

OFFICIAL STATEMENT DATED MAY 25, 2016

**NEW ISSUE—BOOK-ENTRY ONLY**

**Expected Ratings:** S&P: “AA(sf)”

Fitch: “Asf”

See “RATINGS” herein

*In the opinion of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Bond Counsel, under existing law, assuming continued compliance with certain provisions of the Internal Revenue Code of 1986, as amended: (i) interest on the Series 2016 Bonds will not be included in the gross income of holders of such Series 2016 Bonds for federal income tax purposes; and (ii) interest on the Series 2016 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 Series 2016 Bonds and any profit made on the sale thereof are exempt from Massachusetts personal income taxes, and the Series 2016 Bonds are exempt from Massachusetts personal property taxes. The Series 2016 Bonds and the income therefrom may also be subject to taxation under the laws of states other than The Commonwealth of Massachusetts. See “TAX EXEMPTION” herein.*



**\$340,000,000**

**MASSACHUSETTS EDUCATIONAL  
FINANCING AUTHORITY**

**Education Loan Revenue Bonds, Issue J, Series 2016 (AMT)**

**Dated: Date of Delivery**

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

The Massachusetts Educational Financing Authority (the “Authority”) is offering \$340,000,000 of its Education Loan Revenue Bonds, Issue J, Series 2016 (the “Series 2016 Bonds”). The Series 2016 Bonds will be the third series of bonds issued under the Authority’s Issue J General Bond Resolution adopted as of July 1, 2011, as supplemented, amended and restated through March 31, 2016 (the “Issue J General Resolution” and all such bonds “Issue J Bonds”). The two previously issued series of Issue J Bonds are outstanding in the aggregate principal amount of \$216,485,000.

The Series 2016 Bonds are being issued for the principal purposes of (i) funding new education loans to, or on behalf of, undergraduate and graduate students who are Massachusetts residents or who attend participating institutions in Massachusetts under the MEFA Loan Program; and (ii) refunding certain outstanding bonds previously issued by the Authority for the MEFA Loan Program under separate general bond resolutions and under the Issue J General Resolution (collectively, the “Refunded Bonds”). Proceeds of the Series 2016 Bonds will also be used for the following purposes: (i) to fund a Reserve Fund deposit for the Issue J Bonds; and (ii) to pay some or all of the costs of issuance of the Series 2016 Bonds.

The Authority expects to originate approximately \$201.0\* million of new MEFA Loans that will secure the Issue J Bonds from proceeds of the Series 2016 Bonds and other monies made available in connection with the refunding of the Refunded Bonds. MEFA Loans are originated on the basis of borrower and, if applicable, co-borrower credit evaluation and are not guaranteed by the Authority or any other entity. The Authority also expects that, in connection with the refunding, it will transfer approximately \$171.6 million (as of February 29, 2016) of existing MEFA Loans (the “Transferred Loans”) previously allocable to certain of the Refunded Bonds to the Issue J General Resolution to secure the Issue J Bonds.

The Authority’s obligation to provide funds to pay the principal of and interest on Issue J Bonds is limited to the education loans that are funded with Issue J Bond proceeds, the revenues received from those education loans and the other assets pledged for this purpose under the Issue J General Resolution. The Issue J General Resolution permits the Authority to issue additional Issue J Bonds that will be payable from these assets, and the proceeds of such Bonds may be used to acquire any type of MEFA education loans in the future.

The Series 2016 Bonds will bear interest from their date of delivery at the applicable rates per annum set forth on the inside front cover, payable on January 1, 2017 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 Series 2016 Bonds are available in denominations of \$5,000 or any integral multiple thereof. The Series 2016 Bonds are subject to optional, mandatory and special redemption prior to maturity, including such redemption at par, under a variety of circumstances as described herein.

The Series 2016 Bonds will be issued only as fully registered bonds under a book-entry method, registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”). Interest on and principal of the Series 2016 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 Series 2016 Bond certificates to the Beneficial Owners thereof.

**The Series 2016 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 Series 2016 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 Series 2016 Bonds are offered when, as and if issued and received by the Underwriters, subject to approval of legality by Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Bond Counsel, and certain other conditions. Certain legal matters are subject to the approval of Kutak Rock LLP, Denver, Colorado, Counsel to the Underwriters. It is expected that the Series 2016 Bonds will be available for delivery to DTC in New York, New York on or about June 16, 2016.*

**RBC Capital Markets**

**J.P. Morgan**

**BofA Merrill Lynch**

May 25, 2016

\* Projected as of the date of this Official Statement.

**\$340,000,000**  
**MASSACHUSETTS EDUCATIONAL FINANCING AUTHORITY**  
**EDUCATION LOAN REVENUE BONDS, ISSUE J, SERIES 2016 (AMT)**

**MATURITY SCHEDULE**

**Serial Bonds**

<b><u>Maturity</u></b> <b><u>July 1</u></b>	<b><u>Principal</u></b> <b><u>Amount</u></b>	<b><u>Interest</u></b> <b><u>Rate</u></b>	<b><u>Price</u></b>	<b><u>Yield</u></b> <sup>1</sup>	<b><u>CUSIP</u></b> <sup>†</sup>
2018	\$20,000,000	4.000%	104.945%	1.530%	57563RNE5
2019	13,500,000	4.000	106.329	1.850	57563RNF2
2020	12,000,000	4.000	107.244	2.120	57563RNG0
2021	16,600,000	5.000	112.478	2.360	57563RNH8
2022	22,100,000	5.000	113.756	2.530	57563RNJ4
2023	26,100,000	5.000	115.073	2.640	57563RNK1
2024	27,370,000	5.000	116.132	2.750	57563RNL9

**Term Bonds**

Maturity: July 1, 2033 Principal Amount: \$202,330,000 Interest Rate: 3.500% Price: 98.419%  
Yield<sup>1</sup>: 3.625% CUSIP<sup>†</sup> 57563RNV7

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<sup>1</sup> Yield to maturity.

<sup>†</sup> 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 owners of Series 2016 Bonds, 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 the 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 on 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 Series 2016 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. This Official Statement is not to be construed as a contract with purchasers or Holders of the Series 2016 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, their responsibility 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, make any representation regarding or accept any responsibility for, the accuracy, completeness or adequacy of such information.

The Series 2016 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 Series 2016 Bonds and the security therefor, including an analysis of the risks involved. The Series 2016 Bonds have not been recommended by any federal or state securities commission or regulatory authority. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity has passed upon the accuracy, completeness or adequacy of this Official Statement or approved the Series 2016 Bonds for sale.

**THE ORDER AND PLACEMENT OF MATERIALS IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED TO BE A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE OFFERING OF THE SERIES 2016 BONDS IS MADE ONLY BY MEANS OF THIS ENTIRE OFFICIAL STATEMENT.**

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 J BONDS AND SOURCES OF PAYMENT” and “INVESTMENT CONSIDERATIONS.”

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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 Series 2016 Bonds are offered to potential investors only by means of this entire Official Statement, including the cover page and the Appendices attached hereto. Reference must be made to this entire Official Statement to evaluate the Series 2016 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 (including the front cover and inside front cover) 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 “THE AUTHORITY.”

**Series 2016 Bonds**..... \$340,000,000 aggregate principal amount of Education Loan Revenue Bonds, Issue J, Series 2016 (the “Series 2016 Bonds”), offered as fixed rate bonds, dated, maturing, bearing interest and priced as set forth on the inside cover page hereof. The Authority expects to issue the Series 2016 Bonds under a resolution adopted as of July 1, 2011, as supplemented, amended and restated through March 31, 2016 (the “Issue J General Resolution”) and a Third Issue J Series Resolution dated as of March 31, 2016 (the “Third Series Resolution” and, together with the Issue J General Resolution, the “Resolution”). **Certain provisions of the Issue J General Resolution will be amended, effective upon the issuance of the Series 2016 Bonds, and the descriptions and summaries of provisions of the Resolution contained in this Official Statement describe such provisions as so amended.** Such statements should not be relied upon with respect to Outstanding Issue J Bonds prior to the issuance of the Series 2016 Bonds.

The Series 2016 Bonds are being issued for the principal purposes of funding MEFA Loans to finance the higher education expenses of current students and refunding the Refunded Bonds, which were previously issued for such purpose. The Issue J Loans, as described below, financed or to be financed from proceeds of bonds issued under the Issue J General Resolution (“Issue J Bonds”), including the Series 2016 Bonds, and from other monies made available thereunder, along with revenues and other assets that we expressly pledge under the Resolution are the only security for payment of the Issue J Bonds.

The Series 2016 Bonds will be the third series of Issue J Bonds issued and secured on a parity basis under the Resolution. The Authority previously issued \$102,870,000 of Education Loan

Revenue Bonds, Issue J, Series 2011 on July 13, 2011 and \$168,335,000 of Education Loan Revenue Bonds, Issue J, Series 2012 on June 27, 2012, of which \$81,070,000 and \$135,415,000, respectively, were outstanding as of February 29, 2016. The Resolution permits the issuance of additional Issue J Bonds secured on a parity basis with or on a basis subordinate to the Outstanding Issue J Bonds. We have previously issued numerous series of bonds that were, or that are, separately secured under resolutions other than the Resolution. In the future, the Authority may issue additional separately secured series of bonds secured under existing or new resolutions. The Issue J Bonds are not payable from any of the assets that are pledged under other resolutions to secure such separately secured series of bonds and the assets that are pledged to secure the payment of the Issue J Bonds are not available to pay any such separately secured bonds. See “SECURITY FOR THE ISSUE J BONDS AND SOURCES OF PAYMENT—Additional Bonds.”

The Parity Ratio for the Resolution is projected to be approximately 106.9% following the issuance of the Series 2016 Bonds. The Resolution does not require the Authority to maintain the Parity Ratio at such level, and the Authority expects that it will change over time as a result of a number of factors, including Issue J Loan origination and payment experience, the issuance of additional Issue J Bonds and the release of Trust Assets. The Parity Ratio which will be required under the Resolution for releases of Trust Assets is expected to be 108%. See “PLAN OF FINANCING” and “SECURITY FOR THE ISSUE J BONDS AND SOURCES OF PAYMENT — Release of Excess Trust Assets.”

**Interest Payments on  
Series 2016 Bonds.....**

Interest on the Series 2016 Bonds will accrue from their delivery date and be payable on each January 1 and July 1, commencing January 1, 2017, or, if any such day is not a Business Day, the next Business Day. Interest on the Series 2016 Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

**Redemption or  
Acceleration.....**

The Authority may redeem all or a portion of the Series 2016 Bonds prior to their scheduled maturity without payment of a premium in several circumstances as described herein. The timing of any such redemption and amount of Series 2016 Bonds that may be affected cannot be determined with any certainty at this time. Such redemption may result from failure to apply proceeds of the Series 2016 Bonds and of other funds available to the Authority to originate Issue J Loans as currently expected, the performance and prepayment of Issue J Loans and the degree to which the Authority’s actual experience with respect to such factors conforms to certain cash flow assumptions that were

relied on by the Authority in connection with the structuring of the Series 2016 Bonds. In certain cases, the Resolution permits application of Revenues allocable to a particular Series of Issue J Bonds to the redemption of eligible maturities within all Issue J Bonds and permits the Authority to direct available Revenues to the redemption of such Series of Issue J Bonds as it may choose, and within a Series to such eligible maturities as it may choose. In addition, principal of the Issue J Bonds may also be accelerated under the circumstances described herein. See “REDEMPTION PROVISIONS,” “INVESTMENT CONSIDERATIONS — Redemption of Series 2016 Bonds” and “APPENDIX C — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — Acceleration.”

**Special Obligations.....**

The Series 2016 Bonds are special obligations of the Authority and are payable solely from the Revenues and amounts on deposit in certain funds and accounts established and pledged under the Resolution. No revenues or other assets are available to fund payment of the Series 2016 Bonds. The Authority has no taxing power. Neither the Commonwealth nor any political subdivision thereof is or shall be obligated to pay the principal of or interest on the Series 2016 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.

**Sources of Payments for the Series 2016 Bonds.....**

The Series 2016 Bonds, together with all Issue J Bonds, are secured by and payable from the following sources (the “Trust Assets”):

- (1) All Revenues.
- (2) All Education Loan Notes evidencing Issue J Loans and any other Revenue-producing contracts or loan guaranties and all of the Authority’s rights and interests in such contracts, except for certain reserved rights of the Authority with respect to any such other Revenue-producing contracts.
- (3) All moneys and securities on deposit in all funds and accounts created by or pursuant to the Resolution as described herein (except for the Rebate Fund), including without limitation any Reserve Fund Facilities, any funds drawn on Reserve Fund Facilities and any Investment Obligations in which such moneys are invested.
- (4) All general intangibles (including payment intangibles) comprising or relating to any of the foregoing.

- (5) The proceeds of any of the foregoing whether any of the foregoing is now existing or is hereafter acquired.

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

**Reserve Fund** .....

A Reserve Fund for the Issue J Bonds has been established under the Resolution. The Resolution requires that the Reserve Fund be maintained in an amount at least equal to the most recently established Reserve Fund Requirement. Upon initial issuance of the Series 2016 Bonds, the Reserve Fund Requirement will be 1.00% of the outstanding amount of the Issue J Bonds, subject to a minimum balance requirement of \$2,750,000. The Reserve Fund Requirement is subject to change upon compliance with certain requirements of the Resolution. The Reserve Fund Requirement will be initially satisfied by a deposit from proceeds of the Series 2016 Bonds or other available Authority funds to supplement cash and Investment Obligations that are currently on deposit in the Reserve Fund. See “SECURITY FOR THE ISSUE J BONDS AND SOURCES OF PAYMENT—Reserve Fund.”

**Use of Bond Proceeds** .....

We expect to use the proceeds of the Series 2016 Bonds for the following purposes: (i) to fund new Fixed Rate MEFA Loans; and (ii) to fund the cost of refunding certain outstanding bonds that were previously issued under our Issue E General Bond Resolution, as supplemented, amended and restated as of February 15, 2007 (the “Issue E Refunded Bonds” and the “Issue E Resolution”), our Issue I General Bond Resolution, as supplemented, amended and restated as of March 26, 2015 (the “Issue I Refunded Bonds” and the “Issue I Resolution”) and under the Resolution (the “Issue J Refunded Bonds”). A portion of the proceeds of the Series 2016 Bonds will also be used to: (i) fund some or all of the Reserve Fund deposit for the Issue J Bonds; and (ii) pay all or a portion of the costs of issuance of the Series 2016 Bonds. See “PLAN OF FINANCING and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

**Issue J Loans** .....

“Issue J Loans” are MEFA Loans that are funded through application of the proceeds of, or other funds allocated to, Issue J Bonds. All Issue J Loans are pledged as security for the payment of Issue J Bonds. Effective upon issuance of the Series 2016 Bonds, approximately \$387.0\* million of Issue J Loans will be held under the Issue J General Resolution, including the \$171.6\* million of loans to be transferred from the Issue E Resolution (the “Transferred Loans”). All of the current Issue J Loans and approximately \$122.5\* million of the Transferred Loans are Fixed Rate MEFA Loans and the remainder of the

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\* As of February 29, 2016.

Transferred Loans are Variable Rate MEFA Loans. A total of approximately \$201.0\* million will be made available to originate new Issue J Loans upon issuance of the Series 2016 Bonds, including approximately \$153.0\* million of proceeds of the Series 2016 Bonds and \$48.0\* million made available upon refunding of the Refunded Bonds or through recycling.

The Authority expects that all Issue J Loans that will be originated using proceeds of the Series 2016 Bonds and other monies available under the Resolution will be Fixed Rate MEFA Loans. All such new loans will be credit-based loans with terms and conditions that are similar to the terms and conditions described herein. The Authority reserves the right, however, to apply proceeds of the Series 2016 Bonds and of any subsequently issued Issue J Bonds and available Revenues to finance MEFA Loans with terms and conditions that vary from those described herein, upon compliance with certain requirements of the Resolution. See “INVESTMENT CONSIDERATIONS,” “THE MEFA FINANCING PROGRAM,” and “ISSUE J LOAN PORTFOLIO.”

Substantially all Issue J Loans have been, and future Issue J Loans are expected to 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. The Transferred Loans were originated under the Issue E Resolution between 2001 and 2009 when the Authority used different credit-based loan terms and conditions than are currently in effect. See “INVESTMENT CONSIDERATIONS,” and “ISSUE J LOAN PORTFOLIO.”

#### **MEFA Financing Program .....**

We have established a number of proprietary, unsecured consumer loan programs for financing and refinancing loans for undergraduate and graduate students, to finance higher education expenses, including credit-based and need-based loans that bear interest on a fixed rate or variable rate basis and have previously issued numerous series of bonds that were, or that are, secured under resolutions other than the Resolution to fund education loans under the MEFA Financing Program. Since inception, the MEFA Financing Program has included loans to finance higher education expenses of current students (“MEFA Loans” and the “MEFA Loan Program”). As of 2015, the MEFA Financing Program was expanded to include loans to refinance higher education expenses (“MEFA Refinancing Loans” and the “MEFA Refinancing Loan Program”) utilizing bonds issued under the Issue I Resolution. MEFA Loans and MEFA

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\* Projected as of the date of this Official Statement.

Refinancing Loans are referred to collectively as “MEFA Education Loans.” We may issue additional separately secured series of bonds for either of these purposes in the future. MEFA Education 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 J Loans. As of the date of this Official Statement, there are no material uncommitted Authority bond proceeds available to fund MEFA Loans. See “ESTIMATED SOURCES AND USES OF FUNDS,” “THE MEFA LOAN PROGRAM” and “INVESTMENT CONSIDERATIONS — Redemption of Series 2016 Bonds” and “— Composition and Characteristics of the Issue J Loan Portfolio May Change.”

The description of the MEFA Financing Program included in this Official Statement does not address every type of MEFA Education Loan, but it does describe the types of MEFA Education Loans that currently are, or are expected to become, material components of the Issue J Loans. Certain additional information included in this Official Statement concerning MEFA Education Loans is included for general reference purposes only and is not intended to suggest that the characteristics or performance of Issue J Loans that bear interest at a fixed rate or, if applicable, at a variable rate necessarily will be at any time similar to that which would be expected from a representative sample of all MEFA Education Loans or of all MEFA Education Loans that bear interest on a similar basis. See “INVESTMENT CONSIDERATIONS — Future Performance of the Issue J Loan Portfolio May Differ From Historical MEFA Loan Performance.”

The Authority regularly reviews the terms and conditions of the MEFA Financing Program and reserves the right to alter such terms and conditions with respect to Issue J Loans, or with respect to other MEFA Education Loans, at any time. See “SECURITY FOR THE ISSUE J BONDS AND SOURCES OF PAYMENT,” “INVESTMENT CONSIDERATIONS — Future Performance of the Issue J Loan Portfolio May Differ From Historical MEFA Loan Performance,” “— Composition and Characteristics of the Issue J Loan Portfolio May Change” and “— Changes in Relevant Laws” and “THE MEFA FINANCING PROGRAM.”

**Servicing** .....

Xerox Education Services, LLC, a Delaware limited liability company doing business as ACS Education Services, currently acts as Servicer and as originating agent for all MEFA Education Loans. The Resolution permits additional or successor servicers and originators to be appointed. See “MEFA EDUCATION LOAN ORIGINATION AND SERVICING,” and

“APPENDIX C — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — Covenants as to the Program.”

**Investment Considerations.....**

Certain factors that you should consider prior to making any investment decision concerning the Series 2016 Bonds are identified herein under the caption “INVESTMENT CONSIDERATIONS.” These factors do not constitute the only factors that you should consider and do not address the only risks of ownership of the Series 2016 Bonds. The descriptions 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.

**Ratings .....**

The Series 2016 Bonds are expected to be rated “AA (sf)” by Standard & Poor’s Credit Ratings Services, a division of McGraw-Hill Financial Incorporated (“S&P”), and “Asf” by Fitch Ratings, Inc. (“Fitch”). Assignment of such ratings is a precondition to issuance of the Series 2016 Bonds. Neither the Authority 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 Series 2016 Bonds. See “INVESTMENT CONSIDERATIONS — Certain Actions May Be Permitted Without Bondholder Approval” and “— Effect of Ratings,” “RATINGS” and “CONTINUING DISCLOSURE.”

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**MASSACHUSETTS EDUCATIONAL FINANCING AUTHORITY**

Members of the Authority

160 Federal Street  
Boston, Massachusetts 02110

Thomas M. Graf,  
Executive Director

Keith C. Shaughnessy, *Chair*

Philip N. Shapiro, *Vice Chair*

Gary Bailey

Dennis D. Berkey

Matthew J. Gorzkowicz

Ramón A. Rivera

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**

**\$340,000,000**

**MASSACHUSETTS EDUCATIONAL FINANCING AUTHORITY  
EDUCATION LOAN REVENUE BONDS, ISSUE J, SERIES 2016 (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 \$340,000,000 aggregate principal amount of Education Loan Revenue Bonds, Issue J, Series 2016 (the “Series 2016 Bonds”) pursuant to Chapter 15C of the General Laws of The Commonwealth of Massachusetts (the “Commonwealth”), as amended (the “Act”), a resolution dated as of July 1, 2011, as supplemented, amended and restated through March 31, 2016 (the “Issue J General Resolution”), and a Third Issue J Series Resolution dated as of March 31, 2016 (the “Third Series Resolution,” and, together with the Issue J General Resolution, the “Resolution”). Certain provisions of the Issue J General Resolution will be amended, effective upon the issuance of the Series 2016 Bonds, and the descriptions and summaries of provisions of the Resolution contained in this Official Statement describe such provisions as so amended. Such statements should not be relied upon with respect to Outstanding Issue J Bonds prior to the issuance of the Series 2016 Bonds. 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 J Bonds issued thereunder. Certain capitalized terms used in this Official Statement and not otherwise defined herein have the meanings set forth in APPENDIX B hereto. The Series 2016 Bonds, the Outstanding Issue J Bonds, and any other bonds which may be issued in the future under the Resolution, are referred to herein as the “Issue J Bonds.”

This Official Statement contains certain information about the Authority and certain other MEFA Financing Program participants, descriptions of the terms of the Series 2016 Bonds, description of the terms and conditions that are currently expected to be applicable to the existing Issue J Loans and to Issue J Loans that the Authority expects to finance for the 2016-2017 academic year, and descriptions of the Act, the Resolution, and certain other documents related to the security for the Series 2016 Bonds, and of certain applicable laws. All references herein to laws and documents are qualified in their entirety by reference to such laws and to such documents, as in effect on the date of issuance of the Series 2016 Bonds, and all references to the Series 2016 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 Series 2016 Bonds and may not be reproduced or used, in whole or in part, for any other purpose.

## INTRODUCTORY STATEMENT

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 is issuing the Series 2016 Bonds for the principal purposes of (i) funding loans to finance current higher education expenses (“MEFA Loans”) under the long-standing component of the Authority’s program of education loans to or on behalf of borrowers who are undergraduate or graduate students and are residents of the Commonwealth or attend post-secondary educational institutions within the Commonwealth and (ii) refunding certain bonds issued for such purpose. Such MEFA Loans and other education loans funded with the proceeds of Issue J Bonds and the Revenues received by the Authority from such education loans are the primary expected source of payment for the Series 2016 Bonds. The Authority expects that all education loans funded with the proceeds of Series 2016 Bonds will be credit-based MEFA Loans bearing interest on a fixed rate (“Fixed Rate MEFA Loans”), except for approximately \$49.1\* million bearing interest on a variable rate basis (“Variable Rate MEFA Loans”), as described herein.

The Authority has previously established a number of proprietary, unsecured consumer loan programs to fund MEFA Loans, including fixed rate and variable rate, undergraduate and graduate, and credit-based and need-based loans to students and to others borrowing for the benefit of such students. Such MEFA Loans provide supplemental assistance for students receiving other forms of financial aid and primary assistance for students not eligible for other forms of financial aid. In 2015, the Authority began to offer loans to refinance higher education expenses (“MEFA Refinancing Loans”) under a new component of the MEFA Financing Program to borrowers who, as undergraduate or graduate students, attended post-secondary education institutions which participate in the MEFA Loan Program, whether located in or outside the Commonwealth.

All MEFA loans and all MEFA loan programs are referred to as a whole herein as “MEFA Education Loans” and as the “MEFA Financing Program,” respectively. To date the vast majority of MEFA Education Loans have been originated as MEFA Loans to finance the higher education expenses of current students, rather than for refinancing purposes. The Authority administers the MEFA Financing 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 principal components of the MEFA Financing Program include: (i) the Fixed Rate Undergraduate MEFA Loan Program; (ii) the Variable Rate Undergraduate MEFA Loan Program; (iii) the MEFA Loans for Graduate Education Program, which currently is offered on a fixed rate basis, but previously was also offered on a variable rate basis; and (iv) the MEFA Refinancing Loan Program, which is offered on a fixed rate basis and on a variable or floating rate basis. From time to time the Authority has offered loans with interest rates which are adjusted periodically in accordance with an index or variable cost of capital as either “variable rate” or “floating rate” loans. The two terms are used herein interchangeably.

For the purposes of this Official Statement “Issue J Loans” and the “Issue J Portfolio” are MEFA Education Loans that are funded through application of proceeds of, or other funds allocable to, Issue J Bonds, or are pledged as security under the Resolution, and the subset of the MEFA Financing Program which involves funding Issue J Loans is referred to herein as the “Issue J Loan Program.” Upon issuance

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\* As of February 29, 2016.

of the Series 2016 Bonds, the substantial majority of all existing Issue J Loans will be credit-based Fixed Rate MEFA Loans, as described herein. All new Issue J Loans to be funded through application of amounts allocable to the Series 2016 Bonds are expected to be credit-based Fixed Rate MEFA Loans, as described herein. A portion of the Transferred Loans are credit-based Variable Rate MEFA Loans. The Resolution permits the Authority to apply Issue J Bond proceeds to finance Issue J 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 MEFA Education Loans from other sources. See “THE MEFA FINANCING PROGRAM,” “MEFA EDUCATION LOAN PORTFOLIO,” “INVESTMENT CONSIDERATIONS — Composition and Characteristics of the Issue J Loan Portfolio May Change” and “ISSUE J LOAN PORTFOLIO.”

Xerox Education Services, LLC, a Delaware limited liability company doing business as ACS Education Services (“XEROX-ES”), currently acts as Servicer and as originating agent of all MEFA Education Loans. The MEFA Education Loan origination and servicing process is a joint effort among the Authority, the Servicer and, with respect to MEFA Loans, Participating Institutions. MEFA Education Loan 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 (except for MEFA Refinancing Loans) and execution by the borrower(s) and, if applicable, student of a promissory note, the promissory note is delivered to the Servicer to be held in custody. The Authority finances MEFA Education 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, except for MEFA Refinancing Loans which are disbursed by the Servicer to the lender or servicer of the loans to be refinanced. See “THE MEFA FINANCING PROGRAM” and “MEFA EDUCATION LOAN ORIGINATION AND SERVICING – The Servicer.”

The Series 2016 Bonds are expected to be issued on a parity basis with the currently outstanding Issue J Bonds. The Authority does not currently expect the Issue J Loans to include any Variable Rate MEFA Loans other than those included in the Transferred Loans, or any MEFA Refinancing Loans, but reserves the right to finance additional Issue J Loans as Fixed Rate or Variable Rate MEFA Loans or as MEFA Refinance Loans. See “THE MEFA FINANCING PROGRAM” and “MEFA EDUCATION LOAN ORIGINATION AND SERVICING.”

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

This Official Statement contains certain historical information relative to the origination and payment experience of the Authority in connection with its previously originated MEFA Education Loans and to the general terms of the MEFA Financing 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 J Loan Portfolio necessarily will be similar to that of previously originated MEFA Education Loans during any period or over the respective lives of such MEFA Education Loans. There can be no assurance that the performance of Issue J Loans will be consistent with that of previously originated MEFA Education Loans. See “ESTIMATED SOURCES AND USES OF FUNDS,” “INVESTMENT CONSIDERATIONS — Redemption of Series 2016 Bonds,” “— Future

Performance of the Issue J Loan Portfolio May Differ From Historical MEFA Education Loan Performance,” “— Composition and Characteristics of the Issue J Loan Portfolio May Change” and “— General Economic Conditions” and “THE MEFA FINANCING PROGRAM” and “ISSUE J LOAN PORTFOLIO.”

The Authority currently expects, based upon its projections of demand for MEFA Loans, that it will be able to fully apply, or commit for application, all available proceeds of the Series 2016 Bonds to fund Fixed Rate MEFA Loans on or prior to June 30, 2017 and in time to meet certain interim Loan Origination Targets specified in the Resolution. However, due to a variety of factors that may influence demand for MEFA Loans, including, without limitation, general economic conditions and the current or potential availability of competing sources of financing for education loans offered by other parties, there can be no assurance that the actual demand for Fixed Rate MEFA Loans that can be funded under the Resolution during this period will be sufficient to meet such targets or fully expend the Series 2016 Bond proceeds that are available to the Authority to fund such loans. The Authority reserves the right to apply some or all of the proceeds of the Series 2016 Bonds to finance MEFA Education Loans, other than MEFA Loans, and to implement actions, including but not limited to the issuance of bonds in addition to the Series 2016 Bonds, to obtain additional funds to finance MEFA Education Loans, including MEFA Loans, during this period. The Authority reserves the right to allocate funds from different sources that are available to it to finance MEFA Education Loans, including MEFA Loans, in any manner that it deems appropriate. The Resolution does not require or prevent the application of Series 2016 Bond proceeds prior to the application of other funds that may become available to the Authority to make MEFA Loans and permits the Authority to apply all funds available to the Authority to make MEFA Loans in any order. See “THE SERIES 2016 BONDS — Redemption Provisions — *Mandatory Redemption Resulting From Non-Origination*” and “ESTIMATED SOURCES AND USES OF FUNDS.”

The Issue J 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 J 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 J 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 J BONDS AND SOURCES OF PAYMENT.”

The Authority has previously issued \$271,205,000 of Education Loan Revenue Bonds, under the Issue J General Resolution, of which \$216,485,000 remain outstanding. The Authority is issuing the Series 2016 Bonds for the principal purposes of: (i) funding new MEFA Loans under the MEFA Loan Program; and (ii) refunding certain outstanding bonds that were issued by the Authority to fund such MEFA Loans (the “Refunded Bonds”). The Authority will use a portion of the Series 2016 Bond proceeds for the purpose of: (i) funding some or all of the deposit to the Reserve Fund for the Issue J Bonds; and (ii) funding a portion of the costs of issuance of the Series 2016 Bonds. The Refunded Bonds consist of \$170,975,000 of bonds issued under the Issue E Resolution, \$8,135,000 of bonds issued under the Issue I Resolution and \$17,175,000 of bonds issued under the Resolution. Upon issuance of the Series 2016 Bonds, a portion of the proceeds of the Series 2016 bonds, together with amounts available under the Issue E Resolution, will be applied to defease or retire all bonds outstanding thereunder, the Transferred Loans will become Issue J Loans and certain other assets held under the Issue E Resolution will transfer to the Resolution or to the Authority. The refunding of the Refunded Bonds, and/or recycling, will result in a transfer of approximately \$48.0\* million to the Series 2016 Purchase Account. See “PLAN OF FINANCING.”

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\* Projected as of the date of this Official Statement.

## THE AUTHORITY

### General

The Authority is a body politic and corporate, constituting a public instrumentality of the Commonwealth. The Legislature of the Commonwealth created the Authority for the purpose of assisting parents, students and institutions of higher education in financing and refinancing the costs of education. The Authority provides financial assistance to students attending post-secondary school through the financing of education loans.

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

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

In 2003, MEFA introduced *MEFA Counselor* to educate families and students about planning, saving and paying for college. Working through schools, libraries and community organizations, *MEFA Counselor* provides step-by-step guidance to assist students 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 *YourPlanForCollege.org*, introduced in 2010, offers a complete college and career planning resource for students and high school counselors across the Commonwealth. The Commonwealth's college and career web portal is free for high school counselors, students and their families.

In 2015, the Authority introduced the "MEFA Refinancing Loan Program" that offers credit-based fixed rate and variable rate loans to borrowers for the purpose of refinancing loans previously incurred for higher education expenses ("MEFA Refinancing Loans").

The Authority solicits participation in its loan programs from qualifying independent and public educational institutions and eligible borrowers. For-profit higher education schools are not allowed to participate in the MEFA Financing Program. 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. There is currently one vacancy.

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.

**PHILIP N. SHAPIRO**, Vice-Chair, term expires April 1, 2020.

Mr. Shapiro is the Chairman of ISO New England. He was previously the Vice President for Finance and Chief Financial Officer at Babson College, a Managing Director of Standard and Poor's Rating Group, 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.

**GARY BAILEY, M.S.W.**, term expires July 1, 2019.

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, PhD.** term expires July 1, 2017.

Dr. Berkey is the President and Chief Operating Officer of Biometric Identification and Security Systems, Inc. He 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.

**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.

**RAMÓN A. RIVERA, LL.M., CPA**, term expires June 30, 2021.

Mr. Rivera is the Chief Financial Officer of Fullbridge, Inc. Previously, he served as Vice President of Finance and Administration as well as the Secretary and Treasurer of the Board of Directors of Aereo, Inc., Director of International Finance at LoJack Corporation, Chief Financial Officer at CitySoft, Inc., and Senior Tax Manager with Pricewaterhouse Coopers, LLP.

**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 and Chief Operating 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.

**FRANCIS X. CAVANAUGH**, Director of Portfolio Origination.

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**, Director–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 and her M.B.A. from the Isenberg School of Management at UMass Amherst.

**SABRINA T. TRAN**, Director of Portfolio Servicing

Ms. Tran joined the Authority in February 2008. Prior to this role, she has served as a Finance Associate and Financial Analyst within the loan operations department at the Authority. Before joining the Authority, she was an Executive Assistant at Radius Financial Group, Inc. Ms. Tran received her B.S. in Finance and Insurance from Northeastern University.

**THE SERIES 2016 BONDS**

The Series 2016 Bonds will mature on the dates and bear interest at the rates set forth on the inside front cover of this Official Statement. The Series 2016 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, 2017, and on each July 1 and January 1 thereafter, or if any such day is not a Business Day, the next Business Day.

So long as the Series 2016 Bonds are registered in the name of Cede & Co., as nominee of DTC, interest on and principal of the Series 2016 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 2016 Bonds are subject to optional redemption, mandatory sinking fund redemption, mandatory redemption resulting from non-origination, special mandatory redemption from excess revenues and special optional redemption from excess revenues, as described below. No redemption shall cause any Issue J Bonds 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.

**Optional Redemption**

The Series 2016 Bonds maturing on July 1, 2033 are subject to redemption prior to maturity, in whole or in part, on any date on or after July 1, 2024, at the option of the Authority, at a Redemption Price equal to the principal amount being redeemed, without premium, plus accrued interest 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 Favorable Projection of Revenues, may direct).

**Mandatory Sinking Fund Redemption**

The Series 2016 Bonds maturing on July 1, 2033 (the “Series 2016 Term Bonds”) are subject to mandatory sinking fund redemption in the amounts and on each July 1 in each of the years set forth below (each a “Sinking Fund Installment”), at a Redemption Price equal to the principal amount, without premium, plus accrued interest, if any, to the redemption date.

## Series 2016 Term Bonds

\$202,330,000 Term Bonds Due July 1, 2033

<u>Date (July 1)</u>	<u>Sinking Fund Installment</u>
2025	\$29,500,000
2026	30,800,000
2027	34,700,000
2028	21,900,000
2029	19,300,000
2030	19,200,000
2031	19,000,000
2032	17,900,000
2033 <sup>†</sup>	10,030,000

<sup>†</sup> Final maturity.

The amounts which would otherwise be available for a Sinking Fund Installment may be applied, prior to notice of mandatory sinking fund redemption, to the purchase, for cancellation, of the Series 2016 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 2016 Term Bonds scheduled to be redeemed on the immediately succeeding Sinking Fund Installment due date will be reduced by the principal amount of Series 2016 Term Bonds so purchased.

Any redemption of Series 2016 Term Bonds, other than by operation of mandatory sinking fund redemption, and any delivery by the Authority to the Trustee for cancellation of Series 2016 Term Bonds purchased by the Authority, shall be applied to reduce the remaining Sinking Fund Installments of the Series 2016 Term Bonds: (i) on a pro-rata basis or (ii) in such other manner as the Authority, consistent with a Favorable 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.

### **Mandatory Redemption Resulting From Non-Origination**

The Series 2016 Bonds are subject to redemption prior to maturity, in whole or in part, on any date, from unexpended proceeds of the Series 2016 Bonds and certain other unexpended amounts remaining in the Series 2016 Purchase Account in the event that the Loan Origination Target for each Loan Origination Target Date is not met. The Loan Origination Target Dates for the Series 2016 Bonds are September 30, 2016 and January 31, 2017. Each such Loan Origination Target Date may be extended if certain requirements of the Resolution are satisfied. The Loan Origination Targets for such dates are \$73,000,000 and \$72,000,000, respectively. If a Loan Origination Target is not met, the unexpended amounts (i.e., the amount by which the Loan Origination Target for such Loan Origination Target Date exceeds the amount expended) in the Series 2016 Purchase Account as of such date shall be transferred by the Trustee to the Redemption Fund for mandatory redemption resulting from non-origination. Any amounts that the Authority has committed to disburse on loans as of each Loan Origination Target Date are deemed expended for purposes of each Loan Origination Target. Satisfaction of each Loan Origination Target will be determined as of each Loan Origination Target Date. In the event that the Authority does not meet a respective Loan Origination Target, the immediately following Loan Origination Target will not be increased by an amount equal to said deficiency. In the event that the

Authority exceeds a respective Loan Origination Target, the excess will be credited against the immediately following Loan Origination Target.

The Series 2016 Bonds are also subject to redemption prior to maturity, in whole or in part, on any date, from unexpended amounts remaining in the Series 2016 Purchase Account at the end of the Loan Origination Period. The Loan Origination Period is expected to end on June 30, 2017, but may be extended if certain requirements of the Resolution are satisfied. Amounts that the Authority has committed to make disbursements on loans by the end of the Loan Origination Period are deemed expended.

