\$ 84,336	\$ -	\$ 148	\$ 84,484	\$ 78,653	\$ -	\$ 201	\$ 78,854
Loan origination and other fees, net	2,232	86	3	2,321	1,827	87	2	1,916
College savings plan interest and fees	-	4,086	-	4,086	-	3,942	-	3,942
Other revenue	-	1,313	126	1,439	-	1,136	302	1,438
Total operating revenues	86,568	5,485	277	92,330	80,480	5,165	505	86,150
Operating expenses								
Bond interest expense	61,143	-	-	61,143	62,877	-	-	62,877
Bond insurance	655	-	-	655	725	-	-	725
Deferred financing costs, amortized	2,286	-	-	2,286	2,294	-	-	2,294
Provision for doubtful educational loan notes receivable	5,268	-	(1,683)	3,585	4,052	-	188	4,240
Credit decision fees	307	-	-	307	375	-	-	375
General and administrative (Notes 3, 12, 13, and 14)	13,883	2,479	472	16,834	10,848	1,566	4,376	16,790
Other expenses	88	-	-	88	225	-	-	225
Total operating expenses	83,630	2,479	(1,211)	84,898	81,396	1,566	4,564	87,526
Operating income/(loss)	2,938	3,006	1,488	7,432	(916)	3,599	(4,059)	(1,376)
Nonoperating revenues (expenses)								
Interest and dividends	247	93	1	341	1,095	87	11	1,193
Arbitrage income	(50)	-	87	37	(506)	-	576	70
Commitment fees to participating schools (Note 9)	(1,893)	-	-	(1,893)	-	-	-	-
Contributions to the Commonwealth (Note 15)	-	-	(1,000)	(1,000)	-	-	(1,000)	(1,000)
Yield restriction on educational loan notes receivable	(448)	-	8	(440)	1,724	-	(2)	1,722
Net asset transfers	15,210	(5,942)	(9,268)	-	(735)	-	735	-
Net non-operating revenues	13,066	(5,849)	(10,172)	(2,955)	1,578	87	320	1,985
Increase/(decrease) in net assets before special items	16,004	(2,843)	(8,684)	4,477	662	3,686	(3,739)	609
Special Items								
Net special items related to bond program (Note 16)	788	-	-	788	13,003	-	-	13,003
Total increase/(decrease) in net assets	16,792	(2,843)	(8,684)	5,265	13,665	3,686	(3,739)	13,612
Net assets, beginning of year	77,068	16,753	22,257	116,078	63,403	13,067	25,996	102,466
Net assets, end of year	\$ 93,860	\$ 13,910	\$ 13,573	\$ 121,343	\$ 77,068	\$ 16,753	\$ 22,257	\$ 116,078

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

Massachusetts Educational Financing Authority

Statements of Cash Flows

For the years ended June 30, 2012 and 2011

	2012				2011			
	Trusteed Funds	College Savings Funds	Authority Funds	Total	Trusteed Funds	College Savings Funds	Authority Funds	Total
Cash flows from operating activities:								
Payments for disbursed loans	\$ (165,460)	\$ -	\$ -	\$ (165,460)	\$ (172,856)	\$ -	\$ -	\$ (172,856)
Payments received on outstanding loan principal	173,625	-	954	174,579	159,720	-	1,073	160,793
General & administrative payments	(15,132)	(830)	1,092	(14,870)	(12,657)	(560)	(3,308)	(16,525)
Interest received on education loans	65,033	-	146	65,179	57,474	-	196	57,670
Proceeds from other sources	-	5,400	127	5,527	(7)	5,037	301	5,331
Net cash provided by (used in) operating activities	58,066	4,570	2,319	64,955	31,674	4,477	(1,738)	34,413
Cash flows from non-capital financing activities:								
Proceeds from issuance of bonds	274,973	-	-	274,973	-	-	-	-
Deferred financing costs	(3,005)	-	-	(3,005)	(70)	-	-	(70)
Bond interest paid	(64,178)	-	-	(64,178)	(64,702)	-	-	(64,702)
Principal payments on bonds payable	(126,593)	-	-	(126,593)	(132,478)	-	-	(132,478)
Contribution to the Commonwealth	-	-	(1,000)	(1,000)	-	-	(1,000)	(1,000)
Net asset transfers	15,232	(5,942)	(9,290)	-	(494)	-	494	-
Net cash provided by (used in) non-capital financing activities	96,429	(5,942)	(10,290)	80,197	(197,744)	-	(506)	(198,250)
Cash flows from capital financing activities:								
Purchase of capital equipment and software development	-	-	(453)	(453)	-	-	(586)	(586)
Net cash used in capital financing activities	-	-	(453)	(453)	-	-	(586)	(586)
Cash flows from investing activities:								
Proceeds from maturity/sale of investments	7,138	32,188	9,001	48,327	59,372	30,927	13,872	104,171
Purchases of investments	(8,051)	(31,534)	(366)	(39,951)	(39,195)	(34,048)	(13,692)	(86,935)
Interest and dividends received on cash and investments	272	94	1	367	754	86	11	851
Arbitrage rebate payments	(132)	-	88	(44)	(1,315)	-	382	(933)
Net cash (used in) provided by investing activities	(773)	748	8,724	8,699	19,616	(3,035)	573	17,154
Net increase (decrease) in cash and cash equivalents	153,722	(624)	300	153,398	(146,454)	1,442	(2,257)	(147,269)
Cash and cash equivalents, beginning of year	252,940	1,442	562	254,944	399,394	-	2,819	402,213
Cash and cash equivalents, end of year	\$ 406,662	\$ 818	\$ 862	\$ 408,342	\$ 252,940	\$ 1,442	\$ 562	\$ 254,944

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

Massachusetts Educational Financing Authority
Statements of Cash Flows, Continued
For the years ended June 30, 2012 and 2011

	2012				2011			
	Trusteed Funds	College Savings Funds	Authority Funds	Total	Trusteed Funds	College Savings Funds	Authority Funds	Total
Reconciliation of operating income/(loss) to net cash provided by (used in) operating activities:								
Operating income/(loss)	\$ 2,938	\$ 3,006	\$ 1,488	\$ 7,432	\$ (916)	\$ 3,599	\$ (4,059)	\$ (1,376)
Adjustments to reconcile operating income/(loss) to net cash provided by (used in) operating activities:								
Depreciation expense	-	-	879	879	-	-	803	803
Provision for doubtful educational loan notes receivable	5,268	-	(1,683)	3,585	4,052	-	188	4,240
Amortization of deferred financing costs	2,286	-	-	2,286	2,294	-	-	2,294
Bond interest expense	61,143	-	-	61,143	62,877	-	-	62,877
Changes in assets and liabilities:								
Educational loan notes receivable	(26,035)	-	935	(25,100)	(52,591)	-	1,059	(51,532)
Deferred loan origination and other fees	4,394	-	(4)	4,390	5,056	-	(2)	5,054
Interest receivable on educational loan notes	7,595	-	18	7,613	10,854	-	9	10,863
Accounts payable and accrued expenses	207	1,593	228	2,028	(231)	938	(731)	(24)
Prepaid expenses and other assets	270	(29)	458	699	279	(60)	995	1,214
Net cash provided by (used in) operating activities	\$ 58,066	\$ 4,570	\$ 2,319	\$ 64,955	\$ 31,674	\$ 4,477	\$ (1,738)	\$ 34,413

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

Massachusetts Educational Financing Authority
Balance Sheets
June 30, 2012 and 2011

	2012						2011					
	Issue E Total	FRN of 2008	Issue H of 2008	Issue I Total	Issue J Total	Trusteed Funds	Issue E Total	FRN of 2008	Issue H of 2008	Issue I Total	Issue J Total	Trusteed Funds
Assets												
Current assets												
Cash and cash equivalents (Notes 3 and 4)	\$ 94,281	\$ 13,502	\$ 16,590	\$ 58,267	\$ 8,693	\$ 191,333	\$ 57,083	\$ 9,704	\$ 15,284	\$ 65,857	\$ -	\$ 147,928
Investments, at fair value (Notes 3 and 4)	10,996	-	-	-	-	10,996	8,308	-	1,774	-	-	10,082
Education loan notes receivable, net (Notes 5 and 11)	75,987	16,352	11,920	54,685	5,306	164,250	69,042	18,285	10,267	45,384	-	142,978
Interest receivable on educational loan notes	4,879	1,341	6,868	15,067	2,127	30,282	12,760	2,208	8,801	14,107	-	37,876
Prepaid expenses and other assets	11	307	46	18	-	382	10	305	1	29	-	345
Deferred financing costs, net (Notes 3 and 6)	267	66	54	490	68	945	190	74	56	480	-	800
Interest receivable for cash, cash equivalents, and investments	3	-	-	-	-	3	1	-	27	-	-	28
Interfund balances	(337)	-	-	-	(35)	(372)	(227)	-	-	(60)	(63)	(350)
Total current assets	186,087	31,568	35,478	128,527	16,159	397,819	147,167	30,576	36,210	125,797	(63)	339,687
Noncurrent assets												
Cash and cash equivalents (Notes 3 and 4)	-	754	4,707	12,892	196,976	215,329	51	754	5,124	99,083	-	105,012
Derivative Instruments - caps (Notes 3 and 8)	1,797	-	-	-	-	1,797	2,776	-	-	-	-	2,776
Educational loan notes receivable, net (Notes 5 and 11)	393,431	159,310	133,407	524,970	77,465	1,288,583	446,343	193,693	146,771	502,732	-	1,289,539
Prepaid expenses and other assets	-	2,924	-	-	-	2,924	-	3,231	-	-	-	3,231
Deferred financing costs, net (Notes 3 and 6)	4,071	776	1,111	7,303	2,936	16,197	4,585	994	1,271	8,711	63	15,624
Total assets	\$ 585,386	\$ 195,332	\$ 174,703	\$ 673,692	\$ 293,536	\$ 1,922,649	\$ 600,922	\$ 229,248	\$ 189,376	\$ 736,323	\$ -	\$ 1,755,869
Liabilities												
Current liabilities												
Accounts payable and accrued expenses	\$ 218	\$ 136	\$ 94	\$ 171	\$ 448	\$ 1,067	\$ 443	\$ 219	\$ 42	\$ 245	\$ -	\$ 949
Bonds payable - current portion (Note 7)	11,640	-	-	23,490	-	35,130	10,820	-	-	13,513	-	24,333
Accrued bond interest payable	6,141	474	4,982	15,549	2,793	29,939	6,493	481	5,423	17,073	-	29,470
Deferred loan origination and other fees	737	-	266	1,132	101	2,236	727	-	248	956	-	1,931
Total current liabilities	18,736	610	5,342	40,342	3,342	68,372	18,483	700	5,713	31,787	-	56,683
Noncurrent liabilities												
Bonds Payable - net of current portion (Note 7)	509,375	179,734	156,910	598,013	274,995	1,719,027	526,015	210,976	170,810	677,935	-	1,585,736
Deferred Inflow of Resources - caps (Notes 3 and 8)	1,797	-	-	-	-	1,797	2,776	-	-	-	-	2,776
Deferred loan origination and other fees	9,964	-	5,571	18,758	3,026	37,319	10,818	-	5,851	16,562	-	33,231
Other liabilities	2,274	-	-	-	-	2,274	375	-	-	-	-	375
Total liabilities	542,146	180,344	167,823	657,113	281,363	1,828,789	558,467	211,676	182,374	726,284	-	1,678,801
Net assets												
Restricted	43,206	14,988	6,880	16,579	12,173	93,826	42,434	17,572	7,002	10,039	-	77,047
Unrestricted	34	-	-	-	-	34	21	-	-	-	-	21
Total net assets	43,240	14,988	6,880	16,579	12,173	93,860	42,455	17,572	7,002	10,039	-	77,068
Total liabilities and net assets	\$ 585,386	\$ 195,332	\$ 174,703	\$ 673,692	\$ 293,536	\$ 1,922,649	\$ 600,922	\$ 229,248	\$ 189,376	\$ 736,323	\$ -	\$ 1,755,869

