

The Smart Guide

Spotlight on Student Loan ABS Issuers

Fall 2006



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Introduction

The student loan asset-backed securities (SLABS) sector has exhibited strong growth since 2001 and has become more popular with investors as an important diversification tool. US college enrollment growth, skyrocketing education costs, and the increased willingness of lenders to securitize their student loan pools will likely result in continued robust supply of Federal Family Education Loan Program (FFELP) and private (or alternative) student loan collateral.

In this third edition of *The Smart Guide: Spotlight on Student Loan ABS Issuers*, we have added **Goal Financial, LLC's** issuer profile. We plan to continue to expand coverage by adding more issuers, especially underwriters of private credit loans.

Key Recommendations and Points

SLABS offer diversification, spread stability, duration options, coupon types, currencies, and government-guaranteed or private loan collateral

- SLABS have gained increased market liquidity as issuance volumes have risen over the past few years. Positive technicals, stable performance, and strong global appeal have contributed to tighter new issue spreads.
- SLABS offer a diversification away from other consumer ABS assets. In addition to spread stability and greater secondary market liquidity, they also offer a diverse mix of coupon types, duration options, and currencies, as well as a choice of government-guaranteed or private loan collateral.
- Private SLABS spreads have displayed a convergence trend toward FFELP spreads. In our opinion, private student loans still offer attractive spread pickup relative to FFELP, despite minimal credit risk. The private SLABS segment offers compelling relative value, particularly the lower single-A- and triple-B-rated classes issued by large established firms. For this sector, we expect sustainable growth in new issuance volume as the growth in education costs continues to outpace increases in family incomes, grants, and federal loans.
- SLABS issues backed by FFELP student loans should be particularly safe investments, especially if fixed income markets experience a major disruption. We recommend SLABS floaters for investors adopting a defensive investment strategy.
- The HEA reauthorization changes that will likely have the most impact on student loan ABS include changes to borrower interest rates and lender-yield formulas, as well as a reduction in federal insurance for lenders. We expect the new legislative changes enacted in 2006 to have a limited effect on loan volume and collateral performance.

This report published October 3, 2006. Data as of September 29, 2006

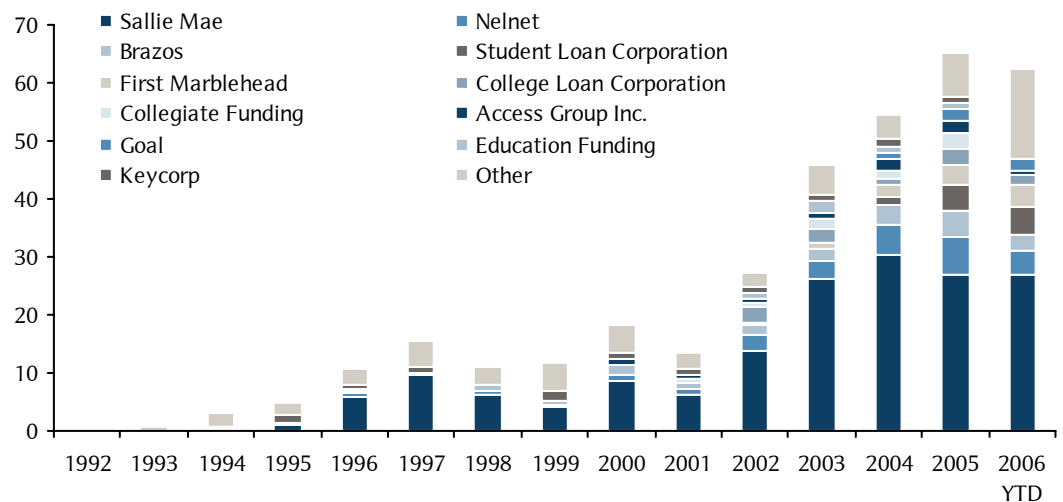
- As a consequence of the changes to the student loan borrower interest rate formula and the higher interest rate environment, we expect a slowdown in loan consolidation activity as fixed-rate student loans become an increasing percentage of outstanding student loans. Private (alternative) student loan securitizations will likely grow strongly, making up for some of the consolidation-related reduction in new issuance volume.
- Prepayments for Stafford and PLUS loans should remain elevated through end-2006 (owing, in part, to a backlog in mid-year applications for consolidation loans). In the long term, consolidation activity may decrease as the percentage of fixed-rate student loans rises, since the major incentive driving loan consolidation will be removed, at least in a rising interest rate environment.