Any mandatory redemption resulting from non-origination will be applied to each maturity of Series 2016 Bonds bearing the same interest rate (i) on a pro rata basis or (ii) in such other manner as the Authority, consistent with a Favorable Projection of Revenues, may direct. Any such redemption will take place by or on the next succeeding January 1 or July 1, as applicable, adjusted to the extent the Loan Origination Target Dates or the Loan Origination Period, respectively, are extended.

With respect to the Series 2016 Bonds with offering prices in excess of 100%, the Redemption Price will be equal to the sum of: (i) the principal amount being 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 used to calculate the unamortized portion of such amount for a particular maturity will use the yield of the Series 2016 Bonds as stated on the inside cover of this Official Statement, semi-annual compounding and a 360-day year consisting of twelve 30-day months. With respect to all other Series 2016 Bonds, the Redemption Price will be equal to the principal amount being redeemed, without premium, plus accrued interest to the date of redemption.

### **Special Mandatory Redemption From Excess Revenues**

The Series 2016 Bonds which are Bonds Subject to Redemption from Excess Revenues 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 from any Excess Revenues available in the Redemption Fund on the second to last Business Day of the second prior calendar month at a Redemption Price equal to the principal amount being redeemed, without premium, plus accrued interest to the redemption date. The Series 2016 Bonds maturing on or prior to July 1, 2024 are not Bonds Subject to Redemption from Excess Revenues. A Potential Special Optional Excess Revenues Redemption Date is, in pertinent part, each Interest Payment Date on which: (i) the aggregate Outstanding principal amount of the total Bonds Outstanding equals or exceeds an amount equal, at the time of determination, to the greater of (x) while any of the Series 2016 Bonds remain Outstanding, \$54,000,000 or (y) such other amount as may be established for such purpose by the then most recently adopted Series Resolution authorizing the issuance of Issue J Bonds and (ii) either (a) such Interest Payment Date occurs during the Recycling Period or (b) the Parity Ratio, after taking into consideration any transfers of Excess Revenues to be made as of such Interest Payment Date, exceeds 108% or such other amount, stated as a percentage, as may be required in a Parity Ratio Certificate as of the date of determination. See “APPENDIX B – DEFINITIONS OF CERTAIN TERMS.” Excess Revenues which cannot be recycled to originate MEFA Loans or released to the Authority as of an Interest Payment Date will be allocated to the redemption of the Issue J Bonds, including the Series 2016 Bonds, and any such redemption will be applied in the manner described under “— Availability and Application of Excess Revenues.” See also “— Issuance of Additional Bonds and Amortization of Issue J Bonds May Affect Redemption.”

## **Special Optional Redemption From Excess Revenues**

The Series 2016 Bonds which are Bonds Subject to Redemption from Excess Revenues are subject to optional redemption prior to maturity, in whole or in part, on each Interest Payment Date which is a Potential Special Optional Excess Revenues Redemption Date, from (i) any Excess Revenues allocable to the Series 2016 Bonds and available in the Redemption Fund on the second to last Business Day of the second prior calendar month at a Redemption Price equal to the principal amount being redeemed, without premium, plus accrued interest to the redemption date, in such amounts as the Authority may direct. If the Authority cannot, or chooses not to, recycle or release Excess Revenues which are available for such purposes as of any such Interest Payment Date, such Excess Revenues will be allocated to the redemption of the Issue J Bonds, including the Series 2016 Bonds, and any such redemption will be applied in the manner described under “— Availability and Application of Excess Revenues.” See also “— Issuance of Additional Bonds and Amortization of Issue J Bonds May Affect Redemption.”

## **Availability and Application of Excess Revenues**

The Resolution defines Excess Revenues generally to include all Revenues that are available in the Revenue Fund upon a monthly or semi-annual transfer date and that are not required by the Resolution, or permitted by determination by the Authority, to be applied to a purpose other than funding Excess Revenue redemption of Issue J Bonds. For this purpose, the Resolution does not distinguish Excess Revenues derived from Education Loans allocable to any particular Series of Issue J Bonds from those allocable to another Series.

The Resolution provides that the Excess Revenues that are applicable at any time to Special Mandatory Redemption From Excess Revenues or to Special Optional Redemption From Excess Revenues of the Series 2016 Bonds, and to such redemption of any other Issue J Bonds that may have been or may hereafter be issued as Bonds Subject to Redemption From Excess Revenues, are to be applied generally on a pro-rata basis to all Issue J Bonds that are Bonds Subject to Redemption from Excess Revenues, utilizing the relative Outstanding principal amounts of each maturity within each Series or Subseries of such Issue J Bonds then subject to such redemption at the time of calculation as the basis of pro-rata; provided, however, that the Authority may direct the application of Excess Revenues to any Issue J Bonds subject to such redemption in any other manner consistent with a Favorable Projection of Revenues. See “— Issuance of Additional Bonds and Amortization of Issue J Bonds May Affect Redemption,” “INVESTMENT CONSIDERATIONS — Redemption of Series 2016 Bonds,” and “APPENDIX B — DEFINITION OF CERTAIN TERMS” and “APPENDIX C — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — Establishment of Funds and Accounts,” “— Monthly Transfers from Revenue Fund,” “— Semi-Annual Transfers from Revenue Fund” and “— Application of Excess Revenues to Redemption of Issue J Bonds,” and APPENDIX F — Weighted Average Life Analysis of the Series 2016 Term Bonds.”

The Resolution requires the Authority to demonstrate satisfaction of the Parity Ratio required for release of Excess Revenues to the Authority free and clear of the Resolution as of any Potential Special Optional Excess Revenues Redemption Date after allowing for the effect of such release.

The Resolution further provides that no Excess Revenues may be released to the Authority as of any Potential Special Optional Excess Revenues Redemption Date if, as of such Date, the Default-Based Release Limit exceeds a certain maximum permitted level as of each such Date. Default-Based Release Limit means, from time to time, the ratio, stated as a percentage, of (i) the principal amount of all Issue J Loans becoming Defaulted Loans after June 30, 2016, to (ii) the sum of (a) the outstanding principal balance of all Issue J Loans as of June 30, 2016, and (b) the original principal amount of all Issue J Loans

originated after June 30, 2016. The applicable levels which will prevent releases of Excess Revenues to the Authority as of various Interest Payment Dates are set forth below:

<u>Interest Payment Date</u>	<u>Default-Based Release Limit</u>	<u>Interest Payment Date</u>	<u>Default-Based Release Limit</u>
1/1/18	5.0%	1/1/24	15.0%
7/1/18	6.0	7/1/24	16.0
1/1/19	7.0	1/1/25	16.0
7/1/19	8.5	7/1/25	16.0
1/1/20	10.0	1/1/26	17.0
7/1/20	11.0	7/1/26	17.0
1/1/21	11.0	1/1/27	17.0
7/1/21	12.0	7/1/27	17.0
1/1/22	12.0	1/1/28	17.0
7/1/22	13.0	7/1/28	17.0
1/1/23	13.0	1/1/29	17.0
7/1/23	14.0		

### **Selection of Series 2016 Bonds to be Redeemed**

If less than all of the Series 2016 Bonds of a particular maturity bearing the same interest rate shall be redeemed, the particular Series 2016 Bonds 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 2016 Bonds of such maturity and tenor are redeemed, the particular Series 2016 Bonds or portions of such Series 2016 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 2016 Bond of a denomination greater than the minimum denomination permitted shall be deemed to consist of several Series 2016 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 2016 Bonds**

At least 20 days, but not more than 60 days, prior to the date fixed for the redemption of any Series 2016 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 2016 Bonds, or portions thereof, to be redeemed at its last address as it appears on the books of registry, stating the Series 2016 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 2016 Bonds to be redeemed and, if less than all of the Series 2016 Bonds are to be redeemed, the letters and numbers or other distinguishing marks of such Series 2016 Bonds to be redeemed, and in the case of Series 2016 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 2016 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 2016 Bonds to be redeemed shall cease to accrue from and after the redemption date.

Notice having been given as provided above, the Series 2016 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 2016 Bonds designated for redemption will not affect the sufficiency of the proceedings for redemption of Series 2016 Bonds with respect to owners to whom such notice was made.

### **Issuance of Additional Bonds and Amortization of Issue J Bonds May Affect Redemption**

The Authority reserves the right to issue additional Series of Issue J Bonds that are subject to redemption from Excess Revenues that are allocable to the Issue J Loans funded from proceeds of such Issue J Bonds, or from Excess Revenues generally, on a basis that is different from that described herein with respect to the Series 2016 Bonds as well as Additional Bonds that are not subject to such redemption at all. Issuance of such Issue J Bonds and the current Outstanding Issue J Bonds may affect the amount of Revenues that would be available as Excess Revenues to redeem other Issue J Bonds, including the Series 2016 Bonds, if not applied to other purposes that are permitted under the Resolution. In addition, the amortization of Series 2016 Bonds, and of other Issue J Bonds, may also affect the amount of Revenues that would be so available. See “INVESTMENT CONSIDERATIONS — Redemption of Series 2016 Bonds.”

### **PLAN OF FINANCING**

The Authority expects to use the proceeds of the Series 2016 Bonds and certain other amounts made available by the Authority to: (i) fund deposits to the Series 2016 Refunding Account and the Refunding Trust Agreement; (ii) fund a deposit to the Reserve Fund; (iii) pay the costs of issuing the Series 2016 Bonds; and (iv) fund a deposit to the Series 2016 Purchase Account to finance new Fixed Rate MEFA Loans as described herein. Amounts deposited to the Series 2016 Refunding Account and the Refunding Trust Agreement will be applied to redeem Refunded Bonds as follows: (i) \$170,975,000 will be applied together with other funds available under the Issue E Resolution to redeem all outstanding Issue E Bonds, including but not limited to the Issue E Refunded Bonds, in the total aggregate amount of \$191,725,000; (ii) \$8,135,000 will be applied to redeem certain outstanding Issue I Bonds; and \$17,175,000 will be applied to redeem certain outstanding Issue J Bonds. The amount deposited in the Refunding Trust Agreement will be sufficient to defease the Issue E Refunded Bonds. In the case of Refunded Bonds paid from the Series 2016 Refunding Account, accrued interest on redeemed bonds will be paid from amounts available under the applicable bond resolution. The particular series designations, CUSIP numbers and amounts outstanding of the Issue E Refunded Bonds are as set forth in the following table:

<u>Issue E Refunded Bonds</u>	<u>CUSIP</u>	<u>Amount Outstanding</u>
Series 2002E	57563REF2	\$ 50,000
Series 2003A	57563REU9	1,300,000
Series 2003E	57563REY1	10,600,000
Series 2004A	57563REZ8	100,000
Series 2004B	57563RFA2	3,600,000
Series 2005A	57563RFD6	200,000
Series 2005B	57563RFE4	275,000
Series 2006A-1	57563RFH7	6,800,000
Series 2006A-2	57563RFM6	2,950,000
Series 2007A	57563RFU8	30,290,000
Series 2007A	57563RFV6	45,745,000
Series 2007A	57563RFW4	<u>69,065,000</u>
		<u>\$170,975,000</u>

The particular series designations, CUSIP numbers and amounts outstanding of the other Issue E Bonds to be redeemed from amounts available under the Issue E Resolution are as set forth in the following table:

<u>Other Issue E Bonds to be Redeemed</u>	<u>CUSIP</u>	<u>Amount Outstanding</u>
Series 2006C	57563RFK0	\$ 1,325,000
Series 2006D	57563RFL8	8,350,000
Series 2007C	57563RFR5	8,225,000
Series 2007D	57563RFS3	775,000
Series 2007E	57563RFT1	<u>2,075,000</u>
		<u>\$20,750,000</u>

In connection with the redemption of the Issue E Refunded Bonds, the Transferred Loans in the amount of approximately \$171.6 million as of February 29, 2016 will be transferred to constitute Issue J Trust Assets, and certain cash and investments also may be transferred to constitute Issue J Trust Assets. Certain other assets will be transferred to the Authority. In addition, in connection with the refunding of the Refunded Bonds, and certain expected recycling, a total of approximately \$48.0\* million will be transferred to the Series 2016 Purchase Account.

The Authority currently projects that, immediately following the issuance of the Series 2016 Bonds: (i) approximately \$201.0\* million will be available in the Series 2016 Purchase Account to finance Fixed Rate MEFA Loans; (ii) the Parity Ratio under the Resolution will be approximately 106.9%; and (iv) the Issue J Loans, including the Transferred Loans, will be substantially as described herein. The Resolution does not require that this initial Parity Ratio be maintained and it is expected to change over time as a result of a number of factors, including Issue J Loan origination and payment experience, the issuance of additional Issue J Bonds, and, potentially, the release of Trust Assets.

The Authority also projects that all proceeds of the Series 2016 Bonds and other monies available to finance newly originated Fixed Rate MEFA Loans will be applied, or committed for application, on or prior to June 30, 2017.

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\* Projected as of the date of this Official Statement.

**ESTIMATED SOURCES AND USES OF FUNDS**

The proceeds of the sale of the Series 2016 Bonds, including original issue premium, along with other funds available to the Authority will be applied as follows:

Sources of Funds:

Principal Amount of Series 2016 Bonds.....	\$340,000,000
Net Original Issue Premium.....	12,974,663
Other Available Funds <sup>(1)</sup> .....	<u>72,329,423</u>
Total <sup>(1)</sup> .....	<u>\$425,304,086</u>

Uses of Funds:

Deposit to the Series 2016 Purchase Account <sup>(1)</sup> .....	\$201,000,000
Deposits for refunding and bond redemption purposes .....	220,636,685
Deposit to the Reserve Fund.....	767,400
Deposit to the Series 2016 Costs of Issuance Account <sup>(2)</sup> .....	<u>2,900,000</u>
Total <sup>(1)</sup> .....	<u>\$425,304,086</u>

<sup>(1)</sup> As projected as of the date of this Official Statement. Includes transfers from Issue E and Issue I Resolutions and from Redemption Fund under Resolution. The total amount will be adjusted to cause the Other Available Funds to be the amount necessary to result in a Parity Ratio of at least 106.9% upon issuance and delivery of the Series 2016 Bonds.

<sup>(2)</sup> Includes an Underwriters’ fee for the Series 2016 Bonds.

**SECURITY FOR THE ISSUE J BONDS AND SOURCES OF PAYMENT**

The Issue J Bonds, including the Series 2016 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 Education Loan Notes evidencing Issue J Loans and any other Revenue-producing contracts or loan guaranties and all of the Authority’s rights and interests in such contracts, except for certain reserved rights of the Authority with respect to any such other Revenue-producing contracts; (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, but are not limited to: (i) all amounts paid or required to be paid with respect to principal of or interest on Issue J Loans including, without limitation, Issue J Loan Payments, Late Charges, if any, amounts received upon the sale or other disposition of Issue J 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 J 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 J Bonds to which they are allocable. Revenues allocable to a Series of Issue J Bonds are used to pay Program Expenses, to pay interest on and Principal Installments of the Issue J Bonds, and to make up any deficiency in any fund or account established under the Resolution, including the Reserve Fund and the Rebate Fund. Any Revenues allocable to a Series of Issue J Bonds that are available after such payments and transfers may be applied to finance additional

Issue J Loans (but only until the end of the Recycling Period for all Outstanding Issue J Bonds established upon issuance or such other date as may be established by the Authority upon compliance with certain requirements of the Resolution) or, otherwise, transferred to the Redemption Fund account for the applicable Series (or for other Series of Issue J Bonds) to be used either to purchase or to redeem Issue J Bonds. Upon initial delivery of the Series 2016 Bonds, the end of the Recycling Period for all the Outstanding Issue J Bonds under the Resolution will be September 30, 2017. In lieu of a transfer to the Redemption Fund, the Authority may direct the Trustee, subject to certain Resolution requirements, 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 a Series of Issue J Bonds or to pay Program Expenses as required for any semi-annual period, moneys in the Redemption Fund (other than amounts then committed to the redemption of specific Issue J Bonds as to which notice has been given), the Capitalized Interest Account (but only with respect to interest and Program Expenses), the Series 2016 Purchase Account (other than amounts then contractually committed to make disbursements on specific Issue J Loans and without requiring the liquidation of Issue J Loans), and the Reserve Fund, will be applied, in that order of priority, to make up the deficiency.

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 Issue J Bonds, including the Series 2016 Bonds, and Program Expenses. This expectation is based, except as noted below, among other things, on the assumptions that: (i) the Issue J Loans will be credit-based Fixed Rate MEFA Loans and will include origination fees and bear interest at rates which the Authority currently believes to be reasonable; (ii) such Issue J Loans will be amortized over a maximum of 15 years, commencing on the 28th day of the month following the month in which the final disbursement date occurs; (iii) borrowers will select between 10-year immediate repayment, 15-year immediate repayment, 15-year interest only repayment and 15-year deferred repayment options in a manner that will conform to current Authority volume and academic class distribution expectations; (iv) the Loan Origination Targets will be met and all original proceeds of the Series 2016 Bonds deposited to the Series 2016 Purchase Account and all other amounts becoming available to fund Issue J Loans upon issuance of the Series 2016 Bonds will be applied, or committed for application, to finance Issue J Loans by June 30, 2017; and (v) all available Revenues are recycled and used to finance additional Issue J Loans until September 30, 2017. The Transferred Loans were originated between 2001 and 2009 under the Authority’s then applicable credit standards and include \$49.1\* million of Variable Rate MEFA Loans amortizing over 15 and 20 year terms.

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 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 J Loans described under this heading “Revenues” relate primarily to Issue J Loans financed with moneys allocable to the Series 2016 Bonds. There can be no assurance that the actual experience of the Issue J 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 relied on 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 Issue J Loan Program to pay

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\* As of February 29, 2016.

Principal Installments of and interest on the Issue J Bonds and Program Expenses as part of the process of obtaining the assignment of initial credit ratings to the Series 2016 Bonds.

### **Issue J Loans**

The Issue J Bonds are secured by a pledge of and lien upon all Issue J Loans, as evidenced by Issue J Loan Notes or by other appropriate documentation, which are financed with proceeds of the Issue J Bonds or other moneys available therefor under the Resolution. The Authority has covenanted in the Resolution that it will use and apply funds made available in connection with the issuance of the Issue J Bonds, to the extent not reasonably required for other Program purposes of the Authority, to finance Issue J 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 J Loans in a manner consistent with the Act and with the provisions of the Resolution. The Resolution requires that all Issue J 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 J Bonds when due and all reasonably anticipated Program Expenses.

The Authority anticipates, in part based on its experience with the MEFA Loan Program, that a portion of the Issue J Loans allocable to the Series 2016 Bonds will be partially or completely prepaid prior to their respective final maturity dates due to borrower prepayment. However, the Authority cannot predict the actual average life of the portfolio of Issue J Loans allocable to the Series 2016 Bonds. A portion of the Series 2016 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.”

### **Certain Resolution Requirements**

The Resolution requires that the Authority satisfy certain conditions prior to undertaking certain actions. These requirements include: (i) satisfaction of the Rating Agency Condition as to each applicable Nationally Recognized Statistical Rating Organization (each, a “Nationally Recognized Rating Agency”) prior to the issuance of Additional Bonds; and (ii) satisfying the requirement of Prior Rating Agency Notice prior to any change in the level at which assets may be released from the Resolution or in the Applicable Default-Based Release Limits restricting such release, certain derivative transactions, certain changes to the Capitalized Interest Account Requirement or to the Reserve Fund Requirement, any sale or transfer of Issue J Loans from the 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 J Loans originated prior to that date, certain changes to the terms and conditions of Issue J Loans, changes in the Servicer, any substitution or replacement of the Trustee, extension of a period during which sale proceeds of Issue J Bonds or during which otherwise available Revenues may be applied to finance Issue J Loans, any reduction of the amount of sale proceeds to be applied to finance Issue J Loans during a particular period and certain amendments to the Resolution.

The Resolution requirements applicable to certain permitted actions may also include delivery to the Trustee of a Favorable Projection of Revenues. Such actions include: (i) issuance of Additional Bonds; (ii) sales or transfers of Issue J Loans other than Defaulted Education Loans; (iii) certain changes to the terms and conditions of Issue J Loans; (iv) certain redemption elections; and (v) changes to the Parity Ratio required for a Parity Release Certificate. The Resolution further requires that the Authority

make any such Prior 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 (the “SEC”).

### **Capitalized Interest Account**

The Issue J General Resolution establishes a Capitalized Interest Account. Moneys on deposit in the Capitalized Interest Account, if any, are available to pay: (i) interest on the Issue J Bonds if amounts in the Debt Service Fund and the Revenue Fund are insufficient therefor and (ii) upon direction of the Authority, Program Expenses, if amounts in the Program Expense Fund, the Revenue Fund and uncommitted amounts in the Redemption Fund are insufficient therefor. No deposit will be made to the Capitalized interest account in connection with the issuance of the Series 2016 Bonds.

The Capitalized Interest Account Requirement is subject to change upon compliance with certain requirements of the 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.

### **Reserve Fund**

The 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 J Bonds, if amounts in the Debt Service Fund, the Revenue Fund, the Redemption Fund (other than amounts that have been committed to the redemption of specific Issue J Bonds as to which notice has been given), the Capitalized Interest Account (with respect to interest), and the Purchase Account (other than amounts then contractually committed to make disbursements on specific Fixed Rate MEFA Loans and without liquidating Issue J Loans) are insufficient therefor; and (ii) Program Expenses, if amounts in the Program Expense Fund, Revenue Fund, the Redemption Fund (other than amounts that have been committed to the redemption of specific Issue J Bonds as to which notice has been given), Capitalized Interest Account and the Purchase Account (other than amounts then contractually committed to make disbursements on specific Fixed Rate MEFA Loans and without liquidating Issue J Loans) are insufficient therefor. Under the Issue J General Resolution, the Reserve Fund Requirement means, as of any date of calculation on and after the date of initial delivery of the Series 2016 Bonds, the amount specified in the most recently adopted Series Resolution authorizing Outstanding Issue J Bonds or Supplemental Resolution.

The Third Series Resolution provides that the Reserve Fund Requirement under the Resolution will be equal at all times to 1.00% of the Issue J Bonds Outstanding secured thereby, subject to a minimum balance requirement of \$2,750,000. The Reserve Fund Requirement is subject to change upon compliance with certain requirements of the Resolution. Upon issuance of the Series 2016 Bonds, it is expected that the Reserve Fund Requirement will be initially satisfied by a deposit from proceeds of the Series 2016 Bonds or other available Authority funds to supplement cash and Investment Obligations already on deposit in the Reserve Fund.

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 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 J Bonds and that excess monies shall be attributed for this purpose first to moneys other than the sale proceeds of Issue J Bonds. The Resolution further provides that excess monies other than sale proceeds of Issue J 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 J 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.

### **Additional Bonds**

The Resolution permits the issuance of Additional Bonds thereunder (including Additional Bonds secured on a parity basis with the Series 2016 Bonds and Subordinated Bonds) for the purpose of providing funds for the MEFA Financing Program and, in addition, to refund Outstanding Issue J Bonds or other bonds or notes of the Authority issued to finance MEFA Education Loans. Any Additional Bonds issued under the Resolution (other than Subordinated Bonds) will be secured on a parity basis with the Outstanding Issue J Bonds and will be entitled to the equal benefit, protection and security of the provisions, covenants and agreements of the Resolution. The 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 Resolution prior to the delivery of any Additional Bonds to the initial purchasers thereof, including without limitation satisfaction of the Rating Agency Condition as to all applicable Nationally Recognized Rating Agencies. The Resolution provides that the Authority shall not create or permit the creation of any obligations or additional indebtedness secured by a lien on the revenues and assets pledged as security for the Series 2016 Bonds under the Resolution except for Additional Bonds.

### **Release of Excess Trust Assets**

The Resolution provides that the Trustee shall transfer to the Authority, at the direction of the Authority, free and clear of the lien of the Resolution, amounts held in the Revenue Fund as of each Interest Payment Date, after all payments and transfers required or permitted by the Resolution to be made prior thereto on such date have been made; provided, that the Parity Ratio after taking such transfer into consideration is at least 108% and at least \$54,000,000 in principal amount of Issue J Bonds are Outstanding. Following the issuance of the Series 2016 Bonds, the Resolution will not permit the release of excess assets to the Authority if the Default-Based Release Limit exceeds the Applicable Default-Based Release Limit as of any Interest Payment Date. See “APPENDIX B — CERTAIN DEFINED TERMS.” The Resolution permits the Authority to change the minimum Parity Ratio and the threshold amount for Issue J Bonds Outstanding for releases, as well as the Applicable Default-Based Release Limits, upon satisfaction of certain conditions contained in the Resolution. In the past, during the period beginning as of January 1, 2014 and ending as of January 1, 2016, a total of approximately \$11.1 million has been released to the Authority from the Resolution.

## **INVESTMENT CONSIDERATIONS**

The investment considerations identified below, 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 Issue J Bonds, including the Series 2016 Bonds, and Program Expenses or could adversely affect the market value of, or the existence of a secondary market for, the Series 2016 Bonds. **This section is an attempt to describe in summary fashion certain such investment considerations, but does not include all investment considerations and does not**

**constitute a comprehensive description of the investment considerations addressed. Investors should read this Official Statement in its entirety, including the Appendices hereto.**

### **Redemption of Series 2016 Bonds**

The Series 2016 Bonds are subject to redemption prior to maturity as a result of certain Excess Revenues. Excess Revenues may result from Issue J Loan portfolio payment performance that exceeds or varies from assumptions utilized by the Authority for purposes of structuring the Series 2016 Bonds. In addition, Issue J Loans are subject to prepayment, without penalty. Numerous sources of such prepayment, including refinancing loans, are available to Issue J Loan borrowers.

In addition, the Series 2016 Bonds are subject to redemption if, and to the extent that, the Authority does not apply the full amount of Series 2016 Bond proceeds and other amounts that are available to finance Fixed Rate MEFA Loans by certain Loan Origination Target Dates and during the applicable Loan Origination Period. The Authority currently expects that Fixed Rate MEFA Loans to be financed by the Authority with the proceeds of the Series 2016 Bonds and with other funds that the Authority expects to be available for such purpose during the Loan Origination Period 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 Loan Origination Period. In addition, numerous other factors may affect the demand for Education Loans during the Loan 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 by certain Loan Origination Target Dates and during the Loan Origination Period to finance Fixed Rate MEFA Loans, and such non-origination might result in redemption of Series 2016 Bonds. 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. See APPENDIX F — Weighted Average Life Analysis of the Series 2016 Term Bonds.”

### **Certain Actions May Be Permitted Without Bondholder Approval**

The Resolution provides that the Authority and the Trustee may take, or refrain from taking, various actions that may materially affect the interests of Bondholders without Bondholder approval upon compliance with one or more of the following requirements: (i) satisfying the Rating Agency Condition with respect to one or more applicable Nationally Recognized Rating Agencies; (ii) providing Prior Rating Agency Notice with respect to one or more applicable Nationally Recognized Rating Agencies; and (iii) delivering to the Trustee a Favorable Projection of Revenues in accordance with applicable Resolution requirements. Actions that don’t require Bondholder approval include, but are not limited to, the issuance of Additional Bonds, release of assets from the Resolution, changes to required levels of reserves, changes to periods for applying Issue J Bond sale proceeds, Revenues or other amounts to originate Issue J Loans, sale or other disposition of Issue J Loans, changes to the terms and conditions of Issue J Loans, approval of Projections of Revenues that are required under the Resolution in connection with the selection of Issue J Bond Series and maturities for redemption in certain circumstances or of Sinking Fund Installments to be credited with respect to certain redemptions and certain other actions. To the extent such actions are taken, Bondholders will be relying on the evaluation by the Authority and, in some cases, by one or more Nationally Recognized Rating Agencies of the potential impact of such actions upon the ability of the Trust Assets to provide for the full and timely payment of Debt Service on the Issue J Bonds and of Program Expenses. To the extent that such Authority actions are taken solely on the basis of Authority delivery of a Favorable Projection of Revenues or in part on the basis of satisfying the requirement for Prior Rating Agency Notice with respect to one or more Nationally Recognized

Rating Agency, rather than of satisfying the Rating Agency Condition with respect to such Nationally Recognized Rating Agency, a subsequent adverse rating action by such Rating Agency in response to such Authority action could materially decrease the market value of or existence of a secondary market for the Issue J Bonds. Moreover, the market price or marketability of the Series 2016 Bonds could be adversely affected by such actions even in the absence of such an adverse rating action.

### **Series 2016 Bonds Are Limited Authority Obligations Without Third-Party Credit or Liquidity Support**

The Issue J Bonds, including the Series 2016 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 Issue J 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 Issue J 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 expect to contract with any financial institution to provide third-party credit or liquidity support for the Series 2016 Bonds or to provide third-party credit support for the Issue J Loans. It is expected that all Issue J 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 Series 2016 Bonds will be primarily dependent upon the material conformance of the Authority's actual experience in originating Issue J Loans, and of the actual portfolio performance of the Issue J Loans, to the Authority's expectations. There can be no assurance of the marketability or market value of the Issue J Loans if it should, at any time, prove necessary to sell all or a portion of the Issue J Loans to fund the payment of interest upon and principal of the Issue J Bonds, including the Series 2016 Bonds. In addition, factors affecting actual Issue J Loan origination and portfolio performance, factors affecting the marketability and market value of Issue J Loans, and the perceptions of market participants of such factors, may affect the marketability and market value of the Series 2016 Bonds.

### **Effect of Ratings**

It is a condition to the issuance of the Series 2016 Bonds that the Series 2016 Bonds be rated as indicated on the cover hereof. Ratings are based on the assigning nationally recognized statistical rating organization'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 rating organization to investors to purchase, hold or sell the Series 2016 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 Series 2016 Bonds at any time. One or more additional nationally recognized statistical rating organizations may assign ratings to the Series 2016 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 rating organization assigning such rating if, in the assigning rating organization's judgment, circumstances so warrant. A lowering, suspension or withdrawal with respect to any rating assigned to the Series 2016 Bonds might adversely affect the Authority's ability to fund its student loan finance program or the market value or marketability of the Series 2016 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 Issue J 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 Series 2016 Bonds. Rating actions may take place at any time. The Authority cannot predict the timing or nature of rating actions.

### **Investment and Interest Rate Exchange Agreements of the Authority**

The Resolution permits the Authority to enter into interest rate exchange agreements with respect to Issue J Bonds upon compliance with certain requirements of the Resolution including Prior Rating Agency Notice and satisfaction of the Rating Agency Condition as to S&P. No interest rate exchange agreements have been or are expected to be entered into by the Authority with respect to outstanding Issue J Bonds. The Authority does not plan to enter into an interest rate exchange agreement with respect to the Series 2016 Bonds, but reserves the right to do so in the future to provide funding for MEFA Loans.

The Authority has entered into investment agreements with various financial institution counterparties with respect to certain series of its bonds that are not Issue J Bonds and may enter into one of more such agreements with respect to the Series 2016 Bonds or with respect to other Series of Issue J 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.

### **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 J Bonds, the Resolution authorizes and, under certain circumstances, requires, the Trustee to declare an Event of Default and accelerate the payment of the Issue J Bonds, including the Series 2016 Bonds.

If an Event of Default occurs under the Resolution, subject to the rights of Bondholders, the Trustee is authorized to sell the Issue J Loans pledged thereunder. There can be no assurance, however, that the Trustee would be able to find a purchaser for such Issue J Loans in a timely manner or that the proceeds of any such sale, together with amounts then available in the Funds and Accounts established under the Resolution, 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 public market for alternative education loans and there can be no assurance that one will develop in the future.

The remedies available to owners of the Issue J Bonds upon an Event of Default under the Resolution are dependent upon regulatory and judicial actions which often are subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, the remedies specified by the Resolution and such other documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the issuance of the Series 2016 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.

### **The Issue J Loans are Unsecured and Do Not have the Benefit of any Guaranties**

The Issue J Loans are private, or alternative, student loans not originated pursuant to the Higher Education Act of 1965, as amended (the "Higher Education Act"), and are not, and will not, be guaranteed by any governmental entity or third party guarantor, and there are no reserves available to pay

defaulted Issue J Loans. In addition, the Issue J Loans to be pledged to the Trust Estate will be unsecured. Certain Issue J Loans have co-borrowers. Therefore, the receipt by the Trustee of principal and interest on the Issue J Loans will be dependent on the ability and willingness of the borrowers and, if applicable, the co-borrowers to make these payments. See the caption “General Economic Conditions” below and the caption “ISSUE J LOAN PORTFOLIO” herein.

### **Future Performance of the Issue J Loan Portfolio May Differ From Historical MEFA Loan Performance**

Substantially all Education Loans that have been financed by the Authority to date, other than certain Authority FFELP Loans, have been MEFA Loans, and all Issue J Loans to date have been Fixed Rate MEFA Loans. There can be no assurance that the performance of Issue J Loans that are currently outstanding or that are to be originated in the future, or the Transferred Loans, 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, certain previously originated MEFA Loans were originated on the basis of credit criteria or terms that differ in certain respects from those expected to be applicable to newly originated Issue J Loans. Although the Authority believes that such differences have proven not to 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 J Loans to repay such loans, or their propensity to prepay such loans, will not differ materially from that of borrowers of previously originated MEFA Loans. In addition, the Resolution permits MEFA to apply proceeds of the Series 2016 Bonds and Revenues to originate Fixed Rate MEFA Loans with terms and conditions that vary from those described herein, upon compliance with certain requirements of the Resolution.

### **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 J 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 J Loans, and the occurrence of certain future events and conditions. There can be no assurance, however, that interest and principal payments from the Issue J Loans will be received as anticipated, that the projected yield on the Issue J Loans will be realized, that the reinvestment rates assumed with respect to the investment of various funds and accounts will be realized, that Program Expenses will be incurred at the levels and on the schedule anticipated or that the origination and performance experience of Issue J Loans will conform to that of previously originated Fixed Rate MEFA Loans.

Receipt of principal and interest on Issue J Loans may be accelerated, causing an unanticipated redemption of Issue J Bonds, including the Series 2016 Bonds, due to various factors, including, without limitation: (i) faster than anticipated Issue J Loan origination; (ii) Issue J Loans being in forbearance, modified payment or delinquency status less frequently or for shorter periods than anticipated; (iii) economic considerations that induce borrowers to refinance or repay their Issue J Loans, in whole or in part, prior to scheduled payment dates; and (iv) a lesser incidence of Issue J Loan defaults than anticipated. With respect to MEFA Loans, such factors may also include, without limitation: (i) greater than anticipated borrower selection of 10-year repayment options; (ii) fewer borrowers electing initial Interest-Only Payment Options than anticipated for shorter than anticipated option duration; (iii) less than

anticipated Issue J Loan repayment deferral; and (iv) the commencement of principal repayment by Issue J Loan borrowers on earlier dates than are anticipated.

Receipt of principal of and interest on Issue J Loans may be delayed, which would adversely affect the availability of Revenues to fund payment when due of the Principal Installments of and interest on the Issue J Bonds, including the Series 2016 Bonds, and Program Expenses. Such delays might be caused by 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 J Loan origination; (iv) greater than anticipated Issue J Loan deferral; (v) less than projected total Issue J Loan origination; and (vi) loans in forbearance, modified payment or delinquency more frequently or for periods longer than assumed.

Receipt of principal and interest might also be affected if the Authority experiences unanticipated difficulty originating MEFA Loans. The demand for MEFA Loans is affected by a number of factors, including, but not limited to, (i) competition from other education loan programs; (ii) the availability of alternative financing mechanisms such as grants and other forms of financial assistance; (iii) general economic conditions; (iv) 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; (v) the cost of post-secondary education; (vi) the ability of borrowers and cosigners to satisfy credit criteria; (vii) the schedule upon which students and their families must pay post-secondary education costs; and (viii) changes in federal law.

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. Furthermore, the Authority reserves the right to apply moneys in the Series 2016 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 J Bonds and other 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 2016 Purchase Account consistent with the Resolution.

### **Composition and Characteristics of the Issue J Loan Portfolio May Change**

Certain characteristics of the Issue J Loans that the Authority currently intends to finance with the proceeds of the Series 2016 Bonds are described in this Official Statement. Certain amounts received with respect to the Issue J Loans may be recycled and proceeds of Additional Bonds may be used to finance additional Issue J Loans in the future. The characteristics of the Issue J Loan Portfolio will change as new Issue J Loans are financed and as Issue J 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 J Loans, to compliance with certain requirements of the Issue J General Resolution.

### **General Economic Conditions**

Collections on the Issue J Loans may vary greatly in both timing and amount from the payments actually due on such Issue J Loans for a variety of economic, social, and other factors. The Authority's current projections of the performance of Issue J Loans are based upon historical MEFA Loan performance. The MEFA Loan Program was established in 1983. From time to time regional and national recessionary conditions 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 when such conditions may arise or for how long they may continue. Future performance of Issue J Loans may be adversely affected 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 J 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 J 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. In addition, borrowers of private credit student loans such as the Issue J Loans may have already borrowed up to the maximum annual or aggregate limits under FFELP loans under the Higher Education Act or the Department of Education's Direct Loan Program. In addition, certain Issue J Loans have been made to graduate and professional students, who may have higher debt burdens than Issue J Loan borrowers as a whole. The effect of these factors on the timing and amount of available funds for any collection period, the ability of the Authority to pay the Principal Installments of and interest on the Series 2016 Bonds and Program Expenses and the incidence of redemption of the Series 2016 Bonds prior to their maturity, is impossible to predict with certainty. See “— Redemption of Series 2016 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 J Loans. There is no basis for predicting the number and aggregate principal balances of Issue J Loans that may be affected by the application of such legislation, the period of time over which such Issue J Loans may be so affected and the resulting affect upon the sufficiency of Revenues and other amounts available under the Resolution to pay when due the Principal Installments of and interest on the Outstanding Bonds and to pay Program Expenses.

### **Prepayment of Issue J Loans is Subject to Uncertainty**

Issue J 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 J 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 J Loan Portfolio is expected to include Fixed Rate MEFA Loans with a range of interest rates, principal balances and other characteristics. The Authority cannot predict with certainty the actual average life of the Issue J 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 J Loans. An increase in the rate of Issue J Loan repayment actually experienced by the Authority could result in increased redemption

of Issue J Bonds, including Series 2016 Bonds, prior to maturity and could have a material and adverse effect 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 J Bonds, including Series 2016 Bonds, and Program Expenses.