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

Massachusetts Educational Financing Authority
Statements of Revenues, Expenses and Changes in Net Assets
For the years ended June 30, 2012 and 2011

	2012						2011					
	Issue E Total	FRN of 2008	Issue H of 2008	Issue I Total	Issue J Total	Trusted Funds	Issue E Total	FRN of 2008	Issue H of 2008	Issue I Total	Issue J Total	Trusted Funds
Operating revenues												
Interest on education loan notes receivable (Note 3)	\$ 23,535	\$ 3,091	\$ 12,660	\$ 41,198	\$ 3,852	\$ 84,336	\$ 26,099	\$ 3,754	\$ 13,729	\$ 35,071	\$ -	\$ 78,653
Loan origination and other fees, net	844	-	261	1,061	66	2,232	732	-	245	850	-	1,827
Total operating revenues	<u>24,379</u>	<u>3,091</u>	<u>12,921</u>	<u>42,259</u>	<u>3,918</u>	<u>86,568</u>	<u>26,831</u>	<u>3,754</u>	<u>13,974</u>	<u>35,921</u>	<u>-</u>	<u>80,480</u>
Operating expenses												
Bond interest expense	14,503	2,677	10,154	28,470	5,339	61,143	15,771	2,972	11,583	32,551	-	62,877
Bond insurance	461	-	194	-	-	655	496	-	229	-	-	725
Deferred financing costs, amortized	437	226	162	1,397	64	2,286	951	255	243	845	-	2,294
Provision for doubtful educational loan notes receivable	522	79	(4)	3,543	1,128	5,268	4,596	139	289	(972)	-	4,052
Credit decision fees	-	-	-	115	192	307	-	-	-	375	-	375
General and administrative (Notes 3, 12, 13, and 14)	6,350	2,682	2,538	2,170	143	13,883	7,252	1,010	524	2,062	-	10,848
Other expenses/(income)	43	11	1	33	-	88	156	21	-	48	-	225
Total operating expenses	<u>22,316</u>	<u>5,675</u>	<u>13,045</u>	<u>35,728</u>	<u>6,866</u>	<u>83,630</u>	<u>29,222</u>	<u>4,397</u>	<u>12,868</u>	<u>34,909</u>	<u>-</u>	<u>81,396</u>
Operating income/(loss)	<u>2,063</u>	<u>(2,584)</u>	<u>(124)</u>	<u>6,531</u>	<u>(2,948)</u>	<u>2,938</u>	<u>(2,391)</u>	<u>(643)</u>	<u>1,106</u>	<u>1,012</u>	<u>-</u>	<u>(916)</u>
Nonoperating revenues (expenses)												
Interest and dividends	231	-	2	9	5	247	585	4	393	113	-	1,095
Arbitrage income	(50)	-	-	-	-	(50)	(506)	-	-	-	-	(506)
Commitment fees to participating schools (Note 9)	(1,893)	-	-	-	-	(1,893)	-	-	-	-	-	-
Yield restriction on educational loan notes receivable	(448)	-	-	-	-	(448)	1,724	-	-	-	-	1,724
Net asset transfers	94	-	-	-	15,116	15,210	266	(1,001)	-	-	-	(735)
Net non-operating revenues	<u>(2,066)</u>	<u>-</u>	<u>2</u>	<u>9</u>	<u>15,121</u>	<u>13,066</u>	<u>2,069</u>	<u>(997)</u>	<u>393</u>	<u>113</u>	<u>-</u>	<u>1,578</u>
(Decrease) increase in net assets before special items	<u>(3)</u>	<u>(2,584)</u>	<u>(122)</u>	<u>6,540</u>	<u>12,173</u>	<u>16,004</u>	<u>(322)</u>	<u>(1,640)</u>	<u>1,499</u>	<u>1,125</u>	<u>-</u>	<u>662</u>
Special Items												
Net special items related to bond program (Note 16)	788	-	-	-	-	788	13,003	-	-	-	-	13,003
Total increase/(decrease) in net assets	<u>785</u>	<u>(2,584)</u>	<u>(122)</u>	<u>6,540</u>	<u>12,173</u>	<u>16,792</u>	<u>12,681</u>	<u>(1,640)</u>	<u>1,499</u>	<u>1,125</u>	<u>-</u>	<u>13,665</u>
Net assets, beginning of year	<u>42,455</u>	<u>17,572</u>	<u>7,002</u>	<u>10,039</u>	<u>-</u>	<u>77,068</u>	<u>29,774</u>	<u>19,212</u>	<u>5,503</u>	<u>8,914</u>	<u>-</u>	<u>63,403</u>
Net assets, end of year	<u>\$ 43,240</u>	<u>\$ 14,988</u>	<u>\$ 6,880</u>	<u>\$ 16,579</u>	<u>\$ 12,173</u>	<u>\$ 93,860</u>	<u>\$ 42,455</u>	<u>\$ 17,572</u>	<u>\$ 7,002</u>	<u>\$ 10,039</u>	<u>\$ -</u>	<u>\$ 77,068</u>

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

Massachusetts Educational Financing Authority
Statements of Cash Flows
For the years ended June 30, 2012 and 2011

	2012						2011					
	Issue E Total	FRN of 2008	Issue H of 2008	Issue I Total	Issue J Total	Trusteed Funds	Issue E Total	FRN of 2008	Issue H of 2008	Issue I Total	Issue J Total	Trusteed Funds
Cash flows from operating activities:												
Payments for disbursed loans	\$ 55	\$ -	\$ 30	\$ (83,178)	\$ (82,367)	\$ (165,460)	\$ 19	\$ 11	\$ 133	\$ (173,019)	\$ -	\$ (172,856)
Payments received on outstanding loan principal	54,399	38,572	16,769	61,597	2,288	173,625	52,927	36,231	15,307	55,255	-	159,720
General & administrative payments	(6,948)	(2,765)	(2,725)	(2,518)	(176)	(15,132)	(7,955)	(969)	(773)	(2,960)	-	(12,657)
Interest received on education loans	21,916	1,915	9,508	30,307	1,387	65,033	21,894	2,135	7,931	25,514	-	57,474
Proceeds from other sources	-	-	-	-	-	-	-	(7)	-	-	-	(7)
Net cash provided by (used in) operating activities	69,422	37,722	23,582	6,208	(78,868)	58,066	66,885	37,401	22,598	(95,210)	-	31,674
Cash flows from non-capital financing activities												
Proceeds from issuance of bonds	-	-	-	-	274,973	274,973	-	-	-	-	-	-
Deferred financing costs	-	-	-	-	(3,005)	(3,005)	-	-	(5)	(3)	(62)	(70)
Bond interest paid	(14,856)	(2,685)	(10,596)	(33,518)	(2,523)	(64,178)	(16,484)	(3,056)	(12,319)	(32,843)	-	(64,702)
Principal payments on bonds payable	(15,032)	(31,241)	(13,900)	(66,420)	-	(126,593)	(52,162)	(32,561)	(23,190)	(24,565)	-	(132,478)
Net asset transfers	204	-	-	(60)	15,088	15,232	396	(1,001)	(16)	65	62	(494)
Net cash (used in) provided by non-capital financing activities	(29,684)	(33,926)	(24,496)	(99,998)	284,533	96,429	(68,250)	(36,618)	(35,530)	(57,346)	-	(197,744)
Cash flows from investing activities:												
Proceeds from maturity/sale of investments	5,336	-	1,802	-	-	7,138	16,726	-	42,646	-	-	59,372
Purchases of investments	(8,024)	-	(27)	-	-	(8,051)	(8,608)	-	(30,587)	-	-	(39,195)
Interest and dividends received on cash and investments	229	2	28	9	4	272	236	4	401	113	-	754
Arbitrage rebate payments	(132)	-	-	-	-	(132)	(1,315)	-	-	-	-	(1,315)
Net cash provided by (used in) investing activities	(2,591)	2	1,803	9	4	(773)	7,039	4	12,460	113	-	19,616
Net (decrease) increase in cash and cash equivalents	37,147	3,798	889	(93,781)	205,669	153,722	5,674	787	(472)	(152,443)	-	(146,454)
Cash and cash equivalents, beginning of year	57,134	10,458	20,408	164,940	-	252,940	51,460	9,671	20,880	317,383	-	399,394
Cash and cash equivalents, end of year	\$ 94,281	\$ 14,256	\$ 21,297	\$ 71,159	\$ 205,669	\$ 406,662	\$ 57,134	\$ 10,458	\$ 20,408	\$ 164,940	\$ -	\$ 252,940

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

Massachusetts Educational Financing Authority
Statements of Cash Flows, Continued
For the years ended June 30, 2012 and 2011

	2012						2011					
	Issue E Total	FRN of 2008	Issue H of 2008	Issue I Total	Issue J Total	Trusteed Funds	Issue E Total	FRN of 2008	Issue H of 2008	Issue I Total	Issue J Total	Trusteed Funds
Reconciliation of operating income/(loss) to net cash provided by (used in) operating activities:												
Operating income/(loss)	\$ 2,063	\$ (2,584)	\$ (124)	\$ 6,531	\$ (2,948)	\$ 2,938	\$ (2,391)	\$ (643)	\$ 1,106	\$ 1,012	\$ -	\$ (916)
Adjustments to reconcile operating income/(loss) to net cash provided by (used in) operating activities:												
Provision for doubtful educational loan notes receivable	522	79	(4)	3,543	1,128	5,268	4,596	139	289	(972)	-	4,052
Amortization of deferred financing costs	437	226	162	1,398	63	2,286	951	256	242	845	-	2,294
Bond interest expense	14,503	2,677	10,154	28,470	5,339	61,143	15,771	2,972	11,583	32,551	-	62,877
Changes in assets and liabilities:												
Educational loan notes receivable	44,997	36,236	11,715	(35,084)	(83,899)	(26,035)	40,340	32,916	12,032	(137,879)	-	(52,591)
Deferred loan origination and other fees	(844)	-	(261)	2,372	3,127	4,394	(732)	-	(250)	6,038	-	5,056
Interest receivable on educational loan notes	7,881	868	1,933	(960)	(2,127)	7,595	8,557	1,421	(2,384)	3,260	-	10,854
Accounts payable and accrued expenses	(137)	(84)	52	(73)	449	207	(207)	44	(20)	(48)	-	(231)
Prepaid expenses and other assets	-	304	(45)	11	-	270	-	296	-	(17)	-	279
Net cash provided by (used in) operating activities	<u>\$ 69,422</u>	<u>\$ 37,722</u>	<u>\$ 23,582</u>	<u>\$ 6,208</u>	<u>\$ (78,868)</u>	<u>\$ 58,066</u>	<u>\$ 66,885</u>	<u>\$ 37,401</u>	<u>\$ 22,598</u>	<u>\$ (95,210)</u>	<u>\$ -</u>	<u>\$ 31,674</u>

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

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DEFINITIONS OF CERTAIN TERMS

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

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

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

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

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

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

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

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

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

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

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

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

Bond Year means, unless otherwise specified in a Series Resolution with respect to a Series of Bonds, each year beginning on July 1 and ending on the next succeeding June 30; provided that for the Offered Bonds, the first Bond Year shall begin on the date of issuance of the Offered Bonds and end June 30, 2013.