SLABS Volume on a Record-Setting Pace

SLABS issuance volume is on pace to set a record for the fifth-consecutive year

SLABS issuance volume is on pace to set a record for the fifth-consecutive year, supported by positive demographic trends and the rising costs of higher education. So far this year, the sector has had over \$67bn in new deals (through 3Q 06), including auction rate notes. Excluding auction rate notes, issuance totaled just over \$60bn for the same period. Issuance has, in part, been fueled by consolidation loans. The SLABS sector continues to grow and take on a more important role with investors. Also, continued European demand has boosted issuance of euro-denominated volume to approximately €2.4bn. For the first time, the sector had a Canadian dollar-denominated student loan ABS note. Private student loans (PSL) ABS amounts to \$10bn, representing approximately 15% of total new supply this year. We believe PSL ABS will continue growing as increases in education costs outpace growth in family incomes, grants, and federal loans.

Figure 1: Student Loan ABS Issuance Volume (\$bn)



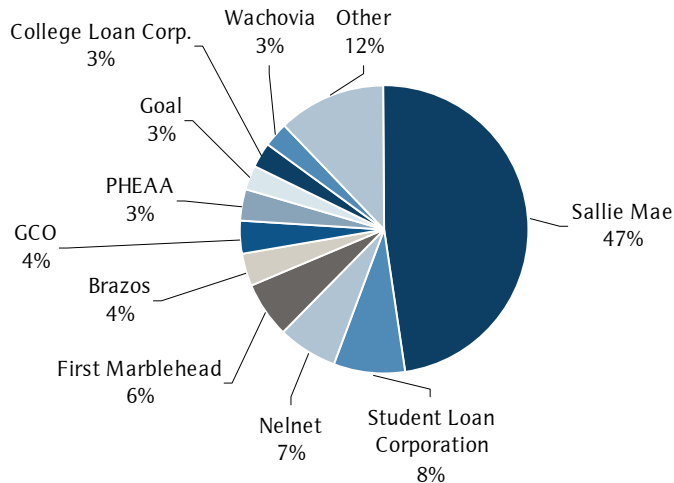
Source: Bloomberg, Barclays Capital.

Sallie Mae continues to dominate SLABS issuance

The SLABS market continues to be dominated by Sallie Mae, the largest originator and holder of loans, accounting for about 47% of total issuance year-to-date. Other large for-profit issuers include Student Loan Corporation, Nelnet, and First Marblehead.

Major issuers in the not-for-profit/state agency category, which exist primarily to facilitate student loan financing, include the Brazos Group, Access Group, and the Pennsylvania Higher Education Assistance Agency.

Figure 2: 2006 Student Loan ABS Issuers (YTD)



Source: Bloomberg, Barclays Capital.

Demographics to Boost Supply of Student Loan Collateral

The increased availability of collateral that has driven the growth spurt of student loan securitizations is a result of mounting college enrollments and the skyrocketing cost of higher education. The recent HEA reauthorization has only modestly raised FFELP loan limits, which increases the demand for private education loans. The diminishing purchasing power of grants and other financial aid received by students increases their reliance on borrowing and assists the growth of the sector. Although PLUS loans are now available to graduate students, we expect continued demand because some students may find private student loan interest rates and loan terms to be more attractive.

As more students graduate from high school and choose to pursue post-secondary education, demand for student loans should increase further. According to the US Department of Education (ED), over the next 10 years, the number of undergraduates will increase from 14.6mn to 16.6mn. This is due, in part, to unemployed adults returning to college to boost their skills and children of baby boomers reaching college age. Also, the composition of college attendees is expected to change because a larger share of new enrollees will come from low-income immigrant and minority families. As estimated by the National Center for Education Statistics, enrollment rates are projected to climb by 2014 to 19.5mn, or 15%, from under 17mn.

Growth in FFELP loan originations expected to remain strong

In 2005, federal student loan originations increased 9.0%, following a 13% increase in 2004. The president's 2007 budget estimates that FFELP loan origination will total \$99.6bn in 2006 and \$84.3bn in 2007. A greater portion of newly originated FFELP loans is making its way into student loan securitization pools (rather than being financed on balance sheets), and we believe this trend will continue.