To the extent that Issue J Loans are prepaid, the proceeds of such prepayments may be used to redeem Series 2016 Bonds prior to maturity pursuant to the special optional redemption, special mandatory redemption or optional redemption provisions of the Resolution.

### **Dependence Upon Third-Party Servicers and Originators**

The Authority is currently dependent upon third parties to assist it with originating and servicing MEFA Loans. As of the date of this Official Statement, XEROX-ES, a wholly-owned subsidiary of Xerox Corporation, is acting as origination agent, servicer and custodian with respect to MEFA Loans. The Authority reserves the right, however, to establish different Issue J Loan origination and servicing arrangements in accordance with the Resolution. The cash flow projections relied upon by the Authority in structuring the bond issue is based upon assumptions with respect to servicing costs which the Authority based upon the existing agreement with XEROX-ES. No assurance can be given that the Authority will be able to extend the term of the agreement, which is subject to renewal annually, or that the Authority will be able 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 J 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 J Loans will be dependent upon the ability of XEROX-ES, to adequately originate and service the Issue J Loans. In addition, investors and the Authority will be relying on XEROX-ES's compliance with applicable federal and state laws and regulations.

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 J Loans may occur. Delays in the receipts of payments with respect to Issue J 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 Issue J Bonds, including the Series 2016 Bonds, and of Program Expenses.

### **Competition May Reduce Demand For or Increase Prepayments on Issue J 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 loans offered pursuant to the Federal Direct Student Loan Program and by other education lenders. The availability of certain federal, state and institutional financial aid reduces the number of qualified borrowers, who might otherwise be eligible for MEFA Loans. The terms and availability of education loan financing and refinancing from sources other than the Authority varies and is subject to change. Although the Authority believes that Issue J Loans will be competitive in the currently prevailing market for education loans, the availability of such other lending sources and of the federal programs described herein may impact adversely the number 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 J Loans. Finally, there can be no assurance as to the availability to students of other forms of financial assistance from the Commonwealth, the federal government, and public and private Participating Institutions, that may reduce demand for Education Loans.

## **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 are 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.

In December 2013, the CFPB adopted a rule that enables it to supervise certain non-bank student loan servicers that service more than one million borrower accounts, to ensure that bank and non-bank servicers follow the same rules in the student loan servicing market. The rule covers both federal and private student loans, and gives the CFPB broad authority to examine, investigate, supervise, and otherwise regulate student loan servicers, including the authority to impose fines and require changes with respect to any practices that the CFPB finds to be unfair, deceptive, or abusive. XEROX-ES, the current Servicer of the Issue J Loans, services more than one million student loan borrower accounts. The CFPB began conducting its initial supervisory examinations of the large nonbank student loan servicers after the rule became effective in March 2014. If the CFPB were to determine that a Servicer is not in compliance, it is possible that this could result in material adverse consequences to such Servicer, including, without limitation, settlements, fines, penalties, adverse regulatory actions, changes in a Servicer’s business practices, or other actions. On May 14, 2015, the CFPB announced that it is launching a public inquiry into student loan servicing practices. The issues that the CFPB is seeking information on include: industry practices that create repayment challenges, hurdles for distressed borrowers, and the economic incentives that may affect the quality of service. However, it is not possible to estimate at this time any potential financial or other impact to any such Servicer, including any impact on its ability to satisfy its obligations with respect to the Issue J Loans, that could result from the CFPB’s examinations, in the event that any adverse regulatory actions occur.

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 J Bonds, including the Series 2016 Bonds.

## **Consumer Protection Lending Laws May 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 J Loans, or any of the terms of the Issue J 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 J Bonds, including the Series 2016 Bonds, and Program Expenses could be adversely affected.

### **Changes in Relevant Laws**

The Authority believes that it has taken into account the foreseeable effects of the Consumer Financial Protection Act of 2010 and the federal higher education authorization in projecting demand for MEFA Loans during the Loan Origination Period and in determining the terms of Fixed Rate MEFA Loans that it currently expects to offer during such period. However, it is not possible to fully predict how every change to relevant federal and state law will affect: (i) the terms and conditions under which Issue J Loans are made, (ii) borrower demand for MEFA Loans, (iii) Issue J Loan performance, (iv) the cost of servicing and administering MEFA Loans, or (v) the performance and market value of MEFA Loans.

A number of bankruptcy reform proposals that would alter the treatment of student loans similar to MEFA Loans 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. In the Annual Report of the CFPB Student Loan Ombudsman, dated October 16, 2014, the ombudsman recommended that Congress review the provisions of the Bankruptcy Code exempting student loans for qualified education expense from discharge in bankruptcy absent a showing of "undue hardship" to the debtor. 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.

Federal and state laws providing financial assistance to individuals with respect to the costs of higher education, or otherwise affecting loans made to individuals for such purpose, have been subject to frequent change. There can be no assurance that changes to relevant federal or state laws will not prospectively or retroactively affect the terms and conditions under which MEFA Loans are made, affect Issue J Loan performance, affect Issue J Loan prepayment, affect the costs of servicing and administering Issue J Loans or affect demand for MEFA Education Loans.

### **Risk of Geographic Concentration of the Issue J Loans**

The concentration of the Issue J Loans in specific geographic areas may increase the risk of losses on the Issue J Loans. Economic conditions in the states where borrowers reside may affect the delinquency, loan loss and recovery experience with respect to the Issue J Loans. As of February 29, 2016, approximately 64% and 6% of the Issue J Loans by principal balance were to borrowers with current billing addresses in the States of Massachusetts and New York, respectively. See the table titled "Distribution of the Issue J Loan Portfolio by Geographic Location" under the caption "ISSUE J LOAN PORTFOLIO" herein. No other state accounts for more than approximately 5% of the Issue J Loans by principal balance. Because of the concentrations of the borrowers in States of Massachusetts and New York, any adverse economic conditions adversely and disproportionately affecting those states may have

a greater effect on the repayment of the Issue J Bonds, including the Series 2016 Bonds, than if these concentrations did not exist.

### **If the Trustee is Forced to Sell Issue J Loans after an Event of Default, Bondholders Could Realize Losses**

Generally, after an Event of Default, the Trustee is authorized to sell the Issue J Loans. However, the Trustee may not find a purchaser for the Issue J Loans. There is no developed market for MEFA Loans. Bondholders may suffer a loss if the Trustee is unable to find purchasers willing to pay prices for the Issue J Loans sufficient to pay the principal amount of the Issue J Bonds, plus accrued interest.

### **Bankruptcy or Insolvency of the Servicer Could Result in Payment Delays to Bondholders**

XEROX-ES acts as the Servicer with respect to the Issue J Loans. In the event of a default by the Servicer resulting from events of insolvency or bankruptcy, a court, conservator, receiver or liquidator may have the power to prevent the Trustee or the Bondholders from appointing a successor servicer, and delays in collections of the Issue J Loans may occur. Any delay in the collections of Issue J Loans may delay payments to Bondholders.

### **A Default by the Servicer could Adversely Affect the Issue J Bonds**

If the Servicer, defaults on its obligations under the Servicing Agreement, the Authority is entitled to all rights and remedies available to it as a result of the breach of the Servicing Agreement. In the event of the removal of the Servicer and the appointment of a successor Servicer, there may be additional costs associated with the transfer of such duties to the successor Servicer, including, but not limited to, an increase in the servicing fees the successor Servicer charges. In addition, the ability of the successor Servicer to perform the obligations and duties under the Servicing Agreement cannot be predicted.

### **Commingling of Payments on Issue J Loans Could Prevent the Authority from Receiving Certain Revenues**

Payments received on the Issue J Loans generally are deposited into an account in the name of the Servicer each Business Day. However, payments received on the Issue J Loans will not be segregated immediately from payments the Servicer receives on other student loans it services. Such amounts are identified and transferred to the Trustee for deposit into the Revenue Fund within two days of receipt of such payments. Prior to the transfer of such funds, the Servicer may invest those funds for its own account and at its own risk. If the Servicer is unable to transfer all or any part of such funds to the Trustee, Revenues may be reduced.

### **Investigations and Inquiries of the Student Loan Industry**

A number of state attorneys general and the U.S. Senate Committee on Health, Education, Labor and Pensions have conducted broad inquiries or investigations of the activities of various participants in the student loan industry, including, but not limited to, activities that may involve perceived conflicts of interest.

There is no assurance that the Authority or the Servicer will not be subject to inquiries or investigations. While the ultimate outcome of any inquiry or investigation cannot be predicted, it is possible that these inquiries or investigations and regulatory developments may materially affect the Authority's ability to perform its obligations under the Resolution or the Authority's ability to pay

principal of and interest on the Issue J Bonds, including the Series 2016 Bonds from assets in the Trust Estate.

**The Series 2016 Bonds are Expected to be Issued Only in Book-Entry Form**

The Authority expects that the Series 2016 Bonds will be initially represented by certificates registered in the name of Cede & Co., the nominee for DTC, and will not be registered in the name of any holder or the name of its nominee. Unless and until definitive securities are issued, holders of the Series 2016 Bonds will not be recognized by the Trustee as registered holders as that term is used in the Resolution and holders of the Series 2016 Bonds will only be able to exercise the rights of Bondholders indirectly through DTC and its participating organizations. See the caption “BOOK-ENTRY ONLY SYSTEM” herein.

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## THE MEFA FINANCING PROGRAM

### General

Under the MEFA Financing Program, the Authority finances MEFA Loans in cooperation with the Participating Institutions. The MEFA Financing 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 Financing Program includes the MEFA Loan Program and the MEFA Refinancing Loan Program. 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.

This Official Statement contains certain historical 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 J 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 J Loan 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 the existing portfolio of Issue J Loans and the Transferred 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 J 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. See “INVESTMENT CONSIDERATIONS — Future Performance of the Issue J Loan Portfolio May Differ From Historical MEFA Loan Performance,” “— Composition and Characteristics of the Issue J Loan Portfolio May Change” and “—General Economic Conditions,” “MEFA EDUCATION LOAN PORTFOLIO” and “ISSUE J LOAN PORTFOLIO.”

Additional Issue J Loans are expected to be financed by the Authority under the MEFA Loan Program from moneys in the Series 2016 Purchase Account and other Purchase Accounts that may be established in connection with the issuance of Additional Bonds during the respective loan origination periods applicable thereto and from other funds available therefor under the Resolution. MEFA Loans may also be financed by the Authority 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 J BONDS AND SOURCES OF PAYMENT” and “INVESTMENT CONSIDERATIONS — Competition May Reduce Demand for or Increase Prepayments on Issue J Loans.”

The Authority has recently implemented the MEFA Refinancing Loan Program, which includes both fixed rate and variable rate (or floating rate) MEFA Refinancing Loans. Although the Authority

does not currently plan to offer additional variable rate MEFA Education Loans, other than MEFA Refinancing 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 credit criteria.

### **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. See "MEFA EDUCATION LOAN ORIGINATION AND SERVICING – MEFA Loan Origination."

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 "MEFA EDUCATION 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 J Loans will resemble that of previously originated Fixed Rate MEFA Loans. See "MEFA EDUCATION LOAN ORIGINATION AND SERVICING — MEFA Loan Origination — *Credit Evaluation by the Servicer*," "SECURITY FOR THE ISSUE J BONDS AND SOURCES OF PAYMENT," "INVESTMENT CONSIDERATIONS — Composition and Characteristics of Issue J Loan Portfolio May Change," "THE MEFA FINANCING PROGRAM — Fixed Rate MEFA Loan Terms" and "ISSUE J LOAN PORTFOLIO."

### **Fixed Rate MEFA Loan Terms**

The Authority has covenanted in the Resolution that Issue J 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 J 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 J BONDS AND SOURCES OF PAYMENT," "INVESTMENT CONSIDERATIONS — Composition and Characteristics of Issue J Loan Portfolio May Change" and "— Competition May Reduce Demand for or Increase Prepayments on Issue J Loans," "THE MEFA FINANCING PROGRAM — Fixed Rate MEFA Loan Terms" and "— Participating Institutions" and "APPENDIX C — SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION — Covenants as to the Program."

**Fixed Rate MEFA Loan Programs — Academic Year 2016-2017<sup>(1)</sup>**

<b>Name</b>	<b>Currently expected to be added to Issue J Trust Assets</b>	<b>Interest Rate</b>	<b>Origination Fee</b>	<b>Borrowing Limit</b>	<b>Repayment Terms</b>
Fixed Rate Undergraduate MEFA Loan Program (15 yr.-Immediate Repayment Option)	Yes	5.09% during the Anticipated In-School Period, and 5.94% 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 on the 28th day of the month following the month of the final disbursement. The interest rate is fixed at a lower rate during the Anticipated In-School Period <sup>(2)</sup> 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 (10 yr.-Immediate Repayment Option)	Yes	4.69% during the Anticipated In-School Period, and 5.54% 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 on the 28th day of the month following the month of the final disbursement. The interest rate is fixed at a lower rate during the Anticipated In-School Period <sup>(2)</sup> 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	6.29%	4.00% with co-applicant; 7.00% without a co-applicant	Cost of attendance less other financial aid	Full in-school payment deferment option <sup>(3)</sup> , 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. <sup>(4)</sup>
Fixed Rate Undergraduate MEFA Loan Program (Interest-Only Payment Option)	Yes	6.09% during the Anticipated In-School Period; and 6.89% thereafter	4.00% with co-applicant; 7.00% without a co-applicant	Cost of attendance less other financial aid	Interest payment begins on the 28th day of the month following the month of the final disbursement and principal repayment begins after the end of the undergraduate Anticipated In-School Period <sup>(3)</sup> ; 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. <sup>(4)</sup>
Fixed Rate Student Alternative Loan Program (Deferment Option)	Yes	7.09%	4.00% with co-applicant; 7.00% without a co-applicant	Cost of attendance less other financial aid	Full in-school payment deferment option <sup>(3)</sup> , 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. <sup>(4)</sup> The borrower may request co-applicant release after 48 consecutive on-time payments if meeting then current underwriting standards.

<sup>(1)</sup> Includes only Fixed Rate MEFA Loans pursuant to programs currently expected to be offered during the 2016-2017 academic year.

<sup>(2)</sup> 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 day of the month that follows the anniversary of the final disbursement date of the loan first occurring after the student will have completed his or her current course of study (e.g. for a loan for a freshman, the first day of the month that follows the fourth anniversary of the final disbursement date of the loan), but no later than the first day of the month that follows the fourth anniversary of the loan's final disbursement date.

<sup>(3)</sup> Subject to a maximum 5-year deferment period.

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

**Fixed Rate MEFA Loan Programs — Academic Year 2016-2017<sup>(1)</sup>**

<b>Name</b>	<b>Currently expected to be added to Issue J Trust Assets</b>	<b>Interest Rate</b>	<b>Origination Fee</b>	<b>Borrowing Limit</b>	<b>Repayment Terms</b>
MEFA Loan for Graduate Education - Fixed Rate (Deferment Option)	Yes	6.29%	4.00% with co-applicant; 7.00% without a co-applicant	Cost of attendance less other financial aid	Full in-school payment deferment option <sup>(5)</sup> , 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. <sup>(4)</sup>
MEFA Loan for Graduate Education - Fixed Rate (Interest-Only Payment Option)	Yes	6.09%, during the Anticipated In-School Period; and 6.89% thereafter	4.00% with co-applicant; 7.00% without a co-applicant	Cost of attendance less other financial aid	Interest payment begins on the 28th day of the month following the month of the final disbursement after the end of the graduate Anticipated In-School Period <sup>(6)</sup> ; 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. <sup>(4)</sup>

<sup>(1)</sup> Includes only Fixed Rate MEFA Loans pursuant to programs currently expected to be offered during the 2016-2017 academic year.

<sup>(2)</sup> 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 day of the month that follows the anniversary of the final disbursement date of the loan first occurring after the student will have completed his or her current course of study (e.g. for a loan for a freshman, the first day of the month that follows the fourth anniversary of the final disbursement date of the loan), but no later than the first day of the month that follows the fourth anniversary of the loan's final disbursement date.

<sup>(3)</sup> Subject to a maximum 5-year deferment period.

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

<sup>(5)</sup> Subject to a maximum 3-year deferment period.

<sup>(6)</sup> 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 day of the month that follows the anniversary of the final disbursement date of the loan first occurring after the student will have completed his or her current course of study (e.g. for a loan for a first year graduate student, the first day of the month that follows the second anniversary of the final disbursement date of the loan), but no later than the first day of the month that follows the third anniversary of the loan's final disbursement date.

Fixed Rate Undergraduate MEFA Loans and MEFA Loans for Graduate Education may be originated in amounts ranging 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. Such loans 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 on the 28th day of the month following the month of the final disbursement date.

“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 selected, a borrower is required to pay interest only at a reduced rate during an initial period commencing on the 28th day of the month following the month of the final disbursement date and ending on the first day of the month that follows the first anniversary of such disbursement date occurring after the expected completion date, when the loan is made, of the borrower’s course of study (the “Anticipated In-School Period”). If the Immediate Repayment Option is selected, a borrower is 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 may be extended by MEFA if the course of study is longer than originally expected, but in any event 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 J 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 Loan Program Certificate requires that, as of the end of the Loan Origination Period, no more than 65% of the initial deposit to the Series 2016 Purchase Account from the proceeds of the Series 2016 Bonds can be used to finance MEFA Loans to which the Deferral Option applies. This requirement is subject to change upon compliance with certain requirements of the Issue J General Resolution.

### **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.

There are ninety-eight (98) Massachusetts institutions currently participating in the MEFA Loan Program. 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 “MEFA EDUCATION LOAN PORTFOLIO.” Such information is included herein for general informational purposes and is not intended as a representation that the distribution of Issue J Loans will resemble that of previously originated Fixed Rate MEFA Loans.

### **Historical Program Financing Special Redemption Experience**

The following chart contains historical information concerning the special redemption experience of all publicly marketed fixed rate bonds issued by the Authority to date to fund Fixed Rate MEFA Loans 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 2016 Bonds will

be consistent with that of bonds that were previously issued by the Authority. The portfolios of MEFA Loans securing such previously issued fixed rate bonds contain or contained MEFA Loans that were originated on the basis of criteria, and that had terms and conditions, that differ from those of current Issue J 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 also APPENDIX F — Weighted Average Life Analysis of the Series 2016 Term Bonds.”

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**Massachusetts Educational Financing Authority**  
**Special Redemption Experience – Fixed Rate Bonds <sup>(1)</sup>**  
(As of January 31, 2016) (\$000's)

Calendar Year	Issue E (1999) <sup>(2)</sup>	Issue G (2000) <sup>(2)</sup>	Issue E (2001)	Issue E (2002)	Issue E (2007) <sup>(3)</sup>	Issue H (2008)	Issue I (2009)	Issue I (2010)	Issue J (2011)	Issue J (2012)	Issue K (2013)	Issue I (2014)	Issue I (2015A)
<b>Original Issuance</b>	\$98,065	\$139,890	\$66,775	\$74,565	\$200,000	\$400,000	\$289,005	\$405,000	\$102,870	\$168,335	\$222,035	\$185,700	\$184,760
<b>2002</b>	16,070 (16.4%)	7,990 (5.7%)											
<b>2003</b>	10,910 (11.1%)	19,830 (14.2%)											
<b>2004</b>	12,385 (12.6%)	17,325 (12.4%)	13,245 (19.8%)	2,090 (2.8%)									
<b>2005</b>	7,705 (7.9%)	13,245 (9.5%)	4,905 (7.3%)	5,220 (7.0%)									
<b>2006</b>	5,310 (5.4%)	9,170 (6.6%)											
<b>2007</b>	5,230 (5.3%)	6,725 (4.8%)											
<b>2008</b>	4,265 (4.3%)	1,000 (0.7%)	1,500 (2.2%)										
<b>2009</b>	3,580 (3.7%)	2,920 (2.1%)				206,000 (51.5%)							
<b>2010</b>	12,115 (12.4%)	34,110 (24.4%)											
<b>2011</b>						31,090 (7.8%)	19,685 (6.8%)	29,880 (7.4%)					
<b>2012</b>						15,380 (3.8%)	19,115 (6.6%)	28,885 (7.1%)					
<b>2013</b>						17,445 (4.4%)	21,705 (7.5%)	32,085 (7.9%)					
<b>2014</b>			9,520 (14.3%)	5,260 (7.1%)	19,500 (9.8%)	17,980 (4.5%)	19,140 (6.6%)	28,415 (7.0%)	7,395 (7.2%)	11,165 (6.6%)			
<b>2015</b>					35,400 (17.7%)	18,320 (4.6%)	20,885 (7.2%)	31,740 (7.8%)	8,510 (8.3%)	12,850 (7.6%)	14,700 (6.6%)	2,000 (1.1%)	- (0.0%)
<b>2016</b>						9,800 (2.5%)	8,090 (2.8%)	11,610 (2.9%)	5,895 (5.7%)	8,905 (5.3%)	8,040 (3.6%)	1,300 (0.7%)	- (0.0%)
<b>Total</b>	\$77,570	\$112,315	\$29,170	\$12,570	\$ 54,900	\$316,015	\$108,620	\$162,615	\$ 21,800	\$ 32,920	\$ 22,740	\$ 3,300	

Debt Outstanding	None	None	None	None	\$145,100	\$83,985	\$127,880	\$192,830	\$ 81,070	\$135,415	\$196,695	\$182,400	\$184,760
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<sup>(1)</sup> Percentages are calculated on original issuance amounts.

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

<sup>(3)</sup> Issue E of 2007 is included in the Issue E Refunded Bonds.

## MEFA EDUCATION LOAN ORIGINATION AND SERVICING

### The Servicer

Xerox Education Services, LLC, a Delaware limited liability company doing business as ACS Education Services (“XEROX-ES”), is the Servicer for the MEFA Financing Program pursuant to an agreement dated as of June 1, 2008 (the “Servicing Agreement”). The Servicing Agreement expires on November 30, 2016, subject to automatic renewal for successive twelve-month periods in the absence of written notice of intention not to renew by either party delivered to the other party at least 90 days prior to the then scheduled expiration date. The Resolution permits the appointment of other or additional Servicers, subject to compliance with certain requirements of the Resolution, and the Authority reserves the right to establish other MEFA Education Loan origination, custody and servicing arrangements in compliance with such requirements. XEROX-ES has acted as a servicer for the Authority since January 1, 2003.

**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 Education Services, LLC (“XEROX-ES”) is a for-profit limited liability company and an indirect 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 various locations including Long Beach and Bakersfield, California, and Utica, New York.

The Guaranteed Loan Servicing Group is operated by XEROX-ES (formerly ACS Education Services, Inc.) as a third party education loan servicer with approximately 700 employees, providing loan origination and servicing for the Federal Stafford, PLUS and Consolidation education loan programs and many alternative/private loan programs, as well as post-origination conversion and private loan origination. As of March 2016, the Guaranteed Loan Servicing Group of XEROX-ES currently services approximately 1.7 million education loan accounts.

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, automated clearinghouse (ACH), and disbursement via national disbursing agents.

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, among other things, 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.

The ultimate corporate parent of Xerox Education Services, LLC, the Xerox Corporation, is a public corporation that files periodic reports with the SEC as required by the Securities Exchange Act of 1934, as amended. 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." The Xerox Corporation also currently provides information through the Xerox website at "http://www.xerox.com." Information filed by Xerox with the SEC or contained on the Xerox website is not intended to be incorporated as part of this Official Statement and information contained on Xerox website is not a part of the documents that Xerox files with the SEC.

### **MEFA Loan Origination**

Under the Servicing Agreement, XEROX-ES is currently responsible 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 tuition 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 the loan origination process 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 newly originated Issue J 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 J Loans that are fully deferred as to repayment, a minimum 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 also 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 thresholds used in connection with Issue J Loan credit analysis, or to otherwise change the credit analysis procedures applicable to MEFA Loans, including Issue J Loans. Such information is included herein for general informational purposes and is not intended as a representation that the credit characteristics of Issue J Loans will resemble those of previously originated Fixed Rate MEFA Loans. Certain existing Issue J Loans were originated on the basis of credit criteria that included lower FICO Score thresholds. See “ISSUE J LOAN PORTFOLIO.”

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 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 origination by the Authority, MEFA Loans will be serviced in accordance with the MEFA Loan Servicing Agreement. Servicing activities of XEROX-ES under the MEFA Loan Servicing Agreement include maintaining all records of the origination and payment of MEFA Loans, mailing 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 originated by the Authority, the Servicer is required to prepare and deliver to each borrower a periodic billing invoice, 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.

The 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.

The Servicer's duties include recording all payments and all adjustments including overpayments and prepayments of MEFA Loans and forgiveness of MEFA Loans. The 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.

Under the Servicing Agreement, the Servicer indemnifies the Authority against any and all claims, losses, liabilities and expenses in connection with any legal action or proceeding commenced by a borrower or other third party with respect to any MEFA Loan it services that results directly and primarily from the bad faith, negligence or willful misconduct of, or breach of contract by, the Servicer, its agents or subcontractors; provided, however, that, except in the event of willful misconduct, the Servicer's liability arising out of any act or omission by the Servicer under the MEFA Loan Servicing Agreement or its services thereunder is limited.

*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 the 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 "INVESTMENT CONSIDERATIONS — Changes in Relevant Laws," "MEFA EDUCATION LOAN PORTFOLIO" and "ISSUE J LOAN PORTFOLIO."

## **MEFA EDUCATION LOAN PORTFOLIO**

### **General**

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 students. Participation by students at public institutions in the MEFA Loan Program has generally increased since 1984. As of the 2015-2016 academic year, ninety-eight (98) independent and public Massachusetts institutions are expected to participate in the MEFA Loan Program. Annual MEFA Loan volume is projected to be approximately \$198 million for the current academic year of 2015-2016.

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 2015-2016 academic year through February 29, 2016 were approximately \$14,800 and \$13,700, respectively.

The MEFA Refinancing Loan Program was initiated in late 2015, and no meaningful performance data is currently available as to the portfolio.

It is the Authority’s standard 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 standard 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 2011-2012 academic year under the MEFA Loan Program.

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

<u>Year</u>	<u>Application Volume<sup>(1)</sup></u>	<u>Disbursement Volume<sup>(2)</sup></u>	<u>Total Outstanding Principal Balance<sup>(3)</sup></u>
2011-2012	\$277,000	\$170,000	\$1,247,000
2012-2013	271,000	168,000	1,276,000
2013-2014	296,000	181,000	1,314,000
2014-2015	296,000	189,000	1,332,000
2015-2016 <sup>(4)</sup>	307,000	190,000	1,399,000

<sup>(1)</sup> Application volume occurred between the period of April 1 through March 31 for each year except 2015-2016, which is through February 29, 2016.

<sup>(2)</sup> Disbursement volume occurred between the period of July 1 through June 30 for each year except 2015-2016, which is through February 29, 2016.

<sup>(3)</sup> Outstanding Principal Balances are as of June 30th for each Fiscal Year except 2015-2016, which is as of February 29, 2016.

<sup>(4)</sup> As of February 29, 2016, projected Disbursement Volume for 2015-2016 is approximately \$198,000,000.

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**  
**All MEFA Loans**

<u>Disbursement Years</u> <sup>(1)</sup>	<u>Immediate Repayment</u>	<u>Interest-Only Payment</u>	<u>Total In-School Payment</u> <sup>(2)</sup>	<u>Deferment</u>	<u>Total</u>
2011-2012	23.1%	18.6%	41.7%	58.3%	100%
2012-2013	30.6	15.0	45.7	54.3	100
2013-2014	33.5	15.0	48.5	51.5	100
2014-2015	36.4	14.6	51.1	48.9	100
2015-2016	38.7	14.9	53.6	46.4	100
Weighted Average			48.3%	51.7%	100%

<sup>(1)</sup> Disbursement years are from July 1 to June 30 for each year except 2015-2016, which is through February 29, 2016.

<sup>(2)</sup> Total In-School Payment includes Immediate Repayment and Interest-Only Payment Options.

**Fixed Rate MEFA Loan Portfolio**

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, Issue J Bonds and Issue K 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.

The Authority began originating Fixed Rate MEFA Loans in 1983 and since that time has issued numerous series of bonds under numerous bond resolutions to finance Fixed Rate MEFA Loans. Over time, the volume, number of borrowers, number of Participating Institutions, and the types of MEFA Loans offered has expanded significantly. The average FICO score that was applicable to approved Fixed Rate MEFA Loans, at the time of origination, was 757 for the 2010-2011 academic year, 756 for the 2011-2012 academic year, 753 for the 2012-2013 academic year, 752 for the 2013-2014 academic year, 751 for the 2014-2015 academic year and 750 for the 2015-2016 academic year through February 29, 2016. For Fixed Rate Loans to be originated as Issue J Loans for the 2016-2017 academic year, the minimum FICO score will be 670 or, with respect to such Issue J Loans that are fully deferred as to repayment, 710 unless changed by the Authority upon compliance with certain requirements of the Resolution.

The Transferred Loans were originated between 2001 and 2009 under the Authority's then-applicable credit standards.

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

	<b>Approved Application Timing<sup>(1)</sup> (Academic Year 2014-2015)</b>	<b>Approved Application Timing<sup>(1)</sup> (Academic Year 2015-2016)</b>	<b>\$ Amount of Approved Applications<sup>(2)</sup> (Academic Year 2015-2016)</b>
April	2.4%	2.8%	\$ 5,500,000
May	5.9	6.2	12,200,000
June	16.7	17.2	33,900,000
July	56.9	53.2	104,700,000
August	81.3	79.4	156,200,000
September	84.1	82.7	162,800,000
October	85.7	84.2	165,700,000
November	88.3	86.9	171,000,000
December	94.0	93.0	183,000,000
January	98.4	98.3	193,500,000
February	99.1	99.0	194,900,000
March	100.0	100.0	196,800,000

<sup>(1)</sup> Cumulative approved applications received by the Authority in the April through March application cycle for 2014-2015 and through February 29, 2016 for 2015-2016, with assumed amount for March 2016; percentages reflect rounding.

<sup>(2)</sup> Cumulative approved applications represent the projected 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 those Participation Institutions that may represent the top 20 institutions as measured by outstanding principal balance.

**Distribution of the Fixed Rate MEFA Loan Portfolio by Participating Institution  
(As of February 29, 2016)<sup>(1)</sup>**

<b>Participating Institution<sup>(2)</sup></b>	<b>Number of Loans</b>	<b>Approximate Principal Balance</b>	<b>Approximate Percent by Principal</b>
1. University of Massachusetts at Amherst	8,742	\$ 77,341,000	6.10%
2. Boston University	5,584	73,998,000	5.83
3. Northeastern University	3,846	50,765,000	4.00
4. Boston College	2,853	42,163,000	3.32
5. Suffolk University	2,636	32,621,000	2.57
6. Wentworth Institute of Technology	2,104	28,095,000	2.21
7. College of The Holy Cross	1,799	27,449,000	2.16
8. Massachusetts College of Pharmacy & Health Science	1,582	26,141,000	2.06
9. University of Massachusetts Dartmouth	3,114	26,044,000	2.05
10. Bentley University	1,798	25,692,000	2.03
11. University of New Hampshire	1,715	24,606,000	1.94
12. University of Massachusetts Lowell	2,703	22,957,000	1.81
13. Bridgewater State University	2,703	22,024,000	1.74
14. Merrimack College	1,487	21,003,000	1.66
15. Western New England College	1,450	19,921,000	1.57
16. Curry College	1,309	19,716,000	1.55
17. Emmanuel College	1,295	18,151,000	1.43
18. Assumption College	1,489	17,553,000	1.38
19. Worcester Polytechnic Institute	1,122	16,881,000	1.33
20. Berklee College of Music	854	15,849,000	1.25
21. All Others	<u>53,310</u>	<u>659,494,000</u>	<u>51.99</u>
<b>Total</b>	<u>103,495</u>	<u>\$1,268,464,000</u>	<u>100.00%</u>

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

<sup>(2)</sup> Listed Participating Institutions represent approximately 48% of Principal Balance Outstanding

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

**Distribution of the Fixed Rate MEFA Loan Portfolio by Undergraduate and Graduate Status  
(As of February 29, 2016)<sup>(1)</sup>**

<u>Academic Program Type</u>	<u>Number of Loans</u>	<u>Approximate Principal Balance</u>	<u>Approximate Percent by Principal</u>
Undergraduate	96,551	\$1,192,257,000.00	93.99%
Graduate	<u>6,944</u>	<u>76,207,000.00</u>	<u>6.01</u>
Total	<u>103,495</u>	<u>\$1,268,464,000.00</u>	<u>100.00%</u>

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

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 undergraduate students.

**Distribution of the Fixed Rate MEFA Loan Portfolio by Co-Borrower Status  
(As of February 29, 2016)<sup>(1)</sup>**

<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	95,438	\$1,184,981,000	93.42%
Graduate	<u>4,737</u>	<u>51,403,000</u>	<u>4.05</u>
Subtotal	100,175	\$1,236,384,000	97.47%
<u>Non Co-Borrower</u>			
Undergraduate	1,113	\$ 7,276,000	0.57%
Graduate	<u>2,207</u>	<u>24,804,000</u>	<u>1.96</u>
Subtotal	3,320	\$ 32,080,000	2.53%
Total	<u>103,495</u>	<u>\$1,268,464,000</u>	<u>100.00%</u>

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

**MASSACHUSETTS EDUCATIONAL FINANCING AUTHORITY**  
**Delinquency Experience (Fixed Rate MEFA Loans with a FICO Score of 670 or Greater)<sup>(1), (2), (3)</sup>**  
**(As of February 29, 2016)**  
**(\$ 000's)**

<i>Delinquency Status</i>	<u>2016</u>		<u>2015</u>		<u>2014</u>		<u>2013</u>		<u>2012</u>	
	<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>	<i>Principal Balance Outstanding</i>	<i>% to Total in Repayment</i>	<i>Principal Balance Outstanding</i>	<i>% to Total in Repayment</i>
Current	\$954,938	96.0%	\$919,493	95.5%	\$846,442	95.7%	\$778,078	94.8%	\$735,160	95.8%
31-60	18,458	1.9	20,671	2.1	17,800	2.0	22,732	2.8	13,762	1.8
61-90	7,151	0.7	8,795	0.9	7,246	0.8	7,813	1.0	6,870	0.9
91-120	6,215	0.6	5,645	0.6	4,568	0.5	4,461	0.5	4,782	0.6
121-150	2,202	0.2	2,336	0.2	2,210	0.2	2,466	0.3	1,778	0.2
Greater Than 150	<u>5,804</u>	<u>0.6</u>	<u>5,872</u>	<u>0.6</u>	<u>5,835</u>	<u>0.7</u>	<u>5,146</u>	<u>0.6</u>	<u>4,774</u>	<u>0.6</u>
<b>Total</b>	<u>\$994,768</u>	<u>100.0%</u>	<u>\$962,812</u>	<u>100.0%</u>	<u>\$884,101</u>	<u>100.0%</u>	<u>\$820,696</u>	<u>100.0%</u>	<u>\$767,126</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, Issue J, and Issue K.

(2) Included in Delinquent > 150 days is approximately \$2,592 in February 29, 2016, \$2,648 in February 28, 2015, \$3,053 in February 28, 2014, \$2,297 in February 28, 2013, and \$1,877 in February 29, 2012 that represent loans in bankruptcy proceedings.

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

**Massachusetts Educational Financing Authority**  
**Default Experience (Fixed Rate MEFA Loans with FICO Scores of 670 or Greater)<sup>(1), (2)</sup>**  
**(As of February 29, 2016)**  
**(\$000's)**

	<u>2016<sup>(3)</sup></u>	<u>2015<sup>(3)</sup></u>	<u>2014<sup>(3)</sup></u>	<u>2013<sup>(3)</sup></u>	<u>2012<sup>(3)</sup></u>
Gross Loan Defaults	\$8,528	\$11,292	\$9,850	\$13,679	\$10,339
Net Recoveries	<u>2,582</u>	<u>3,131</u>	<u>2,256</u>	<u>2,213</u>	<u>1,288</u>
Net Loan Defaults	<u>\$5,946</u>	<u>\$ 8,161</u>	<u>\$7,593</u>	<u>\$11,466</u>	<u>\$ 9,051</u>
Net Loan Defaults as a percentage of average loans in repayment	0.64%	0.93%	0.93%	1.51%	1.31%
Average Loans in Repayment <sup>(1)</sup>	\$930,536	\$881,109	\$816,277	\$761,839	\$690,054

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- (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, Issue J and Issue K.  
(2) Some numbers in prior years have been updated to reflect current methodology.  
(3) For the twelve (12) months as of February 28.