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

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

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

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

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

Commonwealth means The Commonwealth of Massachusetts.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Fitch means Fitch Ratings, Inc. and its successors and assigns.

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

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

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

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

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

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

2. Federal Housing Administration debentures.
3. The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:
 - a) Federal Home Loan Mortgage Corporation (FHLMC) senior debt obligations and Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts).

- b) Farm Credit System (formerly Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) consolidated system-wide bonds and notes.
 - c) Federal Home Loan Banks (FHL Banks) consolidated debt obligations.
 - d) Federal National Mortgage Association (FNMA) senior debt obligations and mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts).
- 4. Unsecured certificates of deposit, time deposits, and bankers' acceptances (having maturities of not more than 365 days) of any bank the short-term obligations of which are rated "A-1+" by S&P and "F1" by Fitch.
 - 5. Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation, in banks which have capital and surplus of at least \$15 million.
 - 6. Commercial paper (having original maturities of not more than 270 days) rated "A-1+" by S&P and "F1" by Fitch.
 - 7. Money market funds rated at least "Aam" or "AAM-G" by S&P, and, if rated by Fitch, rated "AAA/V1+" by Fitch.
 - 8. "State Obligations" means:
 - a) Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated at least "AA" by S&P, and, if rated by Fitch, rated "AA-" by Fitch, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.
 - b) Direct general short-term obligations of any state agency or subdivision or agency thereof described in (a) above and rated "A-1+" by S&P and "F1" by Fitch.
 - c) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state or state agency described in (b) above and rated "AA" or better by S&P and Fitch.
 - 9. Pre-refunded municipal obligations rated "AAA" by S&P and at least "AA" by Fitch meeting the following requirements:
 - a) the municipal obligations are (1) not subject to redemption prior to maturity or (2) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;
 - b) the municipal obligations are secured by cash or U.S. Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

- c) the principal of and interest on the U.S. Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations (“Verification Report”);
 - d) the cash or U.S. Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;
 - e) no substitution of a U.S. Treasury Obligation shall be permitted except with another U.S. Treasury Obligation and upon delivery of a new Verification Report; and
 - f) the cash or U.S. Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.
10. Repurchase agreements: with (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least “AA” by S&P; or (2) any broker-dealer with “retail customers” or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least “AA” by S&P which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated at least “AA” by S&P and acceptable to the Authority (each an “Eligible Repurchase Agreement Provider”), provided that:
- a) (i) permitted collateral shall include U.S. Treasury Obligations, or senior debt obligations of GNMA, FNMA or FHLMC (no collateralized mortgage obligations shall be permitted for these providers), and (ii) collateral levels must be at least 102% of the total principal when the collateral type is U.S. Treasury Obligations, 103% of the total principal when the collateral type is GNMA’s and 104% of the total principal when the collateral type is FNMA and FHLMC (“Eligible Collateral”);
 - b) the Trustee or a third party acting solely as agent therefor or for the Authority (the “Custodian”) has possession of the collateral or the collateral has been transferred to the Custodian in accordance with applicable state and federal laws (other than by means of entries on the transferor’s books) and such collateral shall be marked to market;
 - c) the collateral shall be marked to market on a daily basis and the provider or Custodian shall send monthly reports to the Trustee and the Authority setting forth the type of collateral, the collateral percentage required for that collateral type, the market value of the collateral on the valuation date and the name of the Custodian holding the collateral;
 - d) the repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Custodian has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof; and

- e) the repurchase agreement shall provide that if during its term the provider's rating by S&P is withdrawn or suspended or falls below "AA" by S&P, the provider must notify the Authority and the Trustee within five (5) days of receipt of such notice. Within ten (10) days of receipt of such notice, the provider shall either: (i) provide a written guarantee acceptable to the Authority, (ii) post Eligible Collateral, or (iii) assign the agreement to an Eligible Repurchase Agreement Provider. If the provider does not perform a remedy within ten (10) business days, the provider shall, at the direction of the Trustee repurchase all collateral and terminate the repurchase agreement, with no penalty or premium to the Authority or the Trustee.
11. Investment agreements: with a domestic or foreign bank or corporation the short-term debt of which, or, in the case of a guaranteed corporation the short-term debt, or, in the case of a monoline financial guaranty insurance company, financial strength, of the guarantor is rated at least "A/F1" by Fitch and at least "A-1+" by S&P or, if the short-term debt or financial strength, as applicable, of which, is not rated by S&P, the long-term debt or financial strength, as applicable, of which is rated at least "AA-" by S&P and which is acceptable to the Authority (each an "Eligible Investment Agreement Provider"); provided that:
- a) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the construction fund, construction draws) on the Bonds;
 - b) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven (7) days' prior notice;
 - c) the provider shall send monthly reports to the Trustee and the Authority setting forth the balance the Authority or Trustee has invested with the provider and the amounts and dates of interest accrued and paid by the provider;
 - d) the investment agreement shall state that it is an unconditional and general obligation of the provider, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks pari passu with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;
 - e) the Authority and the Trustee shall receive an opinion of domestic counsel to the provider that such investment agreement is legal, valid, binding and enforceable against the provider in accordance with its terms;
 - f) the Authority and the Trustee shall receive an opinion of foreign counsel to the provider (if applicable) that (i) the investment agreement has been duly authorized, executed and delivered by the provider and constitutes the legal, valid and binding obligation of the provider, enforceable against the provider in accordance with its terms, (b) the choice of law of the state set forth in the investment agreement is valid under that country's laws and a court in such country would uphold such choice of law, and (c) any judgment rendered by a court in the United States would be recognized and enforceable in such country;

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

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

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

Loan Program Certificate means the Loan Program Certificate attached to the most recent Series Resolution setting forth terms and conditions for the Education Loans to be Purchased and for the Loan Program, as the same may be amended from time to time, provided that Rating Agency Notice shall be given of any such amendment.

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

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

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

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

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

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

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

Parity Ratio Certificate means a certificate of an Authorized Officer of the Authority showing, as of the date of calculation, after giving effect to any proposed transfer or transaction that the Parity Ratio is at least equal to 119.5%; provided that such percentage may be changed by certificate of an Authorized Officer supported by a Projection of Revenues and subject to Rating Agency Notice.

Participating Institution means (i) a non profit, degree granting educational institution, whether public or private, in Massachusetts or outside of Massachusetts, authorized by law to provide a program of education beyond the high school level, (ii) the Authority on behalf of a similarly situated educational

institution or (iii) person, firm, association, corporation or other entity participating in the Authority's loan programs.

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

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

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

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

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

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

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

Program Fund means the Program Fund established by the Resolution.

Projection of Revenues means a certificate of an Authorized Officer calculated as described in the Resolution showing that, after a particular action is taken, the Authority expects that Revenues and other funds available for the purpose will be at least sufficient to pay, in the current and each future Bond Year, Debt Service and Program Expenses when due.

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

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

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

Rating Agency Notice means written notice to all Nationally Recognized Rating Agencies of an action proposed to be taken by the Authority under the Resolution which requires such notice, which notice shall be given no less than twenty (20) Business Days prior to the proposed effective date of such proposed action. In connection with any such Rating Agency Notice, the Authority agrees to use commercially reasonable efforts to provide to each Nationally Recognized Rating Agency such factual data and cash-flow analyses as such Nationally Recognized Rating Agency may reasonably request of the Authority in order to review the proposed action, provided that such request is made in writing within ten (10) Business Days of receipt of the initial notice from the Authority.

Rebate Fund means the Rebate Fund established by the Resolution.

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

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

Redemption Fund means the Redemption Fund established by the Resolution.

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

Reserve Fund means the Reserve Fund established by the Resolution.

Reserve Fund Facility means a letter of credit, policy of insurance, surety bond, acceptance, guarantee or other similar instrument issued to the Trustee for the account of the Authority under which moneys may be drawn by the Trustee for the purposes of the Reserve Fund and which meets the requirements set forth in the Resolution. Any provider of a Reserve Fund Facility used by the Authority

shall be rated “AA” or better by each Nationally Recognized Rating Agency at the time of issuance of the Reserve Fund Facility.

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

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

Revenue Fund means the Revenue Fund established by the Resolution.

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

S&P means Standard & Poor’s Credit Ratings Services, a division of the McGraw-Hill Companies, Inc., and its successors and assigns.

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

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

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

Servicing Agreement means the Private Loan Origination and Servicing Agreement dated June 1, 2008 between the Authority and Xerox Education Services, LLC, a Delaware limited liability company doing business as ACS Education Services, and any other loan servicing agreement in effect from time to time between the Authority and a Servicer for the servicing of Education Loans in connection with the Program.

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

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

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

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

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

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

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

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

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

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

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SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

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

Resolution as Contract with Bondholders

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

Pledge of the Resolution

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

Hedging Transactions

A Hedge Agreement is a Qualified Hedge Agreement if (i) the provider of the Hedge Agreement is a Qualified Institution or the provider's obligations under the Hedge Agreement are unconditionally guaranteed by a Qualified Institution and (ii) the Authority designates it as such by a certificate of an Authorized Officer. The Authority shall give Rating Agency Notice of any Hedge Agreement entered into.

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

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

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

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

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

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

Establishment of Funds and Accounts

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

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

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

Program Fund

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

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

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

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

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

When all Education Loans to be Purchased from a Purchase Account have been so Purchased, as evidenced by a certificate of an Authorized Officer, but in any event, in the case of Education Loans to be

purchased with the proceeds of the Offered Bonds by March 31, 2014, any amount of original proceeds remaining unexpended in the Purchase Account, less any amounts which are specified in a certificate of an Authorized Officer as required for the Purchase of Education Loans committed to be originated or acquired after such date shall be transferred by the Trustee to the Redemption Fund for application to the special redemption of any of the Offered Bonds, provided that any portion of such amount consisting of moneys of the Authority derived other than from the proceeds of Bonds or of bonds refunded by Bonds may, if permitted under the applicable Series Resolution, be transferred by the Trustee to the Revenue Fund or to the Authority free and clear of the lien and pledge of the Resolution upon written direction of an Authorized Officer if such direction is accompanied by a Parity Ratio Certificate; provided further, that any amounts remaining in the Capitalized Interest Account and the Costs of Issuance Account not required for the purposes thereof shall be transferred by the Trustee to the Redemption Fund or the Debt Service Fund, as the Authority shall instruct the Trustee. The March 31, 2014 date with respect to the Offered Bonds may be extended to later dates with Rating Agency Notice.