**Higher “eduflation”:
College costs continue
to outpace inflation**

Over the past three years, colleges have increased their prices 10-20%. This is largely due to shrinking endowments and state budgets, as well as greater fixed costs. According to the College Board, average tuition and fees for in-state students at public four-year colleges in 2005/06 were \$5,491, an increase of \$365 (or 7.1%) from 2004/05. For private four-year colleges, the increase was \$1,190 (or 5.9%) to \$21,235. Grants, tuition tax benefits, and deductions help reduce the average price that students and families pay for college. On average, full-time students receive \$9,600 of aid from grants and benefits for private four-year institutions and \$3,300 for public four-year institutions. In the first half of the period from 1995/96 to 2005/06, the net price moved very slightly in inflation-adjusted dollars; however, it has risen more rapidly in the second half of the same period. According to Octameron Associates, annual tuition rises are expected to remain in the 6.0% range, continuing to outpace inflation.

**Private SLABS expected
to grow at a faster pace
than FFELP**

The College Board estimates that private loans accounted for 18% (or \$14bn) of the overall student loan volume in the 2004/05 academic year, compared with 10% in 2000/01 and only 5% in 1995/96. We expect private student loan growth to outpace that of federal student loan borrowing, as the gap between education costs and available federally sponsored financing widens further.

Unlike FFELP loans, PSLs are credit risk instruments, which are subject to credit underwriting guidelines and priced using lenders’ risk-based pricing matrices. PSLs are often guaranteed by either a co-signer and/or a third-party insurer. Lenders consider, among other factors, the individual’s educational institution and the type of degree pursued.

Underwriting for PSLs is pretty similar across originators. Lenders typically begin with a set of eligibility criteria that mirrors the basic criteria of the FFELP, including requirements for citizenship, minimum age and school enrollment, school eligibility, and the absence of a previous student loan default. Most lenders combine these basic criteria with output from their credit scoring models, as well as other borrower financial information, to make a decision. Some lenders also use proprietary models to determine risk-based pricing, loan terms, and limits. PSL lenders may require students to borrow the maximum amount permitted under FFELP before taking private loans.

Legislative Update

In February 2006, the Deficit Reduction Act of 2005 was signed into law by President Bush. Included in the act is the Higher Education Reconciliation Act of 2005, which extends the ED’s authority to provide interest subsidies and federal insurance for student loans originated under the HEA through September 2012. The largely anticipated legislation became effective July 1, 2006. In effect, the bill will cut about \$11.9bn from the federal student loan program over the next five years. On June 15, 2006, the president signed HR 4939, which includes a repeal of the Single Holder Rule. Overall, we do not expect these changes to affect adversely the performance of student loan ABS or the growth of student loan origination volume.

Figure 3: Key Legislative Changes

Summary of Key Provisions

- Reduces government-guaranteed reimbursement levels on FFELP loans by 1% to 97% for loans for which the first disbursement is made after July 1, 2006. For loans serviced by Exceptional Performers, reduces the reimbursement levels to 99% from 100% for all claims filed after July 1, 2006.
- Effective July 1, 2007, annual Stafford loan limits climb to \$3,500 from \$2,650, \$4,500 from \$3,500, and \$12,000 from \$10,000, for first year, second year, and graduate/professional students, respectively.
- The combined annual loan limits were not increased.
- Authorizes PLUS loans for graduate students.
- Change to fixed interest rate for Stafford and PLUS loans at 6.8% and 8.5%, respectively.
- Interest rates on existing variable rate Stafford loans increased 1.84% to 7.14% from 5.3%. Interest rates on PLUS loans increased to 7.94% from 6.10% last year.
- Eliminates single-holder rule.
- Eliminates “super-two-step” refinance programs.
- Eliminates “in-school” consolidation.
- Lenders no longer able to recycle into 9.5% loans unless they are not-for-profit or a state or local government agency not owned by a not-for-profit entity.
- Provides for capture by the government of interest in excess of the special allowance rate for loans disbursed on or after April 1, 2006.
- Phases out 3% maximum FFELP lender origination fee by July 2010 through 0.5% reductions each year starting July 1, 2006.
- For loans disbursed beginning April 2006, requires 1% guarantee fee.

Source: National Council on Higher Education Loan Programs, Barclays Capital.