**MASSACHUSETTS EDUCATIONAL FINANCING AUTHORITY**  
**Static Pool Cohort Default Analysis**  
**Fixed Rate MEFA Loans Immediate Repayment (670+) and Deferred Repayment (710+)<sup>(1)</sup>**  
**(As of February 29, 2016)**

Repayment Year	Disbursed Principal Entering Repay (\$000,000)	Repayment Year of Default																Totals
		0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
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%	<b>0.77%</b>
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%	<b>1.17%</b>
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%	<b>1.26%</b>
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%	0.01%	0.00%	<b>1.49%</b>
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%	0.05%	0.01%	<b>1.57%</b>
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%	0.03%	0.08%	0.03%	0.03%	<b>2.01%</b>
2003	\$ 58	0.00%	0.04%	0.18%	0.31%	0.24%	0.25%	0.31%	0.36%	0.24%	0.07%	0.05%	0.06%	0.12%	0.06%	0.01%		<b>2.30%</b>
2004	\$ 53	0.00%	0.00%	0.34%	0.24%	0.35%	0.56%	0.50%	0.32%	0.15%	0.11%	0.16%	0.11%	0.03%	0.02%			<b>2.88%</b>
2005	\$ 22	0.00%	0.14%	0.16%	0.36%	0.58%	0.51%	0.30%	0.19%	0.23%	0.05%	0.33%	0.07%	0.00%				<b>2.90%</b>
2006	\$ 70	0.00%	0.16%	0.86%	0.80%	0.94%	0.34%	0.21%	0.20%	0.09%	0.16%	0.06%	0.02%					<b>3.86%</b>
2007	\$125	0.00%	0.32%	0.70%	0.87%	0.78%	0.41%	0.31%	0.27%	0.15%	0.07%	0.03%						<b>3.92%</b>
2008	\$167	0.00%	0.20%	1.16%	0.81%	0.45%	0.45%	0.35%	0.13%	0.13%	0.04%							<b>3.71%</b>
2009	\$ 94	0.00%	0.27%	1.85%	1.32%	0.55%	0.27%	0.24%	0.42%	0.08%								<b>5.01%</b>
2010	\$173	0.00%	0.24%	1.53%	0.90%	0.75%	0.47%	0.25%	0.09%									<b>4.23%</b>
2011	\$196	0.00%	0.58%	2.66%	0.92%	0.95%	0.48%	0.08%										<b>5.68%</b>
2012	\$170	0.00%	0.55%	1.83%	1.00%	0.73%	0.15%											<b>4.27%</b>
2013	\$187	0.00%	0.35%	1.87%	0.62%	0.08%												<b>2.92%</b>
2014	\$221	0.00%	0.35%	1.32%	0.22%													<b>1.89%</b>
2015	\$219	0.00%	0.40%	0.16%														<b>0.56%</b>
2016	\$ 88	0.00%	0.00%															<b>0.00%</b>

- (1) ● FICO scores are based on the greater of the borrower or co-borrower score as of the original application date.  
● Includes both undergraduate and graduate programs and both co-signed and non-co-signed loans.  
● 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.

**Fixed Rate MEFA Loans Immediate Repayment (670+)<sup>(1)</sup>**  
**(As of February 29, 2016)**

Repayment Year	Disbursed Principal Entering Repay (\$000,000)	Repayment Year of Default																Totals
		0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
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%	<b>0.77%</b>
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%	<b>1.19%</b>
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%	<b>1.27%</b>
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%	0.01%	0.01%	<b>1.53%</b>
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%	0.06%	0.01%	<b>1.27%</b>
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%	0.04%	0.10%	0.04%	0.04%	<b>2.16%</b>
2003	\$ 36	0.00%	0.00%	0.11%	0.40%	0.32%	0.39%	0.46%	0.36%	0.19%	0.11%	0.08%	0.10%	0.09%	0.05%	0.02%		<b>2.69%</b>
2004	\$ 35	0.00%	0.00%	0.25%	0.37%	0.43%	0.73%	0.56%	0.15%	0.14%	0.12%	0.09%	0.17%	0.04%	0.02%			<b>3.07%</b>
2005	\$ 9	0.00%	0.00%	0.27%	0.51%	0.42%	0.70%	0.71%	0.15%	0.50%	0.07%	0.05%	0.00%	0.00%				<b>3.38%</b>
2006	\$ 58	0.00%	0.17%	0.62%	0.97%	0.95%	0.26%	0.23%	0.21%	0.11%	0.19%	0.05%	0.02%					<b>3.79%</b>
2007	\$102	0.00%	0.25%	0.62%	0.87%	0.80%	0.43%	0.29%	0.19%	0.12%	0.09%	0.04%						<b>3.68%</b>
2008	\$114	0.00%	0.26%	0.71%	0.68%	0.41%	0.37%	0.25%	0.15%	0.10%	0.05%							<b>2.99%</b>
2009	\$ 22	0.00%	0.13%	0.61%	0.55%	0.29%	0.32%	0.15%	0.24%	0.08%								<b>2.36%</b>
2010	\$ 69	0.00%	0.35%	0.78%	0.68%	0.85%	0.63%	0.37%	0.04%									<b>3.70%</b>
2011	\$ 74	0.00%	0.36%	1.02%	0.92%	0.85%	0.67%	0.14%										<b>3.95%</b>
2012	\$ 74	0.00%	0.58%	1.23%	0.83%	0.86%	0.16%											<b>3.65%</b>
2013	\$ 83	0.00%	0.38%	0.92%	0.91%	0.05%												<b>2.26%</b>
2014	\$ 95	0.00%	0.38%	0.69%	0.09%													<b>1.16%</b>
2015	\$103	0.00%	0.29%	0.12%														<b>0.41%</b>
2016	\$ 83	0.00%	0.00%															<b>0.00%</b>

- (1) ● FICO scores are based on the greater of the borrower or co-borrower score as of the original application date.  
● Includes both undergraduate and graduate programs and both co-signed and non-co-signed loans.  
● 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.

**Fixed Rate MEFA Loans Deferred (710+)<sup>(1)</sup>**  
**(As of February 29, 2016)**

Repayment Year	Disbursed Principal Entering Repay (\$000,000)	Repayment Year of Default															Totals			
		0	1	2	3	4	5	6	7	8	9	10	11	12	13	14		15		
1997	\$ 0	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	<b>0.00%</b>
1998	\$ 3	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.39%	0.17%	0.00%	0.00%	0.00%	0.00%	0.17%	0.00%	0.00%	0.00%	0.00%	<b>0.74%</b>
1999	\$ 10	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.77%	0.06%	0.10%	0.00%	0.00%	0.00%	0.14%	0.09%	0.00%	0.00%	0.00%	0.00%	<b>1.17%</b>
2000	\$ 17	0.00%	0.00%	0.10%	0.39%	0.29%	0.09%	0.02%	0.00%	0.04%	0.15%	0.08%	0.07%	0.00%	0.00%	0.02%	0.00%	0.02%	0.00%	<b>1.25%</b>
2001	\$ 24	0.00%	0.00%	0.22%	0.58%	0.33%	0.02%	0.47%	0.18%	0.00%	0.20%	0.48%	0.05%	0.08%	0.00%	0.02%	0.02%	0.02%	0.02%	<b>2.65%</b>
2002	\$ 22	0.00%	0.00%	0.51%	0.15%	0.17%	0.22%	0.17%	0.10%	0.00%	0.18%	0.10%	0.00%	0.00%	0.03%	0.00%	0.00%	0.00%	0.00%	<b>1.62%</b>
2003	\$ 23	0.00%	0.09%	0.28%	0.19%	0.11%	0.03%	0.08%	0.37%	0.32%	0.00%	0.00%	0.00%	0.16%	0.08%	0.00%				<b>1.70%</b>
2004	\$ 19	0.00%	0.00%	0.51%	0.00%	0.21%	0.25%	0.38%	0.64%	0.17%	0.10%	0.29%	0.00%	0.00%	0.00%					<b>2.55%</b>
2005	\$ 13	0.00%	0.25%	0.08%	0.25%	0.69%	0.36%	0.00%	0.22%	0.02%	0.03%	0.53%	0.12%	0.00%						<b>2.54%</b>
2006	\$ 13	0.00%	0.14%	2.00%	0.00%	0.90%	0.75%	0.12%	0.14%	0.00%	0.00%	0.12%	0.00%							<b>4.17%</b>
2007	\$ 23	0.00%	0.65%	1.04%	0.89%	0.69%	0.32%	0.44%	0.63%	0.30%	0.00%	0.00%								<b>4.97%</b>
2008	\$ 54	0.00%	0.09%	2.10%	1.07%	0.52%	0.62%	0.55%	0.10%	0.17%	0.04%									<b>5.26%</b>
2009	\$ 71	0.00%	0.31%	2.24%	1.56%	0.63%	0.26%	0.27%	0.47%	0.09%										<b>5.82%</b>
2010	\$104	0.00%	0.16%	2.03%	1.06%	0.67%	0.36%	0.17%	0.13%											<b>4.59%</b>
2011	\$122	0.00%	0.72%	3.65%	0.92%	1.01%	0.37%	0.05%												<b>6.72%</b>
2012	\$ 96	0.00%	0.54%	2.31%	1.14%	0.63%	0.14%													<b>4.75%</b>
2013	\$104	0.00%	0.32%	2.64%	0.39%	0.11%														<b>3.45%</b>
2014	\$126	0.00%	0.32%	1.79%	0.32%															<b>2.43%</b>
2015	\$116	0.00%	0.49%	0.20%																<b>0.70%</b>
2016	\$ 4	0.00%	0.00%																	<b>0.00%</b>

- (1)
- FICO scores are based on the greater of the borrower or co-borrower score as of the original application date.
  - Includes both undergraduate and graduate programs and both co-signed and non-co-signed loans.
  - 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.

## **Variable Rate MEFA Loan Portfolio**

The Authority began originating Variable Rate MEFA Loans in 1994 and suspended the availability of Variable Rate MEFA Loans after the 2007-2008 academic year. During this period, different bases of interest accrual on Variable Rate MEFA Loans were offered. The Variable Rate MEFA Loans that the Authority expects to become Issue J Loans in connection with the issuance of the Series 2016 Bonds are expected to have three different bases of interest accrual and are expected to be representative of the pool of Variable Rate MEFA Loans that are described herein in terms of payment performance. The Variable Rate MEFA Loans described below and in the section “ISSUE J LOAN PORTFOLIO” herein include loans that were originated with 15-year and 20-year repayment periods.

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**MASSACHUSETTS EDUCATIONAL FINANCING AUTHORITY**  
**Delinquency Experience (Variable Rate Loans All FICOs)<sup>(1), (2)</sup>**  
**(As of February 29, 2016)**  
**(\$ 000's)**

<i>Delinquency Status</i>	<u>2016</u>		<u>2015</u>		<u>2014</u>		<u>2013</u>		<u>2012</u>	
	<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>	<i>Principal Balance Outstanding</i>	<i>% to Total in Repayment</i>	<i>Principal Balance Outstanding</i>	<i>% to Total in Repayment</i>
Current	\$125,662	96.4%	\$145,879	96.1%	\$165,605	95.8%	\$181,704	94.4%	\$195,223	94.7%
31-60	\$ 2,223	1.7%	\$ 3,003	2.0%	\$ 3,470	2.0%	\$ 5,293	2.8%	\$ 5,153	2.5%
61-90	\$ 993	0.8%	\$ 1,234	0.8%	\$ 1,202	0.7%	\$ 1,828	1.0%	\$ 2,338	1.1%
91-120	\$ 516	0.4%	\$ 475	0.3%	\$ 903	0.5%	\$ 1,100	0.6%	\$ 1,246	0.6%
121-150	\$ 243	0.2%	\$ 185	0.1%	\$ 531	0.3%	\$ 848	0.4%	\$ 982	0.5%
Greater Than 150	\$ <u>697</u>	<u>0.5%</u>	\$ <u>1,032</u>	<u>0.7%</u>	\$ <u>1,196</u>	<u>0.7%</u>	\$ <u>1,626</u>	<u>0.8%</u>	\$ <u>1,102</u>	<u>0.5%</u>
<b>Total</b>	<u>\$130,334</u>	<u>100.0%</u>	<u>\$151,808</u>	<u>100.0%</u>	<u>\$172,907</u>	<u>100.0%</u>	<u>\$192,399</u>	<u>100.0%</u>	<u>\$206,044</u>	<u>100.0%</u>

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

(2) Included in Delinquent > 150 days are approximately \$405 in February 29, 2016, \$369 in February 28, 2015, \$499 in February 28, 2014, \$433 in February 28, 2013, and \$317 in February 29, 2012 that represents loans in bankruptcy proceedings.

**Massachusetts Educational Financing Authority**  
**Default Experience (Variable Rate MEFA Loans — All FICOS)<sup>(1), (2)</sup>**  
**(As of February 29, 2016)**  
**(\$000's)**

	<u>2016<sup>(3)</sup></u>	<u>2015<sup>(3)</sup></u>	<u>2014<sup>(3)</sup></u>	<u>2013<sup>(3)</sup></u>	<u>2012<sup>(3)</sup></u>
Gross Loan Defaults	\$ 772	\$ 1,626	\$ 2,529	\$ 3,566	\$ 3,463
<u>Net Recoveries</u>	<u>944</u>	<u>1,078</u>	<u>931</u>	<u>1,136</u>	<u>658</u>
Net Loan Defaults	-\$ 172 <sup>4</sup>	\$ 548	\$ 1,598	\$ 2,430	\$ 2,805
Net Loan Defaults as a percentage of average loans in repayment	-0.12%	0.34%	0.87%	1.22%	1.40%
Average Loans in Repayment <sup>(1)</sup>	\$140,343	\$161,315	\$182,627	\$198,406	\$200,322

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

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

(3) For the twelve (12) months as of February 28

(4) Net Recoveries exceeded Gross Loan Defaults for this time period.

**Variable Rate MEFA Loans – All FICOS<sup>(1)</sup>**  
**(As of February 29, 2016)**

Repayment Year	Disbursed Principal Entering Repay (\$000,000)	Repayment Year of Default													Totals	
		0	1	2	3	4	5	6	7	8	9	10	11	12		13
2004	\$29	0.00%	0.00%	0.05%	0.52%	0.48%	0.74%	0.93%	0.35%	0.14%	0.12%	0.24%	0.03%	0.00%	0.00%	<b>3.60%</b>
2005	\$12	0.00%	0.32%	2.85%	1.48%	1.05%	0.90%	1.28%	0.53%	0.00%	0.25%	0.38%	0.00%	0.00%	<b>9.03%</b>	
2006	\$27	0.00%	0.26%	2.72%	2.21%	1.62%	1.11%	0.29%	0.24%	0.16%	0.28%	0.12%	0.00%	<b>9.00%</b>		
2007	\$28	0.00%	1.63%	4.25%	2.14%	0.55%	0.81%	0.64%	0.40%	0.27%	0.06%	0.00%	<b>10.74%</b>			
2008	\$48	0.00%	0.89%	5.21%	1.40%	0.74%	0.69%	0.41%	0.33%	0.44%	0.04%	<b>10.16%</b>				
2009	\$65	0.00%	1.34%	5.55%	1.20%	1.32%	0.98%	0.53%	0.27%	0.05%	<b>11.25%</b>					
2010	\$56	0.00%	1.19%	3.14%	1.59%	0.81%	0.75%	0.28%	0.15%	<b>7.92%</b>						
2011	\$33	0.00%	0.94%	3.61%	1.07%	0.88%	0.61%	0.00%	<b>7.13%</b>							
2012	\$12	0.00%	2.31%	3.49%	1.36%	1.31%	0.02%	<b>8.48%</b>								
2013	\$ 4	0.00%	4.58%	2.99%	0.08%	0.24%	<b>7.88%</b>									
2014	\$ 0	0.00%	0.00%	0.00%	0.00%	<b>0.00%</b>										

- (1) ● FICO scores are based on the greater of the borrower or co-borrower score as of the original application date.
- Includes both undergraduate and graduate programs and both co-signed and non-co-signed loans.
- 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.

**ISSUE J LOAN PORTFOLIO**

The Authority currently expects that, upon the date of issuance of the Series 2016 Bonds, the Issue J Loan Portfolio, on a pro forma basis including the Transferred Loans, will be substantially as described under this heading, subject to the payment activity with respect to the Issue J Loans and Transferred Loans listed below during the period from and including February 29, 2016 through and including such date of issuance.

The Authority has covenanted in the Resolution to make periodic Issue J Loan Portfolio information publicly available no less frequently than quarterly. Such information will include operating data substantially of the type indicated under this caption. The Authority reserves the rights, however: (i) to alter the format in which such periodic information is presented; and (ii) to make such periodic information available either by posting as part of, or in the same manner as, annual reports filed pursuant to the Continuing Disclosure Agreement described in APPENDIX E to this Official Statement or, subject to compliance with such Continuing Disclosure Agreement, by posting on a publicly accessible website.

**Composition of the Issue J Loan Portfolio  
(As of February 29, 2016)**

Total Accrued Interest <sup>(1)</sup> .....	\$ 8,212,334.53
Aggregate Outstanding Principal Balance .....	\$387,004,710.93
Outstanding Balance <sup>(2)</sup> .....	\$395,217,045.46
Number of Borrowers .....	24,951
Average Outstanding Principal Balance per Borrower .....	\$ 15,510.59
Number of Loans .....	36,293
Average Outstanding Principal Balance per Loan .....	\$ 10,663.34
Weighted Average Annual Interest Rate .....	6.82%
Weighted Average Remaining Term (Months) .....	132.25

<sup>(1)</sup> Includes \$6,656,919.91 of accrued interest to be capitalized.  
<sup>(2)</sup> Includes unpaid principal, interest to be capitalized and other accrued interest.

**Distribution of the Issue J Loan Portfolio by FICO Score Upon Origination  
(As of February 29, 2016)<sup>(1)</sup>**

<b>FICO Score (Inclusive)</b>	<b>Number of Loans</b>	<b>Approximate Outstanding Principal Balance</b>	<b>Percent by Outstanding Principal Balance</b>
Less than 630	1,413	\$ 9,816,355.27	2.54%
630 through 649	671	5,620,290.24	1.45
650 through 669	1,138	9,891,718.40	2.56
670 through 689	3,095	30,355,390.33	7.84
690 through 709	3,620	36,403,985.58	9.41
710 through 729	4,381	48,196,470.25	12.45
730 through 749	4,962	53,145,934.93	13.73
750 through 769	5,552	60,873,827.92	15.73
770 through 789	5,450	61,519,624.75	15.90
790+	<u>6,011</u>	<u>71,181,113.26</u>	<u>18.39</u>
Total	<u>36,293</u>	<u>\$387,004,710.93</u>	<u>100.00%</u>

(1) Includes 557 Loans, with an aggregate outstanding balance of approximately \$3,212,317.98, for which no FICO score can currently be verified. These loans are included in the "Less than 630" category.

**Distribution of the Issue J Loan Portfolio by Interest Rate  
(As of February 29, 2016)**

<b>Interest Rate</b>	<b>Number of Loans</b>	<b>Approximate Outstanding Principal Balance</b>	<b>Percent by Outstanding Principal Balance</b>
Less Than 5.000%	6,565	\$ 48,852,585.41	12.62%
5.000% through 5.499%	7	8,771.09	0.00 <sup>1st</sup>
5.500% through 5.999%	1,119	10,313,566.17	2.66
6.000% through 6.499%	5,565	51,770,107.09	13.38
6.500% through 6.999%	8,130	78,747,632.66	20.35
7.000% through 7.499%	2,794	30,868,683.60	7.98
7.500% through 7.999%	5,334	72,023,729.84	18.61
8.000% through 8.999%	<u>6,779</u>	<u>94,419,635.07</u>	<u>24.40</u>
Total	<u>36,293</u>	<u>\$387,004,710.93</u>	<u>100.00%</u>

<sup>1st</sup> Less than 0.01%.

**Distribution of the Issue J Loan Portfolio by Borrower Payment Status  
(As of February 29, 2016)**

<u>Loan Payment Status</u>	<u>Number of Loans</u>	<u>Approximate Outstanding Principal Balance</u>	<u>Percent by Outstanding Principal Balance</u>
In School	1,871	\$ 27,271,192.50	7.05%
In Grace	192	2,871,936.36	0.74
Repayment	34,220	356,710,410.97	92.17
Deferment	0	0.00	0.00
Forbearance	<u>10</u>	<u>151,171.10</u>	<u>0.04</u>
Total	<u>36,293</u>	<u>\$387,004,710.93</u>	<u>100.00%</u>

**Distribution of the Issue J Loan Portfolio by Loan Program Type  
(As of February 29, 2016)**

<u>Program Type</u>	<u>Number of Loans</u>	<u>Approximate Outstanding Principal Balance</u>	<u>Percent by Outstanding Principal Balance</u>
Undergraduate	33,255	\$357,456,014.82	92.36%
Graduate	<u>3,038</u>	<u>29,548,696.11</u>	<u>7.64</u>
Total	<u>36,293</u>	<u>\$387,004,710.93</u>	<u>100.00%</u>

**Distribution of the Issue J Loan Portfolio by Co-Borrower Status  
(As of February 29, 2016)**

<u>Co-Borrower Status</u>	<u>Number of Loans</u>	<u>Approximate Outstanding Principal Balance</u>	<u>Percent by Outstanding Principal Balance</u>
<u>Co-Borrower</u>			
Graduate	2,094	\$ 20,473,998.84	5.29%
Undergraduate	<u>32,294</u>	<u>352,737,871.62</u>	<u>91.15</u>
Subtotal	34,388	\$373,211,870.46	96.44%
<u>Non Co-Borrower</u>			
Graduate	944	\$ 9,074,697.27	2.34%
Undergraduate	<u>961</u>	<u>4,718,143.20</u>	<u>1.22</u>
Subtotal	1,905	\$ 13,792,840.47	3.56%
Total	<u>36,293</u>	<u>\$387,004,710.93</u>	<u>100.00%</u>

**Distribution of the Issue J Loan Portfolio by School Type  
(As of February 29, 2016)**

<b>School Type</b>	<b>Number of Loans</b>	<b>Approximate Outstanding Principal Balance</b>	<b>Percent by Outstanding Principal Balance</b>
Four Year	35,157	\$376,995,015.82	97.41%
Community/2 Year	975	8,565,508.97	2.21
Vocational/Trade	39	270,598.28	0.07
Unknown	<u>122</u>	<u>1,173,587.86</u>	<u>0.30</u>
Total	<u>36,293</u>	<u>\$387,004,710.93</u>	<u>100.00%</u>

**Distribution of the Issue J Loan Portfolio by Number of Days Delinquent<sup>1</sup>  
(As of February 29, 2016)**

<b>Days Delinquent</b>	<b>Number of Loans</b>	<b>Approximate Outstanding Principal Balance<sup>(1)</sup></b>	<b>Percent by Outstanding Principal Balance</b>
0 through 30	33,057	\$340,823,877.31	95.51%
31 through 60	554	7,135,108.39	2.00
61 through 90	215	3,243,344.38	0.91
91 through 120	160	2,654,470.05	0.74
121 through 150	54	619,873.08	0.17
151 through 180	55	909,309.85	0.25
181 through 210	31	394,573.47	0.11
211 through 240	8	54,400.75	0.02
241 through 270	4	41,208.26	0.01
271 through 300	0	0.00	0.00
Greater than 300	<u>92</u>	<u>985,416.53</u>	<u>0.28</u>
Total (Repayment Only)	<u>34,230</u>	<u>\$356,861,582.07</u>	<u>100.00%</u>

<sup>(1)</sup> For Issue J Loans in Repayment Status Only.

**Distribution of the Issue J Loan Portfolio by Interest Rate Mode  
(As of February 29, 2016)**

<b>Interest Rate Mode</b>	<b>Number of Loans</b>	<b>Approximate Outstanding Principal Balance</b>	<b>Percent by Outstanding Principal Balance</b>
Fixed	29,620	\$337,859,561.32	87.30%
Annual Reset	3,566	17,118,920.69	4.42
LIBOR (Quarterly Reset)	524	4,849,488.48	1.25
Prime (Quarterly Reset)	<u>2,583</u>	<u>27,176,740.44</u>	<u>7.02</u>
Total	<u>36,293</u>	<u>\$387,004,710.93</u>	<u>100.00%</u>

**Distribution of the Issue J Loan Portfolio by Date of Disbursement  
(As of February 29, 2016)**

<b>Disbursement Date</b>	<b>Number of Loans</b>	<b>Approximate Outstanding Principal Balance</b>	<b>Percent by Outstanding Principal Balance</b>
Pre-July 1, 2001	8	\$ 33,012.99	0.01%
July 1, 2001 through June 30, 2002	1,159	1,934,743.74	0.50
July 1, 2002 through June 30, 2003	1,842	4,700,778.25	1.21
July 1, 2003 through June 30, 2004	2,529	9,505,758.92	2.46
July 1, 2004 through June 30, 2005	1,970	10,971,608.45	2.84
July 1, 2005 through June 30, 2006	1,933	16,168,565.04	4.18
July 1, 2006 through June 30, 2007	1,340	12,457,694.59	3.22
July 1, 2007 through June 30, 2008	9,096	115,178,009.85	29.76
July 1, 2008 through June 30, 2009	28	127,950.83	0.03
July 1, 2009 through June 30, 2010	51	525,100.47	0.14
July 1, 2010 through June 30, 2011	0	0.00	0.00
July 1, 2011 through June 30, 2012	5,077	57,647,169.72	14.90
July 1, 2013 through June 30, 2014	10,007	135,558,260.67	35.03
July 1, 2014 through June 30, 2015	<u>1,253</u>	<u>22,196,057.41</u>	<u>5.74</u>
Total	<u>36,293</u>	<u>\$387,004,710.93</u>	<u>100.00%</u>

**Distribution of the Issue J Loan Portfolio by Range of Outstanding Principal Balance  
(As of February 29, 2016)**

<b>Principal Balance</b>	<b>Number of Loans</b>	<b>Approximate Outstanding Principal Balance</b>	<b>Percent by Outstanding Principal Balance</b>
Less than \$5,000.00	12,363	\$ 30,335,696.54	7.84%
\$5,000-\$9,999.99	8,861	64,765,161.52	16.73
\$10,000-\$19,999.99	9,707	138,296,035.62	35.73
\$20,000-\$29,999.99	3,650	87,982,243.16	22.73
\$30,000-\$39,999.99	1,197	40,560,692.53	10.48
\$40,000-\$49,999.99	370	16,359,192.50	4.23
\$50,000-\$59,999.99	93	4,946,073.81	1.28
\$60,000-\$69,999.99	33	2,101,020.05	0.54
\$70,000-\$79,999.99	7	521,017.77	0.13
More than \$79,999.99	<u>12</u>	<u>1,137,577.43</u>	<u>0.29</u>
Total	<u>36,293</u>	<u>\$387,004,710.93</u>	<u>100.00%</u>

**Distribution of the Issue J Loan Portfolio by  
Number of Months Remaining Until Scheduled Maturity  
(As of February 29, 2016)**

<u>Number of Months</u>	<u>Number of Loans</u>	<u>Approximate Outstanding Principal Balance</u>	<u>Percent by Outstanding Principal Balance</u>
Less than 73	10,527	\$ 42,810,965.46	11.06%
73 to 84	2,455	21,590,510.97	5.58
85 to 96	992	10,058,303.07	2.60
97 to 108	862	8,878,065.59	2.29
109 to 120	654	6,845,381.55	1.77
121 to 132	3,285	44,385,165.13	11.47
133 to 144	10,206	146,914,010.38	37.96
145 to 156	2,414	35,987,916.65	9.30
157 to 168	1,261	16,093,699.74	4.16
169 to 180	1,692	24,180,213.95	6.25
181 to 192	1,245	18,744,926.97	4.84
193 to 204	601	9,285,434.93	2.40
205 to 216	89	997,923.49	0.26
217 to 228	7	146,393.26	0.04
229 to 240	<u>3</u>	<u>85,799.79</u>	<u>0.02</u>
Total	<u>36,293</u>	<u>\$387,004,710.93</u>	<u>100.00%</u>

**Distribution of the Issue J Loan Portfolio by Servicer  
(As of February 29, 2016)**

<u>Location</u>	<u>Number of Loans</u>	<u>Approximate Outstanding Principal Balance</u>	<u>Percent by Outstanding Principal Balance</u>
XEROX-ES	<u>36,293</u>	<u>\$387,004,710.93</u>	<u>100.00%</u>

The following chart shows the geographic distribution of the Issue J Loan Portfolio based on the permanent billing addresses of the borrowers as shown on the Servicer's records:

**Distribution of the Issue J Loan Portfolio by Geographic Location<sup>(1)</sup>**  
**(As of February 29, 2016)**

Location	Number of Loans	Approximate Outstanding Principal Balance	Percent by Outstanding Principal Balance
AK	11	\$ 76,378.34	0.02%
AL	24	310,650.31	0.08
AR	19	168,336.91	0.04
AZ	87	941,743.77	0.24
CA	1,026	13,072,469.66	3.38
CO	137	1,248,400.53	0.32
CT	1,381	15,103,520.12	3.90
DC	125	1,232,975.11	0.32
DE	33	369,625.42	0.10
FL	642	7,160,255.38	1.85
GA	146	1,808,584.71	0.47
HI	42	599,223.85	0.15
IA	17	154,853.25	0.04
ID	19	167,532.51	0.04
IL	219	2,555,560.03	0.66
IN	62	679,383.02	0.18
KS	42	404,431.24	0.10
KY	25	163,389.10	0.04
LA	43	467,429.36	0.12
MA	24,049	249,194,348.73	64.39
MD	295	3,334,413.00	0.86
ME	497	5,301,713.33	1.37
MI	108	1,431,101.00	0.37
MN	122	1,158,894.83	0.30
MO	60	651,304.23	0.17
MS	4	22,663.92	0.01
MT	5	42,263.71	0.01
NC	207	2,056,940.29	0.53
ND	4	24,147.43	0.01
NE	14	83,826.67	0.02
NH	1,052	11,448,485.69	2.96
NJ	791	10,024,558.32	2.59
NM	27	238,442.05	0.06
NV	49	408,014.89	0.11
NY	2,186	24,546,397.44	6.34
OH	143	1,547,896.17	0.40
OK	24	268,742.80	0.07
OR	79	703,302.90	0.18
PA	420	4,863,705.79	1.26
RI	502	4,877,895.42	1.26
SC	99	705,475.06	0.18
SD	16	122,357.35	0.03
TN	74	801,209.72	0.21
TX	341	4,124,966.82	1.07
UT	34	477,683.57	0.12
VA	282	3,306,277.73	0.85
VT	160	1,557,381.98	0.40
WA	161	1,926,792.95	0.50
WI	69	609,584.53	0.16
WV	13	48,181.84	0.01
WY	1	14,609.14	0.00 <sup>2</sup>
Other	305	4,396,389.01	1.14
Total	<u>36,293</u>	<u>\$387,004,710.93</u>	<u>100.00%</u>

(1) Based on billing addresses of borrowers shown on Servicer Records.

(2) Less than 0.01%.

**Distribution of the Issue J Loan Portfolio by School  
(As of February 29, 2016)**

School Name <sup>(1)</sup>	Number of Loans	Approximate Outstanding Principal Balance	Percent by Outstanding Principal Balance
Boston University	2,567	\$ 28,926,847.94	7.47%
University of Massachusetts at Amherst	3,433	26,113,710.95	6.75
Northeastern University	1,597	18,408,350.76	4.76
Boston College	1,309	16,180,349.33	4.18
Suffolk University	977	11,145,931.71	2.88
College of The Holy Cross	837	9,024,842.62	2.33
Bentley University	676	8,015,891.81	2.07
University of Massachusetts Dartmouth	1,009	7,933,887.86	2.05
Wentworth Institute of Technology	652	7,815,763.11	2.02
Western New England College	505	6,529,360.50	1.69
Berklee College of Music	393	6,332,201.47	1.64
University of Massachusetts Lowell	812	6,191,819.52	1.60
Massachusetts College of Pharmacy & Health Science	386	6,042,998.05	1.56
Harvard University	586	5,974,858.67	1.54
University of New Hampshire	384	5,617,312.17	1.45
Merrimack College	436	5,245,094.59	1.36
Tufts University	421	5,243,891.46	1.35
Curry College	359	5,239,333.29	1.35
Bridgewater State University	739	5,212,280.15	1.35
Emmanuel College	409	5,125,676.60	1.32
Assumption College	540	4,887,461.77	1.26
Stonehill College	406	4,541,549.44	1.17
Worcester Polytechnic Institute	336	4,273,074.86	1.10
Springfield College	477	4,048,086.69	1.05
University of Massachusetts Boston	539	3,823,054.47	0.99
Babson College	346	3,797,528.11	0.98
Brandeis University	413	3,761,881.60	0.97
Simmons College	382	3,730,768.64	0.96
Lesley University	313	3,564,757.73	0.92
Salem State University	484	3,512,729.47	0.91
Other	<u>13,570</u>	<u>150,743,415.59</u>	<u>38.95</u>
Total	<u>36,293</u>	<u>\$387,004,710.93</u>	<u>100.00%</u>

<sup>(1)</sup> Listed schools represent approximately 61% of total loan balance outstanding.

## BOOK-ENTRY ONLY SYSTEM

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

**The Authority and the Underwriters cannot and do not give any assurances that DTC, Participants or others will properly distribute: (i) payments of debt service on the Series 2016 Bonds paid to DTC, or its nominee owner, as the registered owners; or (ii) any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis or that DTC will serve and act in the manner described in this Official Statement.**

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Series 2016 Bonds. The Series 2016 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2016 Bond certificate will be issued for each maturity (and interest rate, if applicable) of the Series 2016 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](http://www.dtcc.com).

Purchases of Series 2016 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2016 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2016 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2016 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2016 Bonds, except in the event that use of the book-entry system for the Series 2016 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2016 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2016 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2016 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2016 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to DTC. If less than all of the Series 2016 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to Series 2016 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2016 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, interest and any other redemption payments on the Series 2016 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, interest and any other redemption payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2016 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2016 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 Series 2016 Bonds. In that event, Series 2016 Bond certificates will be printed and delivered. See "— Certificated Series 2016 Bonds."

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

NEITHER THE AUTHORITY NOR THE TRUSTEE HAS ANY RESPONSIBILITY OR OBLIGATION TO ANY PARTICIPANT OR THE PERSONS TO WHOM THEY ACT AS NOMINEES WITH RESPECT TO: THE ACCURACY OF THE RECORDS MAINTAINED BY DTC, CEDE & CO. OR ANY PARTICIPANT; PAYMENTS TO, OR THE PROVIDING OF NOTICE FOR, ANY PARTICIPANT OR ANY INDIRECT PARTICIPANT OR BENEFICIAL OWNER; THE SELECTION BY DTC OR ANY PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2016 BONDS; OR ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED OWNER OF SERIES 2016 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 Series 2016 Bonds.

Owners of book-entry interests in the Series 2016 Bonds (book-entry interest owners) will not receive or have the right under the Resolution to receive physical delivery of the Series 2016 Bonds.

### **Certificated Series 2016 Bonds**

In addition, the Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository) with respect to the Series 2016 Bonds. If for any reason the book-entry only system is discontinued, the Series 2016 Bond certificates will be delivered as described in the Resolution and the Beneficial Owner, upon registration of certificates held in the Beneficial Owner’s name, will become the Bondholder. Thereafter Series 2016 Bonds may be exchanged for an equal aggregate principal amount of Series 2016 Bonds in other authorized denominations, upon surrender thereof at the principal corporate trust office of the Trustee. The transfer of any Series 2016 Bond may be registered on the books maintained by the Trustee for such purpose only upon the surrender thereof to the Trustee with a duly executed assignment in form satisfactory to the Trustee. For every exchange or registration of transfer of Series 2016 Bonds, the Authority and the Trustee may make a charge sufficient to reimburse them for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer, but no other charge may be made to the owner for any exchange or registration of transfer of the Series 2016 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 Series 2016 Bonds, the Authority's general counsel will deliver an opinion to the effect that there is no litigation, inquiry or investigation before or by any court, public board or body known to be pending or, to the best of such counsel's knowledge, threatened against the Authority affecting the creation, organization or corporate existence of the Authority or the title of its present members or officers to their respective offices; seeking to prohibit, restrain or enjoin the issuance or delivery of the Series 2016 Bonds or the collection of Revenues of the Authority or the pledge of assets and Revenues under the Resolution; in any way contesting or affecting the validity or enforceability of the Series 2016 Bonds, the Resolution, the Servicing Agreement, or the Operations Manual; or contesting in any material respect the completeness or accuracy of this Official Statement.

Such opinion shall also be to the effect that the Authority is not unreasonable in its opinion that any litigation which is pending against the Authority is routine litigation incidental to the operations of the Authority unlikely to have a material effect on its power or authority to satisfy its obligations with respect to the Series 2016 Bonds.

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 J Bonds or that might result in the redemption prior to scheduled amortization of Issue J 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 Series 2016 Bonds are subject to the approval of Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., Boston, Massachusetts, Bond Counsel and general counsel to the Authority. The unqualified approving opinion of such Bond Counsel, substantially in the form set forth in APPENDIX D hereto, will be delivered upon the issuance of the Series 2016 Bonds. Certain legal matters will be passed upon for the Underwriters by their counsel, Kutak Rock LLP, Denver, Colorado.

## TAX EXEMPTION

### Federal Tax Matters

Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., bond counsel to the Authority (“Bond Counsel”) is of the opinion that, under existing law, interest on the Series 2016 Bonds will not be included in the gross income of holders of such Series 2016 Bonds for federal income tax purposes. Bond Counsel’s opinion is expressly conditioned upon continued compliance by the Authority with certain requirements imposed by the Internal Revenue Code of 1986, as amended (the “Code”), which requirements must be satisfied subsequent to the date of issuance of the Series 2016 Bonds in order to ensure that the interest on the Series 2016 Bonds is and continues to be excludable from the gross income of the holders of the Series 2016 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 Series 2016 Bonds be invested at a yield not materially higher than the yield on the Series 2016 Bonds and that certain profits earned from investment of proceeds of the Series 2016 Bonds be rebated to the United States. The Authority has provided certifications and covenants as to its continued compliance with such requirements. Failure to so comply could cause the interest on the Series 2016 Bonds to be included in the gross income of the holders thereof retroactive to the date of issuance of the Series 2016 Bonds.

Bond Counsel is of the opinion that, under existing law, interest on the Series 2016 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 Series 2016 Bonds. However, prospective purchasers of the Series 2016 Bonds should also be aware that: (i) section 265 of the Code generally denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Series 2016 Bonds and, in the case of a financial institution, that portion of the holder’s interest expense allocated to the Series 2016 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 Series 2016 Bonds; (iii) interest on the Series 2016 Bonds earned by certain foreign corporations doing business in the United States could be subject to a foreign branch profits tax imposed by section 884 of the Code; (iv) passive investment income, including interest on the Series 2016 Bonds, may be subject to federal income taxation under section 1375 of the Code for an S Corporation that has Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such S Corporation is passive investment income; (v) section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest on the Series 2016 Bonds; and (vi) receipt of investment income, including interest on the Series 2016 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 Series 2016 Bonds includes any accrued original issue discount. Generally, original issue discount with respect to a Series 2016 Bond is equal to the excess, if any, of the stated redemption price at maturity of such Series 2016 Bond over the initial offering price at which price a substantial amount of all such Series 2016 Bonds with the same maturity were sold (other than to Underwriters and other intermediaries). Original issue discount accrues based on a constant yield method over the term of a Series 2016 Bond and results in a corresponding increase in the holder’s tax basis in such Series 2016 Bond. Holders should consult their own tax advisors with respect to the computation of original issue discount during the period in which any such Series 2016 Bond is held.