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

Revenues and Revenue Fund

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

Monthly Transfers from Revenue Fund

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

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

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

(3) To the Debt Service Fund, an amount equal to (i) interest accrued and to accrue on the Bonds during the month, including any payments due or to become due under a Qualified Hedge Agreement (other than fees, charges and termination fees), plus (ii) commencing twelve months prior to the first Interest Payment Date on which a Principal Installment is due on the Bonds, such portion of the Principal Installment that would have accrued on the Bonds during the month if amounts due on a Principal Installment accrued during the Bond Year in equal monthly installments; provided, however, that if there are insufficient funds in the Debt Service Fund for payment in respect of interest on the Bonds pursuant to clause (i) above, the Trustee shall draw the required amounts from the Capitalized Interest Account;

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

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

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

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

The Authority expects that any moneys remaining in the Revenue Fund after the foregoing transfers in paragraphs (1) through (5) will be recycled for the Purchase of Education Loan Notes by transfer of such moneys to the Purchase Account, provided that such recycling will take place only during the Recycling Period, as adjusted from time to time, for a Series of Bonds. During the period in which recycling is permitted with respect to a Series of Bonds, only those Revenues that are allocable to such Series of Bonds will be recycled. The Recycling Period for the Offered Bonds will end on June 30, 2014, subject to extension to a later date with Rating Agency Notice.

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

Semi-Annual Transfers from Revenue Fund

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

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

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

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

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

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

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

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

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

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

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

Priority of Debt Service Draws

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

Priority of Draws for Program Expenses

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

Debt Service Fund

The Trustee will pay out of the Debt Service Fund to the appropriate Paying Agent on a timely basis by wire transfer in immediately available funds an amount which, together with any moneys provided from the Redemption Fund in accordance with the Resolution, equals first the Principal Installments of and interest on the Bonds coming due on any Interest Payment Date or redemption date. The Trustee shall also pay to the provider thereof any payments due by the Authority on a Qualified Hedge Agreement on such date. The Paying Agents will apply such amounts to the payment of Principal Installments of and interest on the Bonds, on and after the due dates thereof. If on any Interest Payment Date on the Bonds the amount accumulated in the Debt Service Fund exceeds the amount required, the Authority by written certificate of an Authorized Officer may direct the Trustee to deposit such excess in the Revenue Fund. The Trustee will also pay out of the Debt Service Fund accrued interest included in the purchase price of Bonds purchased under any provisions of the Resolution.

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

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

Reserve Fund

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

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

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

Program Expense Fund

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

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

Redemption Fund

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

Except as otherwise provided in the Series Resolution applicable to the Bonds to be redeemed, with respect to purchases or redemptions from the Redemption Fund, the Authority will direct the series and maturities of the Bonds to be purchased or redeemed, the aggregate principal amount of the Bonds to be purchased or redeemed, if any of the Bonds to be purchased or redeemed are Bonds for which Sinking Fund Installments have been established, the years in which Sinking Fund Installments are to be reduced and the amounts by which such Sinking Fund Installments are to be reduced, which shall in all cases be consistent with the manner in which Sinking Fund Installments are to be credited in the case of redemption as set forth in the applicable Series Resolution, and if Bonds are to be purchased, which Bonds the Authority has arranged to purchase and the manner and timing of such purchase. In connection with such direction, the Authority will file with the Trustee a Projection of Revenues. If no such Projection of Revenues is filed, the Trustee, except as otherwise provided in the Series Resolution applicable to the Bonds to be redeemed, will redeem Bonds of each maturity and tenor eligible for redemption, as nearly as practicable, in accordance with the ratio which the aggregate principal amount of the Outstanding Bonds of such Series, maturity and tenor bears to the aggregate principal amount of all Outstanding Bonds eligible for such redemption, and if any of the Bonds to be purchased or redeemed are Bonds for which Sinking Fund Installments have been established, will reduce the Sinking Fund Installments for such Bonds, as nearly as practicable, in accordance with the ratio which the aggregate principal amount of the each Sinking Fund Installment bears to the aggregate principal amount of such Bonds. Purchases and redemptions of Bonds will be made by the Trustee in the manner provided in the Resolution. Notwithstanding the foregoing, the Series Resolution applicable to the Offered Bonds provides that Bonds subject to redemption will be redeemed on a pro rata basis and any applicable Sinking Fund Installments within a maturity will be credited on a pro rata basis, or in both cases, in such other manner as the Authority, consistent with a Projection of Revenues, may direct. See “REDEMPTION PROVISIONS” in this Official Statement for additional information concerning the Offered Bonds.

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

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

Rebate Fund

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

Application of Certain Funds to Redeem Bonds

If at any time amounts on deposit in the Revenue Fund, Redemption Fund, Reserve Fund and Debt Service Fund applicable to a particular Series of Bonds, and amounts on deposit in any of such funds which after allowing for the redemption contemplated by this paragraph will be in excess of the amounts required to be on deposit therein, all as certified by an Authorized Officer are sufficient to redeem all Bonds Outstanding of such Series, such excess amounts, upon the written instruction in the Authority's discretion of an Authorized Officer to the Trustee, shall be deposited in the Redemption Fund and applied to the optional redemption or purchase in lieu of optional redemption and retirement of Bonds of such Series as provided in the Resolution; provided, that such use is conditioned upon the filing of a Projection of Revenues and, provided further, that no redemption or purchase shall be so made from the Reserve Fund unless the Reserve Fund Requirement shall be satisfied immediately after such redemption or purchase.

Investments and Deposits

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

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

Interest or other income derived from the investment of deposit of moneys in the Rebate Fund shall be retained therein unless otherwise specified in the applicable Series Resolution.

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

Reserve Fund Facility

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

Issuance of Additional Bonds

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

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

Notice to Nationally Recognized Rating Agencies

The Authority covenants to provide Rating Agency Notice to all Nationally Recognized Rating Agencies prior to making any supplement or change to or modification of the Resolution, a Series Resolution or the Loan Program Certificate, whether in connection with the issuance of Bonds or otherwise. Without limiting the foregoing, Rating Agency Notice shall be required for any change in the level at which assets may be released under the Resolution, any supplement or change to or modification of a Series Resolution which shall reduce the Reserve Fund Requirement specified in the latest Series Resolution, any change to the minimum Parity Ratio level required in a Parity Ratio Certificate, entering into a Hedge Agreement, entering into any investment agreement in connection with a particular Series of Bonds after the date of issuance of such Series, and as may be specified in any Series Resolution.

Subordinated Bonds

The Authority may from time to time, provided Rating Agency Notice is given, issue Bonds which shall be secured by a pledge of Trust Assets that is subordinate to the pledge applicable to Bonds not issued under the Resolution as “Subordinated Bonds.” Such Subordinated Bonds shall contain an express statement to the effect that the payment of the principal of and interest on such Bonds is subordinate to such payment of Bonds not issued under the Resolution as “Subordinated Bonds” and that the lien and security interest on Trust Assets for the benefit of such Bonds is subordinate in all respects to the lien and security interest on Trust Assets for the benefit of Bonds not issued under the Resolution as “Subordinated Bonds.” Notwithstanding the foregoing, the Series Resolution with respect to any such Subordinated Bonds may provide that the interest on such Subordinated Bonds may be paid currently from Revenues on a periodic basis while Bonds not issued under the Resolution as “Subordinated Bonds” are Outstanding on any Interest Payment Date or any other convenient date or dates. Funds on deposit in

the Reserve Fund shall not, unless otherwise provided in the applicable Series Resolution, be applied to the payment of principal of or interest on such Subordinated Bonds. The Series Resolution with respect to any such Subordinated Bonds may establish separate reserves for the benefit of such Bonds, shall specify the terms and conditions applicable to such Bonds and shall make such amendments to the Resolution as are necessary to effect the subordination of payments with respect to such Bonds.

Tax Covenants

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

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

Covenants as to the Program

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

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

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

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

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

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

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

The Authority shall not terminate the contract with any Servicer unless the Authority shall have entered into a Servicing Agreement complying with the requirements of the Resolution with one or more successor Servicers and such successor Servicers and such successor or successors shall have assumed the responsibilities and obligations of the Servicer under such agreement or the Authority shall have elected to assume any of the responsibilities and obligations of the Servicer not so assumed by a successor. Each agreement between the Authority and a Servicer shall, in addition to the provisions specified in this section, contain provisions precluding the Servicer from resigning or otherwise terminating the agreement unless the Authority shall have defaulted on its obligations thereunder or the agreement shall have expired under its terms. The execution and delivery of a Servicing Agreement for Education Loans with a third party Servicer with terms and conditions materially different than the Servicing Agreement in effect on the date of adoption of the Resolution, or the execution and delivery of a Servicing Agreement with any additional third party Servicer that shall be in effect concurrently with any other Servicing Agreement, shall require the Authority to give Rating Agency Notice.

No Education Loan will be Purchased by the Authority unless:

(1) the Education Loan is evidenced by an Education Loan Note executed by the Borrower and endorsed to the Authority (without recourse to the endorser);

(2) the Education Loan is a legal, valid and binding obligation of the Borrower, enforceable in accordance with its terms and conditions and free from any right of set-off, counter-claim or other claim, defense or security interest;

(3) the Education Loan constitutes an Education Loan within the meaning of the Resolution and the Act; and

(4) such Education Loan is made only to a Borrower who meets, if applicable, the credit requirements established by the Authority as specified in the Operations Manual.

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

The Authority may dispose of a Defaulted Education Loan in such manner and upon such terms and for such price or prices as it may determine, provided that it certifies to the Trustee that the disposition of such Loan in the manner, upon the terms and for the price proposed is consistent with the most recently filed Projection of Revenues. The proceeds of such disposition shall be deposited in the Revenue Fund. Subject to the Series Resolution, the Authority may dispose of any Education Loan which is not Defaulted provided that (i) an Authorized Officer shall have filed with the Trustee on or prior to the date of disposition a Projection of Revenues consistent with such disposition; (ii) such proceeds are deposited in the Redemption Fund and applied to the optional redemption or purchase in lieu of redemption of Bonds in accordance with the Resolution; and, unless all Bonds will be paid or defeased as a result of such disposition (iii) if such disposition is for a price less than par plus accrued interest, or if the aggregate outstanding principal amount to be sold or transferred, along with all previous sales or transfers, exceeds ten percent of the aggregate original principal amount or, if applicable, accreted value of all Education Loans originated prior to that date, the Authority shall provide Rating Agency Notice.

Representations and Warranties as to Pledged Revenues and Other Funds

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

Covenant as to Accounts and Reports

The Authority covenants to keep proper books of record and account in which complete and correct entries will be made of all its transactions relating to the Loan Program and all funds and accounts established by the Resolution. Such records at all reasonable times will be subject to inspection of the Trustee and the Holders of at least 5% in principal amount of the Outstanding Bonds. The Authority will annually, within 180 days after the close of each Fiscal Year, file with the Trustee and each Nationally Recognized Rating Agency, and otherwise as provided by law, a copy of an annual report for such year, accompanied by an Accountant's Certificate, including its audited financial statements and information relating to the Program during such Fiscal Year; provided that the Authority shall not be deemed to be in violation of this covenant if a delay in such a filing occurs which is attributable to delay in receipt of necessary information from a third party.