- FFELP loans disbursed on/after July 1, 2006, are entitled to a 97% (reduced from 98%) guarantee from the ED. Exceptional Servicers have a 99% (previously 100%) guarantee of principal and interest on all claims filed on/after July 1, 2006. According to S&P, the drop in reinsurance could moderately affect the required credit enhancement for subordinated classes, but it is too early to tell. However, there are structural features available that may provide offset.
- On July 1, interest rates on existing variable rate Stafford loans increased 1.84% to 7.14%, from 5.3%. Interest rates on PLUS loans, increased to 7.94% from 6.10% last year. Coupons on both Stafford student and PLUS parent loans will be fixed at 6.8% and 8.5%, respectively. Student borrowers rushed to consolidate their loans in an attempt to beat the Stafford and PLUS loan coupon reset deadline on July 1. Borrowers use consolidation to lengthen the terms of their debts and help lower their monthly payments or for convenience. Consolidation loans have terms as long as 25 years, compared with 10 years for Stafford and PLUS loans. Student borrowers are no longer allowed to consolidate loans while still in school. Consolidation loan origination volume has helped fuel FFELP-backed student loan securitizations since 2001, when declining interest rates made this option more attractive to borrowers. As a result of the rush to beat the deadline, prepayment speeds for Stafford and PLUS loans are expected to increase temporarily through the remainder of this year.
- PLUS loans have been extended to graduate and professional students, which may affect some growth of private graduate loans. It may also push some of the lower credit score borrowers into PLUS loans, which should help improve the overall credit profile of private graduate loans.

- On June 15, 2006, the president signed HR 4939, which includes a repeal of the Single Holder Rule. The repeal now allows borrowers who have loans with one lender to consolidate their loans with any other lender. Previously, borrowers had to consolidate their loans with the same lender. The repeal will likely increase competition among lenders.
- The act eliminates in-school and “super-two-step” refinance programs. Previously, Federal Direct Loan borrowers could refinance any eligible college loans that had been fully disbursed even if the student borrowers had not yet entered a repayment or grace period (or still in the “in-school” period). The “super two-step” was the ability of students to refinance a consolidation loan by consolidating out of FFELP into direct lending, then back out of direct loans to a FFELP loan.

Collateral Performance

FFELP collateral exhibits strong performance

Historically, student loan defaults have been relatively low, largely because student loan borrowers have more flexible repayment options (deferment, forbearance, and consolidation). The strong performance of student loan collateral during the periods when default rates picked up on other consumer asset classes can be attributed to improved debt-management counseling by loan holders encouraging borrowers to use deferment and forbearance. Student lenders also have collection mechanisms not available to other consumer lenders, including garnishment of wages and tax refunds. In addition, under the new bankruptcy law, neither federal nor private student loans are dischargeable in a personal bankruptcy filing, whereas previously, only FFELP loans and private loans originated by a not-for-profit FFELP lender were non-dischargeable.

PSLs have had a lower default frequency than FFELP loans, primarily due to being credit-tested and co-signed. Absent the government guarantee, loss severities are higher for PSLs than FFELP. However, the lack of dischargeability in bankruptcy has enabled these loans to have higher recovery rates than other unsecured consumer debt. Furthermore, the addition of a co-signer provides an alternative payment source and contact during default collection activities.

In FY 2004, the cohort default rate increased a modest 0.6% to 5.1%, the second-lowest rate recorded

The national cohort default rate denotes the percentage of FFELP or Federal Direct Loan borrowers that entered repayment during a fiscal year (October 1 to September 30) and defaulted within the next two years. The data are published approximately two years after the fiscal year that the respective students enter repayment. Direct loan data were included for the first time with the FY 1995 rates. In FY 2004, the cohort default rate increased a modest 0.6% to 5.1%, the second-lowest rate recorded. The rate is also 77% lower than the highest rate on record, 22.4% in FY 1990. In general, cohort default rates have been declining since 1990 to a 4.5% rate for 2003, the lowest ever recorded. The sharp drop-off after 1990 may be attributable in part to ED’s Default Management Initiative, which tracked default rates by schools and led to sanctions on some high-default rate schools starting with the release of data in 1991. Also, consolidating student loans can be an effective default avoidance tool, since the longer repayment term of a consolidation loan results in a lower monthly payment and locks in today’s low interest rates. Lenders also offer incentive programs, in the form of interest rate reductions and principal rebates, to encourage timely payments and the use of electronic funds transfer. These incentives have had a positive effect on reported delinquency rates, since monthly payments are debited automatically from a borrower’s bank account.