An amount equal to the excess, if any, of the purchase price of a Series 2016 Bond over the principal amount payable at maturity generally constitutes amortizable bond premium. The required amortization of such premium during the term of a Series 2016 Bond will result in reduction of the holder's tax basis in such Series 2016 Bond. Such amortization also will result in reduction of the amount of the stated interest on the Series 2016 Bond taken into account as interest for tax purposes. Holders of Series 2016 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 Series 2016 Bonds is 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 Bondholder 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 Bondholder as being subject to backup withholding because of prior underreporting. Neither the information reporting requirement nor the backup withholding requirement affects the excludability of interest on the Series 2016 Bonds from gross income for federal tax purposes.

### **Massachusetts Tax Matters**

In the opinion of Bond Counsel, under existing law, interest, including any original issue discount, on the Series 2016 Bonds and any profit made on the sale thereof are exempt from Massachusetts personal income taxes, and the Series 2016 Bonds are exempt from Massachusetts personal property taxes. Bond Counsel has not opined as to the other Massachusetts tax consequences arising with respect to the Series 2016 Bonds. Prospective purchasers should be aware, however, that the Series 2016 Bonds are included in the measure of Massachusetts estate and inheritance taxes, and the Series 2016 Bonds and the interest thereon are included in the measure of Massachusetts corporate excise and franchise taxes. Bond Counsel has not opined as to the taxability of the Series 2016 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 Series 2016 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 Series 2016 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 Series 2016 Bonds or the tax consequences of ownership of the Series 2016 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 Series 2016 Bonds from gross income for federal income tax purposes or any state tax benefit. Tax reform proposals and deficit reduction measures, including the limitation of federal tax expenditures, are expected to be under ongoing consideration by the United States Congress. 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 Series 2016 Bonds, and, if enacted into law, could also affect the tax treatment of all or a portion of the interest on the Series 2016 Bonds for some or all holders. Holders should consult their own tax advisors with respect to any of the foregoing tax consequences.

## UNDERWRITING

The Series 2016 Bonds are being purchased by RBC Capital Markets, 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 Series 2016 Bonds at par plus net original issue premium in exchange for an aggregate fee (including reimbursable expenses) equal to \$2,234,783.00. The initial public offering prices of the Series 2016 Bonds set forth on the inside front cover page hereof may be changed without notice by the Underwriters. The Underwriters may offer and sell the Series 2016 Bonds to certain dealers (including dealers depositing the Series 2016 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.

During and after the offering, the Underwriters may engage in transactions, including open market purchases and sales, to stabilize the prices of the Series 2016 Bonds. The Underwriters, for example, may over-allot the Series 2016 Bonds for the account of the underwriting syndicate to create a syndicate short position by accepting orders for more Series 2016 Bonds than are to be sold. In general, over allotment transactions and open market purchases of the Series 2016 Bonds for the purpose of stabilization or to reduce a short position could cause the price of a Series 2016 Bond to be higher than it might be in the absence of those transactions. The Underwriters or their affiliates may retain a material percentage of the Series 2016 Bonds for their own accounts. The retained Series 2016 Bonds may be resold by such Underwriter or such affiliates at any time in one or more negotiated transactions at varying prices to be determined at the time of sale.

The Underwriters (and their affiliates) are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. Certain of the Underwriters may have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Authority, for which such Underwriters received or will receive customary fees and expenses. In the ordinary course of its various business activities, the Underwriters may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own accounts and/or the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investments and securities may involve securities and instruments of the Authority. The Underwriters may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities, or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

J.P. Morgan Securities LLC (“JPMS”), one of the Underwriters of the Series 2016 Bonds, has entered into negotiated dealer agreements (each, a “Dealer Agreement”) with each of Charles Schwab & Co., Inc. (“CS&Co.”) and LPL Financial LLC (“LPL”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Series 2016 Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2016 Bonds that such firm sells.

## **RATINGS**

At the time of issuance, the Series 2016 Bonds are expected to be rated “AA(sf)” by S&P and “Asf” by Fitch. Assignment of such ratings and underlying ratings to the Series 2016 Bonds is a precondition to delivery of the Series 2016 Bonds.

Such ratings reflect only the views of the applicable nationally recognized statistical rating organization 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 organization 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 organization if, in the judgment of Fitch or S&P, as the case may be, circumstances so warrant. Any such downward revision or withdrawal of any such rating may have an adverse effect on the market price of the Series 2016 Bonds or on the existence of a secondary market for the Series 2016 Bonds. The ratings are not a recommendation to buy or sell the Series 2016 Bonds, and are not a comment as to the suitability of the Series 2016 Bonds for any investor.

## **NEGOTIABLE INSTRUMENTS**

Pursuant to the Act, the Series 2016 Bonds are negotiable instruments, subject only to the provisions for registration of the Series 2016 Bonds.

## **COMMONWEALTH NOT LIABLE ON ISSUE J BONDS**

The Issue J Bonds, including the Series 2016 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 J Bonds, including the Series 2016 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 Series 2016 Bonds (a “Continuing Disclosure Agreement”) with U.S. Bank National Association, as dissemination agent, for the benefit of Bondholders of such Series of the Series 2016 Bonds setting forth the undertaking of the Authority regarding continuing disclosure with respect to the Series 2016 Bonds. The proposed form of the Continuing Disclosure Agreement is set forth in APPENDIX E.

During the last five years, the Authority has complied with all previous undertakings to provide annual reports or notices of material events in accordance with the Rule, except that relevant annual information and financial statements for the Authority’s Student Loan Asset-Backed Notes, Series 2008 (Taxable) and certain annual information with respect to the Authority’s Issue H Bonds and Issue I Bonds were made publicly available on the Authority’s website ([www.mefa.org/investor-relations](http://www.mefa.org/investor-relations)) but were not posted to the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system. Such information was subsequently filed or incorporated by reference therein. In addition, during the last five years, the Authority did not file, on a timely basis, certain notices, which have subsequently been

filed, (i) with respect to rating upgrades of four maturities of the Authority's Issue I Bonds and one maturity of its Issue E Bonds and (ii) of rating downgrades for the bond insurer backing the Authority's Issue H Bonds.

#### **AVAILABILITY OF FINANCIAL AND OTHER AUTHORITY INFORMATION**

The financial statements of the Authority as of and for the years ended June 30, 2015 and June 30, 2014 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 Issue J Bonds, including the Series 2016 Bonds, are special obligations of the Authority, payable only from the Revenues and other Loan Program assets pledged under the Issue J 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 Issue J Bonds, including the Series 2016 Bonds.***

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 Resolution to make periodic Issue J Loan Portfolio information publicly available no less frequently than quarterly. Such information will include operating data substantially of the type described under "ISSUE J LOAN PORTFOLIO" as applicable to the MEFA Loans then included in the Issue J Loan Portfolio. The Authority reserves the rights, however: (i) to alter the format in which such periodic information is presented; and (ii) to make such periodic information available either by posting as part of, or in the same manner as, annual reports filed pursuant to the Continuing Disclosure Agreement described in APPENDIX E to this Official Statement or, subject to compliance with such Continuing Disclosure Agreement, by posting on a publicly accessible website.

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 trust estate for the Issue J Bonds, 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](http://www.mefa.org). Such information may include some or all of the information described under "ISSUE J LOAN PORTFOLIO," as applicable to the Fixed Rate MEFA Loans then included in the Issue J 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 J 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.

**MUNICIPAL ADVISOR**

Samuel A. Ramirez and Company, Inc. (“Ramirez”) has acted as an independent municipal 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 Series 2016 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 Series 2016 Bonds are fully set forth in the Resolution, and neither any advertisement of the Series 2016 Bonds nor this Official Statement is to be construed as constituting an agreement with the purchasers of the Series 2016 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: May 25, 2016

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# **Massachusetts Educational Financing Authority**

**Financial Statements with Management's  
Discussion and Analysis  
June 30, 2015 and 2014**

**Massachusetts Educational Financing Authority**  
**Index**  
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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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### 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, 2015 (FY15), 2014 (FY14) and 2013 (FY13). 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 1981, 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. As part of the FFELP, the U.S. Department of Education (the "ED") makes special allowance payments based upon the type of loan and regulations in effect at the time of origination and could result in the loan yield to the lender being higher than the rate charged to 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 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 Statement of Net Position, Statement of Revenue, Expenses, and Changes in Net Position 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 Statement of Net Position includes all assets, deferred outflows, liabilities and deferred inflows 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 Position 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 ("GAAP"), 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.

## **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. Under the loan programs, the Authority disbursed \$185M in private loans in FY15 compared to \$177M in FY14. In the U.Fund, net assets continued to grow, increasing 4% in FY15 and 15% in FY14. Contributions to the U.Fund increased by 7% in both FY15 and FY14. For the U.Plan, the Authority had \$13.8M of matured tuition certificates on its financial statements as a liability to program participants at the end of FY15 and \$7M of deposits for the purchase of tuition certificates effective August 1, 2015. The principal operating revenues for the Authority continue to be interest on education loans. Non-operating revenues are primarily composed of arbitrage rebate income, gains of bond redemptions and investment income. The principal operating expenses are bond interest expense and general and administrative costs. Non-operating expenses are primarily composed of loan program features.

Total net position was \$190.6M at the end of FY15, which represents an increase of \$18.5M or 11% 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 \$93.7M and represents 86% of total revenues in an improving consumer credit environment. Interest expense on bonds outstanding, was \$66.1M, or 73% of total expenses. The Authority's general and administrative expenses decreased by 4% to \$16.9M and represented 19% of total operating expenses. Non-operating revenues includes arbitrage rebate income of \$400K, gain on bonds purchased in lieu of redemption of \$130K as well as interest and dividend income of \$205K as assets continue to be invested in vehicles providing short-term flexibility and principal protection. Non-operating expenses were \$1.2M and represent loan program related expenses in FY15.

## OPERATING AND NON-OPERATING RESULTS

The following illustrates the comparative results of total revenues from fiscal years ended June 30, 2015, 2014 and 2013, respectively:

(in thousands)

	2015	2014	2013
<b>Operating revenues</b>			
Interest on educational loan notes receivable	\$ 93,721	\$ 90,799	\$ 87,601
Non-interest revenues	14,362	13,466	13,103
Total operating revenues	108,083	104,265	100,704
<b>Non-operating revenues</b>	802	792	15,940
<b>Total revenues</b>	<u>\$ 108,885</u>	<u>\$ 105,057</u>	<u>\$ 116,644</u>

Total operating revenues for the Authority were \$108M in FY15; an increase of approximately 4% compared to the prior fiscal year and represents a fourth consecutive year of total operating revenue growth.

Interest income on education loan notes receivable increased by 3% from FY14 due to an increase in education loan originations and represented 87% of total operating revenues. The Authority disbursed \$185M in new loans in FY15 compared to \$177M in FY14. Non-interest revenues, which were comprised of loan origination fees, college savings plan revenues and other income, were \$14.4M in FY15, an increase of 7% from the prior fiscal year. Loan origination fees increased 5% to \$7.8M in FY15 due to increased loan originations and represented 54% of non-interest revenues. College savings plan revenues increased by 6% to \$5.1M in 2015 as a result of an increase in assets under management in the U.Fund and represented approximately 35% of non-interest revenues. Other non-interest operating revenues were \$1.5M in FY15 and represented 11% on non-interest revenues, which is consistent with prior fiscal years.

Total non-operating revenues for the Authority were \$802K in FY15, an increase of \$10K compared to the prior fiscal year and include arbitrage rebate income, investment income and gain on bonds purchased in lieu of redemption.

Arbitrage rebate filings for the tax-exempt bond portfolio resulted in income of \$400K in FY15 compared to \$12K in the prior fiscal year. Interest rate levels remained suppressed in FY15 and the investment portfolio reacted accordingly by producing \$205K of interest and dividend income compared to \$291K in FY14. Gains on bonds purchased in lieu of redemption were \$130K in FY15 as the Authority continues to decrease its auction rate certificate exposure. FY14 and FY13 included gains on bonds purchased in lieu of redemption of \$489K and \$13.9M, respectively. The Authority also recognized non-operating revenue of \$67K relating to the change in fair value of non-hedging derivatives in FY15.

As a result of these activities, total revenues increased by \$3.8M or approximately 4% compared to the prior fiscal year.

The following illustrates the comparative results of total expenses from fiscal years ended June 30, 2015, 2014 and 2013, respectively:

(in thousands)

	2015	2014	2013
<b>Operating expenses</b>			
Interest expense on bonds outstanding	\$ 66,146	\$ 66,325	\$ 64,554
Non-interest expenses	22,995	27,457	28,451
Total operating expenses	89,141	93,782	93,005
<b>Non-operating expenses</b>	1,214	1,554	2,437
<b>Total expenses</b>	\$ 90,355	\$ 95,336	\$ 95,442

Total operating expenses for the Authority were \$89M in FY15, a decrease of 5% compared to the prior fiscal year.

Interest expense for bonds outstanding remained relatively flat compared to FY14 and represented 73% of operating expenses, which is consistent with prior years. FY15 interest expense decreased due to a decrease in bonds outstanding, which fully offset a full year of interest expense for bonds issued at the end of FY14.

Non-interest operating expenses decreased by \$4.5M or 16% in FY15 due to a decrease in the provision for doubtful education loan notes, bond issuance costs and general and administrative expenses. The provision for doubtful educational loan notes decreased to \$3.6M in FY15 compared to \$6.4M in FY14 as the seasoned loan portfolio performed as projected and new loan originations were added to the allowance. The provision for doubtful education loan notes receivable represented 16%, 23% and 21% of total non-interest operating expenses for each year presented. FY15 bond issuance costs decreased by \$1M compared to FY14 as the Issue I 2015A capital market transaction closed subsequent to year end and only bond issuance costs incurred in FY15 were accrued. General and administrative expenses were \$16.9M in FY2015, a decrease of 4% from FY14 due to the restructuring of the outsourced partnership that maintains the web based outreach platform and continued savings from the consolidation of marketing vendors. General and administrative expenses represented 73%, 64%, and 61% of total non-interest operating expenses for each year presented.

Non-operating expenses for the Authority were \$1.2M in FY15, a decrease of \$340K or 22% compared to the prior fiscal year.

FY2015 non-operating expenses consisted of commitment fee reimbursement accruals of \$1.2M related to historical originations that incorporated this loan program feature. No commitment fee reimbursement accruals were required in FY14 and FY13 included commitment fee reimbursements of \$1.4M. FY14 and FY13 included a \$1M payment to the Commonwealth for program and administrative expenditures for higher educational services to Massachusetts students that began in fiscal year 2009. The Commonwealth's budget did not require a contribution from the Authority for these services in FY15.

As a result of these activities, total expenses decreased by \$5M or 5% compared to the prior fiscal year.

**CHANGE IN NET POSITION**

The following illustrates the comparative results of increases in net position from fiscal years ended June 30, 2015, 2014 and 2013, respectively:

(in thousands)

	2015	2014	2013
Operating revenues	\$ 108,083	\$ 104,265	\$ 100,704
Operating expenses	89,141	93,782	93,005
<b>Operating income</b>	18,942	10,483	7,699
Non-operating revenues	802	792	15,940
Non-operating expenses	1,214	1,554	2,437
<b>Non-operating (loss) income</b>	(412)	(762)	13,503
<b>Increase in net position</b>	<u>\$ 18,530</u>	<u>\$ 9,721</u>	<u>\$ 21,202</u>

The Authority had operating income of \$18.9M in FY15, which was an increase of \$8.5M from FY14 operating income. FY15 operating income reflects a \$3.8M or 4% increase in operating revenues mostly driven by a \$3.3M increase in education loan notes interest income and loan origination fees. Operating expense decreased by \$4.6M or 5% mostly due to a decrease in the provision for doubtful education loan notes, bond issuance costs and general and administrative expenses. FY14 operating income increased by \$2.8M, or 36%, to \$10.5M. FY14 operating revenues increased 4% as interest on education loan notes increased by \$3.2M and operating expense remained relatively flat.

The Authority had a non-operating loss in FY15 of \$412K representing a \$350K decrease from the non-operating loss in the prior fiscal year. FY15 non-operating revenue remained relatively flat compared to the prior fiscal year. FY13 non-operating revenue included a gain of \$13.9M on bonds purchased in lieu of redemption. FY15 non-operating expense decreased by \$340K and represents commitment fee reimbursement accruals related to historical loan originations that incorporated this program feature. Commitment fee reimbursement accruals were \$1.2M, \$0 and \$1.4M in FY15, FY14 and FY13 respectively. FY14 and FY13 non-operating expenses also included payments to the Commonwealth of \$1M for program and administrative expenditures related to higher educational services to Massachusetts students that began in fiscal year 2009. The Commonwealth’s budget did not require a contribution from the Authority for these services in FY15.

As a result of these activities, net position increased \$18.5M during FY15.

## FINANCIAL POSITION

The following table reflects the condensed Statement of Net Position at June 30, 2015 compared to the prior fiscal years ended 2014 and 2013. The Statement of Net Position presents the financial position and financial strength of the Authority at the end of the fiscal year and includes all of the assets, liabilities and deferred inflows of the Authority with the residual being classified as net position.

(in thousands)

	2015	2014	2013
<b>Assets</b>			
Cash and investments	\$ 247,128	\$ 402,091	\$ 366,981
Education loan notes receivable	1,469,761	1,472,148	1,458,096
Other assets	35,959	37,893	36,135
<b>Total assets</b>	<b>1,752,848</b>	<b>1,912,132</b>	<b>1,861,212</b>
<b>Liabilities</b>			
Bonds payable	1,484,849	1,661,365	1,619,467
Bond interest payable	33,875	33,648	31,394
Other liabilities	28,063	26,990	27,094
<b>Total liabilities</b>	<b>1,546,787</b>	<b>1,722,003</b>	<b>1,677,955</b>
<b>Deferred Inflows</b>			
Gain on bond refunding	15,360	17,965	20,752
Hedging instruments	96	89	151
<b>Total deferred inflows</b>	<b>15,456</b>	<b>18,054</b>	<b>20,903</b>
<b>Net Position</b>			
Invested in capital assets	928	884	1,314
Restricted	177,047	162,904	150,593
Unrestricted	12,630	8,287	10,447
<b>Total net position</b>	<b>\$ 190,605</b>	<b>\$ 172,075</b>	<b>\$ 162,354</b>

Total net position was \$190.6M at June 30, 2015, an increase of \$18.5M from the beginning of the fiscal year, or 11%.

As the Issue I 2015A capital market transaction did not close until after fiscal year end, the FY15 balance sheet does not include the related cash proceeds and corresponding bonds payable from that issuance. FY14 and FY13 capital market transactions closed before their respective year ends and this is reflected in the cash and bonds payable balances in those years.

The decrease in FY15 cash and investments is the net result of \$246M of net cash used for debt service and \$91M of net cash provided by loan and college savings program operating activities. Education loan notes receivable remained consistent year over year. The three-year ratio trend of education loan note receivables to total assets was 84%, 77% and 78% at June 30, 2015, 2014 and 2013, respectively. Other assets decreased by 5% mostly due to a decrease in interest receivable as interest deferred while loans are in school is reclassified to education loan notes receivable once loans enter repayment.

Bonds payable decreased by approximately 11% as \$174M of bonds payable were retired in FY15. Other liabilities increased by 4% mostly due to \$1.2M of commitment fee reimbursements accrued in FY15. Gain on bond refunding decreased \$3M or approximately 15% in FY15 due to the current year amortization of gains deferred in previous fiscal years.

Within net position, 93% is comprised of invested in capital assets and those assets that are restricted through bond resolutions and program specific regulations. Restricted assets in FY15 increased by 8.7% over the prior year and unrestricted net assets increased to \$12.6M due to savings reflected in program expenses and not having to contribute to the Commonwealth's budget.

## 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 \$203.7M, \$365.1M, and \$328.8M at June 30, 2015, 2014 and 2013, 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, 2015, 2014 and 2013, 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>FY2015</u>	<u>FY2014</u>	<u>FY2013</u>
Allowance at beginning of period	\$46,273	\$39,867	\$33,778
Provision for education loan losses	<u>\$3,603</u>	<u>\$6,406</u>	<u>\$6,089</u>
Allowance at end of period	<u>\$49,876</u>	<u>\$46,273</u>	<u>\$39,867</u>
Gross loan defaults	\$14,768	\$16,161	\$22,948
Recoveries	\$8,541	\$9,983	\$10,261
Net loan defaults	<u>\$6,227</u>	<u>\$6,178</u>	<u>\$12,687</u>
Net loan defaults as a percentage of average loans in repayment	0.52%	0.52%	1.07%
Allowance multiple of average non-current loans in repayment (90+ days)	2.39	2.13	1.65
Allowance as a percentage of the ending total loan balance	3.50%	3.23%	2.81%
Allowance as a percent of ending loans in repayment	4.15%	3.88%	3.36%
Ending total loans, gross	\$1,426,918	\$1,432,072	\$1,418,044
12 month average in repayment	\$1,208,297	\$1,192,776	\$1,186,646
Ending loans in repayment	\$1,202,963	\$1,193,371	\$1,185,723
12 month average 90+ days delinquent	\$20,895	\$21,683	\$24,165
90+ days delinquent % of avg. repayment	1.73%	1.82%	2.04%

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 any of the fiscal years presented.

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, 2015, the total principal balance outstanding of loans in a modification status was \$70M, or 6% of all loans in

repayment. At June 30, 2015, these modified loans were 97% current, defined as less than 30 days past due, in regard to monthly payments received under the modified terms.

During FY2015, the Authority continued its methodology for estimating the allowance for doubtful accounts, which 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. The FY15 provision for education loan losses was \$3.6M, which increased the allowance for doubtful accounts to \$49.9M. The FY14 provision for education loan losses was \$6.4M. The amount of loans in repayment increased by \$10M, or less than 1%, in FY15 and increased \$8M, or less than 1% in FY14. The amount of loans in deferment at June 30, 2015 decreased by 6% to \$224M or 16% of gross education loan receivables. The amount of loans in deferment at June 30, 2014 increased by 3% to \$238M or 17% of gross education loan receivables. Approximately \$3.7M of the allowance for doubtful accounts is allocated to education loans in deferment in FY15. Approximately \$4.0M of the defaulted loan provision allowance is allocated to education loans in deferment in FY14.

## **DEBT ADMINISTRATION**

As of June 30, 2015, the Authority had \$1.5B of principal debt outstanding which represented an 11% decrease from FY2014. 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, Issue J and Issue K indenture are not insured and have 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 represent 90% of the outstanding bond portfolio (no change from 90% in FY2014 and an increase from 88% in FY2013)
- Annual tax-exempt auction rate bonds that were issued to fund the annual variable rate loans accounted for 0.7% of the outstanding bond portfolio (no change from 0.7% in FY2014 and FY2013)
- 35 day tax-exempt auction rate bonds that were issued to fund FFELP loan products and variable rate private loans were 1% of the outstanding bond portfolio (no change from 1% in FY 2014 and FY2013)
- 28 day taxable auction rate bonds that were issued to fund variable rate private loans were 1% of the outstanding bond portfolio (no change from 1% in FY2014 and FY2013)
- 7 day taxable auction rate bonds that were issued to fund variable rate private loans were 0.3% of the outstanding bond portfolio (no change from 0.3% in FY2014 and FY2013)
- Floating Rate Notes indexed to Libor that were issued in 2008 to fund existing FFELP loan products represent 7% of the outstanding bond portfolio (no change from 7% in FY2014 and a decrease from 9% in FY2013)

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, 2015, the Authority had outstanding \$167M in notional derivative products, a decrease of \$13M from FY14, composed of tax-exempt and taxable bonds with a cap on the variable interest rate.

## CAPITAL ASSETS

For the year ended June 30, 2015, the Authority had \$928K invested in capital assets. This amount represents a net increase (additions and depreciation) of \$44K in such assets. The following reconciliation summarizes the change in capital assets. The Authority purchased \$496K of new capital assets during FY2015 which were primarily related to computer hardware & software development.

(in thousands)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Beginning balance, net	\$ 884	\$ 1,314	\$ 1,739
Additions	496	150	365
Depreciation	<u>(452)</u>	<u>(580)</u>	<u>(790)</u>
Ending balance, net	<u>\$ 928</u>	<u>\$ 884</u>	<u>\$ 1,314</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, 4<sup>th</sup> Floor, Boston, Massachusetts 02110.



## **Independent Auditor's Report**

To the Members of the Massachusetts Educational Financing Authority:

We have audited the accompanying financial statements of Massachusetts Educational Financing Authority (the "Authority"), which comprise the statements of net position as of June 30, 2015 and June 30, 2014, and the related statements of revenues, expenses, and changes in net position and the statements of cash flows for the years then ended.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Massachusetts Educational Financing Authority at June 30, 2015 and June 30, 2014, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.



### ***Other Matters***

The accompanying Management's Discussion and Analysis ("MD&A") for the years ended June 30, 2015, 2014 and 2013 on pages 1 through 9 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 MD&A and 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 financial statements that collectively comprise the Authority's basic financial statements. The supplemental information on pages 37 through 44 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The supplemental 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 supplemental 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.

*Primmeterhouse Coopers LLP*

Boston, Massachusetts  
December 21, 2015

**Massachusetts Educational Financing Authority**  
**Statements of Net Position**  
As of June 30, 2015 and 2014  
(in thousands)

	2015	2014
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents (Notes 3 and 4)	\$ 175,617	\$ 138,478
Investments, at fair value (Notes 3 and 4)	24,218	24,131
Education loan notes receivable, net (Notes 5 and 10)	201,677	193,677
Interest receivable on educational loan notes	31,003	33,934
Prepaid expenses and other assets	3,013	2,134
<b>Total current assets</b>	<u>435,528</u>	<u>392,354</u>
<b>Non-current assets</b>		
Cash and cash equivalents (Notes 3 and 4)	28,118	226,644
Investments, at fair value (Notes 3 and 4)	19,175	12,838
Derivative instruments – caps (Notes 3 and 7)	1,015	941
Education loan notes receivable, net (Notes 5 and 10)	1,268,084	1,278,471
Capital equipment, net of accumulated depreciation (Note 13)	928	884
<b>Total assets</b>	<u>\$ 1,752,848</u>	<u>\$ 1,912,132</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 16,693	\$ 16,443
Bonds payable – current portion (Note 6)	34,618	27,253
Certificates payable (Note 9)	7,079	7,030
Accrued bond interest payable	33,875	33,648
Other liabilities – current (Note 8)	2,916	-
<b>Total current liabilities</b>	<u>95,181</u>	<u>84,374</u>
<b>Non-current liabilities</b>		
Bonds payable – net of current portion (Note 6)	1,450,231	1,634,112
Other liabilities – non-current (Note 8)	1,375	3,517
<b>Total liabilities</b>	<u>1,546,787</u>	<u>1,722,003</u>
<b>Deferred inflows of resources</b>		
Net gain on bond refunding (Notes 3 and 6)	15,360	17,965
Hedging instruments (Notes 3 and 7)	96	89
<b>Total deferred inflows of resources</b>	<u>15,456</u>	<u>18,054</u>
<b>Total liabilities and deferred inflows of resources</b>	<u>1,562,243</u>	<u>1,740,057</u>
<b>Net position</b>		
Invested in capital assets	928	884
Restricted	177,047	162,904
Unrestricted	12,630	8,287
<b>Total net position</b>	<u>190,605</u>	<u>172,075</u>
<b>Total liabilities, deferred inflows of resources and net position</b>	<u>\$ 1,752,848</u>	<u>\$ 1,912,132</u>

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

**Massachusetts Educational Financing Authority**  
**Statements of Revenues, Expenses and Changes in Net Position**  
For the years ended June 30, 2015 and 2014  
(in thousands)

	2015	2014
<b>Operating revenues</b>		
Interest on education loan notes receivable (Note 3)	\$ 93,721	\$ 90,799
Loan origination fees	7,821	7,449
College savings plan interest and fees	5,013	4,722
Other revenue	1,528	1,295
<b>Total operating revenues</b>	<b>108,083</b>	<b>104,265</b>
<b>Operating expenses</b>		
Bond interest expense (Note 6)	66,146	66,325
Bond insurance	337	397
Costs of bond issuance	780	1,780
Provision for doubtful education loan notes receivable	3,603	6,406
Credit decision fees	882	843
General and administrative (Notes 3, 11, 12, and 13)	16,869	17,612
Other expense	524	419
<b>Total operating expenses</b>	<b>89,141</b>	<b>93,782</b>
<b>Operating income</b>	<b>18,942</b>	<b>10,483</b>
<b>Non-operating (expenses) revenues</b>		
Gain on bond redemption (Note 15)	130	489
Interest and dividends	205	291
Arbitrage rebate income (Note 3)	400	12
Increase (decrease) in fair value of derivative instruments	67	(554)
Commitment fees to participating schools (Note 8)	(1,214)	-
Contributions to the Commonwealth (Note 14)	-	(1,000)
<b>Net non-operating expenses</b>	<b>(412)</b>	<b>(762)</b>
<b>Total increase in net position</b>	<b>18,530</b>	<b>9,721</b>
<b>Net position, beginning of year</b>	<b>172,075</b>	<b>162,354</b>
<b>Net position, end of year</b>	<b>\$ 190,605</b>	<b>\$ 172,075</b>

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, 2015 and 2014  
(in thousands)

	2015	2014
<b>Cash flows from operating activities:</b>		
Payments for disbursed loans	\$ (185,102)	\$ (177,017)
Payments received on outstanding loan principal	212,591	179,743
General and administrative payments	(17,676)	(18,513)
Interest received on education loans	75,244	71,653
Proceeds from other sources	6,328	6,192
<b>Net cash provided by operating activities</b>	<u>91,385</u>	<u>62,058</u>
<b>Cash flows from non-capital financing activities:</b>		
Proceeds from issuance of bonds	-	201,234
Costs of bond issuance	(780)	(1,780)
Bond interest paid	(70,832)	(68,189)
Principal payments on bonds payable	(174,078)	(157,517)
Commitment fees refunded to participating schools	(415)	-
Contributions to the Commonwealth	-	(1,000)
<b>Net cash used in non-capital financing activities</b>	<u>(246,105)</u>	<u>(27,252)</u>
<b>Cash flows from capital financing activities:</b>		
Purchase of capital equipment and software development	(496)	(150)
<b>Net cash used in capital financing activities</b>	<u>(496)</u>	<u>(150)</u>
<b>Cash flows from investing activities:</b>		
Proceeds from maturity/sale of investments	22,404	34,534
Purchases of investments	(28,780)	(33,122)
Interest and dividends received on cash and investments	205	293
<b>Net cash (used in) provided by investing activities</b>	<u>(6,171)</u>	<u>1,705</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	(161,387)	36,361
<b>Cash and cash equivalents, beginning of year</b>	365,122	328,761
<b>Cash and cash equivalents, end of year</b>	<u>\$ 203,735</u>	<u>\$ 365,122</u>

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, 2015 and 2014  
(in thousands)

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<b>Reconciliation of operating income to net cash provided by operating activities</b>	<u>2015</u>	<u>2014</u>
<b>Operating income</b>	\$18,942	\$10,483
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>		
Depreciation expense	452	580
Provision for doubtful education loan notes receivable	3,603	6,406
Costs of bond issuance	780	1,780
Arbitrage rebate	400	-
Bond interest expense	66,146	66,325
Changes in assets and liabilities:		
Education loan notes receivable	(1,216)	(20,458)
Interest receivable on education loan notes	2,931	(2,992)
Accounts payable and accrued expenses	226	(252)
Prepaid expenses and other assets	(879)	186
<b>Net cash provided by operating activities</b>	<u>\$91,385</u>	<u>\$62,058</u>

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

## NOTES TO FINANCIAL STATEMENTS

### 1. THE AUTHORITY

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

In furtherance of the purposes of the Act, the Authority is engaged in loan purchase programs under which participating institutions originate loans, in accordance with common criteria and procedures, for sale to the Authority. The programs are carried out using proceeds from Education Loan Revenue Bonds (the "Bonds") (see *Note 6*). 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 not-for-profit institutions in the Commonwealth as well as Commonwealth residents attending higher education institutions out of the state. During FY2015, 98 Massachusetts and 384 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, which 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. 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. 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.

As part of the FFELP, the U.S. Department of Education (the "ED") makes special allowance payments based upon the type of loan and regulations in effect at the time of origination and could result in the loan yield to the lender being higher than the rate charged to 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.

## 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").

The GASB defines the basic financial statements of a business type activity as the following: Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, the Statement of Cash Flows, Management's Discussion and Analysis and, as required, any supplemental information. The GASB also requires the categorization of the former fund balance section of the Statement of Net Position into three components. The Statement of Net Position is presented to illustrate both the current and non-current balances of each asset and liability, as well as deferred outflows of resources and deferred inflows of resources. All revenues and expenses are classified as either operating or non-operating activities in the Statement of Revenues, Expenses and Changes in Net Position. 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 position represents the residual interest in the Authority's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted. For external accounting and reporting purposes, net position is 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 position:** net position 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 6*).

The assets, deferred outflows, liabilities, deferred inflows, and net position 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 9*).

- **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.

- **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 position:** net position that is not subjected to externally imposed stipulations. Unrestricted net position 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 position includes 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. The Authority's unrestricted assets are all expendable and discussed below:
  - **General Fund**  
The General Fund, through monthly draws from the Trusteed Funds 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 position of the program are classified on the Statement of Net Position as unrestricted (*see Note 9*).

### 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 6*). 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 Statement of Net Position 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 and short term money market funds in the Trusteed Funds. The investments of the Authority, the alternatives of which are governed by the Authority's enabling legislation, include short term money market funds within the Authority's General

and U.Plan funds and guaranteed investment contracts carried at contract value, which approximates fair value.

#### **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.

#### **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 Position 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. The Authority has 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. 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.

#### **Capital Equipment**

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 13*). Capital equipment is defined as assets over a certain dollar threshold with an estimated useful life in excess of one year.

#### **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.

#### **Accounting and Financial Reporting for Refunding of Debt**

Gains and losses on retirement of debt are accounted for in accordance with GASB 23 and GASB 65. 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 recognized as deferred inflows or outflows of resources 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 are recognized immediately.

**Advertising**

The Authority expenses advertising costs as incurred. For the years ended June 30, 2015 and 2014, advertising expense (included in general and administrative expenses) was \$886K and \$677K, 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 Statement of Net Position 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 Position. GASB 53 also provides guidance addressing hedge accounting requirements.

The fair values of the hedgeable derivatives and investment derivatives are presented on the Statement of Net Position, 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 a deferred inflow or outflow of resources if determined to be an effective hedge and presented on the Authority’s Statement of Net Position. If a derivative instrument does not meet the criteria of a hedging derivative, the change in fair value is presented as an increase (decrease) in fair value of investment derivative on the Statement of Revenues, Expenses and Changes in Net Position.

**New Accounting Pronouncements**

In March, 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application* (GASB 72). This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The Authority is currently considering the impact of GASB 72, which will be effective in fiscal year 2016.

In June, 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* (GASB 76). The objective of this Statement is to identify the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. GASB 76 will apply to the Authority’s financial statements beginning in fiscal year 2016.

#### 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, 2015 and 2014, respectively.

(in thousands)	<u>Fair Value June 30, 2015</u>	<u>Fair Value June 30, 2014</u>
Cash deposits	\$ 1,608	\$ 857
Investment agreements	1,020	400
Mutual funds:		
Money market funds – Authority	42,373	36,497
Money market funds - Trusteed Funds	202,127	364,265
Certificate of Deposit	-	72
Total cash, cash equivalents and investments	<u>\$ 247,128</u>	<u>\$ 402,091</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.

##### *Credit Risk and Custodial Credit Risk*

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. 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. The Authority manages its exposure to credit risk and custodial credit risk by limiting investments to those permitted by the Authority's enabling legislation and its investment policy.

As of June 30, 2015 and June 30, 2014, \$1.4M and \$708K were exposed to custodial credit risk as uninsured and uncollateralized deposits, respectively. As stated in the Authority's investment policy, depository banks are required to be rated in the top three rating categories by S&P or Moody's.

As of June 30, 2015, the Authority had guaranteed investment contracts with the following financial institutions:

<b>Investment Agreement Contract Provider</b>	<b>Current S&amp;P Ratings</b>
Natixis Funding Corp	A-
Rabobank	A+

As of June 30, 2015, 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	\$ 1,184,338	2.7%
Fidelity U.S. Government Portfolio	\$ 19,833,248	44.9%
Fidelity MA Municipal Fund	\$ 22,966,077	51.9%
First American Tax Free Obligations Fund	\$ 232,261	0.5%
<u>Issue E Indenture</u>	Cash and Investments	% of Total
Natixis Funding Corp	\$ 960,000	2.7%
Rabobank	\$ 59,519	0.3%
Bank of America	\$ 271,342	0.8%
Fidelity U.S. Government Portfolio	\$ 33,040,531	96.2%
<u>Issue FRN Indenture</u>	Cash and Investments	% of Total
Fidelity U.S. Government Portfolio	\$ 7,532,329	100.0%
<u>Issue H Indenture</u>	Cash and Investments	% of Total
Bank of America	\$ 22,137	0.1%
Fidelity U.S. Government Portfolio	\$ 20,336,337	99.9%
<u>Issue I Indenture</u>	Cash and Investments	% of Total
Bank of America	\$ 98,326	0.1%
Fidelity U.S. Government Portfolio	\$ 89,688,304	99.9%
<u>Issue J Indenture</u>	Cash and Investments	% of Total
Bank of America	\$ 27,537	0.2%
Fidelity U.S. Government Portfolio	\$ 29,336,158	99.8%
<u>Issue K Indenture</u>	Cash and Investments	% of Total
Bank of America	\$ 3,893	0.1%
Fidelity U.S. Government Portfolio	\$ 21,534,904	99.9%

## 5. EDUCATIONAL FINANCINGS

During the years ended June 30, 2015 and 2014, respectively, the activity for the Authority's Education Loan Notes receivable was as follows:

(in thousands)	<u>2015</u>	<u>2014</u>
<b>Outstanding education loan notes receivable (beginning) gross</b>	\$ 1,518,421	\$ 1,497,963
Increases to education loan notes receivable	214,318	200,612
Decreases to education loan notes receivable	(213,102)	(180,154)
<b>Outstanding education loan notes receivable (ending) gross</b>	<u>1,519,637</u>	<u>1,518,421</u>
<b>Allowance for education loan notes receivable (beginning)</b>	46,273	39,867
Increase to allowance for education loan notes receivable	3,603	6,406
<b>Allowance for education loan notes receivable (ending)</b>	<u>49,876</u>	<u>46,273</u>
<b>Outstanding education loan notes receivable, net (ending)</b>	<u>\$ 1,469,761</u>	<u>\$ 1,472,148</u>

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 allowance for educational loan notes receivable 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. The allowance increased as a result of a \$3.6M and \$6.4M increase to the provision for doubtful education loan notes receivable in fiscal years 2015 and 2014, respectively. The Authority has expensed historically in aggregate a net of \$39M of education loan notes related to the tax-exempt yield restrictions through FY2015. No allowance for yield restriction was required at June 30, 2015 and 2014. The yield restriction expense is required in order to maintain the tax-exempt status of the bonds under Federal IRS regulations.