Covenant as to Creation of Liens; Incurring Indebtedness

Subject to the article of the Resolution governing the Authorization and Issuance of Bonds, the Authority covenants to not issue any bonds or other evidences of indebtedness and to incur no indebtedness, other than the Bonds, secured by a pledge of the Trust Assets or other moneys, pledged or held or set aside by the Authority or by the Fiduciary under the Resolution and to not create or cause to be created any lien or charge on the Trust Assets or other moneys, unless any lien securing the same (including any documents or instruments filed with any governmental authority to perfect such lien) are expressly subordinated and made subject to the indebtedness evidenced by the Bonds and delivery of Rating Agency Notice; provided, however, that nothing in the Resolution shall prevent the Authority from issuing (i) evidences of indebtedness secured by a pledge of Revenues to be derived on and after such date as the pledge of the Revenues provided in the Resolution shall be discharged and satisfied, and (ii) notes or bonds of the Authority not secured by Revenues, Trust Assets or the Resolution.

Covenant as to Annual Budget

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

Projection of Revenues

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

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

- (1) The Revenues expected to be received on all Education Loans Purchased or expected to be Purchased with funds on deposit in or expected to be deposited in the Program Fund;
- (2) All other Revenues, including the interest to be earned and other income to be derived from the Program and the rates or yields used in estimating such amounts; provided that in estimating the interest and other income to be derived from the investment of any moneys held or projected to be held under the Resolution (other than investments in Education Loans), the Projection of Revenues shall only assume (a) the actual rates or yields on moneys under investment (or under contract for investment) at the time of filing of such Projection of Revenues to the maturity dates of such investments (or, if earlier, the first date on which such investments are redeemable at the option of the issuer thereof) or (b) if such moneys are not then under investment (or contract for investment), and following the maturity or redemption of any current investment, the average of the Three Month Treasury Bill Yield for the past 10 years as of the date of filing of such Projection of Revenues, in either case not to exceed the applicable adjusted bond yield;
- (3) The amounts, if any, expected to be withdrawn from the Reserve Fund;
- (4) Other funds expected to be available for and applied to the payment of Debt Service and Program Expenses;

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

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

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

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

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

Except as expressly authorized by a Series Resolution, Bonds shall not be redeemed at the option of the Authority pursuant to the provisions of the applicable Series Resolution at a redemption price in excess of 100% of the principal amount of such Bonds being redeemed unless the Authority has filed a Projection of Revenues showing that after giving effect to such redemption expected Revenues and other funds available for the purpose will be at least sufficient to pay in the current and each subsequent Bond Year Debt Service when due and all Program Expenses.

General Covenants

The Authority covenants to do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Authority under the provisions of the Act and the Resolution.

The Authority covenants that, upon the date of delivery of each Series of the Bonds, all conditions, acts and things required by law and the Resolution to exist, to have happened and to have been performed precedent to and in the issuance of such Bonds shall exist, have happened and have been performed and the issue of such Bonds, together with all other indebtedness of the Authority, shall be within every debt and other limit prescribed by the laws of the Commonwealth.

Further Assurances

At any and all times the Authority shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver all such further resolutions, acts, deeds, conveyances, assignments, transfers, and assurances as may be necessary or desirable for better assuring, conveying, granting, assigning

or confirming all and singular Trust Assets and other moneys, hereby pledged or assigned, or intended so to be, or which the Authority may become bound to pledge or assign.

Responsibilities of Fiduciaries

The recitals in the Resolution and in the Bonds contained shall be taken as the statements of the Authority and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary shall be under any responsibility or duty with respect to the application of any moneys paid to the Authority or to any other Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect hereof, or to advance any of its own moneys, unless in the view of the Fiduciary it is properly indemnified. Subject to the provisions of the third paragraph of this section, no Fiduciary shall be liable in connection with the performance of its duties hereunder except for its own negligence or willful misconduct. No Fiduciary shall be liable in connection with the performance of its duties hereunder (1) for any error of judgment made in good faith by one or more of its officers unless it shall be proved that the Fiduciary was negligent in ascertaining the pertinent facts and (2) for any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of more than 50% in principal amount of the Bonds. The Trustee shall, however, be responsible for its representation contained in its certificate of authentication on the Bonds to the extent provided in Article 8, Section 208, as amended, of the Massachusetts Uniform Commercial Code.

All moneys held by any Fiduciary, as such, at any time pursuant to the terms of the Resolution shall be assigned, transferred and set over unto such Fiduciary in trust for the purposes and under the terms and conditions of the Resolution, but such moneys need not be segregated from other funds except to the extent required by law. No Fiduciary shall be under any liability for interest on money received by it hereunder except as otherwise agreed with the Authority.

The Trustee, prior to the occurrence of an Event of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Resolution and no implied covenants or obligations shall be read into the Resolution against the Trustee. In case an Event of Default has occurred, the Trustee shall exercise such of the rights and powers vested in it by the Resolution, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs. The Trustee shall not be charged with knowledge of any Event of Default other than a default in the payment of the principal of or interest on any Bond unless either (a) an officer in the corporate trust department of the Trustee has actual knowledge thereof or (b) written notice of any Event of Default shall have been given to the Trustee by the Authority or by Holders of 5% or more in principal amount of the Outstanding Bonds. Any provision of the Resolution relating to action taken or to be taken by the Trustee or to evidence upon which the Trustee may rely shall be subject to the provisions of this section.

Prior to the occurrence of an Event of Default, the Trustee shall not incur any extraordinary expenditures reimbursable from the Trust Assets unless a Projection of Revenues has been filed.

To the extent the Trustee performs any record-keeping or safekeeping duties for the Authority in connection with its obligations under the Resolution, the Trustee shall agree to hold all documents received by it, and shall make disposition thereof only in accordance with the written instructions of the Authority. The Trustee shall segregate and maintain continuous custody of all documents received by it in secure and fireproof facilities in accordance with customary standards for such custody.

Resignation or Removal of Trustee and Fiduciaries; Successor Trustee

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

Any Fiduciary (including but not limited to the Trustee) holding an Account shall be removed by the Authority if such Fiduciary shall fail to maintain a rating of at least "BBB" from S&P. If the Fiduciary's rating from S&P is withdrawn, suspended or falls below "BBB," the Authority shall use commercially reasonable efforts to appoint a successor meeting the foregoing and all other applicable requirements hereof within thirty (30) days of such withdrawal, suspension or downgrade; provided that the Authority shall not be required to obtain the consent of the Holders of more than 50% in principal amount of the Bonds then Outstanding in order to remove or replace a Fiduciary under this paragraph and that the inability to retain a successor Fiduciary upon commercially reasonable terms meeting the rating requirement in this paragraph shall not in any event constitute an Event of Default under the Resolution.

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

Amendments and Supplemental Resolutions

Certain provisions of the Resolution may be amended by the Authority by a supplemental resolution with Rating Agency Notice and with the written consent (1) of the Holders of at least 60% in principal amount of the Outstanding Bonds at the time such consent is given, and (2) in case the modification or amendment changes the terms of any Sinking Fund Installment, of the Holders of at least 60% in principal amount of the Bonds of the particular Series and maturity entitled to such Sinking Fund Installment and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified Series and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall

not be deemed to be Outstanding for such purpose. No such modification or amendment will permit a change in the terms of redemption or maturity of the principal of any Outstanding Bonds or of any installment of interest thereon without the consent of the Holder of such Bonds, or will reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or will change or modify any of the rights or obligations of any fiduciary under the Resolution without its written assent.

The Authority may adopt supplemental resolutions to, among other things, authorize the issuance of a Series of Bonds in accordance with the Resolution subject to Rating Agency Notice; to add to the covenants, agreements, limitations and restrictions of or applicable to the Authority in the Resolution other covenants, agreements, limitations or restrictions which are not contrary to or inconsistent with the Resolution subject to Rating Agency Notice; or to authorize the Authority to enter into a Qualified Hedge Agreement in connection with a Series of Bonds and/or to amend the Series Resolution in connection with such Qualified Hedge Agreement subject to Rating Agency Notice and compliance with the terms of the Resolution.

Events of Default

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

Acceleration

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

Other Remedies

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

(1) by suit, action or proceeding, to enforce all rights of the Bondholders, including the right to require the Authority to carry out the covenants and agreements in the Resolution as to, and the assignment of, the Revenues and Education Loans and to require the Authority to carry out any other covenant or agreement with Bondholders and to perform its duties under the Act;

(2) by bringing suit upon the Bonds;

(3) by action or suit, to require the Authority to account as if it were the trustee of an express trust for the Holders of the Bonds;

(4) by action or suit, to enjoin any acts or things which may be unlawful or in violation of the Resolution or of the rights of the Holders of the Bonds; and

(5) by exercising any and all rights of the Authority with respect to the Revenues and Education Loans.

Right to Compel Periodic Reports

Any failure to provide the periodic Issue K loan portfolio information required by the Resolution shall not constitute an Event of Default under the Resolution. However, to the extent permitted by law, any Bondholder may seek a court order for specific performance by the Authority to compel the Authority to perform and carry out its obligations to provide such periodic information; provided, however, that the sole remedy for a failure to provide such periodic information shall be limited to an action to compel specific performance and shall not include any rights to monetary damages.

Priority of Payments After Default

If upon the happening and continuance of any Event of Default, the funds held by the Trustee are insufficient for the payment of principal and interest then due on the Bonds then due, such funds and any other amounts received or collected by the Trustee through the exercise of remedies available under the Resolution, after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interest of the Holders of the Bonds and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee in the performance of its duties under the Resolution, will be applied, as follows:

(1) Unless the principal of all of the Bonds is or has been declared due and payable:

FIRST: To the payment to the persons entitled thereto of all installments of interest on the Bonds then due or accrued and unpaid as of the next prior Interest Payment Date in the order of the maturity of such installments and, if the amount available is not sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference; provided that scheduled

payments on Qualified Hedge Agreements shall be treated as interest for the purpose of this paragraph.

SECOND: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which have become due and, if the amounts available are not sufficient to pay in full all such amounts, then to the payment thereof ratably, according to the amounts due on such date to the persons entitled thereto, without any discrimination or preference.

THIRD: To be held for the payment to the persons entitled thereto as the same shall become due of the principal or Redemption Price of and interest on the Bonds which may thereafter become due, and if the amounts available are not sufficient to pay in full all the Bonds due on any date, together with such interest, payment will be made ratably according to the amount of principal due on such date, to the persons entitled thereto, without any discrimination or preference.

(2) If the principal of all of the Bonds is or has been declared due and payable to the payment of the principal and interest then due and unpaid upon such Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto, without any discrimination or preference and as to any difference in the respective rates of interest specified in the Bonds; provided that scheduled payments on Qualified Hedge Agreements shall be treated as interest for the purposes of this paragraph.

Defeasance

If the Authority pays or causes to be paid to the Holders of the Bonds the principal and interest due thereon, the pledge of any Trust Assets and other moneys pledged under the Resolution to the payment of the Bonds and all other rights granted by the Resolution securing the Bonds will be discharged and satisfied. Subject to satisfaction of all other obligations secured by the Trust Assets, all amounts held in any funds or accounts (except for such amounts held for the payment of Bonds not yet surrendered for payment) including any Education Loans, will be distributed in accordance with instructions of an Authorized Officer of the Authority to the Trustee.