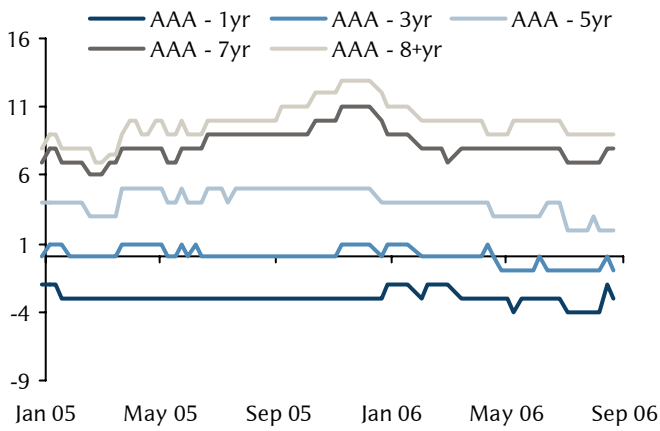
SLABS Ratings Stability: No Ratings Downgrades on Performance

The US student loan ABS sector exhibits remarkable ratings stability owing to the generally low-risk profile of the underlying collateral. In H1 06, Moody's upgraded five student loan ABS classes, of which two included subordinate tranches in Nelnet non-revolving trusts. According to the rating agency, the two tranches had reached parity, while their reserve accounts had reached their non-declining levels and will, therefore, grow on a percentage basis as the deals amortize. The fraction of the pools in active repayment (ie, in repayment excluding deferment and forbearance) had also increased, thus improving the liquidity in the deals. Other upgrades included three tranches of the North Texas 1993 indenture, which were the result of excess spread in the master trust not being released, causing parity to build up significantly from the parity at issuance.

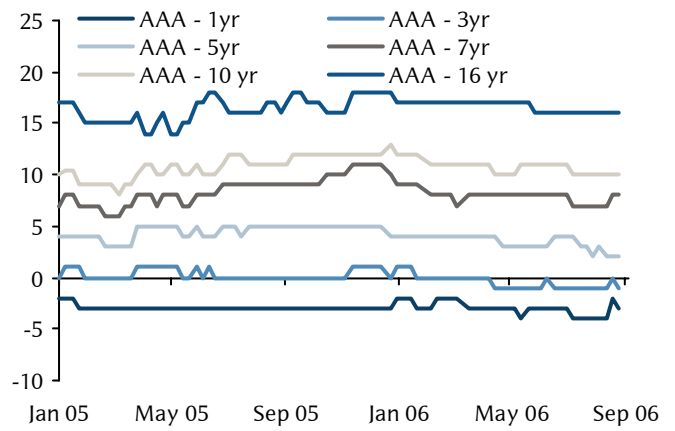
Over 90% of currently outstanding student loan ABS deals are backed by collateral pools of 100% FFELP loans. The payment of interest and principal on these student loans is guaranteed by a state or not-for-profit guarantee agency and indirectly guaranteed by the US Department of Education. In addition, the holder of these loans is entitled to receive interest subsidy payments from ED, all of which results in low losses and stable collateral performance. In fact, according to the major rating agencies, student loan ABS have never seen a ratings downgrade due to negative collateral performance since their emergence as an asset class in the 1980s. We expect stable collateral and positive ratings performance through the remainder of the year.

Student Loan ABS Spreads – Relative Value

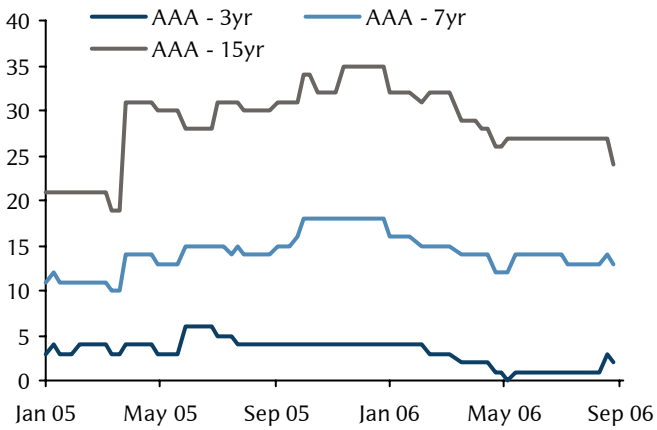
Non-Consolidation FFELP AAA (3ML)



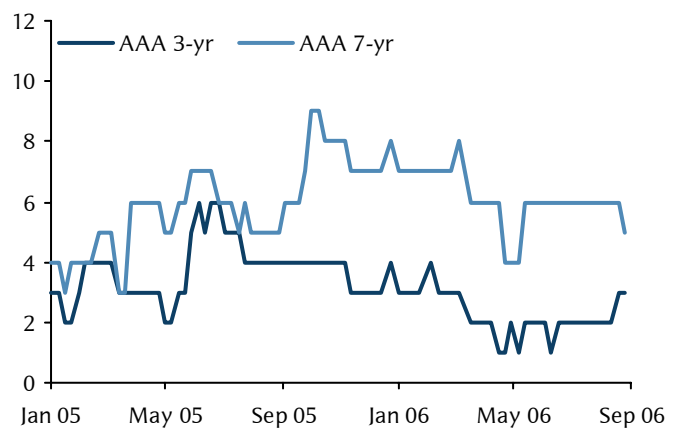
Consolidation FFELP AAA (3ML)