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 reduce 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, 2015 and 2014, the total principal balance outstanding of loans in a modified status was \$70M and \$57M, respectively and represented approximately 6% and 5% of all loans in repayment. At June 30, 2015 and 2014, respectively, these modified loans were 97% and 93% current, defined as less than 30 days past due, in regard to monthly payments received under the modified terms. Loans in a modified payment plan status are factored into the allowance for education loan notes receivable, which is based on historical default and recovery performance.

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, 2015, the Authority had originated loans through 1,007 out of state higher education institutions since 1998 when the program was implemented.

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 \$21.3M and \$23.5M for fiscal years 2015 and 2014, respectively.

## 6. BONDS PAYABLE

The activity related to the Authority's bonds payable for the fiscal years ended 2015 and 2014 was as follows:

(in thousands)		
	<u>2015</u>	<u>2014</u>
Bonds outstanding, gross beginning balance	\$ 1,635,098	\$ 1,607,403
Bonds issued	-	185,700
Bonds redeemed	(174,208)	(158,005)
Bonds outstanding, gross ending balance	1,460,890	1,635,098
Net unamortized issuance premiums	23,959	26,267
Bonds outstanding, net ending balance	<u>\$ 1,484,849</u>	<u>\$ 1,661,365</u>

Bonds payable issued under the individual Trust resolutions are payable from a pledge of the assets and revenues of each Truusted 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, 2015 mandatory annual maturities of bonds principal payable for the next five fiscal years and thereafter are as follows (in thousands):

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Remaining Schedule</u>	<u>Total Payable</u>
2001 Issue E	500	-	-	-	-	-	500
2002 Issue E	-	-	-	-	-	50	50
2003 Issue E	-	-	-	-	-	11,900	11,900
2004 Issue E	-	-	-	-	-	3,700	3,700
2005 Issue E	-	-	-	-	-	575	575
2006 Issue E	-	-	-	-	-	19,750	19,750
2007 Issue E	-	-	3,555	6,040	7,365	160,590	177,550
2008 FRN	-	-	-	-	-	95,635	95,635
2008 Issue H	-	-	-	-	-	104,585	104,585
2009 Issue I	19,320	6,015	18,465	13,510	17,860	92,575	167,745
2010 Issue I	11,765	29,885	14,760	18,620	19,670	139,380	234,080
2011 Issue J	-	-	530	4,185	5,480	82,230	92,425
2012 Issue J	-	-	-	7,360	13,650	131,550	152,560
2013 Issue K	2,600	1,580	1,190	8,540	13,455	186,770	214,135
2014 Issue I	-	4,000	11,000	13,000	4,000	153,700	185,700
	<u>\$34,185</u>	<u>\$41,480</u>	<u>\$49,500</u>	<u>\$71,255</u>	<u>\$81,480</u>	<u>\$ 1,182,990</u>	<u>\$1,460,890</u>

In July 2015, the Authority redeemed fixed rate bonds outstanding of \$85.2M and \$5.6M of floating rate notes. In August 2015, the Authority purchased in lieu of redemption \$2.0M in outstanding auction rate bonds.

The following is a summary of the principal maturities and estimated interest expense for the bonds payable outstanding at June 30, 2015 (in thousands):

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2016	34,185	68,760	102,945
2017	41,480	67,210	108,690
2018	49,500	65,076	114,576
2019	71,255	62,319	133,574
2020	81,480	58,640	140,120
2021-2025	459,815	224,670	684,485
2026-2030	513,855	97,074	610,929
2031-2035	78,410	12,333	90,743
2036-2040	130,910	4,377	135,287
	<u>\$1,460,890</u>	<u>\$660,459</u>	<u>\$2,121,349</u>

Total interest expense for the years ended June 30, 2015 and 2014 was \$66.1M and \$66.3M, respectively. For fiscal years 2015 and 2014 there is \$2.6M and \$2.8M of amortization of the net deferred gain on bond program activities included in the total bond interest expense, respectively. Also, for fiscal years 2015 and 2014 bond interest expense includes \$2.3M and \$1.3M amortization of bond issuance premium, respectively.

#### **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 or 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.

The ending balance of this entire series at June 30, 2015 is \$500K.

#### **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 January 1, 2015, the final principal payment was made and the 2002A series was retired.

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 or more than 373 days. 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. On June 27, 2013, the remaining outstanding Series 2002B Bonds were repurchased and the series was retired.

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. 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. On June 27, 2013, the remaining outstanding Series 2002D Bonds were repurchased and the series was retired.

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, 2015, the rate was 0.280%). 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 \$3.0M in fiscal year 2015, the ending balance of this entire series at June 30, 2015 is \$50K.

#### **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, 2015, the rate was 0.065%). 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 or more than 373 days. 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 entered into an interest rate cap transaction with UBS AG, Stamford Branch for \$30M of Series 2003B Bonds with a maturity of January 1, 2027. On June 27, 2013, the remaining outstanding Series 2003B 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 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, 2015, the rate was 0.455%). 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. 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 a purchase in lieu of redemption of \$1M in fiscal year 2015, the ending balance of this entire series at June 30, 2015 is \$11.9M.

#### **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, 2015, the rate was 0.298%). 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 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, 2015, the rate was 0.298%). 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. 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 entire series at June 30, 2015 is \$3.7M.

#### **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, 2015, the rate was 0.280%). 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, 2015, the rate was 0.280%). 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.

As a result of a purchase in lieu of redemption of \$100K in fiscal year 2015, the ending balance of this entire series at June 30, 2015 is \$575K.

#### **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, 2015, the rate for 2006A-1 was 0.280% and the rate for 2006A-2 was 0.065%). 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, 2015, the rate was 1.625%). 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 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, 2015, the rate was 1.221%). 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.

As a result of a purchase in lieu of redemption of \$25K in fiscal year 2015, the ending balance of this entire series at June 30, 2015 is \$19.8M.

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

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

On April 5, 2007, under the Issue E Series 2007 Bond Resolution, the Authority issued \$85.4M principal amount of bonds dated April 5, 2007 bearing an interest rate, which changes every 35 days. 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. On June 30, 2014, the remaining outstanding Series 2007B Bonds were repurchased and the series was retired.

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, 2015, the rate was 0.094%). 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 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, 2015, the rate was 0.120%). 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, 2015, the rate was 0.000%). 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.

As a result of redemptions of \$37.4M in fiscal year 2015, the ending balance of this entire series at June 30, 2015 is \$177.6M.

**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 25<sup>th</sup> 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, 2015 is \$95.6M.

**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 2016 to 2022 in annual amounts ranging from \$1.6M to \$30.1M and \$240.4M from 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 redemptions of \$16.8M in fiscal year 2015, the ending balance of this entire series as of June 30, 2015 is \$104.6M.

#### **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 2012 to 2020 in annual amounts ranging from \$2.5M to \$17.8M with interest at rates ranging from 3.40% to 5.75%; and \$156.6M term bonds which mature in 2023 and 2028. The term bonds are subject to annual sinking fund installments totaling \$41.9M from 2021 to 2022 and \$114.7M from 2023 to 2027. 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 redemptions of \$34.1M in fiscal year 2015, the ending balance of this entire series as of June 30, 2015 is \$168.5M 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 \$37.8M with interest at rates ranging from 2.00% to 5.50%. 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 \$45.3M term bonds which mature 2023 and 2031. The term bonds are subject to annual sinking fund installments totaling \$10.6M from 2021 to 2022 and \$34.7M from 2029 to 2030. 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 redemptions of \$33.9M in fiscal year 2015, the ending balance of this entire series as of June 30, 2015 is \$235.9M, 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.

As a result of redemptions of \$6.9M in fiscal year 2015, the ending balance of this entire series as of June 30, 2015 is \$92.1M, 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.

As a result of redemptions of \$10.4M in fiscal year 2015, the ending balance of this entire series as of June 30, 2015 is \$155.7M, including the unamortized premium that was incorporated in the initial sale of the bonds.

### **Issue K Series 2013**

On June 20, 2013, under the Issue K 2013 Bond Resolution, the Authority issued \$222M principal amount of bonds dated June 27, 2013 requiring annual principal payments each July 1 commencing July 1, 2015. Semiannual interest payments are required each January 1 and July 1 commencing on January 1, 2014. Issue K Series 2013 Bonds mature as follows: \$135.1M serial bonds which mature annually from fiscal year 2016 to 2026 in annual amounts ranging from \$1.2M to \$20.8M with interest at rates ranging from 2.00% to 5.00%, \$86.9M of term bonds maturing in 2029 and 2032 with interest at rates of 5.25% and 5.375%. Bonds maturing on or after July 1, 2023 are redeemable at the option of the Authority, in whole or in part, on any date on or after July 1, 2022. The Issue K Series 2013 Bonds were issued with a premium of \$4.6M.

As a result of redemptions of \$7.9M in fiscal year 2015, the ending balance of this entire series as of June 30, 2015 is \$218.1M, including the unamortized premium that was incorporated in the initial sale of the bonds.

### **Issue I Series 2014**

On May 8, 2014, under the Issue I 2014 Bond Resolution, the Authority issued \$185.7M principal amount of bonds dated June 17, 2014 requiring annual principal payments each January 1 commencing January 1, 2017. Semiannual interest payments are required each January 1 and July 1 commencing on January 1, 2015. Issue I Series 2014 Bonds mature as follows: \$167.6M serial bonds which mature annually from fiscal year 2017 to 2027 in annual amounts ranging from \$0.8M to \$37.5M with interest at rates ranging from 3.00% to 5.00%, \$18.1M of term bonds maturing in 2032 with an interest rate of 4.375%. Bonds maturing on or after January 1, 2026 are redeemable at the option of the Authority, in whole or in part, on any date on or after January 1, 2025. The Issue I Series 2014 Bonds were issued with a premium of \$15.5M.

The ending balance of this entire series as of June 30, 2015 is \$200.3M, including the unamortized premium that was incorporated in the initial sale of the bonds.

## **7. 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 Statement of Net Position management strategy.

#### **Terms, fair value and credit risk**

As of June 30, 2015, approximately 27% 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 73% 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 \$167M in notional outstanding as of June 30, 2015, were structured to amortize until final maturity of the trade.

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

<b>June 30, 2015</b>					
(in thousands)					
<b>Associated Bond Issue</b>	<b>Notional Amounts</b>	<b>Effective Date</b>	<b>Fair Values</b>	<b>Cap Maturity Date</b>	<b>Counterparty Credit Rating</b>
Issue E 2003B	\$11,570	3/13/2003	\$6	January 2027	(A2/A)
Issue E 2003E	\$16,000	3/10/2004	\$6	January 2026	(A2/A)
Issue E 2004B	\$17,600	3/31/2005	\$10	January 2026	(A2/A)
Issue E 2006C	\$36,600	6/13/2006	\$104	July 2027	(A2/A)
Issue E 2007C	<u>\$85,000</u>	4/5/2007	<u>\$889</u>	January 2033	(A2/A)
	<u><b>\$166,770</b></u>		<u><b>\$1,015</b></u>		
<b>June 30, 2014</b>					
(in thousands)					
<b>Associated Bond Issue</b>	<b>Notional Amounts</b>	<b>Effective Date</b>	<b>Fair Values</b>	<b>Cap Maturity Date</b>	<b>Counterparty Credit Rating</b>
Issue E 2003B	\$13,640	3/13/2003	\$7	January 2027	(A2/A)
Issue E 2003E	\$18,830	3/10/2004	\$8	January 2026	(A2/A)
Issue E 2004B	\$20,280	3/31/2005	\$12	January 2026	(A2/A)
Issue E 2006C	\$41,800	6/13/2006	\$98	July 2027	(A2/A)
Issue E 2007C	<u>\$85,000</u>	4/5/2007	<u>\$816</u>	January 2033	(A2/A)
	<u><b>\$179,550</b></u>		<u><b>\$941</b></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.

Changes in fair value that represent effective hedging relationships have been recorded as deferred inflows on the Statement of Net Position. Deferred inflows relating to changes in fair value of effective derivatives were \$95.6K and \$89.4K at June 30, 2015 & 2014, respectively. Derivatives that do not meet the criteria of an effective hedging relationship are considered investment derivatives and changes in fair value are presented as an increase or decrease in fair value of investment derivatives on the Statement of Revenues, Expenses & Changes in Net Position. During FY2015, the increase in fair value for investment derivatives recorded as income was \$67K. In FY2014, the fair value for investment derivatives decreased and the expense recorded was \$544K.

*Credit Risk:* As of June 30, 2015, 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

## 8. COMMITMENT FEES TO PARTICIPATING INSTITUTIONS

Prior to the 2003 origination year, the Authority received commitment fees from participating private institutions as part of program participation requirements in the annual loan origination cycle. Under the Bond Resolutions, these commitment fees may be reimbursed at the direction of the Authority dependent upon the successful retirement of all Bonds under each individual series and the successful retirement of all Bonds in a trust structure. Commencing in March 2003, the Authority eliminated the commitment fee requirement from the Authority's loan programs.

Commitment fee reimbursements due to participating institutions within the next three years have been accrued as it is probable payment will be made and the liability can be reasonably estimated. Reimbursements due within the next fiscal year are \$2.9M and included in Other liabilities – current on the Statement of Net Position at June 30, 2015. Non-current commitment fee reimbursements are included in Other liabilities – non-current on the Statement of Net Position and were \$1.2M and \$3.3M at June 30, 2015 and June 30, 2014, respectively.

## 9. 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, 2015 and 2014, the Authority had deposits of \$7.1M and \$7.0M respectively, for the purchase of tuition certificates under the Commonwealth of Massachusetts General Obligation Bonds, effective August 1, 2015 and August 1, 2014, respectively.

As part of the annual cycle of the U.Plan program, Commonwealth of Massachusetts General Obligation Bonds were purchased as follows:

(in thousands)

	<u>Bonds Purchased</u>	<u>Issue Date</u>	<u>Maturity Dates From/Through</u>
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
2012 College Opportunity Bonds, Series A	\$ 11,738	August 1, 2012	August 1, 2017 / 2032
2013 College Opportunity Bonds, Series A	\$ 10,998	August 1, 2013	August 1, 2018 / 2033
2014 College Opportunity Bonds, Series A	\$ 9,781	August 1, 2014	August 1, 2019 / 2034
Total	<u>\$ 208,872</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 from participants and the purchase of the bonds, the amounts collected and a related liability to

participants are recorded on the Statement of Net Position as certificates payable. Once bonds are purchased, the liability is removed from the Statement of Net Position 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 Statement of Net Position. As of June 30, 2015 and 2014, included in accounts payable and accrued expenses, were matured certificates payable to U.Plan participants in the amounts of \$13.8M and \$14.1M, 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, 2015 and 2014, the U.Fund was composed of thirty six mutual fund portfolios generally comprised of stock, bond, and money market funds. Each portfolio is designed to accommodate the asset allocation based on the risk profile of the participants. As of June 30, 2015 and 2014, net assets for the U.Fund were \$5,019M and \$4,827M, respectively.

## 10. RELATED PARTIES

During FY2015, two Members of the Authority were officers/trustees of participating institutions and during FY2014, three Members of the Authority were officers/trustees of participating institutions. During the years ended June 30, 2015 and 2014, the Authority purchased loans totaling \$22.2M and \$21.3M, respectively, in principal balance, from these institutions. At June 30, 2015 and 2014, \$161.5M and \$171.1M, respectively, of loans purchased from those institutions were outstanding.

## 11. DEFINED CONTRIBUTION PLANS

All employees of the Authority participate in a defined contribution plan, the Massachusetts Educational Financing Authority Retirement Saving Plan (the "Plan"). The Authority annually contributes an amount equal to 11% of an employee's annual gross salary to the Plan. The Authority also matches 50% of employee salary contributions up to a maximum of 6% to the Deferred Compensation Plan of the Massachusetts Education Financing Authority (the "Deferred Plan"). Total employee contributions to the Deferred Plan for the years ended June 30, 2015 and 2014 were \$312K and \$350K, respectively. Vesting at 100% occurs in the Deferred Plan after two years of employment. It is the Authority's policy to fund contributions to both plans on a current basis. Total retirement plan expense for the years ended June 30, 2015 and 2014 was \$585K and \$594K, respectively. The Authority pays administrative expenses of the plans for the plan participants and TD Ameritrade is the custodian of the plan assets.

## 12. 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, 2015, 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)

	2016	2017	2018	2019	2020	Thereafter
Minimum operating lease payments	\$ 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 Position for the years ended June 30:

(in thousands)

	2015	2014
Minimum operating lease expenses	\$ 871	\$ 871
Additional operating lease expenses	157	135
Total operating lease expenses	\$ 1,028	\$ 1,006

### 13. CAPITAL EQUIPMENT

The activity related to the Authority's capital assets for the fiscal years ended 2015 and 2014, respectively, was as follows:

(in thousands)

	<u>June 30, 2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2015</u>
Computer hardware	\$ 644	\$ 40	\$ -	\$ 684
Computer software	4,665	407	-	5,072
Furniture	787	9	-	796
Equipment	155	3	-	158
Leasehold improvements	503	37	-	540
Total capital equipment (at cost)	6,754	496	-	7,250
Accumulated depreciation	(5,870)	(452)	-	(6,322)
Capital equipment, net	<u>\$ 884</u>	<u>\$ 44</u>	<u>\$ -</u>	<u>\$ 928</u>

  

	<u>June 30, 2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>June 30, 2014</u>
Computer hardware	\$ 597	\$ 47	\$ -	\$ 644
Computer software	4,570	95	-	4,665
Furniture	787	-	-	787
Equipment	155	-	-	155
Leasehold improvements	495	8	-	503
Total capital equipment (at cost)	6,604	150	-	6,754
Accumulated depreciation	(5,290)	(580)	-	(5,870)
Capital equipment, net	<u>\$ 1,314</u>	<u>\$ (430)</u>	<u>\$ -</u>	<u>\$ 884</u>

Included in general and administrative expenses are depreciation expenses of \$452K and \$580K for the years ended June 30, 2015 and June 30, 2014, respectively.

### 14. CONTRIBUTION TO COMMONWEALTH

During fiscal year 2009, 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 fiscal year 2014, \$1M was contributed for funding toward program and administrative expenditures related to this program. The Commonwealth's budget did not require a contribution from the Authority for these services in FY15.

### 15. GAINS RELATED TO THE BOND PROGRAM

During FY2015, the Authority purchased in lieu of redemption approximately \$1.2M in outstanding auction rate bonds with cash on hand resulting in a current year gain on the retirement of debt totaling approximately \$130K.

In FY2014, the Authority purchased in lieu of redemption approximately \$3.5M in outstanding auction rate bonds with cash on hand resulting in a gain on the retirement of debt totaling approximately \$489K.

### 16. SUBSEQUENT EVENTS

On July 9, 2015, the Authority issued \$184.76M of Education Loan Revenue Bonds Issue I, Series 2015A for the purpose of funding the origination and disbursement of education loans in the 2015 and 2016 academic year.

On August 27, 2015, as part of the annual cycle of the U.Plan prepaid tuition program, the Authority purchased Commonwealth of Massachusetts General Obligation Bonds in the amount of \$9.2M at which time the corresponding liability was removed from the Statement of Net Position of the Authority.

On November 30, 2015, the Authority issued \$76M of Education Loan Revenue Bonds Issue I, Series 2015B for the purpose of funding loans to refinance higher education expenses under a new component of the Authority's MEFA Financing Program.

**Massachusetts Educational Financing Authority**  
**Statements of Net Position**  
**June 30, 2015 and 2014**

	2015				2014			
	Trusteed Funds	College Savings Funds	Authority Funds	Total	Trusteed Funds	College Savings Funds	Authority Funds	Total
<b>Assets</b>								
<b>Current assets</b>								
Cash and cash equivalents (Notes 3 and 4)	\$ 174,432	\$ 437	\$ 748	\$ 175,617	\$ 138,149	\$ 244	\$ 85	\$ 138,478
Investments, at fair value (Notes 3 and 4)	1,020	23,198	-	24,218	400	23,731	-	24,131
Education loan notes receivable, net (Notes 5 and 10)	199,848	-	1,829	201,677	191,587	-	2,090	193,677
Interest receivable on educational loan notes	31,001	-	2	31,003	33,927	-	7	33,934
Prepaid expenses and other assets	370	2,199	444	3,013	105	1,736	293	2,134
Interfund balances	(583)	-	583	-	(413)	-	413	-
<b>Total current assets</b>	<b>406,088</b>	<b>25,834</b>	<b>3,606</b>	<b>435,528</b>	<b>363,755</b>	<b>25,711</b>	<b>2,888</b>	<b>392,354</b>
<b>Non-current assets</b>								
Cash and cash equivalents (Notes 3 and 4)	27,460	-	658	28,118	225,986	-	658	226,644
Investments, at fair value (Notes 3 and 4)	-	15,360	3,815	19,175	-	10,776	2,062	12,838
Derivative instruments - caps (Notes 3 and 7)	1,015	-	-	1,015	941	-	-	941
Educational loan notes receivable, net (Notes 5 and 10)	1,267,883	-	201	1,268,084	1,278,109	-	362	1,278,471
Capital equipment, net of accumulated depreciation (Note 13)	-	-	928	928	-	-	884	884
<b>Total assets</b>	<b>\$ 1,702,446</b>	<b>\$ 41,194</b>	<b>\$ 9,208</b>	<b>\$ 1,752,848</b>	<b>\$ 1,868,791</b>	<b>\$ 36,487</b>	<b>\$ 6,854</b>	<b>\$ 1,912,132</b>
<b>Liabilities</b>								
<b>Current liabilities</b>								
Accounts payable and accrued expenses	\$ 1,278	\$ 13,781	\$ 1,634	\$ 16,693	\$ 1,007	\$ 14,077	\$ 1,359	\$ 16,443
Bonds payable - current portion (Note 6)	34,618	-	-	34,618	27,253	-	-	27,253
Certificates payable (Note 9)	-	7,079	-	7,079	-	7,030	-	7,030
Accrued bond interest payable	33,875	-	-	33,875	33,648	-	-	33,648
Other liabilities - current (Note 8)	2,916	-	-	2,916	-	-	-	-
<b>Total current liabilities</b>	<b>72,687</b>	<b>20,860</b>	<b>1,634</b>	<b>95,181</b>	<b>61,908</b>	<b>21,107</b>	<b>1,359</b>	<b>84,374</b>
<b>Non-current liabilities</b>								
Bonds payable - net of current portion (Note 6)	1,450,231	-	-	1,450,231	1,634,112	-	-	1,634,112
Other liabilities (Note 8)	-	-	1,375	1,375	3,330	-	187	3,517
<b>Total liabilities</b>	<b>1,522,918</b>	<b>20,860</b>	<b>3,009</b>	<b>1,546,787</b>	<b>1,699,350</b>	<b>21,107</b>	<b>1,546</b>	<b>1,722,003</b>
<b>Deferred inflows of resources</b>								
Net gain on bond refunding (Notes 3 and 6)	15,360	-	-	15,360	17,965	-	-	17,965
Hedging instruments (Notes 3 and 7)	96	-	-	96	89	-	-	89
<b>Total deferred inflows of resources</b>	<b>15,456</b>	<b>-</b>	<b>-</b>	<b>15,456</b>	<b>18,054</b>	<b>-</b>	<b>-</b>	<b>18,054</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>1,538,374</b>	<b>20,860</b>	<b>3,009</b>	<b>1,562,243</b>	<b>1,717,404</b>	<b>21,107</b>	<b>1,546</b>	<b>1,740,057</b>
<b>Net position</b>								
Invested in capital assets	-	-	928	928	-	-	884	884
Restricted	164,070	10,576	2,401	177,047	151,384	9,119	2,401	162,904
Unrestricted	2	9,758	2,870	12,630	3	6,261	2,023	8,287
<b>Total net position</b>	<b>164,072</b>	<b>20,334</b>	<b>6,199</b>	<b>190,605</b>	<b>151,387</b>	<b>15,380</b>	<b>5,308</b>	<b>172,075</b>
<b>Total liabilities, deferred inflows and net position</b>	<b>\$ 1,702,446</b>	<b>\$ 41,194</b>	<b>\$ 9,208</b>	<b>\$ 1,752,848</b>	<b>\$ 1,868,791</b>	<b>\$ 36,487</b>	<b>\$ 6,854</b>	<b>\$ 1,912,132</b>

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

**Massachusetts Educational Financing Authority**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**For the years ended June 30, 2015 and 2014**

	2015				2014			
	Trusteed Funds	College Savings Funds	Authority Funds	Total	Trusteed Funds	College Savings Funds	Authority Funds	Total
<b>Operating revenues</b>								
Interest on education loan notes receivable (Note 3)	\$ 93,697	\$ -	\$ 24	\$ 93,721	\$ 90,748	\$ -	\$ 51	\$ 90,799
Loan origination fees	7,821	-	-	7,821	7,449	-	-	7,449
College savings plan interest and fees	-	5,013	-	5,013	-	4,722	-	4,722
Other revenue	-	1,334	194	1,528	-	1,294	1	1,295
<b>Total operating revenues</b>	<b>101,518</b>	<b>6,347</b>	<b>218</b>	<b>108,083</b>	<b>98,197</b>	<b>6,016</b>	<b>52</b>	<b>104,265</b>
<b>Operating expenses</b>								
Bond interest expense (Note 6)	66,146	-	-	66,146	66,325	-	-	66,325
Bond insurance	337	-	-	337	397	-	-	397
Costs of bond issuance	780	-	-	780	1,780	-	-	1,780
Provision for doubtful educational loan notes receivable	3,603	-	-	3,603	6,406	-	-	6,406
Credit decision fees	882	-	-	882	843	-	-	843
General and administrative (Notes 3, 11, 12, and 13)	14,555	1,511	803	16,869	11,500	5,200	912	17,612
Other expense	510	-	14	524	418	-	1	419
<b>Total operating expenses</b>	<b>86,813</b>	<b>1,511</b>	<b>817</b>	<b>89,141</b>	<b>87,669</b>	<b>5,200</b>	<b>913</b>	<b>93,782</b>
<b>Operating income (loss)</b>	<b>14,705</b>	<b>4,836</b>	<b>(599)</b>	<b>18,942</b>	<b>10,528</b>	<b>816</b>	<b>(861)</b>	<b>10,483</b>
<b>Non-operating revenues (expenses)</b>								
Gain on bond redemption (Note 15)	130	-	-	130	489	-	-	489
Interest and dividends	86	118	1	205	228	62	1	291
Arbitrage rebate income (Note 3)	400	-	-	400	12	-	-	12
Increase (decrease) in fair value of derivative instruments	67	-	-	67	(554)	-	-	(554)
Commitment fees to participating schools (Note 8)	-	-	(1,214)	(1,214)	-	-	-	-
Contributions to the Commonwealth (Note 14)	-	-	-	-	-	-	(1,000)	(1,000)
Net asset transfers	(2,703)	-	2,703	-	241	-	(241)	-
<b>Net non-operating revenues (expenses)</b>	<b>(2,020)</b>	<b>118</b>	<b>1,490</b>	<b>(412)</b>	<b>416</b>	<b>62</b>	<b>(1,240)</b>	<b>(762)</b>
<b>Total increase (decrease) in net position</b>	<b>12,685</b>	<b>4,954</b>	<b>891</b>	<b>18,530</b>	<b>10,944</b>	<b>878</b>	<b>(2,101)</b>	<b>9,721</b>
<b>Net position, beginning of year</b>	<b>151,387</b>	<b>15,380</b>	<b>5,308</b>	<b>172,075</b>	<b>140,443</b>	<b>14,502</b>	<b>7,409</b>	<b>162,354</b>
<b>Net position, end of year</b>	<b>\$ 164,072</b>	<b>\$ 20,334</b>	<b>\$ 6,199</b>	<b>\$ 190,605</b>	<b>\$ 151,387</b>	<b>\$ 15,380</b>	<b>\$ 5,308</b>	<b>\$ 172,075</b>

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, 2015 and 2014

	2015				2014			
	Trusteed Funds	College Savings Funds	Authority Funds	Total	Trusteed Funds	College Savings Funds	Authority Funds	Total
<b>Cash flows from operating activities:</b>								
Payments for disbursed loans	\$ (185,102)	\$ -	\$ -	\$ (185,102)	\$ (177,017)	\$ -	\$ -	\$ (177,017)
Payments received on outstanding loan principal	212,181	-	410	212,591	179,138	-	605	179,743
General & administrative payments	(15,367)	(2,250)	(59)	(17,676)	(12,956)	(5,104)	(453)	(18,513)
Interest received on education loans	75,216	-	28	75,244	71,604	-	49	71,653
Proceeds from other sources	-	6,328	-	6,328	-	5,990	202	6,192
<b>Net cash provided by operating activities</b>	<b>86,928</b>	<b>4,078</b>	<b>379</b>	<b>91,385</b>	<b>60,769</b>	<b>886</b>	<b>403</b>	<b>62,058</b>
<b>Cash flows from non-capital financing activities:</b>								
Proceeds from issuance of bonds	-	-	-	-	201,234	-	-	201,234
Costs of bond issuance	(780)	-	-	(780)	(1,780)	-	-	(1,780)
Bond interest paid	(70,832)	-	-	(70,832)	(68,189)	-	-	(68,189)
Principal payments on bonds payable	(174,078)	-	-	(174,078)	(157,517)	-	-	(157,517)
Contribution to the Commonwealth	-	-	-	-	-	-	(1,000)	(1,000)
Commitment fees refunded to participating schools	(415)	-	-	(415)	-	-	-	-
Net asset transfers	(2,533)	-	2,533	-	255	-	(255)	-
<b>Net cash (used in) provided by non-capital financing activities</b>	<b>(248,638)</b>	<b>-</b>	<b>2,533</b>	<b>(246,105)</b>	<b>(25,997)</b>	<b>-</b>	<b>(1,255)</b>	<b>(27,252)</b>
<b>Cash flows from capital financing activities:</b>								
Purchase of capital equipment and software development	-	-	(496)	(496)	-	-	(150)	(150)
<b>Net cash used in capital financing activities</b>	<b>-</b>	<b>-</b>	<b>(496)</b>	<b>(496)</b>	<b>-</b>	<b>-</b>	<b>(150)</b>	<b>(150)</b>
<b>Cash flows from investing activities:</b>								
Proceeds from maturity/sale of investments	4,142	17,944	318	22,404	18,649	15,385	500	34,534
Purchases of investments	(4,761)	(21,947)	(2,072)	(28,780)	(16,135)	(16,737)	(250)	(33,122)
Interest and dividends received on cash and investments	86	118	1	205	230	62	1	293
<b>Net cash (used in) provided by investing activities</b>	<b>(533)</b>	<b>(3,885)</b>	<b>(1,753)</b>	<b>(6,171)</b>	<b>2,744</b>	<b>(1,290)</b>	<b>251</b>	<b>1,705</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(162,243)</b>	<b>193</b>	<b>663</b>	<b>(161,387)</b>	<b>37,516</b>	<b>(404)</b>	<b>(751)</b>	<b>36,361</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>364,135</b>	<b>244</b>	<b>743</b>	<b>365,122</b>	<b>326,619</b>	<b>648</b>	<b>1,494</b>	<b>328,761</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 201,892</b>	<b>\$ 437</b>	<b>\$ 1,406</b>	<b>\$ 203,735</b>	<b>\$ 364,135</b>	<b>\$ 244</b>	<b>\$ 743</b>	<b>\$ 365,122</b>

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, 2015 and 2014

	2015				2014			
	Trusteed Funds	College Savings Funds	Authority Funds	Total	Trusteed Funds	College Savings Funds	Authority Funds	Total
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>								
<b>Operating income (loss)</b>	\$ 14,705	\$ 4,836	\$ (599)	\$ 18,942	\$ 10,528	\$ 816	\$ (861)	\$ 10,483
<b>Adjustments to reconcile operating income (loss) to net cash provided by operating activities:</b>								
Depreciation expense	-	-	452	452	-	-	580	580
Provision for doubtful educational loan notes receivable	3,603	-	-	3,603	6,406	-	-	6,406
Costs of bond issuance	780	-	-	780	1,780	-	-	1,780
Arbitrage rebate	400	-	-	400	-	-	-	-
Bond interest expense	66,146	-	-	66,146	66,325	-	-	66,325
Changes in assets and liabilities:								
Educational loan notes receivable	(1,638)	-	422	(1,216)	(21,050)	-	592	(20,458)
Interest receivable on educational loan notes	2,926	-	5	2,931	(3,006)	-	14	(2,992)
Accounts payable and accrued expenses	272	(295)	249	226	(171)	(159)	78	(252)
Prepaid expenses and other assets	(266)	(463)	(150)	(879)	(43)	229	-	186
<b>Net cash provided by operating activities</b>	<u>\$ 86,928</u>	<u>\$ 4,078</u>	<u>\$ 379</u>	<u>\$ 91,385</u>	<u>\$ 60,769</u>	<u>\$ 886</u>	<u>\$ 403</u>	<u>\$ 62,058</u>

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

**Massachusetts Educational Financing Authority**  
**Statements of Net Position**  
**June 30, 2015 and 2014**

	2015							2014						
	Issue E Total	FRN of 2008	Issue H of 2008	Issue I Total	Issue J Total	Issue K Total	Trusteed Funds	Issue E Total	FRN of 2008	Issue H of 2008	Issue I Total	Issue J Total	Issue K Total	Trusteed Funds
<b>Assets</b>														
<b>Current assets</b>														
Cash and cash equivalents (Notes 3 and 4)	\$ 33,312	\$ 6,778	\$ 17,221	\$ 75,401	\$ 24,464	\$ 17,256	\$ 174,432	\$ 33,658	\$ 6,824	\$ 15,314	\$ 55,620	\$ 18,407	\$ 8,326	\$ 138,149
Investments, at fair value (Notes 3 and 4)	1,020	-	-	-	-	-	1,020	400	-	-	-	-	-	400
Education loan notes receivable, net (Notes 5 and 10)	66,895	11,855	14,023	68,675	20,427	17,973	199,848	70,600	13,524	13,845	57,424	19,139	17,055	191,587
Interest receivable on educational loan notes	695	469	553	11,285	11,149	6,850	31,001	879	566	1,597	14,408	12,563	3,914	33,927
Prepaid expenses and other assets	278	-	1	48	25	18	370	11	7	1	43	26	17	105
Interfund balances	(271)	-	(37)	(275)	-	-	(583)	(267)	7	(37)	(88)	(28)	-	(413)
<b>Total current assets</b>	<u>101,929</u>	<u>19,102</u>	<u>31,761</u>	<u>155,134</u>	<u>56,065</u>	<u>42,097</u>	<u>406,088</u>	<u>105,281</u>	<u>20,928</u>	<u>30,720</u>	<u>127,407</u>	<u>50,107</u>	<u>29,312</u>	<u>363,755</u>
<b>Non-current assets</b>														
Cash and cash equivalents (Notes 3 and 4)	-	754	3,138	14,386	4,899	4,283	27,460	-	754	3,642	208,533	6,675	6,382	225,986
Derivative instruments - caps (Notes 3 and 7)	1,015	-	-	-	-	-	1,015	941	-	-	-	-	-	941
Educational loan notes receivable, net (Notes 5 and 10)	156,752	82,009	85,734	513,967	215,222	214,199	1,267,883	196,051	103,716	103,833	405,310	236,464	232,735	1,278,109
<b>Total assets</b>	<u>\$ 259,696</u>	<u>\$ 101,865</u>	<u>\$ 120,633</u>	<u>\$ 683,487</u>	<u>\$ 276,186</u>	<u>\$ 260,579</u>	<u>\$ 1,702,446</u>	<u>\$ 302,273</u>	<u>\$ 125,398</u>	<u>\$ 138,195</u>	<u>\$ 741,250</u>	<u>\$ 293,246</u>	<u>\$ 268,429</u>	<u>\$ 1,868,791</u>
<b>Liabilities</b>														
<b>Current liabilities</b>														
Accounts payable and accrued expenses	\$ 103	\$ 134	\$ 37	\$ 882	\$ 62	\$ 60	\$ 1,278	\$ 273	\$ 96	\$ 30	\$ 395	\$ 101	\$ 112	\$ 1,007
Bonds payable - current portion (Note 6)	500	-	-	31,276	-	2,842	34,618	3,035	-	-	24,218	-	-	27,253
Accrued bond interest payable	3,852	212	3,321	15,190	6,009	5,291	33,875	4,799	260	3,854	12,816	6,430	5,489	33,648
Other liabilities - current (Note 8)	2,916	-	-	-	-	-	2,916	-	-	-	-	-	-	-
<b>Total current liabilities</b>	<u>7,371</u>	<u>346</u>	<u>3,358</u>	<u>47,348</u>	<u>6,071</u>	<u>8,193</u>	<u>72,687</u>	<u>8,107</u>	<u>356</u>	<u>3,884</u>	<u>37,429</u>	<u>6,531</u>	<u>5,601</u>	<u>61,908</u>
<b>Non-current liabilities</b>														
Bonds payable - net of current portion (Note 6)	213,525	95,635	104,585	573,384	247,870	215,232	1,450,231	252,575	118,298	121,385	649,898	265,587	226,369	1,634,112
Other liabilities (Note 8)	-	-	-	-	-	-	-	3,330	-	-	-	-	-	3,330
<b>Total liabilities</b>	<u>220,896</u>	<u>95,981</u>	<u>107,943</u>	<u>620,732</u>	<u>253,941</u>	<u>223,425</u>	<u>1,522,918</u>	<u>264,012</u>	<u>118,654</u>	<u>125,269</u>	<u>687,327</u>	<u>272,118</u>	<u>231,970</u>	<u>1,699,350</u>
<b>Deferred inflows of resources</b>														
Net gain on bond refunding (Notes 3 and 6)	-	-	-	7,391	-	7,969	15,360	-	-	-	9,190	-	8,775	17,965
Hedging instruments (Notes 3 and 7)	96	-	-	-	-	-	96	89	-	-	-	-	-	89
<b>Total deferred inflows of resources</b>	<u>96</u>	<u>-</u>	<u>-</u>	<u>7,391</u>	<u>-</u>	<u>7,969</u>	<u>15,456</u>	<u>89</u>	<u>-</u>	<u>-</u>	<u>9,190</u>	<u>-</u>	<u>8,775</u>	<u>18,054</u>
<b>Total liabilities and deferred inflows of resources</b>	<u>220,992</u>	<u>95,981</u>	<u>107,943</u>	<u>628,123</u>	<u>253,941</u>	<u>231,394</u>	<u>1,538,374</u>	<u>264,101</u>	<u>118,654</u>	<u>125,269</u>	<u>696,517</u>	<u>272,118</u>	<u>240,745</u>	<u>1,717,404</u>
<b>Net position</b>														
Restricted	38,702	5,884	12,690	55,364	22,245	29,185	164,070	38,169	6,744	12,926	44,733	21,128	27,684	151,384
Unrestricted	2	-	-	-	-	-	2	3	-	-	-	-	-	3
<b>Total net position</b>	<u>38,704</u>	<u>5,884</u>	<u>12,690</u>	<u>55,364</u>	<u>22,245</u>	<u>29,185</u>	<u>164,072</u>	<u>38,172</u>	<u>6,744</u>	<u>12,926</u>	<u>44,733</u>	<u>21,128</u>	<u>27,684</u>	<u>151,387</u>
<b>Total liabilities, deferred inflows and net position</b>	<u>\$ 259,696</u>	<u>\$ 101,865</u>	<u>\$ 120,633</u>	<u>\$ 683,487</u>	<u>\$ 276,186</u>	<u>\$ 260,579</u>	<u>\$ 1,702,446</u>	<u>\$ 302,273</u>	<u>\$ 125,398</u>	<u>\$ 138,195</u>	<u>\$ 741,250</u>	<u>\$ 293,246</u>	<u>\$ 268,429</u>	<u>\$ 1,868,791</u>