Bonds or interest installments for the payment of which moneys and investment earnings thereon have been set aside and are held in trust by the Trustee will, at the stated maturity date or redemption thereof, be deemed to have been paid for purposes of the defeasance provisions of the Resolution. All Bonds will, prior to their stated maturity date or redemption date, be deemed to have been paid if (i) in case any of the Bonds are to be redeemed on any date prior to their stated maturity date the Authority has given the Trustee irrevocable instructions to mail notice of redemption on such date of such Bonds, (ii) there are deposited with the Trustee moneys in an amount which will be sufficient, or when invested in obligations described in clauses (1) and (9) of the definition of "Investment Obligations" will, together with the investment earnings thereon, be sufficient to pay when due the principal of and interest due and to become due on such Bonds on and prior to their stated maturity date, and (iii) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty days, the Authority gives the Trustee irrevocable instructions to mail, as soon as practicable, a notice to each of the Holders of such Bonds first-class postage prepaid to the address appearing upon the Trustee's registration books, that the deposit required by (ii) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with the Resolution and stating the stated maturity date or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if any, on such Bonds. For any determination with respect to the sufficiency of amounts needed to refund any Bonds more than one Interest Payment Date prior to their redemption date, such determination shall be made in reliance on a verification report of a firm of independent certified public accountants.

PROPOSED FORM OF OPINION OF BOND COUNSEL

APPENDIX D

MINTZ LEVIN

One Financial Center
Boston, MA 02111
617-542-6000
617-542-2241 fax
www.mintz.com

[Dated the Date of Delivery of the Series 2013 Bonds]

Massachusetts Educational Financing Authority
160 Federal Street, 4th Floor
Boston, Massachusetts 02110

Re: Massachusetts Educational Financing Authority (the “Authority”) Education Loan Revenue Bonds, Issue K, Series 2013 (the “Series 2013 Bonds”) issued pursuant to a General Resolution of the Authority dated as of December 1, 2012, entitled “Education Loan Revenue Bond General Resolution, Issue K” (the “General Resolution”), as supplemented by the First Issue K Series Resolution dated as of June 1, 2013 (the “First Series Resolution,” and together with the General Resolution, the “Resolution”)

Members of the Authority:

We have acted as Bond Counsel in connection with the authorization, sale, issuance and delivery of the Series 2013 Bonds. In that capacity, we have examined the provisions of Chapter 15C of the Massachusetts General Laws, as amended, and we have examined and are familiar with originals or copies, certified or otherwise identified to our satisfaction, of the By-Laws of the Authority and such records of the Authority, certificates of officers of the Authority and other documents and instruments, and have made such other investigation of facts and examination of Massachusetts and federal law, as we have deemed necessary or proper for the purpose of rendering this opinion. We have also examined a record of proceedings relating to the authorization, sale, issuance and delivery of the Series 2013 Bonds. Capitalized terms used herein shall, unless otherwise specified, have the meanings set forth in the Resolution.

The Series 2013 Bonds are being issued to finance education loans, to refund certain currently outstanding bonds that were issued by the Authority to fund such education loans, to fund a portion of the Reserve Fund for the Series 2013 Bonds, to fund a portion of the Capitalized Interest Account for the Series 2013 Bonds and to pay a portion of the Costs of Issuance of the Series 2013 Bonds.

Based upon our examination, we are of the following opinion:

(a) The Authority is a duly constituted and existing body public and corporate and a public instrumentality of The Commonwealth of Massachusetts, with the power to adopt the Resolution, perform the agreements on its part contained therein and issue the Series 2013 Bonds.

(b) The aforementioned proceedings and proofs show lawful authority for the issuance and sale of the Series 2013 Bonds pursuant to the provisions of law applicable thereto.

Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.

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(c) The Series 2013 Bonds are special obligations of the Authority secured as provided in the Resolution and payable solely from Revenues received by or for the account of the Authority and moneys on deposit in the funds and accounts established and available therefor under the Resolution, subject to use of such Revenues and moneys for other purposes as permitted under the Resolution.

(d) The Series 2013 Bonds have been duly authorized, executed, authenticated and delivered and are valid and binding special obligations of the Authority enforceable in accordance with their terms and entitled, subject to the limitations described in paragraph (c), to the benefit and security of the Resolution, subject only to applicable bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditors' rights heretofore or hereafter enacted and to general equity principles.

(e) The Resolution has been duly adopted by the Authority, is in full force and effect and is a valid and binding agreement of the Authority enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditors' rights heretofore or hereafter enacted and to general equity principles, and the Resolution creates the valid pledge and lien which it purports to create for the benefit of the holders of the Series 2013 Bonds.

(f) (i) Under existing law, interest on the Series 2013 Bonds will not be included in the gross income of holders of such Series 2013 Bonds for federal income tax purposes. This opinion is rendered subject to the condition that the Authority comply with various requirements of the Internal Revenue Code of 1986, as amended, which requirements must be satisfied subsequent to the date of issuance of the Series 2013 Bonds in order to ensure that the interest on the Series 2013 Bonds is and continues to be excludable from the gross income of the holders of the Series 2013 Bonds for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Series 2013 Bonds to be included in the gross income of holders of the Series 2013 Bonds retroactive to the date of issuance of the Series 2013 Bonds.

(ii) Under existing law, interest on the Series 2013 Bonds will constitute a preference item under section 57(a)(5) of the Code for purposes of computation of the alternative minimum tax imposed on certain individuals and corporations under section 55 of the Code.

(iii) We express no opinion regarding other federal tax consequences arising with respect to the Series 2013 Bonds.

(g) Under existing law, interest on the Series 2013 Bonds and any profit on the sale thereof are exempt from Massachusetts personal income taxes, and the Series 2013 Bonds are exempt from Massachusetts personal property taxes. We express no opinion as to any other Massachusetts tax consequences arising with respect to the Series 2013 Bonds nor as to the taxability of the Series 2013 Bonds, their transfer and the income therefrom, including any profit made on the sale thereof, under the laws of any state other than the Commonwealth of Massachusetts.

Very truly yours,

Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.

PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this “Agreement”) dated June 27, 2013 is executed and delivered by the Massachusetts Educational Financing Authority (the “Issuer”) and U.S. Bank National Association, Boston, Massachusetts, as Trustee (the “Trustee”), in connection with the issuance of the Issuer’s Education Loan Revenue Bonds, Issue K, Series 2013 in the aggregate principal amount of \$222,035,000 (the “Bonds”). The Bonds are being issued pursuant to the General Resolution dated as of December 1, 2012 (the “General Resolution”), as supplemented by the First Issue K Series Resolution dated as of June 1, 2013 (the “Series Resolution” and, collectively with the General Resolution, the “Resolution”). Capitalized terms used in this Agreement which are not otherwise defined in the Resolution shall have the respective meanings specified above or in Article IV hereof. The Issuer and the Trustee covenant and agree as follows:

ARTICLE I

The Undertaking

Section 1.1. Purpose. This Agreement is being executed and delivered solely to assist the Underwriters in complying with subsection (b)(5) of the Rule.

Section 1.2. Annual Financial Information. (a) The Issuer shall provide Annual Financial Information with respect to each fiscal year of the Issuer, commencing with the fiscal year ending June 30, 2013, by no later than 9 months after the end of the respective fiscal year, to the MSRB.

(b) The Issuer shall provide, in a timely manner, notice of any failure of the Issuer to provide the Annual Financial Information by the date specified in subsection (a) above to the MSRB.

Section 1.3. Audited Financial Statements. If not provided as part of Annual Financial Information by the date required by Section 1.2(a) hereof, the Issuer shall provide Audited Financial Statements, when and if available, to the MSRB.

Section 1.4. Notice Events. (a) If a Notice Event occurs, the Issuer shall provide, in a timely manner not in excess of ten (10) business days after the occurrence of such Notice Event, notice of such Notice Event to (i) the MSRB and (ii) the Trustee.

(b) Any notice of a defeasance of Bonds shall state whether the Bonds have been escrowed to maturity or to an earlier redemption date and the timing of such maturity or redemption.

(c) The Trustee shall promptly advise the Issuer whenever, in the course of performing its duties as Trustee under the Resolution, the Trustee has actual notice of an occurrence which would require the Issuer to provide notice of a Notice Event hereunder; provided, however, that the failure of the Trustee so to advise the Issuer shall not constitute a breach by the Trustee of any of its duties and responsibilities under this Agreement or the Resolution.

Section 1.5. Additional Information. Nothing in this Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of Notice Event hereunder, in addition to that which is required by this Agreement. If the Issuer chooses to do so, the Issuer shall have no obligation under this Agreement to

update such additional information or include it in any future Annual Financial Information or notice of a Notice Event hereunder.

Section 1.6. Additional Disclosure Obligations. The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer and that, under some circumstances, compliance with this Agreement without additional disclosures or other action may not fully discharge all duties and obligations of the Issuer under such laws.

Section 1.7. No Previous Non-Compliance. The Issuer represents that in the previous five years it has not failed to comply in all material respects with any previous undertaking in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule.

ARTICLE II

Operating Rules

Section 2.1. Reference to Other Filed Documents. It shall be sufficient for purposes of Section 1.2 hereof if the Issuer provides Annual Financial Information by specific reference to documents (i) available to the public on the MSRB Internet Web site (currently, www.emma.msrb.org) or (ii) filed with the SEC. The provisions of this Section shall not apply to notices of Notice Events pursuant to Section 1.4 hereof.

Section 2.2. Submission of Information. Annual Financial Information may be set forth or provided in one document or a set of documents, and at one time or in part from time to time.

Section 2.3. Dissemination Agents. The Issuer may from time to time designate an agent to act on its behalf in providing or filing notices, documents and information as required of the Issuer under this Agreement, and revoke or modify any such designation.

Section 2.4. Transmission of Notices, Documents and Information. (a) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to the MSRB's Electronic Municipal Markets Access (EMMA) system, the current Internet Web address of which is www.emma.msrb.org.

(b) All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

Section 2.5. Fiscal Year. (a) The Issuer's current fiscal year is July 1-June 30, and the Issuer shall promptly notify (i) the MSRB and (ii) the Trustee of each change in its fiscal year.

(b) Annual Financial Information shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months.

ARTICLE III

Effective Date, Termination, Amendment and Enforcement

Section 3.1. Effective Date; Termination. (a) This Agreement shall be effective upon the issuance of the Bonds.

(b) The Issuer's and the Trustee's obligations under this Agreement shall terminate upon a legal defeasance, prior redemption or payment in full of all of the Bonds.

(c) This Agreement, or any provision hereof, shall be null and void in the event that the Issuer (1) delivers to the Trustee an opinion of Counsel, addressed to the Issuer and the Trustee, to the effect that those portions of the Rule which require this Agreement, or such provision, as the case may be, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to the MSRB.