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

**Massachusetts Educational Financing Authority**  
**Statements of Revenues, Expenses and Changes in Net Position**  
For the years ended June 30, 2015 and 2014

	2015							2014						
	Issue E Total	FRN of 2008	Issue H of 2008	Issue I Total	Issue J Total	Issue K Total	Trusteed Funds	Issue E Total	FRN of 2008	Issue H of 2008	Issue I Total	Issue J Total	Issue K Total	Trusteed Funds
<b>Operating revenues</b>														
Interest on education loan notes receivable (Note 3)	\$ 12,226	\$ 1,607	\$ 8,873	\$ 38,767	\$ 18,463	\$ 13,761	\$ 93,697	\$ 14,513	\$ 1,990	\$ 10,217	\$ 35,018	\$ 18,925	\$ 10,085	\$ 90,748
Loan origination fees	-	-	-	7,805	(1)	17	7,821	-	-	-	11	1,080	6,358	7,449
<b>Total operating revenues</b>	<u>12,226</u>	<u>1,607</u>	<u>8,873</u>	<u>46,572</u>	<u>18,462</u>	<u>13,778</u>	<u>101,518</u>	<u>14,513</u>	<u>1,990</u>	<u>10,217</u>	<u>35,029</u>	<u>20,005</u>	<u>16,443</u>	<u>98,197</u>
<b>Operating expenses</b>														
Bond interest expense (Note 6)	8,467	1,279	6,880	28,134	11,808	9,578	66,146	10,633	1,566	7,984	23,119	12,770	10,253	66,325
Bond insurance	205	-	132	-	-	-	337	244	-	153	-	-	-	397
Costs of bond issuance	-	-	-	780	-	-	780	-	-	-	1,780	-	-	1,780
Provision for doubtful educational loan notes receivable	329	41	182	3,545	(402)	(92)	3,603	1,360	98	244	1,486	917	2,301	6,406
Credit decision fees	-	-	-	882	-	-	882	-	-	-	72	88	683	843
General and administrative (Notes 3, 11, 12, and 13)	3,369	1,140	1,890	2,296	3,076	2,784	14,555	3,855	1,997	1,347	2,097	1,534	670	11,500
Other expense	52	8	26	324	99	1	510	154	14	28	125	32	65	418
<b>Total operating expenses</b>	<u>12,422</u>	<u>2,468</u>	<u>9,110</u>	<u>35,961</u>	<u>14,581</u>	<u>12,271</u>	<u>86,813</u>	<u>16,246</u>	<u>3,675</u>	<u>9,756</u>	<u>28,679</u>	<u>15,341</u>	<u>13,972</u>	<u>87,669</u>
<b>Operating income (loss)</b>	(196)	(861)	(237)	10,611	3,881	1,507	14,705	(1,733)	(1,685)	461	6,350	4,664	2,471	10,528
<b>Non-operating revenues (expenses)</b>														
Gain on bond redemption (Note 15)	130	-	-	-	-	-	130	489	-	-	-	-	-	489
Interest and dividends	68	1	1	13	2	1	86	212	1	1	4	3	7	228
Arbitrage rebate income (Note 3)	400	-	-	-	-	-	400	12	-	-	-	-	-	12
Increase (decrease) in fair value of derivative instruments	67	-	-	-	-	-	67	(554)	-	-	-	-	-	(554)
Net asset transfers	63	-	-	7	(2,766)	(7)	(2,703)	241	-	-	-	-	-	241
<b>Net non-operating revenues (expenses)</b>	<u>728</u>	<u>1</u>	<u>1</u>	<u>20</u>	<u>(2,764)</u>	<u>(6)</u>	<u>(2,020)</u>	<u>400</u>	<u>1</u>	<u>1</u>	<u>4</u>	<u>3</u>	<u>7</u>	<u>416</u>
<b>Total increase (decrease) in net position</b>	<u>532</u>	<u>(860)</u>	<u>(236)</u>	<u>10,631</u>	<u>1,117</u>	<u>1,501</u>	<u>12,685</u>	<u>(1,333)</u>	<u>(1,684)</u>	<u>462</u>	<u>6,354</u>	<u>4,667</u>	<u>2,478</u>	<u>10,944</u>
<b>Net position, beginning of year</b>	<u>38,172</u>	<u>6,744</u>	<u>12,926</u>	<u>44,733</u>	<u>21,128</u>	<u>27,684</u>	<u>151,387</u>	<u>39,505</u>	<u>8,428</u>	<u>12,464</u>	<u>38,379</u>	<u>16,461</u>	<u>25,206</u>	<u>140,443</u>
<b>Net position, end of year</b>	<u>\$ 38,704</u>	<u>\$ 5,884</u>	<u>\$ 12,690</u>	<u>\$ 55,364</u>	<u>\$ 22,245</u>	<u>\$ 29,185</u>	<u>\$ 164,072</u>	<u>\$ 38,172</u>	<u>\$ 6,744</u>	<u>\$ 12,926</u>	<u>\$ 44,733</u>	<u>\$ 21,128</u>	<u>\$ 27,684</u>	<u>\$ 151,387</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, 2015 and 2014

	2015							2014						
	Issue E Total	FRN of 2008	Issue H of 2008	Issue I Total	Issue J Total	Issue K Total	Trusteed Funds	Issue E Total	FRN of 2008	Issue H of 2008	Issue I Total	Issue J Total	Issue K Total	Trusteed Funds
<b>Cash flows from operating activities:</b>														
Payments for disbursed loans	\$ -	\$ -	\$ -	\$ (184,891)	\$ 10	\$ (221)	\$ (185,102)	\$ -	\$ -	\$ -	\$ (262)	\$ (25,866)	\$ (150,889)	\$ (177,017)
Payments received on outstanding loan principal	42,852	24,085	18,923	79,437	26,984	19,900	212,181	40,984	25,389	16,941	63,752	18,116	13,956	179,138
General & administrative payments	(3,611)	(1,094)	(2,016)	(2,696)	(3,113)	(2,837)	(15,367)	(4,141)	(2,012)	(1,518)	(1,949)	(1,643)	(1,693)	(12,956)
Interest received on education loans	12,180	945	8,709	31,371	13,139	8,872	75,216	14,447	1,118	9,611	29,908	10,821	5,699	71,604
<b>Net cash provided by (used in) operating activities</b>	<b>51,421</b>	<b>23,936</b>	<b>25,616</b>	<b>(76,779)</b>	<b>37,020</b>	<b>25,714</b>	<b>86,928</b>	<b>51,290</b>	<b>24,495</b>	<b>25,034</b>	<b>91,449</b>	<b>1,428</b>	<b>(132,927)</b>	<b>60,769</b>
<b>Cash flows from non-capital financing activities:</b>														
Proceeds from issuance of bonds	-	-	-	-	-	-	-	-	-	-	201,234	-	-	201,234
Costs of bond issuance	-	-	-	(780)	-	-	(780)	-	-	-	(1,780)	-	-	(1,780)
Bond interest paid	(9,413)	(1,327)	(7,414)	(29,074)	(12,626)	(10,978)	(70,832)	(11,370)	(1,633)	(8,583)	(27,698)	(13,294)	(5,611)	(68,189)
Principal payments on bonds payable	(41,455)	(22,663)	(16,800)	(67,940)	(17,320)	(7,900)	(174,078)	(30,476)	(24,145)	(18,865)	(75,130)	(8,900)	(1)	(157,517)
Commitment fees refunded to participating schools	(415)	-	-	-	-	-	(415)	-	-	-	-	-	-	-
Net asset transfers	68	7	-	194	(2,795)	(7)	(2,533)	276	(7)	37	88	29	(168)	255
<b>Net cash (used in) provided by non-capital financing activities</b>	<b>(51,215)</b>	<b>(23,983)</b>	<b>(24,214)</b>	<b>(97,600)</b>	<b>(32,741)</b>	<b>(18,885)</b>	<b>(248,638)</b>	<b>(41,570)</b>	<b>(25,785)</b>	<b>(27,411)</b>	<b>96,714</b>	<b>(22,165)</b>	<b>(5,780)</b>	<b>(25,997)</b>
<b>Cash flows from investing activities:</b>														
Proceeds from maturity/sale of investments	4,142	-	-	-	-	-	4,142	18,649	-	-	-	-	-	18,649
Purchases of investments	(4,761)	-	-	-	-	-	(4,761)	(16,135)	-	-	-	-	-	(16,135)
Interest and dividends received on cash and investments	67	1	1	13	2	2	86	215	-	1	4	4	6	230
<b>Net cash provided by (used in) investing activities</b>	<b>(552)</b>	<b>1</b>	<b>1</b>	<b>13</b>	<b>2</b>	<b>2</b>	<b>(533)</b>	<b>2,729</b>	<b>-</b>	<b>1</b>	<b>4</b>	<b>4</b>	<b>6</b>	<b>2,744</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(346)</b>	<b>(46)</b>	<b>1,403</b>	<b>(174,366)</b>	<b>4,281</b>	<b>6,831</b>	<b>(162,243)</b>	<b>12,449</b>	<b>(1,290)</b>	<b>(2,376)</b>	<b>188,167</b>	<b>(20,733)</b>	<b>(138,701)</b>	<b>37,516</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>33,658</b>	<b>7,578</b>	<b>18,956</b>	<b>264,153</b>	<b>25,082</b>	<b>14,708</b>	<b>364,135</b>	<b>21,209</b>	<b>8,868</b>	<b>21,332</b>	<b>75,986</b>	<b>45,815</b>	<b>153,409</b>	<b>326,619</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 33,312</b>	<b>\$ 7,532</b>	<b>\$ 20,359</b>	<b>\$ 89,787</b>	<b>\$ 29,363</b>	<b>\$ 21,539</b>	<b>\$ 201,892</b>	<b>\$ 33,658</b>	<b>\$ 7,578</b>	<b>\$ 18,956</b>	<b>\$ 264,153</b>	<b>\$ 25,082</b>	<b>\$ 14,708</b>	<b>\$ 364,135</b>

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, 2015 and 2014

	2015							2014						
	Issue E Total	FRN of 2008	Issue H of 2008	Issue I Total	Issue J Total	Issue K Total	Trusteed Funds	Issue E Total	FRN of 2008	Issue H of 2008	Issue I Total	Issue J Total	Issue K Total	Trusteed Funds
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>														
<b>Operating (loss) income</b>	\$ (196)	\$ (861)	\$ (237)	\$ 10,611	\$ 3,881	\$ 1,507	\$ 14,705	\$ (1,733)	\$ (1,685)	\$ 461	\$ 6,350	\$ 4,664	\$ 2,471	\$ 10,528
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:</b>														
Provision for doubtful educational loan notes receivable	329	41	182	3,545	(402)	(92)	3,603	1,360	98	244	1,486	917	2,301	6,406
Costs of bond issuance	-	-	-	780	-	-	780	-	-	-	1,780	-	-	1,780
Arbitrage rebate	400	-	-	-	-	-	400	-	-	-	-	-	-	-
Bond interest expense	8,467	1,279	6,880	28,134	11,808	9,578	66,146	10,633	1,566	7,984	23,119	12,770	10,253	66,325
Changes in assets and liabilities:														
Educational loan notes receivable	42,674	23,334	17,740	(123,453)	20,357	17,710	(1,638)	40,939	24,235	13,725	56,437	(12,541)	(143,845)	(21,050)
Interest receivable on educational loan notes	183	98	1,044	3,122	1,414	(2,935)	2,926	133	295	2,638	2,056	(4,360)	(3,768)	(3,006)
Accounts payable and accrued expenses	(169)	39	7	487	(39)	(53)	272	(41)	(13)	(18)	234	(13)	(320)	(171)
Prepaid expenses and other assets	(267)	6	-	(5)	1	(1)	(266)	(1)	(1)	-	(13)	(9)	(19)	(43)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 51,421</b>	<b>\$ 23,936</b>	<b>\$ 25,616</b>	<b>\$ (76,779)</b>	<b>\$ 37,020</b>	<b>\$ 25,714</b>	<b>\$ 86,928</b>	<b>\$ 51,290</b>	<b>\$ 24,495</b>	<b>\$ 25,034</b>	<b>\$ 91,449</b>	<b>\$ 1,428</b>	<b>\$ (132,927)</b>	<b>\$ 60,769</b>

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

**DEFINITIONS OF CERTAIN TERMS**

The term “Issue J 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.” The term “Issue J Bonds” as used in the front portion of this Official Statement has the same meaning as the term “Bonds,” 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.”

Effective upon the initial issuance of the Series 2016 Bonds, certain provisions of the Issue J General Resolution that are described in this Appendix will be amended, and the statements in this Appendix describe such provisions as so amended. This Appendix should not be relied upon with respect to Outstanding Issue J Bonds prior to the initial issuance of the Series 2016 Bonds.

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.

Additional Bonds means any bonds issued pursuant to the Resolution in addition to the Series 2011 Bonds, the Series 2012 Bonds, and the Series 2016 Bonds.

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.

Applicable Default-Based Release Limit means, as of the Interest Payment Dates below, the applicable percentage set forth opposite thereof (unless adjusted at the discretion of the Authority with Prior Rating Agency Notice):

<u>Interest Payment Date</u>	<u>Default-Based Release Limit</u>	<u>Interest Payment Date</u>	<u>Default-Based Release Limit</u>
1/1/18	5.0%	1/1/24	15.0%
7/1/18	6.0	7/1/24	16.0
1/1/19	7.0	1/1/25	16.0
7/1/19	8.5	7/1/25	16.0
1/1/20	10.0	1/1/26	17.0
7/1/20	11.0	7/1/26	17.0
1/1/21	11.0	1/1/27	17.0
7/1/21	12.0	7/1/27	17.0
1/1/22	12.0	1/1/28	17.0
7/1/22	13.0	7/1/28	17.0
1/1/23	13.0	1/1/29	17.0
7/1/23	14.0		

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; (iii) a transfer of excess moneys in the Reserve Fund to the applicable Purchase Account or (iv) the disposition of Education Loans which are not Defaulted pursuant to the Resolution, in each case, will not cause the applicable Series of Bonds to become “arbitrage bonds” within the meaning of Section 103(c) of the Code or adversely affect the ability of the Authority to redeem a Series of Bonds or to make payments or credits to the United States Treasury, the Borrowers or others, so as to comply with the requirements of Section 148 of the Code.

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

Authority Expenses means the Authority’s reasonable and necessary expenses of carrying out and administering the Program under the Resolution, including without limitation fees incurred in preparing cash flow models and a properly allocable portion of its general overhead and operating expenses, as reasonably determined by the Authority, but in no event exceeding on a cumulative basis the aggregate 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 Series 2016 Bonds, the first Bond Year shall begin on the date of issuance of the Series 2016 Bonds and end June 30, 2016.

Bonds Subject to Redemption from Excess Revenues means (i) the Series 2011 Bonds maturing on July 1, 2018, July 1, 2020 (bearing interest at 4.625%), and July 1, 2023 through July 1, 2033 inclusive, as set forth in Section 204(A) of the First Series Resolution; (ii) the Series 2012 Bonds maturing on July 1, 2018 (bearing interest at 3.10%), July 1, 2019 (bearing interest at 3.35%), July 1, 2020 (bearing interest at 3.65%), July 1, 2021 (bearing interest at 3.95%), and July 1, 2022 through July 1, 2030, inclusive, as set forth in Section 204(A) of the Second Series Resolution; (iii) the Series 2016 Bonds maturing on July 1, 2033, as set forth in Section 204(A) of the Third Series Resolution, and (iv) certain Additional Bonds expressly included pursuant to the applicable Series Resolution authorizing a Series of Bonds.

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.

Cumulative Sinking Fund Installment means a scheduled Sinking Fund Installment with respect to Bonds designated as "Term Bonds" pursuant to a Series Resolution to be made subject to availability of adequate Revenues prior to the maturity date of such Bonds.

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

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

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

Default-Based Release Limit means, from time to time, the ratio, stated as a percentage, of (i) the principal amount of all Education Loans becoming Defaulted Loans after June 30, 2016, to (ii) the sum of

(a) the Outstanding principal balance of all Education Loans as of June 30, 2016, and (b) the original principal amount of all Education Loans originated after June 30, 2016.

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 under the Resolution.

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 in the Revenue Fund on any date of calculation after all payments and transfers therefrom to meet Debt Service, Program Expenses and the Reserve Fund Requirement and after any unscheduled transfers to meet Required Debt Service and Program Expenses required under the Resolution to be made from the Revenue Fund on such date, have been made (other than amounts, if any, deposited in the Revenue Fund resulting directly from voluntary sales by the Authority of Education Loans, which are not Defaulted, or from transfers by the Authority of such Education Loans, which are not Defaulted, 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.

Favorable Projection of Revenues, means a Projection of Revenues showing that, taking into account one or more actions proposed by the Authority, expected Revenues and other funds available for the purpose will be at least sufficient to pay, in the current and each future Bond Year, Required Debt Service when due, Program Expenses and Subordinated Program Expenses, and Rebate Fund Requirements.

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

First Series Resolution means the Authority's First Issue J Series Resolution authorizing \$102,870,000 Education Loan Revenue Bonds, Issue J, Series 2011, dated as of July 1, 2011.

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) senior direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America ("U.S. Treasury Obligations"), (c) senior obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States Treasury, or (d) senior 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 Treasury.

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 plus accrued interest at maturity or call date).

2. Senior 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
  - b) Farm Credit System (formerly Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) senior consolidated system-wide bonds and notes
  - c) Federal Home Loan Banks (FHL Banks) senior consolidated debt obligations
  - d) Federal National Mortgage Association (FNMA) senior debt obligations
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 "AAAm" 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 rated 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 which obligations are 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 which Bonds are rated "AA" or better by S&P and Fitch.
9. Pre-refunded municipal obligations rated "AAA" by S&P and at least "AA" by Fitch meeting the following requirements:
  - a) the municipal obligations are (1) not subject to redemption prior to maturity or (2) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer

of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

- b) the municipal obligations are secured by cash or U.S. Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;
- c) the principal of and interest on the U.S. Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations (“Verification Report”);
- d) the cash or U.S. Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;
- e) no substitution of a U.S. Treasury Obligation shall be permitted except with another U.S. Treasury Obligation and upon delivery of a new Verification Report; and
- f) the cash or U.S. Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

10. Repurchase agreements: with (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least “AA” by S&P; or (2) any broker-dealer with “retail customers” or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least “AA” by S&P which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated at least “AA” by S&P and acceptable to the Authority (each an “Eligible Repurchase Agreement Provider”), provided that:

- a) (i) permitted collateral shall include U.S. Treasury Obligations, or senior debt obligations of GNMA, FNMA or FHLMC (no collateralized mortgage obligations shall be permitted for these providers), and (ii) collateral levels must be at least 102% of the total principal when the collateral type is U.S. Treasury Obligations, 103% of the total principal when the collateral type is GNMA’s and 104% of the total principal when the collateral type is FNMA and FHLMC (“Eligible Collateral”);
- b) the Trustee or a third party acting solely as agent therefore or for the Authority (the “Custodian”) has possession of the collateral or the collateral has been transferred to the Custodian in accordance with applicable state and federal laws (other than by means of entries on the transferor's books) and such collateral shall be marked to market;
- c) the collateral shall be marked to market on a daily basis and the provider or Custodian shall send monthly reports to the Trustee and the Authority setting forth the type of collateral, the collateral percentage required for that collateral type, the market value of the collateral on the valuation date and the name of the Custodian holding the collateral;

- d) the repurchase agreement shall state and an opinion of counsel shall be rendered at the time such collateral is delivered that the Custodian has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof;
  - e) the repurchase agreement shall provide that if during its term the provider's rating by S&P is withdrawn or suspended or falls below "AA" by S&P, the provider must notify the Authority and the Trustee within five (5) days of receipt of notice of such action. As soon as practicable after giving of such notice, the provider shall either: (i) provide a written guarantee from a guarantor rated at least AA by S&P acceptable to the Authority, or (ii) assign the agreement to an Eligible Repurchase Agreement Provider. If the provider does not perform a remedy within sixty (60) calendar days of the downgrade, the provider shall, without direction of the Trustee, be obligated to 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 senior short-term debt of which, or, in the case of a guaranteed corporation the senior 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 senior short-term debt or financial strength, as applicable, of which, if not rated by S&P, the senior long-term debt or financial strength, as applicable, of which is rated at least "AA-," 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, (ii) 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 (iii) 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, without direction of the Authority or the Trustee, within sixty (60) days of the downgrade, either (i) provide a written guarantee acceptable to the Authority from a guarantor with a senior short-term debt rating of at least "A/F1" by Fitch and "A-1+" or better, or, if no senior short-term debt rating, a senior 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) Prior 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.

Issue J Bonds means Bonds.

Issue J Loans means Education Loans.

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 Origination Target means, when applicable, an amount required to be expended from the Purchase Account relating to a particular Series of Bonds to originate or acquire Education Loans as of a particular date, as set forth in the Series Resolution relating to such Series of Bonds.

Loan Origination Target Date means, when applicable, the date by which the Loan Origination Target(s) relating to a particular Series of Bonds must be met, subject in each case to adjustment to a later date or dates with Prior Rating Agency Notice, as set forth in the Series Resolution relating to such Series of Bonds.

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 Prior 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 and other than amounts held for payment of Bonds which are no longer Outstanding within the meaning of the defeasance provisions of the Resolution, to the sum of (x) the principal of and accrued interest on all Outstanding Bonds and (y) all accrued but unpaid Program Expenses and Subordinated Program Expenses (as certified by an Authorized Officer).

Parity Ratio Certificate means a certificate of an Authorized Officer of the Authority showing that, as of the date of calculation, after giving effect to any proposed transfer or transaction, the Parity Ratio is at least equal to the minimum required ratio set forth in the most recent Series Resolution or Supplemental Resolution.

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.

Potential Special Optional Excess Revenues Redemption Date means each Interest Payment Date on which: (i) the aggregate Outstanding principal amount of the total Bonds Outstanding equals or exceeds an amount equal, at the time of determination, to the greater of (x) while any of the Series 2011 Bonds remain Outstanding, \$10,287,000 or (y) such other amount as may be established for such purpose by the then most recently adopted Series Resolution authorizing the issuance of Bonds which amount, as of the Closing Date, shall be \$54,000,000 and (ii) either (a) such Interest Payment Date occurs during the Recycling Period or (b) the Parity Ratio exceeds 108.0% or such other amount, stated as a percentage, as may be required in a Parity Ratio Certificate as of the date of determination.

Principal Installment means, as of any date of calculation with respect to a future date, an amount equal to the aggregate of (1) the principal amount of Outstanding Bonds which mature on such future date reduced by the aggregate principal amount of such Outstanding Bonds which would at or before such

future date be retired by reason of the payment when due and application in accordance with the Resolution of remaining Sinking Fund Installments (after adjustment for any actual redemptions credited against such Sinking Fund Installments) payable at or before such future date for the retirement of such Outstanding Bonds, plus (2) the amount of any remaining Sinking Fund Installments (after adjustment for any actual redemptions credited against such Sinking Fund Installments) payable on such future date for the retirement of any Outstanding Bonds.

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

Prior Rating Agency Notice means 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 Prior 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.

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 concerning projected Revenues, Debt Service, Program Expenses, Subordinated Program Expenses and other matters prepared in accordance with the Resolution.

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

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

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

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

Rebate Fund means the Rebate Fund established by the Resolution.

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

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

Redemption Fund means the Redemption Fund established by the Resolution.

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

Required Debt Service means Debt Service, other than Principal Installments, that are payable by reason of Sinking Fund Installments (including Cumulative Sinking Fund Installments) the mandatory nature of which is dependent upon the availability of Revenues therefor under the applicable Series Resolution.

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.

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 J, 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.

Second Series Resolution means the Authority's Second Issue J Series Resolution authorizing \$168,335,000 Education Loan Revenue Bonds, Issue J, Series 2012, dated as of June 1, 2012.

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. Reference to a Series herein shall be deemed to refer separately to each Subseries therein except as otherwise provided in the applicable Series Resolution or required by the context.

Series 2011 Bonds means the Series 2011 Bonds of the Authority authorized by the First Series Resolution and the Resolution.

Series 2012 Bonds means the Series 2012 Bonds of the Authority authorized by the Second Series Resolution and the Resolution.

Series 2016 Bonds means the Series 2016 Bonds of the Authority authorized by the Third Series Resolution and the Resolution.

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

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

Servicing Agreement means the Private Loan Origination and Servicing Agreement dated June 1, 2008 between the Authority and ACS Education Services, Inc. and any other loan servicing agreement in

effect from time to time between the Authority and a Servicer for the servicing of Education Loans in connection with the Program.

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

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

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

Subordinated Program Expense Account means the Subordinated Program Expense Account, if any, created by a Series 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 Series 2016 Bonds as well as other Bonds issued under the Resolution, including various covenants and security provisions, certain of which are summarized below.**

**Effective upon the initial issuance of the Series 2016 Bonds, certain provisions of the Issue J General Resolution will be amended. All statements in this Appendix describe such provisions as so amended. This Appendix should not be relied upon with respect to Outstanding Issue J Bonds prior to the initial issuance of the Series 2016 Bonds.**

**Resolution as Contract with Bondholders (Section 103)**

The Resolution constitutes a contract among the Authority, the Trustee and the Holders of the Bonds issued thereunder from time to time, including the Series 2016 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 Bonds, including the Series 2016 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.

**Hedging Transactions (Section 104)**

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

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 in the Resolution 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 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 applicable account 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 applicable account in the Revenue Fund.

#### **Provisions for Issuance of a Series of Bonds (Section 202)**

The Bonds of each Series shall be executed by or on behalf of the Authority for issuance under the Resolution and delivered to the Trustee for authentication and, upon authentication by the Trustee, delivered to the Authority or upon its order, but only upon the receipt by the Trustee, among other things, of the following:

- (1) A copy of the Series Resolution authorizing such Series of Bonds, certified by an Authorized Officer;
- (2) A Counsel’s Opinion, dated the date of delivery of such Series, to the effect that (i) the Resolution and such Series Resolution have been duly and lawfully adopted by the Authority, are in full force and effect and are valid and binding upon the Authority and enforceable in accordance with their terms, and no other authorization for the Resolution or such Series Resolution is required; (ii) the Resolution creates the valid pledge and lien which it purports to create subject to the provisions of the Resolution; and (iii) the Bonds of such Series have been duly and validly authorized and issued in accordance with law, including the Act as amended to the date of such opinion, and in accordance with the Resolution and are valid and binding special obligations of the Authority, enforceable in accordance with their terms and the terms of the Resolution and entitled to the benefits of the Resolution; provided that such Counsel’s Opinion may take an exception for limitations imposed by or resulting from laws of bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditor’s rights theretofore or thereafter enacted and for considerations of equity;
- (3) A certificate of an Authorized Officer as to the authentication and delivery of the Bonds of such Series;
- (4) A certificate of an Authorized Officer stating that as of the delivery of such Series of Bonds no Event of Default will have happened and then be continuing;

- (5) A certificate of an Authorized Officer stating the amounts, if any, which are to be transferred and the dates on which such transfers are to be made by the Trustee from the Capitalized Interest Account to the Debt Service Fund or any other Fund; provided that such certificate shall be subject to amendment by certificate of an Authorized Officer delivered to the Trustee at any time;
- (6) A Favorable Projection of Revenues dated as of the date of issuance of the Bonds of such Series taking into account the issuance of the Bonds of such Series;
- (7) A Loan Program Certificate, as amended or confirmed as of the date of issuance of the Bonds of such Series; and
- (8) Evidence of satisfaction of the Rating Agency Condition as to each Nationally Recognized Rating Agency.

### **Subordinated Bonds (Section 205)**

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

### **Rating Agency Condition and Prior Rating Agency Notice (Section 206)**

Prior Rating Agency Notice and satisfaction of the Rating Agency Condition shall be required as to each Nationally Recognized Rating Agency prior to making any supplement or change to or modification of a Series Resolution or the Resolution, in connection with the issuance of Bonds. Prior Rating Agency Notice shall be required for any change in the Parity Ratio level at which assets may be released under the Resolution or in any restrictions on such releases, any extension of periods of time for loan origination or Revenue recycling set forth in a Series Resolution or in this Resolution, any supplement or change to or modification of a Series Resolution which shall reduce the Reserve Fund Requirement or Capitalized Interest Account Requirement specified in the latest Series Resolution, any amendment to a Loan Program Certificate, any change to a Series Resolution which shall reduce the minimum Parity Ratio required for a Parity Ratio Certificate specified in the latest Series Resolution, certain sales of Education Loans under Section 605(G), entering into a Hedge Agreement, changes in the Servicer or replacement of the Trustee and entering into any investment agreement in connection with a particular Series of Bonds after the date of issuance of such Series. Prior Rating Agency Notice shall be required for any other supplement or modification of the Resolution or a Series Resolution. In addition, with respect to the Series 2016 Bonds, Prior Rating Agency Notice shall be provided upon (i) the extension of the Loan Origination Period for the Series 2016 Bonds, (ii) adjustment of any then applicable Loan Origination Target Date, (iii) reduction of any then applicable Loan Origination Target, or (iv) the extension of any then applicable Recycling Period for any such Series of Bonds.

### **Pledge of the Resolution (Section 501)**

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.

#### **Establishment of Funds and Accounts (Section 502)**

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

Program Expense Accounts

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 or Subseries 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 or Subseries. To the extent such separate subaccounts are so established, the proceeds of a particular Series or Subseries 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 or Subseries 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 or Subseries 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 the Resolution, or to the extent permitted by the Resolution, 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 amounts available in such subaccounts) the amounts necessary to make such deposit or withdrawal. When Accounts or separate subaccounts established for a Series or Subseries of Bonds are no longer active, the Authority may, by certificate of an Authorized Officer, instruct the Trustee to close such Accounts or subaccounts.

#### **Program Fund (Section 504)**

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.

All moneys transferred from the Revenue Fund to the Purchase Account pursuant to the Resolution (as described below under “Monthly Transfers from Revenue Fund” or “Covenants as to Education Loans”) 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 the proceeds of a Series of Bonds deposited in a Purchase Account or any subaccount therein established by Series Resolution have been so Purchased, as evidenced by a certificate of an Authorized Officer, and in any event on such date as may be established for a particular Series of Bonds by the applicable Series Resolution for the subaccount in the Purchase Account, if no such certificate is received prior thereto, any amount remaining unexpended in a subaccount 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, subject to the terms of the applicable Series Resolution) shall be transferred by the Trustee to the applicable account or subaccount in the Redemption Fund and any amount remaining in the Capitalized Interest Account and the Costs of Issuance Account not required for any purposes thereof shall be transferred by the Trustee to the applicable account or subaccount in the Redemption Fund or the Debt Service Fund, as such certificate may designate.

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.

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 necessary to satisfy the Capitalized Interest Account Requirement. Monthly and semi-annually 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 the Capitalized Interest Account shall be transferred by the Trustee for deposit in the Program Expense Fund the amount of Program Expenses due and payable. Monthly and semi-annually, 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, the amount of interest accrued and due thereon. In addition, moneys in the Capitalized Interest Account shall be used, to the extent available, for the purpose of paying interest on the applicable Series of Bonds or for paying Program Expenses. If on any Interest Payment Date there are more funds on deposit in the Capitalized Interest Account 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 Required Debt Service 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 and conditions 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 and conditions 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 Favorable 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.

### **Revenues and Revenue Fund (Section 506)**

All Revenues (except those earnings retained in certain funds and accounts as provided in the Resolution and certain proceeds of disposition of Education Loans as described below under “Covenants as to Education Loans,” or as otherwise provided for by a Series Resolution, with respect to Revenues allocable to a Series of Bonds authorized thereby), 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 (Section 506(B))**

The Resolution provides that on the second to last Business Day of each month, the Trustee will apply moneys in the Revenue Fund (and from subaccounts therein as the Authority may direct) 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 an aggregate cumulative basis with the Loan Program Certificate, all as certified by an Authorized Officer;

(3) To the Debt Service Fund (and to any subaccounts therein as the Authority may direct), as necessary so that the amount on deposit therein is equal to (i) interest accrued and to accrue on the Bonds from the most recent Interest Payment Date through the end of 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 six months or twelve months, as applicable, prior to the first Interest Payment Date on which a Principal Installment (including for this purpose any Sinking Fund Installment and Cumulative Sinking Fund Installment) is due on the Bonds, such portion of the Principal Installment that would have accrued on the Bonds from the most recent Interest Payment Date through the end of 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 first from the Capitalized Interest Account and then as set forth in the provisions of the Resolution dealing with Priority of Draws for Required Debt Service;

(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; provided that Revenues derived from or allocable to a Series of Bonds may be transferred to the Purchase Account of another Series of Bonds, if and to extent that the Purchase Account of such Series of Bonds has previously been drawn upon (and not replenished) pursuant to the Resolution to meet shortfalls in Revenues derived from or allocable to such Series of Bonds; and

(7) To the Redemption Fund (and any subaccounts therein as the Authority may direct, 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 Bonds will end on September 30, 2017, subject to extension to a later date with Prior Rating Agency Notice.

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

### **Semi-Annual Transfers from Revenue Fund (Section 506(C))**

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 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; provided that Revenues derived from or allocable to a Series of Bonds may be transferred to the Purchase Account of another Series of Bonds, if and to extent that the Purchase Account of such Series of Bonds has previously been drawn upon (and not replenished) pursuant to the Resolution to meet shortfalls in Revenues derived from or allocable to such Series of Bonds; and

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

**Release of Certain Revenues from Lien of Resolution (Section 506)**

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 under the heading “Semi-Annual Transfers from Revenue Fund” 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 on account of fees, expenses, reimbursements or any other obligations.

**Priority of Draws for Required Debt Service (Section 507A)**

If, after the monthly and semi-annual transfers from the Revenue Fund required under the Resolution, the amounts in the Debt Service Fund are insufficient to pay the Required Debt Service coming due on the Bonds on any Interest Payment Date, such Required Debt Service shall be payable from funds available therefor in accordance with the Resolution in the following Funds and Accounts (and from subaccounts therein as the Authority may direct) in the following order of priority:

- (1) Redemption Fund, but only to the extent funds are held for redemption of Bonds for which the Trustee has not given notice of redemption under the Resolution and such funds are not held for Bonds within the meaning of the defeasance provisions of the Resolution;
- (2) Capitalized Interest Account, but only to the extent of the interest due and payable on the Bonds;
- (3) Purchase Accounts; and
- (4) Reserve Fund.

**Priority of Draws for Program Expenses (Section 507B)**

If, after the monthly and semi-annual transfers from the Revenue Fund required under the Resolution, the amounts in the Program Expense Fund are insufficient to pay the Program Expenses coming due, such Program Expenses shall be payable from funds available therefor in accordance with the Resolution in the following Funds and Accounts in the following order of priority:

- (1) Redemption Fund, but only to the extent funds are held for redemption of Bonds for which the Trustee has not given notice of redemption pursuant to the Resolution and such funds are not held for Bonds within the meaning of the defeasance provisions of the Resolution;
- (2) Capitalized Interest Account;
- (3) Purchase Accounts; and
- (4) Reserve Fund.

### **Additional Transfers to Meet the Rebate Fund Requirement (Section 507C)**

With respect to any Series of Bonds, in addition to any monthly or semi-annual transfers to the Rebate Fund, the Trustee shall, on any Business Day on which such transfer is required under any Series Resolution, transfer from the Revenue Fund (and from such subaccounts as the Authority may direct) to the Rebate Fund the amount necessary so that the balance in the Rebate Fund shall equal the Rebate Fund Requirement.

### **Application of Debt Service Fund (Section 508)**

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 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 in the case of a Sinking Fund Installment due on the stated maturity date, the principal amount thereof plus interest to such date); provided that any such purchases shall be arranged by the Authority.

Except as otherwise specified or permitted 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 and (except in the case of a Cumulative Sinking Fund Installment prior to the maturity date) whether or not the balance in the Debt Service Fund is sufficient to pay all such Bonds.

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.

### **Application of Reserve Fund (Section 509)**

If, after making the semi-annual transfers required by the Resolution or any instructions relating to the Capitalized Interest Account, the Trustee determines that the amount on deposit and available in the Debt Service Fund is insufficient to pay Required Debt Service (including any payments on Qualified Hedge Agreements treated as Debt Service) coming due on the Bonds on the next Interest Payment Date, the Trustee shall, to the extent of the funds available therein, withdraw from the Reserve Fund consistent

with the priority and conditions set forth above under the section titled “Priority of Draws for Required Debt Service” and deposit the amount necessary to meet the deficiency in the Debt Service Fund.

All interest earned or other income derived from the investment of moneys in the Reserve Fund will be transferred to the Revenue 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, as the Authority may determine, 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 (and such subaccounts therein as the Authority may direct); 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.

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

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

#### **Application of Program Expense Fund (Section 510)**

The Trustee will pay or reimburse the Authority for Program Expenses from time to time from the Program Expense Fund upon receipt of a requisition signed by an Authorized Officer of the Authority certifying, among other things, that such Program Expenses are consistent on an aggregate cumulative basis with amounts authorized to be paid under the Loan Program Certificate.

Upon written instruction of the Authority, the Trustee shall pay out of the Program Expense Fund any fees, charges and termination payments related to Qualified Hedge Agreements entitled to payment as Program Expenses. 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.

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.

### **Application of Redemption Fund (Section 511)**

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 Resolution and 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 Resolution and the applicable Series Resolution. Funds for the interest due on such Bonds on the redemption or purchase date shall be drawn from the Debt Service Fund.

If, after making the monthly and semi-annual transfers required by the Resolution, the Trustee determines that the amount on deposit and available therefor 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 shall withdraw and deposit in the Debt Service Fund the amount necessary to meet the deficiency from the Redemption Fund consistent with the priority and conditions set forth set forth above under “Priority of Draws for Required Debt Service.” If, after making the monthly and semi-annual transfers required by the Resolution, 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 shall withdraw and deposit in the Program Expense Fund the amount necessary to meet the deficiency from the Redemption Fund consistent with the priority and conditions set forth above under “Priority of Draws for Program Expenses.”

Except as provided in the preceding paragraph, all moneys transferred to the Redemption Fund shall be applied to effect a redemption of Bonds or to the purchase in lieu of redemption of Bonds in the manner provided in this section or in a Series Resolution. The Redemption Price of Bonds subject to redemption by operation of the Redemption Fund shall be the price set forth in the applicable Series Resolution (as certified by the Authority to the Trustee). As provided above under “Application of Debt Service Fund,” the Trustee shall withdraw from the Debt Service Fund the amount, if any, equal to the interest accrued on Bonds to be purchased or redeemed pursuant to this paragraph at the time of such purchase or redemption.

All moneys transferred to the Redemption Fund not required to be applied to a special, mandatory or optional redemption as to which notice has been given shall, except as provided in the second paragraph of this section, be subject, in the discretion of the Authority, to application to the purchase in lieu of redemption and retirement of Bonds, including the payment of any premium payable upon any optional redemption thereof, all as provided in the applicable Series Resolution and as contemplated by the Resolution.

Upon receipt of the certificate of an Authorized Officer, the Trustee, to the extent so directed by the Authority, shall apply moneys in the Redemption Fund to the purchase in lieu of redemption and retirement

of Bonds designated in such certificate, such price not to exceed the Redemption Price of such Bonds applicable on the next Interest Payment Date. Following the giving of notice of redemption of the Bonds to be redeemed on account of moneys in the applicable Fund, however, Bonds shall not be purchased pursuant to this paragraph from such moneys.

Except as otherwise provided in the applicable Series Resolution, any Bonds to be purchased in lieu of redemption and retired or redeemed by the Trustee on account of moneys in the Redemption Fund not required to be applied to a special redemption shall be so purchased or redeemed by the Trustee only upon receipt by the Trustee of a certificate of an Authorized Officer determining or certifying the following:

- (1) The Series and maturities and other identifying characteristics of the Bonds are to be purchased or redeemed;
- (2) The aggregate principal amount of such Bonds to be purchased or redeemed;
- (3) If any of the Bonds to be purchased or redeemed as designated in clauses (1) and (2) hereinabove are Bonds for which Sinking Fund Installments have been established, the years in which Sinking Fund Installments are to be reduced and the amount by which the Sinking Fund Installments so determined 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 optional redemption as set forth in the applicable Series Resolution, provided that the aggregate of such reductions in Sinking Fund Installments shall equal the aggregate principal amount of the Bonds to be purchased or redeemed; and
- (4) If Bonds are to be purchased, which Bonds the Authority has arranged to purchase and the manner and timing of such purchase.

Except as otherwise provided in the applicable Series Resolution, prior to the date on which the Trustee gives notice with respect to any optional redemption of Bonds, or takes action to effect purchase of Bonds with moneys not required to be applied to a special redemption, from the Redemption Fund, the Authority shall file with the Trustee a certificate of an Authorized Officer setting forth a Favorable Projection of Revenues or, if the Authority is not able to, a certificate to the effect that in the judgment of the Authority such purchase or redemption will produce the greatest estimated availability of Revenues in relation to the amount of such Required Debt Service and Program Expenses in each Bond Year for the greatest number of Bond Years. If no such Favorable Projection of Revenues or certificate is filed, in the case of optional redemptions, or purchases of Bonds in lieu of optional redemption, from the Redemption Fund, unless otherwise specified in the applicable Series Resolution, the Trustee shall redeem or purchase and retire Bonds of each Series, maturity and tenor, 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 redeemed or purchased and retired are Bonds for which Sinking Fund Installments have been established, shall reduce the Sinking Fund Installments for such Bonds, as nearly as practicable, in accordance with the ratio which the aggregate principal amount of each Sinking Fund Installment bears to the aggregate principal amount of such Bonds.

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

### **Application of Excess Revenues to Redemption of Bonds (Section 512)**

Subject to provisions of a Series Resolution to the contrary with respect to a Series authorized by such Series Resolution, all Excess Revenues shall be applied to redeem Bonds Subject to Redemption from Excess Revenues in the following manner and priority (whether such redemption occurs on a mandatory or optional basis):

- (1) Unless otherwise directed by the Authority, all Bonds which are Bonds Subject to Redemption from Excess Revenues pro rata by principal amount of each maturity of like tenor Outstanding, without regard to date of issuance; or
- (2) To Bonds Subject to Redemption from Excess Revenues in such manner as the Authority may direct consistent with a Favorable Projection of Revenues.

### **Application of the Rebate Fund (Section 513)**

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 (Section 514)**

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, in each case in excess of the amounts required to be on deposit therein 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 Favorable 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 (Section 516)**

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 within one year of purchase and 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. All Investment Obligations purchased shall have a fixed principal amount due at maturity and any redemption thereof at the option of the issuer prior to maturity shall be at not less than par. 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 with respect to the Purchase Account and the Rebate Fund, or in a Series Resolution with respect to a particular Series of Bonds, interest and other income derived from the investment or deposit of moneys in any Fund or Account shall be transferred

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

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

### **Reserve Fund Facility (Section 517)**

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 “A” 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.

### **Recycling of Revenues (Section 518)**

The Resolution permits moneys remaining in a Revenue Fund after the required prior transfers described above under “Monthly Transfers from Revenue Fund” and “Semi-Annual Transfers from Revenue Fund” to be recycled for the Purchase of Education Loan Notes by transfer of such moneys to the applicable subaccount in the Purchase Account, provided that such recycling may take place only during the Recycling Period for one or more Series of Bonds. During the period in which recycling is permitted with respect to one or more Series of Bonds, only those Revenues that are allocable to such Series of Bonds will be recycled. The Recycling Period for one or more Series of Bonds may be extended with Prior Rating Agency Notice.

### **Issuance of Additional Obligations (Section 603)**

Other than the issuance of Bonds as described under the heading “Provisions for Issuance of a Series of Bonds” and “Subordinated Bonds”, the Authority will not create or permit the creation of or issue any other obligations or additional indebtedness which will be secured by a charge and lien on the Trust Assets unless such obligations or indebtedness will be payable from Trust Assets only after such Assets are released from the lien of the Resolution.

The Authority reserves the right to adopt one or more other 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.

### **Covenants as to the Program (Section 604)**

The Authority shall from time to time, with all practical dispatch and in a sound and economical manner consistent in all respects with the Act and with the provisions of the Resolution, make a good faith effort to solicit demand from potential Borrowers and originators for the Purchase of Education Loans by the Authority and to use and apply the proceeds of the Bonds, to the extent not reasonably required for other Program purposes of the Authority, to Purchase Education Loans, and shall do all such acts and things necessary to receive and collect Revenues and shall diligently enforce, and take all steps, actions and

proceedings reasonably necessary in the judgment of the Authority for the enforcement of all terms, covenants and conditions of Education Loan Notes. Subject to the limits set forth in the Loan Program Certificate and the Resolution, the Authority shall determine the terms and conditions of all MEFA Loans.

Education Loan Notes Purchased with the proceeds of Bonds and any other moneys available therefor hereunder shall have scheduled payments of principal and interest or other legally enforceable payments available for payment of Principal Installments of and interest on the Bonds which, together with other moneys reasonably anticipated to be available therefor, shall be at least sufficient to pay the Principal Installments of and interest on the Bonds when due and all reasonably anticipated Program Expenses. The Authority shall not Purchase Education Loan Notes with interest rates lower than those projected with respect to such Education Loan Notes in the most recent Favorable Projection of Revenues previously filed by the Authority pursuant to the Resolution or set forth in the most recent Loan Program Certificate unless the Authority files a new Favorable Projection of Revenues and amends the Loan Program Certificate taking such reduced rates into account.

The Authority hereby covenants to apply any Revenues or other moneys derived by it from Education Loan Notes and held hereunder allocable to a particular Series of Bonds after no Bonds of such Series remain Outstanding in accordance with any covenant contained herein or in the applicable Series Resolution.

#### **Covenants as to Education Loans (Section 605)**

No Education Loan shall be Purchased by the Authority from the proceeds of Bonds or other moneys available therefor hereunder, unless the Education Loans and the terms and conditions of the Purchase shall comply with the terms, conditions, provisions and limitations of the Resolution, the applicable Series Resolution, the Loan Program Certificate, applicable state and federal laws and, insofar as applicable, the Operations Manual.

No Education Loan shall be Purchased by the Authority unless: (1) an Education Loan Note shall have been executed by the Borrower to evidence the Education Loan and, if not originally payable to the Authority, duly endorsed to the Authority (without recourse to the endorser), or, in lieu thereof, assigned to the same effect; (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 to a Borrower who meets, if applicable, the credit requirements established by the Authority as specified in the Loan Program Certificate and the Operations Manual.

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 one or more Servicers 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 for reasonable compensation (not to exceed the amounts permitted under the Loan Program Certificate). In the event the Authority elects to perform all or a portion of the functions of the Servicer, the Authority agrees to abide by applicable current industry standards with respect to its practices as Servicer. During any period in which there is no Servicing Agreement in effect with a Servicer for all or a portion of the functions necessary to service Education Loans adequately, the Authority shall perform such functions for reasonable compensation (not to exceed the amounts permitted

under the Loan Program Certificate). 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 promptly directly 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;

(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;

(6) with respect to any period in which a Series of Bonds is Outstanding, such other provisions as may be set forth in the applicable Series Resolution with respect to the Servicer.

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 be subject to Prior Rating Agency Notice.

The Authority shall diligently enforce and take all reasonable steps, actions and proceedings necessary for the enforcement of all terms, covenants and conditions of all Education Loans including the

prompt payment of all Revenues and all other amounts due the Authority with respect to Education Loans. The Authority shall at all times, to the extent permitted by law, defend, enforce, preserve and protect the rights and privileges of the Authority and the Bondholders under or with respect to each Education Loan provided that the Authority shall have the power and authority to settle a default on any Education Loan on such terms as the Authority shall determine to be in the best interest of the Authority and the Bondholders and to forbear from taking action with respect to enforcement of an Education Loan if it determines such forbearance to be in the best interests of the Authority and the Bondholders.

Whenever it shall be necessary in order to protect and enforce the rights of the Authority under an Education Loan and to protect and enforce the rights and interest of Bondholders under the Resolution, the Authority shall take steps necessary to enforce any policy or certificate of insurance or guaranty relating to an Education Loan and to accelerate the Education Loan.

The Authority may dispose of Defaulted Education Loans 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 Loans in the manner, upon the terms and for the price or prices proposed is consistent with the most recently filed Favorable Projection of Revenues or will produce the greatest available Revenues in relation to Required Debt Service and Program Expenses in each Bond Year for the greatest number of Bond Years. The proceeds of such disposition shall be deposited in the Revenue Fund.

Subject to the Series Resolution for any Series of Bonds, the Authority may dispose of any Education Loans which are not Defaulted provided that (i) an Authorized Officer shall have filed with the Trustee on or prior to the date of disposition a Favorable Projection of Revenues; (ii) the Authority shall have provided to the Trustee a Favorable Opinion and an Arbitrage Projection Certificate; (iii) such proceeds are deposited in the Redemption Fund and applied to the redemption or purchase in lieu of redemption of Bonds in accordance with the Resolution; and (iv) unless all Bonds will be paid or defeased as a result of such disposition if such disposition is for a price of 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 Prior Rating Agency Notice. Upon receipt of a certificate of an Authorized Officer to the effect that a determination as to disposition has been made with respect to specified Education Loans, the Trustee shall deliver to the Authority or, in the case of Education Loans held in the custody of a Servicer or other entity, the Authority shall cause the Servicer or other entity then holding Education Loan Notes, as applicable, to deliver to the order of the Authority the Education Loan Notes relating to such Education Loans.

If an Event of Default has occurred and is continuing, upon the written direction of the Trustee, the Authority shall sell Education Loans (whether Defaulted or not) to the extent and in the manner directed by the Trustee.

The Authority may consent or agree to permit amendment or modification of any Education Loan including amendments and modifications made in connection with settlement of any delinquency or default on any Education Loan which settlement the Authority determines to be in the best interests of the Authority and the Bondholders; provided, however, that any amendment or modification shall be permitted only if the amended Education Loan meets the Authority's eligibility criteria for an Education Loan which the Authority may Purchase and the Authority determines that such modification will not have a material adverse impact, taking into account the reasonable expectations with respect to the Education Loan in question immediately prior to such modification, on the Authority's ability to pay Required Debt Service when due and Program Expenses and Subordinated Program Expenses in the current and each subsequent Bond Year.

## **Projection of Revenues (Section 606)**

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 separately Cumulative Sinking Fund Installments, Required Debt Service and total Debt Service and, in the event any Bonds are subject to a Qualified Hedge Agreement, the anticipated effect of such agreement;
- (6) The Program Expenses and Subordinated 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 Favorable Projection of Revenues supporting the issuance of the Series 2016 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 assumptions and criteria consistent with limitations and parameters 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 Favorable Projection of Revenues shall be required in connection with the issuance of any Series of Bonds or the disposition of Education Loans which are not Defaulted.

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 Favorable Projection of Revenues giving effect to such redemption.

### **Representations and Warranties as to Power to Issue Bonds and Pledge Revenues and Other Funds (Section 607)**

The Authority is duly authorized under all applicable laws to create and issue the Bonds and to adopt the Resolution and 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. The provisions of this section titled "Representations and Warranties as to Power to Issue Bonds and Pledged Revenues and Other Funds" shall survive until payment in full or defeasance of all Outstanding Series of Bonds issued under the Resolution. The Authority may not waive any of the provisions contained in this section.

- (1) Instruments: With respect to the Trust Assets that constitute "instruments" within the meaning of the UCC (referred to here as "Instruments"), none of the Trust Assets that constitute or evidence the Instruments has any marks or notations indicating that they have been pledged, assigned or otherwise conveyed to any person other than the Trustee.
- (2) Accounts: With respect to the Trust Assets that constitutes "accounts" within the meaning of the UCC (referred to here as "Accounts"), the Authority has caused or will have caused, the filing of all appropriate financing statements in the proper filing office in the appropriate jurisdictions under applicable law in order to perfect the security interest in the Accounts granted to the Trustee hereunder.
- (3) Securities Entitlements: With respect to the Trust Assets that constitute "securities entitlements" within the meaning of the UCC (referred to here as "Securities Entitlements"), such Securities Entitlements have been and will have been credited to one or more of the Funds or Accounts created by or pursuant to the section above titled "Establishment of Funds and Accounts." The securities intermediary for each such Fund or Account has agreed to treat all assets credited to the Funds and Accounts as "financial assets" within the meaning of the UCC. The Authority has received all consents and approvals required by the terms of the Securities Entitlements to the transfer to the Trustee of its interest and rights in the Securities Entitlements hereunder. The Funds and Accounts are not in the name of any person other than the Authority or the Trustee. The

Authority has not consented to the securities intermediary of any such Fund or Account to comply with entitlement orders of any person other than the Trustee.

- (4) General Intangibles: With respect to the Trust Assets that constitute “general intangibles” within the meaning of the UCC (referred to here as “General Intangibles”), the Authority has caused or will have caused, the filing of all appropriate financing statements in the proper filing office in the appropriate jurisdictions under applicable law in order to perfect the security interest in the General Intangibles granted to the Trustee hereunder.
- (5) Deposit Accounts: With respect to the Trust Assets that constitute “deposit accounts” within the meaning of the UCC (referred to here as “Deposit Accounts”), such Deposit Accounts are not in the name of any person other than the Authority or the Trustee. The Authority has not consented to any bank maintaining the Deposit Accounts to comply with entitlement orders of any person other than the Trustee.

#### **Further Assurances (Section 608)**

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.

#### **Covenant as to Annual Budget (Section 609)**

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 and Subordinated Program 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.

#### **Covenant as to Accounts and Reports (Section 610)**

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 shall at all reasonable times 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 (Section 611)**

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 the issuance of such indebtedness is subject to delivery of Prior 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.

### **Tax Covenants (Section 612)**

The Authority shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the Authority to be used directly or indirectly to acquire any securities or obligations the acquisition of which would cause any Bond to be an “arbitrage bond” as defined in Section 148 of the Code, or to be used in any manner which would cause any Bond to violate any of the restrictions contained in Sections 144(b) or 147 of the Code. The Authority shall not enter into any arrangement, formal or informal, pursuant to which any person from whom the Authority may acquire Education Loan Notes under the Program (or any related person, as defined in Section 144(a)(3) of the Code) shall be required to purchase Bonds in an amount related to the amount of Education Loan Notes to be acquired from such person by the Authority. The Authority shall at all times retain in the Operations Manual provisions limiting the amount of proceeds of Education Loans received by a Student to such Student’s total costs of attendance at a Participating Educational Institution less other financial assistance available to such Student for application to such costs. The Authority shall 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.

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.

The foregoing tax covenants do not apply to any Bond that at the time of issuance bears such terms as, or the proceeds of which are applied in such a manner as, shall cause the interest payable on such Bond not to qualify for the exclusion from gross income under the Code.

### **General Covenants (Section 613)**

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.

### **Events of Default (Section 701)**

Each of the following events is hereby declared an “Event of Default”:

- (1) payment of the Principal Installments of any Bond included in Required Debt Service (other than Subordinated Bonds, except as otherwise provided in the applicable Series Resolution) whether at maturity or otherwise, including upon any tender for purchase, shall not be made when and as the same become due; or
- (2) payment of any installment of interest on any of the Bonds (other than Subordinated Bonds, except as otherwise provided in the applicable Series Resolution) shall not be made when and as the same shall become due; or
- (3) failure by the Authority 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, other than certain quarterly periodic reporting requirements as described under “Covenant as to Accounts and Reports,” and continuance of such failure or default for a period of 60 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; or
- (4) 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; or
- (5) 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.

### **Remedies (Section 702)**

Upon the happening and continuance of any Event of Default, then, and in each such case, the Trustee may proceed, and upon the written request of the Holders of more than fifty percent (50%) in aggregate principal amount of the Outstanding Bonds shall proceed, in its own name, to protect and enforce its rights and 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 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.
- (6) Upon the happening and continuance of any Event of Default, other than as described in clause (3) under “Events of Default” above, 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, unless a formal judgment has been obtained for any principal or interest coming due and payable solely by reason of such declaration, 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.

Upon the occurrence of an Event of Default, the Authority, at the request of the Trustee or the Holders of more than fifty percent (50%) in aggregate principal amount of the Outstanding Bonds, shall assign to the Trustee any and all interests and rights held by the Authority in the Education Loans, any security agreements and agreements with a Servicer and shall take any other steps requested by the Trustee or Bondholders to further effectuate the rights of the Trustee under the Resolution to the Education Loans or such agreements.

#### **Right to Compel Periodic Reports (Section 703)**

Any failure to provide the periodic Issue J 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 (Section 704)**

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.

Whenever moneys are to be applied by the Trustee pursuant to the provisions of this section, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional money becoming available for such application in the future. The setting aside of such moneys in trust for the proper purpose shall constitute proper application by the Trustee, and the Trustee shall incur no liability whatsoever to the Authority, to any Bondholder or to any other person for any delay in applying any such moneys, so long as the Trustee acts with reasonable diligence, having due regard for the circumstances, and ultimately applies the same in accordance with such provisions of the Resolution as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be an Interest Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate for the fixing of any such date. The Trustee shall not be required to make payment to the Holder of any Bond unless such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

### **Responsibilities of Fiduciaries (Section 803)**

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 the Trustee determines or the Authority advises the Trustee that such incurrence will not adversely affect the conclusions in the most recently filed Favorable Projection of Revenues.

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; Successor Trustee (Section 807 and Section 808)**

In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take 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. The successor Trustee shall mail notice of any such appointment by first-class mail, postage prepaid, within 25 days after such appointment.

If in a proper case no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this section within 45 days after the Trustee shall have given to the Authority written notice or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, the Trustee, the Authority or the Holder of any Bonds may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Trustee.

Any Trustee appointed in succession to the Trustee shall be a bank or trust company or national banking association and (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.

### **Supplemental Resolutions (Section 901)**

The Authority may adopt supplemental resolutions to, among other things,

- (1) To authorize the issuance of a Series of Bonds;
- (2) To add to the covenants and agreements of the Authority in the Resolution, other covenants and agreements to be observed by the Authority which are not contrary to or inconsistent with the Resolution as theretofore in effect;
- (3) To add to the limitations and restrictions in the Resolution other limitations and restrictions to be observed by the Authority which are not contrary to or inconsistent with the Resolution as theretofore in effect;
- (4) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Resolution, of the Revenues or of any other moneys, securities or funds;
- (5) To provide for issuing non-registered Bonds, subject to the required Counsel's Opinion;
- (6) To modify any of the provisions of the Resolution in any respect whatever, provided that such modifications shall be, and be expressed to be, effective only after all Bonds shall cease to be Outstanding;
- (7) To cure any ambiguity, supply any omission, or cure or correct any inconsistent provision in the Resolution; to substitute words or phrases used as defined terms in the Resolution if it is convenient to do so in connection with the administration of the Program; or to insert such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable and are not contrary to or inconsistent with the Resolution as theretofore in effect, provided, in all cases, that such action or actions shall not adversely affect the interests of the Bondholders; and
- (8) To authorize the Authority to enter into a Qualified Hedge Agreement in connection with a Series of Bonds and to amend the applicable Series Resolution, if necessary, in connection with such Qualified Hedge Agreement subject to Prior Rating Agency Notice.

In any event, the Authority will not amend the Resolution or any Series Resolution or enact any Supplement Resolution without providing Prior Rating Agency Notice.

### **Powers of Amendment (Section 1002)**

Certain provisions of the Resolution may be amended by the Authority by a supplemental resolution with Prior Rating Agency Notice and with the written consent (1) of the Holders of more than 60% in aggregate 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 more than 60% in aggregate 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.

### **Defeasance (Section 1101)**

Subject to the Series Resolution for any Series of Bonds, if the Authority shall pay or cause to be paid to the Holders of the Bonds, the principal and interest to become due thereon, then the pledge of any Trust Assets and other moneys, hereby pledged to the payment of the Bonds and all other rights granted hereby securing the Bonds shall 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 theretofore surrendered for such payment) including any Education Loans, shall be distributed in accordance with a certificate of an Authorized Officer of the Authority instructing the Trustee to distribute the amounts therein. The Trustee shall execute any and all documents as are necessary or appropriate to effectuate the distributions described hereinabove. The Trustee shall, upon the request of the Authority, execute and deliver to the Authority all such instruments as may be desirable to evidence such discharge and satisfaction. If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Outstanding Bonds the principal and interest due or to become due thereon at the times and in the manner stipulated in the Bonds and in the Resolution, such Bonds shall cease to be entitled to any lien, benefit or security hereunder and all covenants, agreements and obligations of the Authority to the Holders of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds (which may include any portion of a Series of Bonds) or interest installments for the payment of which moneys and investment earnings thereon, if any, shall have been set aside and shall be held in trust by the Trustee shall, at the stated maturity date or redemption thereof, be deemed to have been paid. Subject to the Series Resolution for any Series of Bonds, all Bonds shall, prior to the stated maturity date or redemption date thereof, be deemed to have been paid if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity the Authority shall have given to the Trustee in form satisfactory to it irrevocable instructions to mail notice of redemption on said date of such Bonds, (ii) there shall have been deposited with the Trustee moneys in an amount which shall be sufficient, or when invested in obligations described in clauses (1) or (9) of the definition of "Investment Obligations" shall, together with the investment earnings thereon, be sufficient to pay when due the principal of and interest due and to become due on said Bonds on and prior to the stated maturity date thereof and (iii) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty days, the Authority shall have given the Trustee in form satisfactory to it 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 registration books of the Trustee, that the deposit required by (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid and stating such maturity date or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if any, on said Bonds. For the purposes of 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. For the purpose of defeasance under the Resolution, the Authority may, but shall not be required to, provide for payment of remaining Cumulative Sinking Fund Installments that are not Required Debt Service in accordance with the schedule of such Principal Installments established at the date of issuance of each applicable Series of Bonds (with

payments not made as scheduled on such Principal Installments and remaining unpaid being paid upon the date of the defeasance of future such Principal Installments). Money deposited with the Trustee and interest payments on any such Investment Obligations purchased with such moneys shall be withdrawn or used only for the purpose of, and shall be held in trust for, the payment of the principal of and interest on said Bonds; but any cash received from such principal or interest payments on such Investment Obligations deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in obligations described in clauses (1) or (9) of the definition of Investment Obligations maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if any, and interest to become due on said Bonds on and prior to such stated maturity date or Redemption Date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the Authority, as received by the Trustee, free and clear of any trust, lien or pledge. Investment Obligations means and includes only such obligations as are described in clauses (1) or (9) of the definition of Investment Obligations herein.

**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 2016 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 J, Series 2016 (the “Series 2016 Bonds”) issued pursuant to a General Resolution of the Authority dated as of July 1, 2011, as amended and restated as of March 31, 2016, entitled “Education Loan Revenue Bond General Resolution, Issue J” (the “General Resolution”), as previously supplemented and as further supplemented by the Third Issue J Series Resolution dated as of March 31, 2016 (the “Third Series Resolution,” and together with the General Resolution, the “Resolution”)

We have acted as Bond Counsel in connection with the authorization, sale, issuance and delivery of the Series 2016 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 2016 Bonds. Capitalized terms used herein shall, unless otherwise specified, have the meanings set forth in the Resolution.

The Series 2016 Bonds are being issued to finance education loans and to refund certain prior bonds issued by the Authority.

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 2016 Bonds.

(b) The aforementioned proceedings and proofs show lawful authority for the issuance and sale of the Series 2016 Bonds pursuant to the provisions of law applicable thereto.

(c) The Series 2016 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.

**Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.**

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(d) The Series 2016 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 2016 Bonds.

(f) (i) Under existing law, interest on the Series 2016 Bonds will not be included in the gross income of holders of such Series 2016 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 (the "Code"), which requirements must be satisfied subsequent to the date of issuance of the Series 2016 Bonds in order to ensure that the interest on the Series 2016 Bonds is and continues to be excludable from the gross income of the holders of the Series 2016 Bonds for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Series 2016 Bonds to be included in the gross income of holders of the Series 2016 Bonds retroactive to the date of issuance of the Series 2016 Bonds.

(ii) Under existing law, interest on the Series 2016 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 2016 Bonds.

(g) Under existing law, interest on the Series 2016 Bonds and any profit on the sale thereof are exempt from Massachusetts personal income taxes, and the Series 2016 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 2016 Bonds or as to the taxability of the Series 2016 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.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

MINTZ, LEVIN, COHN, FERRIS, GLOVSKY AND POPEO, P.C.

## APPENDIX E

### PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this “Agreement”) dated June \_\_, 2016 is executed and delivered by the Massachusetts Educational Financing Authority (the “Issuer”) and U.S. Bank National Association, Boston, Massachusetts, as dissemination agent (in such capacity, the “Dissemination Agent”), in connection with the issuance of the Issuer’s Education Loan Revenue Bonds, Issue J, Series 2016 in the aggregate principal amount of \$340,000,000 (the “Series 2016 Bonds”). The Series 2016 Bonds are being issued pursuant to the Education Loan Revenue Bond General Resolution, Issue J, dated as of July 1, 2011 (as previously supplemented and amended and as amended and restated as of March 31, 2016, the “Issue J General Resolution”), as further supplemented and amended by the Third Issue J Series Resolution dated as of March 31, 2016 (collectively with the Issue J 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 Dissemination Agent 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, 2017, 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 Dissemination Agent.

(b) Any notice of a defeasance of Series 2016 Bonds shall state whether the Series 2016 Bonds have been escrowed to maturity or to an earlier redemption date and the timing of such maturity or redemption.

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.

## 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](http://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 hereby designates U.S. Bank National Association as initial dissemination agent and may from time to time designate another agent to act on its behalf in providing or filing notices, documents and information as required of the Issuer under this Agreement, and may 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](http://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 Dissemination Agent 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 Series 2016 Bonds.

(b) The Issuer's and the Dissemination Agent's obligations under this Agreement shall terminate upon a legal defeasance, prior redemption or payment in full of all of the Series 2016 Bonds.

(c) This Agreement, or any provision hereof, shall be null and void in the event that the Issuer (1) delivers to the Dissemination Agent an opinion of Counsel, addressed to the Issuer and the Dissemination Agent, 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 Series 2016 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 Series 2016 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 Dissemination Agent an opinion of Counsel, addressed to the Issuer and the Dissemination Agent, to the same effect as set forth in clause (2) above, (4) either (i) the Issuer shall have delivered to the Dissemination Agent an opinion of Counsel or a determination by an entity, in each case unaffiliated with the Issuer (such as bond counsel or the Dissemination Agent), addressed to the Issuer and the Dissemination Agent, to the effect that the

amendment does not materially impair the interests of the holders of the Series 2016 Bonds or (ii) the holders of the Series 2016 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 Series 2016 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 Series 2016 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 Dissemination Agent an opinion of Counsel, addressed to the Issuer and the Dissemination Agent, to the effect that performance by the Issuer and the Dissemination Agent 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 Series 2016 Bonds, if all of the following conditions are satisfied: (1) the Issuer shall have delivered, or shall have caused to be delivered, to the Dissemination Agent an opinion of Counsel, addressed to the Issuer and the Dissemination Agent, 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 Dissemination Agent 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 Series 2016 Bonds, except that beneficial owners of Series 2016 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 Series 2016 Bonds, or (ii) in the case of challenges to the adequacy of the financial statements, financial information and operating data so provided, by the holders of not less than 25% in aggregate principal amount of the Outstanding Series 2016 Bonds. The holders' 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 Series 2016 Bonds pursuant to subsection (a) of this Section, beneficial owners shall be deemed to be holders of Series 2016 Bonds for purposes of this subsection (b).

(c) Any failure by the Issuer or the Dissemination Agent 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 under the captions "THE MEFA FINANCING PROGRAM" and "MEFA EDUCATION LOAN PORTFOLIO"

including: (i) Fixed Rate MEFA Loan Terms; (ii) special redemption experience of MEFA fixed rate Series 2016 bonds; (iii) contractual arrangements for origination and servicing of Issue J 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) to the extent the principal amount of the Variable Rate MEFA Loan Portfolio constitutes more than five percent (5%) of the principal amount of the Issue J Loan Portfolio, (a) description of the Variable Rate MEFA Loan Portfolio (b) Variable Rate MEFA Loan delinquency experience; (c) Variable Rate MEFA Loan default experience; and (d) Variable Rate MEFA Loan static pool cohort default history; and (xiv) in the event that a material portion of the Issue J Loan Portfolio consists of loans originated pursuant to a MEFA Loan program other than the Fixed Rate MEFA Loan Program or the Variable Rate MEFA Loan Program, information of the type described with respect to such MEFA Loan program; and

(b) Periodic Issue J Loan portfolio information of the type presented in the Official Statement under the caption “ISSUE J LOAN PORTFOLIO”; provided that the Issuer reserves the rights: (i) to alter the format in which such periodic information is presented; and (ii) to make such periodic information available either by posting as part of, or in the same manner as, annual reports filed pursuant to 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 Series 2016 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 Series 2016 Bonds, or other material events affecting the tax status of the Series 2016 Bonds;

- (vii) modifications to rights of Bondholders, if material;
- (viii) Series 2016 Bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Series 2016 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 May 25, 2016 of the Issuer relating to the Series 2016 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. 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.

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:

Title:

U.S. BANK NATIONAL ASSOCIATION,  
as Dissemination Agent

By: \_\_\_\_\_  
Name:

Title:

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**WEIGHTED AVERAGE LIFE ANALYSIS  
OF THE SERIES 2016 TERM BONDS**

The following information with respect to the Series 2016 Term Bonds has been prepared by the Underwriters in consultation with the Authority. No representation is made by the Authority, the Underwriters or any of their respective agents concerning the actual average life of the Series 2016 Term Bonds or the Issue J Loans and how it compares to the various forward-looking average life estimates herein.

*Prospective purchasers of the Series 2016 Bonds are urged to base their decisions whether to purchase the Series 2016 Term Bonds upon the purchaser's own determinations about anticipated rates of prepayments with respect to the Issue J Loans and the estimated weighted average life of the Series 2016 Term Bonds.*

Prepayments of loans may be measured by a prepayment standard or model. The primary model used herein is the constant prepayment rate ("CPR") model. CPR represents a constant rate of prepayment on the Issue J Loans each month relative to the then outstanding aggregate principal balance of the Issue J Loans for the life of such Issue J Loans.

The table below indicates the Weighted Average Life ("WAL") of the entire Series 2016 Term Bonds, based on the assumption that Issue J Loans prepay at the respective indicated percentages of CPR (the "CPR Prepayment Assumption Rates"). It is unlikely that the Issue J Loans will prepay at any of the CPR Prepayment Assumption Rates presented, and the timing of changes in the rate of prepayments actually experienced on the Issue J Loans is unlikely to follow the pattern described for the CPR Prepayment Assumption Rates presented.

The Weighted Average Life is likely to vary, perhaps significantly, from that set forth in the table below due to the differences between the actual rate of prepayments on the Issue J Loans and the assumptions described herein.

**Estimated Weighted Average Life of Series 2016 Term Bonds**

Prepayment Speed	Estimated WAL (Years)	First Bond Retirement Date	Last Bond Retirement Date	Average Maturity Date
0% CPR	11.00	1/1/2018	7/1/2032	7/1/2027
2% CPR	9.91	1/1/2018	1/1/2032	5/27/2026
4% CPR	8.97	1/1/2018	1/1/2032	6/20/2025
Base Case	8.18	1/1/2018	1/1/2032	9/6/2024
6% CPR	8.11	1/1/2018	1/1/2032	8/9/2024
8% CPR	7.37	1/1/2018	1/1/2032	11/13/2023
10% CPR	6.67	1/1/2018	7/1/2031	2/28/2023

Weighted average lives (WALs) are influenced by, among other things, the initial parity ratio, cash releases, actual prepayments, bond interest rates, bond redemptions, reinvestment income, the future path of interest rates, 2016-17 MEFA loan interest rates and borrower repayment plans selected, the amount and timing of loans originated, including recycling, borrower delinquencies and defaults, default recoveries, program expenses, compliance with IRS yield restrictions and the issuance of additional bonds in the future. Actual results may vary from assumptions made in the base case. The following assumptions were used in estimating the weighted average life of the Series 2016 Term Bonds:

1. WALs are computed from the expected Dated Date for the Bonds.
2. WALs assume MEFA releases cash in the amounts and at the times permitted under the transaction documents.
3. WALs assume MEFA does not use excess revenue for new loan originations during the Recycling Period.
4. All CPR runs above assume a 0% default rate, no delinquencies, deferment or forbearance, and that 3-month LIBOR and Prime remain static at current levels.
5. The Base Case assumes expected default rates and a rising interest rate path over the expected life of the transaction.

See also “REDEMPTIONS PROVISIONS — Special Mandatory Redemption from Excess Revenues,” “— Special Optional Redemption from Excess Revenues,” “— Availability and Application of Excess Revenues,” “INVESTMENT CONSIDERATIONS — Redemption of Series 2016 Bonds,” and “THE MEFA FINANCING PROGRAM – Historical Program Financing Special Redemption Experience.”



# *mefa*

Massachusetts Educational  
Financing Authority



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