Section 3.2. Amendment. (a) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Bonds (except to the extent required under clause (4)(ii) below), if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Issuer or the type of business conducted thereby, (2) this Agreement as so amended would have complied with the requirements of the Rule as of the date of this Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the Issuer shall have delivered to the Trustee an opinion of Counsel, addressed to the Issuer and the Trustee, to the same effect as set forth in clause (2) above, (4) either (i) the Issuer shall have delivered to the Trustee an opinion of Counsel or a determination by an entity, in each case unaffiliated with the Issuer (such as bond counsel or the Trustee), addressed to the Issuer and the Trustee, to the effect that the amendment does not materially impair the interests of the holders of the Bonds or (ii) the holders of the Bonds consent to the amendment to this Agreement pursuant to the same procedures as are required for amendments to the Resolution with consent of holders of Bonds pursuant to the Resolution as in effect at the time of the amendment, and (5) the Issuer shall have delivered, or shall have caused to be delivered, copies of such opinion(s) and amendment to the MSRB.

(b) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Agreement which is applicable to this Agreement, (2) the Issuer shall have delivered, or shall have caused to be delivered, to the Trustee an opinion of Counsel, addressed to the Issuer and the Trustee, to the effect that performance by the Issuer and Trustee under this Agreement as so amended will not result in a violation of the Rule and (3) the Issuer shall have delivered copies of such opinion and amendment to the MSRB.

(c) This Agreement may be amended by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) the Issuer shall have delivered, or shall have caused to be delivered, to the Trustee an opinion of Counsel, addressed to the Issuer and the Trustee, to the effect that the amendment is permitted by rule, order or other official pronouncement, or is consistent with any interpretive advice or no-action positions of Staff, of the SEC, and (2) the Trustee shall have delivered copies of such opinion and amendment to the MSRB.

(d) To the extent any amendment to this Agreement results in a change in the type of financial information or operating data provided pursuant to this Agreement, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(e) If an amendment is made pursuant to Section 3.2(a) hereof to the accounting principles to be followed by the Issuer in preparing its financial statements, the Annual Financial Information for the fiscal year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

Section 3.3. Benefit; Third Party Beneficiaries; Enforcement. (a) The provisions of this Agreement shall constitute a contract with and inure solely to the benefit of the holders from time to time of the Bonds, except that beneficial owners of Bonds shall be third party beneficiaries of this Agreement. The provisions of this Agreement shall create no rights in any person or entity except as provided in this subsection (a) and in subsection (b) of this Section.

(b) The obligations of the Issuer to comply with the provisions of this Agreement shall be enforceable: (i) in the case of enforcement of obligations to provide financial statements, financial information, operating data and notices, by any holder of Outstanding Bonds, or by the Trustee on behalf of the holders of Outstanding Bonds, or (ii) in the case of challenges to the adequacy of the financial statements, financial information and operating data so provided, by the Trustee on behalf of the holders of Outstanding Bonds; provided, however, that the Trustee shall not be required to take any enforcement action except at the direction of the holders of not less than 25% in aggregate principal amount of the Bonds at the time Outstanding who shall have provided the Trustee with adequate security and indemnity. The holders' and Trustee's rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the Issuer's obligations under this Agreement. In consideration of the third party beneficiary status of beneficial owners of Bonds pursuant to subsection (a) of this Section, beneficial owners shall be deemed to be holders of Bonds for purposes of this subsection (b).

(c) Any failure by the Issuer or the Trustee to perform in accordance with this Agreement shall not constitute a default or an Event of Default under the Resolution, and the rights and remedies provided by the Resolution upon the occurrence of a default or an Event of Default shall not apply to any such failure.

(d) This Agreement shall be construed and interpreted in accordance with the laws of the Commonwealth, and any suits and actions arising out of this Agreement shall be instituted in a court of competent jurisdiction in the Commonwealth; provided, however, that to the extent this Agreement addresses matters of federal securities laws, including the Rule, this Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

ARTICLE IV

Definitions

Section 4.1. Definitions. The following terms used in this Agreement shall have the following respective meanings:

(1) “Annual Financial Information” means, collectively: (i) Audited Financial Statements, if available, or Unaudited Financial Statements; (ii) updated versions of the following financial information and operating data contained in the Official Statement, for each fiscal year of the Issuer, as follows:

(a) Quantitative and operating information for the preceding fiscal year of the type presented in the Official Statement, including: (i) Fixed Rate MEFA Loan terms; (ii) special redemption experience of MEFA fixed rate bonds; (iii) contractual arrangements for origination and servicing of Issue K Loans and quantitative credit criteria; (iv) application and disbursement volume of MEFA Loans; (v) distribution of MEFA Loan volume by repayment option; (vi) Fixed Rate MEFA Loan Program historical application timing and cumulative approved applications; (vii) distribution of Fixed Rate MEFA Loans by Participating Institution (as defined in the Official Statement); (viii) distribution of Fixed Rate MEFA Loans by undergraduate and graduate status; (ix) distribution of Fixed Rate MEFA Loans by Co-Borrower status; (x) Fixed Rate MEFA Loan Program delinquency experience; (xi) Fixed Rate MEFA Loan Program default experience; (xii) Fixed Rate MEFA Loan Program static pool cohort default history; (xiii) Variable Rate Prime MEFA Loan Program delinquency experience; (xiv) Variable Rate Prime MEFA Loan Program default experience; (xv) Variable Rate Prime MEFA Loan Program static pool cohort default history; and (xvi) in the event that a material portion of the Issue K Loan Portfolio consists of loans originated pursuant to a MEFA Loan program other than the Fixed Rate MEFA Loan Program or the Variable Rate Prime MEFA Loan Program, information of the type described with respect to such MEFA Loan program; and

(b) Periodic Issue K Loan Portfolio Information of the type identified in “APPENDIX F — POOL OF VARIABLE RATE MEFA LOANS ELIGIBLE FOR INCLUSION IN ISSUE K LOAN PORTFOLIO AS OF MARCH 31, 2013” to the Official Statement; provided that the Issuer reserves the rights: (i) to alter the format in which such periodic information is presented including, without limitation, to reflect the inclusion of Fixed Rate MEFA Loans in the Issue K Loan Portfolio either as a single combined portfolio with the Variable Rate MEFA Loans included therein or as separate sub-portfolios; and (ii) to make such periodic information available either by posting as part of, or in the same manner as, annual reports filed pursuant to this Agreement or, subject to compliance with this Agreement, by posting on a publicly accessible website;

and (iii) the information regarding amendments to this Agreement required pursuant to Sections 3.2(d) and (e) of this Agreement.

The descriptions contained in Section 4.1(1) hereof of financial information and operating data constituting Annual Financial Information are of general categories of financial information and operating data. When such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided in lieu of such information. Any Annual Financial Information

containing modified financial information or operating data shall explain, in narrative form, the reasons for the modification and the impact of the modification on the type of financial information or operating data being provided.

(2) “Audited Financial Statements” means the annual financial statements, if any, of the Issuer, audited by such auditor as shall then be required or permitted by the laws of the Commonwealth or the Resolution. Audited Financial Statements shall be prepared in accordance with GAAP; provided, however, that pursuant to Sections 3.2(a) and (e) hereof, the Issuer may from time to time, if required by federal or Commonwealth legal requirements, modify the accounting principles to be followed in preparing its financial statements. The notice of any such modification required by Section 3.2(a) hereof shall include a reference to the specific federal or Commonwealth law or regulation describing such accounting principles, or other description thereof.

(3) “Commonwealth” means the Commonwealth of Massachusetts.

(4) “Counsel” means nationally recognized bond counsel or counsel expert in federal securities laws.

(5) “GAAP” means generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board, the Financial Accounting Standards Board, or any successor to the duties and responsibilities of either of them.

(6) “MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Agreement.

(7) “Notice Event” means any of the following events with respect to the Bonds, whether relating to the Issuer or otherwise:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) modifications to rights of Bondholders, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the Bonds, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of the Issuer; for the purposes of the event identified in this clause (xii), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under Commonwealth or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer;

(xiii) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(8) “Official Statement” means the Official Statement dated June 20, 2013 of the Issuer relating to the Bonds.

(9) “Rule” means Rule 15c2 12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2 12), as amended, as in effect on the date of this Agreement, including any official interpretations thereof issued either before or after the effective date of this Agreement which are applicable to this Agreement.

(10) “SEC” means the United States Securities and Exchange Commission.

(11) “Unaudited Financial Statements” means the same as Audited Financial Statements, except that they shall not have been audited.

(12) “Underwriters” shall have the same meaning as set forth in the Official Statement.

ARTICLE V

Miscellaneous

Section 5.1. Duties, Immunities and Liabilities of Trustee. Article VIII of the General Resolution is hereby made applicable to this Agreement as if this Agreement were, solely for this purpose, contained in the General Resolution.

Section 5.2. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Signatures on the following page.]

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed all as of the date first above written.

MASSACHUSETTS EDUCATIONAL
FINANCING AUTHORITY

By: _____
Name: Thomas M. Graf
Title: Executive Director

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Name: John G. Correia
Title: Vice President

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**POOL OF VARIABLE RATE MEFA LOANS ELIGIBLE
FOR INCLUSION IN ISSUE K LOAN PORTFOLIO
AS OF MARCH 31, 2013**

The information included in this APPENDIX F relates to the pool of existing Variable Rate MEFA Loans that are eligible for transfer to the Issue K General Resolution in connection with the application of a portion of the proceeds of the Series 2013 Bonds to refund certain Authority bonds. The outstanding balances shown in each of the charts set forth in this APPENDIX F include unpaid principal, capitalized interest and accrued currently payable interest.

The Authority currently expects to transfer approximately \$110,000,000 in principal and interest of Variable Rate MEFA Loans selected from this pool to the Issue K General Resolution as a result of such refunding and expects that the Variable Rate MEFA Loans to be transferred will have characteristics that are materially representative of this pool as a whole. The Authority further expects, however, to apply the remaining proceeds of the Series 2013 Bonds, in excess of deposits to the Reserve Account, Capitalized Interest Account or Costs of Issuance Account, to acquire approximately \$142,100,000 in principal amount of newly originated Fixed Rate MEFA Loans with terms and conditions substantially as described under “THE MEFA LOAN PROGRAM — Fixed Rate MEFA Loan Terms” during the Origination Period. See “RISK FACTORS — Composition and Characteristics of the Issue K Loan Portfolio Will Change.”

The Authority has covenanted in the Issue K General Resolution to make periodic Issue K Loan Portfolio information publicly available no less frequently than quarterly. Such information will include operating data substantially of the type indicated in this APPENDIX F. The Authority reserves the rights, however: (i) to alter the format in which such periodic information is presented including, without limitation, to reflect the inclusion of Fixed Rate MEFA Loans in the Issue K Loan Portfolio either as a single combined portfolio with the Variable Rate MEFA Loans included therein or as separate sub-portfolios; and (ii) to make such periodic information available either by posting as part of, or in the same manner as, annual reports filed pursuant to the Continuing Disclosure Agreement described in APPENDIX E to this Official Statement or, subject to compliance with such Continuing Disclosure Agreement, by posting on a publicly accessible website. See “CONTINUING DISCLOSURE” and “AVAILABILITY OF FINANCIAL AND OTHER AUTHORITY INFORMATION.”

**Eligible Variable Rate MEFA Loan Pool
(As of March 31, 2013)**

Outstanding Balance	\$146,645,364.35
Number of Borrowers	8,357
Average Outstanding Balance per Borrower	\$17,547.61
Number of Loans	13,428
Average Outstanding Balance per Loan	\$10,920.86
Weighted Average Annual Interest Rate	3.25%
Weighted Average Remaining Term (Months)	169.81

**Distribution of the Eligible Variable Rate
MEFA Loan Pool by FICO Score Upon Origination
(As of March 31, 2013)**

FICO Score	Number of Loans	Outstanding Balance	Percent by Outstanding Balance
Less than 630	229	\$ 2,390,459.06	2%
630-649	273	3,048,688.66	2
650-669	551	5,901,425.27	4
670-689	777	8,694,820.27	6
690-709	1,279	14,221,354.60	10
710-729	1,575	17,762,099.64	12
730-749	1,931	21,065,440.41	14
750-769	2,238	24,758,051.54	17
770-789	2,152	22,685,041.71	15
790+	<u>2,423</u>	<u>26,117,983.19</u>	<u>18</u>
Total	13,428	\$146,645,364.35	100%

**Distribution of the Eligible Variable Rate MEFA Loan Pool
by Interest Rate
(As of March 31, 2013)**

Interest Rate	Number of Loans	Outstanding Balance	Percent by Outstanding Balance
Variable Rate (reset quarterly) ⁽¹⁾	13,428	\$146,645,364.35	100%

⁽¹⁾ All of the Eligible Variable Rate MEFA Loans bear interest at a rate that is reset on a quarterly basis as a fixed spread to the prime rate. As of March 31, 2013, such rate was 3.25%.

**Distribution of the Eligible Variable Rate
MEFA Loan Pool by Borrower Payment Status
(As of March 31, 2013)**

<u>Payment Status</u>	<u>Number of Loans</u>	<u>Outstanding Balance</u>	<u>Percent by Outstanding Balance</u>
In School	0	\$ 0.00	0%
In Grace	0	0.00	0
Repayment	13,428	146,645,364.35	100
Deferment	0	0.00	0
Forbearance	<u>0</u>	<u>0.00</u>	<u>0</u>
Total	13,428	\$146,645,364.35	100%

**Distribution of the Eligible Variable Rate
MEFA Loan Pool by Loan Program Type
(As of March 31, 2013)**

<u>Program Type</u>	<u>Number of Loans</u>	<u>Outstanding Balance</u>	<u>Percent by Outstanding Balance</u>
Undergraduate	13,428	\$146,645,364.35	100%
Graduate	<u>0</u>	<u>0.00</u>	<u>0</u>
Total	13,428	\$146,645,364.35	100%

**Distribution of the Eligible Variable Rate MEFA Loan Pool by Co-Borrower Status
(As of March 31, 2013)**

<u>Co-Borrower Status</u>	<u>Number of Loans</u>	<u>Outstanding Balance</u>	<u>Percent by Outstanding Balance</u>
<u>Co-Borrower</u>			
Graduate	0	\$ 0.00	0%
Undergraduate	<u>13,065</u>	<u>143,810,431.00</u>	<u>98</u>
Subtotal	13,065	\$143,810,431.00	98%
<u>Non Co-Borrower</u>			
Graduate	0	\$ 0.00	0%
Undergraduate	363	2,834,933.35	2
Subtotal	<u>363</u>	<u>2,834,933.35</u>	<u>2</u>
Total	13,428	\$146,645,364.35	100%

**Distribution of the Eligible Variable Rate MEFA Loan Pool by School Type
(As of March 31, 2013)**

School Type	Number of Loans	Outstanding Balance	Percent by Outstanding Balance
Four Year Institution	12,575	\$138,579,047.69	94%
Community/2-Year	758	7,064,542.26	5
Vocational/Trade	58	577,433.11	0
Unknown	<u>37</u>	<u>424,341.29</u>	<u>0</u>
Total	13,428	\$146,645,364.35	100%

**Distribution of the Eligible Variable Rate MEFA Loan Pool by Number of Days Delinquent⁽¹⁾
(As of March 31, 2013)**

Days Delinquent	Number of Loans	Outstanding Balance	Percent by Outstanding Balance
0-30	13,107	\$142,914,547.82	97%
31-60	245	2,949,061.63	2
61-90	76	781,754.90	1
91-120	0	0.00	0
121-150	0	0.00	0
151-180	<u>0</u>	<u>0.00</u>	<u>0</u>
Total	13,428	\$146,645,364.35	100%

⁽¹⁾ For Financed Eligible Loan in Repayment Status Only.

**Distribution of the Eligible Variable Rate MEFA Loan Pool by Date of Disbursement
(As of March 31, 2013)**

Disbursement Date	Number of Loans	Outstanding Balance	Percent by Outstanding Balance
July 1, 2004 - June 30, 2005	958	\$ 8,113,688.15	6%
July 1, 2005 - June 30, 2006	2,236	22,443,010.28	15
July 1, 2006 - June 30, 2007	4,310	46,224,542.59	32
July 1, 2007 - June 30, 2008	5,901	69,700,199.27	48
July 1, 2008 - June 30, 2009	<u>23</u>	<u>163,924.06</u>	<u>0</u>
Total	13,428	\$146,645,364.35	100%

**Distribution of the Eligible Variable Rate MEFA Loan Pool by Range of Principal Balance
(As of March 31, 2013)**

Principal Balance Range	Number of Loans	Outstanding Balance	Percent by Outstanding Balance
Less than \$5,000	3,580	\$ 10,742,667.96	7%
\$5,000-\$9,999.99	3,986	29,455,899.97	20
\$10,000-\$19,999.99	4,078	57,885,683.75	39
\$20,000-\$29,999.99	1,343	32,288,059.13	22
\$30,000-\$39,999.99	333	11,304,534.46	8
\$40,000-\$49,999.99	91	3,986,595.71	3
\$50,000-\$59,999.99	15	806,674.31	1
\$60,000-\$69,999.99	1	63,335.12	0
More than \$79,999.99	<u>1</u>	<u>111,913.94</u>	<u>0</u>
Total	13,428	\$146,645,364.35	100%

**Distribution of the Eligible Variable Rate MEFA Loan Pool by
Number of Months Remaining Until Scheduled Maturity
(As of March 31, 2013)**

Number of Months Remaining Until Maturity	Number of Loans	Outstanding Balance	Percent by Outstanding Balance
Less Than 73	77	\$ 582,749.12	0%
73 to 84	84	829,754.92	1
85 to 96	221	1,468,407.85	1
97 to 108	748	5,726,414.22	4
109 to 120	1,049	7,828,902.54	5
121 to 132	1,582	15,930,115.53	11
133 to 144	2,139	24,286,856.73	17
145 to 156	1,538	18,079,237.73	12
157 to 168	307	3,977,976.84	3
169 to 180	88	959,528.13	1
181 to 192	812	8,027,310.49	5
193 to 204	1,369	15,616,419.31	11
205 to 216	1,617	19,619,502.26	13
217 to 228	1,194	15,408,620.78	11
229 to 240	<u>603</u>	<u>8,303,567.90</u>	<u>6</u>
Total	13,428	\$146,645,364.35	100%

**Distribution of the Eligible Variable Rate MEFA Loan Pool by Servicer
(As of March 31, 2013)**

Servicer	Number of Loans	Outstanding Balance	Percent by Outstanding Balance
XEROX-ES	13,428	\$146,645,364.35	100%

Distribution of the Eligible Variable Rate MEFA Loan Pool by Geographic Location⁽¹⁾
(As of March 31, 2013)

<u>Location by State</u>	<u>Number of Loans</u>	<u>Outstanding Balance</u>	<u>Percent by Outstanding Balance</u>
AK	12	\$ 79,066.89	0%
AL	3	11,587.49	0
AR	0	0.00	0
AZ	30	308,691.52	0
CA	362	4,963,976.46	3
CO	51	454,476.14	0
CT	574	6,845,295.70	5
DC	51	750,496.31	1
DE	13	227,028.80	0
FL	148	1,695,419.93	1
GA	39	425,025.55	0
HI	5	85,389.63	0
IA	0	0.00	0
ID	6	70,506.07	0
IL	46	690,354.87	0
IN	0	0.00	0
KS	8	123,753.12	0
KY	12	90,873.20	0
LA	21	223,344.90	0
MA	9,361	96,708,156.41	66
MD	97	1,165,778.10	1
ME	143	1,536,391.17	1
MI	29	418,700.59	0
MN	34	344,105.12	0
MO	16	121,852.48	0
MS	0	0.00	0
MT	6	52,779.41	0
NC	68	771,843.76	1
ND	4	21,920.03	0
NE	3	36,975.87	0
NH	408	4,553,363.37	3
NJ	202	2,955,327.11	2
NM	8	79,853.56	0
NV	18	163,548.83	0
NY	762	9,598,854.74	7
OH	29	519,052.86	0
OK	4	40,957.88	0
OR	20	220,788.46	0
PA	142	1,959,198.36	1
RI	199	2,200,073.58	2
SC	30	386,910.29	0
SD	2	17,996.48	0
TN	42	440,967.84	0
TX	110	1,226,884.39	1
UT	9	90,758.93	0
VA	119	1,578,003.90	1
VT	71	796,730.07	1
WA	47	683,094.18	0
WI	12	153,923.33	0
WV	0	0.00	0
WY	0	0.00	0
Other	<u>52</u>	<u>755,286.67</u>	<u>1</u>
Total	13,428	\$146,645,364.35	100%

⁽¹⁾ Based on the permanent billing addresses of borrowers shown on servicer's records.

**Distribution of the Eligible Variable Rate MEFA Loan Pool by School
(As of March 31, 2013)**

School Name	Number of Loans	Outstanding Balance	Percent by Outstanding Balance
1. University of Massachusetts Amherst	1,831	\$ 15,416,748.56	11%
2. Suffolk University	537	7,215,151.66	5
3. Boston University	522	7,193,057.73	5
4. Boston College	480	6,408,752.50	4
5. University of Massachusetts Dartmouth	615	5,403,381.31	4
6. Northeastern University	373	5,076,528.86	3
7. Bentley University	278	3,220,649.67	2
8. Stonehill College	371	3,099,358.44	2
9. Bridgewater State University	396	3,094,080.84	2
10. Emmanuel College	224	3,048,092.76	2
11. Wentworth Institute of Technology	234	2,994,418.39	2
12. Berklee College of Music	166	2,577,458.45	2
13. Western New England College	184	2,442,481.06	2
14. University of Massachusetts Lowell	298	2,398,312.08	2
15. Assumption College	170	2,397,906.34	2
16. Massachusetts College of Pharmacy & Health Science	133	2,209,778.02	2
17. University Of Massachusetts Boston	260	2,126,033.65	1
18. Curry College	138	2,102,083.40	1
19. College of The Holy Cross	161	2,020,867.42	1
20. Salem State University	266	1,965,135.32	1
21. Brandeis University	165	1,833,601.70	1
22. Merrimack College	157	1,701,847.94	1
23. Nichols College	147	1,643,486.23	1
24. Clark University	192	1,520,817.91	1
25. Simmons College	131	1,519,445.58	1
26. Framingham State University	203	1,360,903.00	1
27. Endicott College	101	1,226,533.07	1
28. Lesley University	80	1,113,043.64	1
29. Emerson College	80	1,081,734.82	1
30. Eastern Nazarene College	94	1,026,572.64	1
All Others	<u>4,441</u>	<u>50,207,101.36</u>	<u>34</u>
Total	13,428	\$146,645,364.35	100%

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