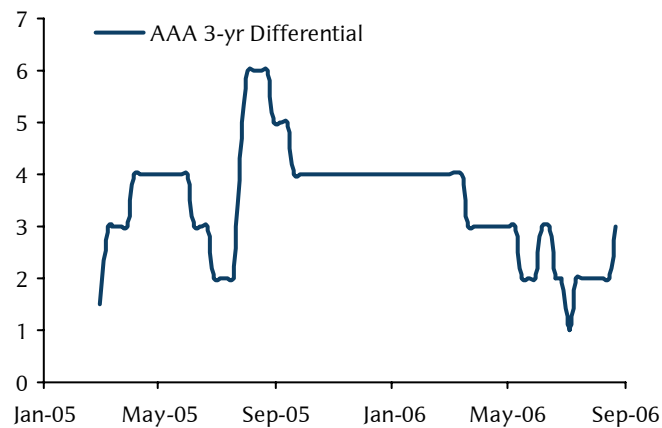
Private AAA (3ML)



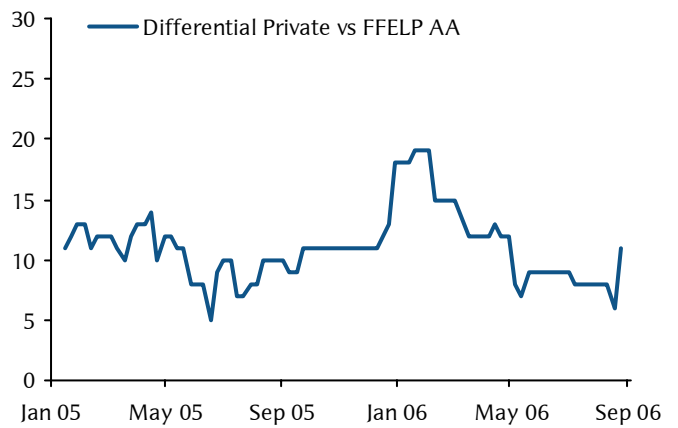
Private versus FFELP Spread Differential AAA (3ML)



Private (3ML) versus Credit Card (1ML) ABS



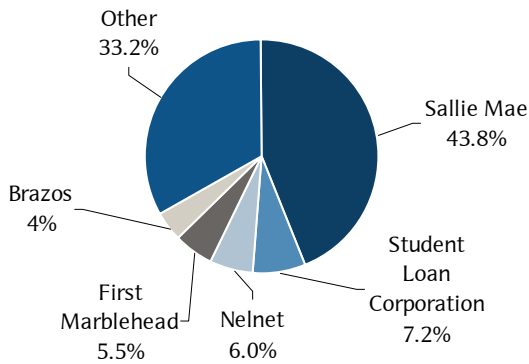
Private versus FFELP Spread AA (3ML)



Source: Barclays Capital.

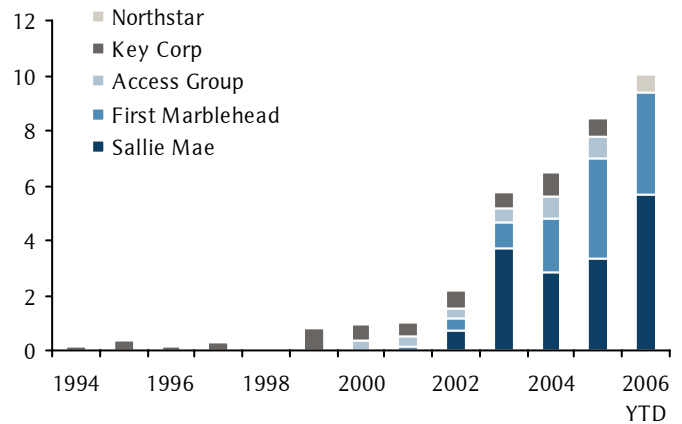
Student Loan ABS Issuance and Analysis

Figure 4: Top Student Loan Issuers 2006 YTD



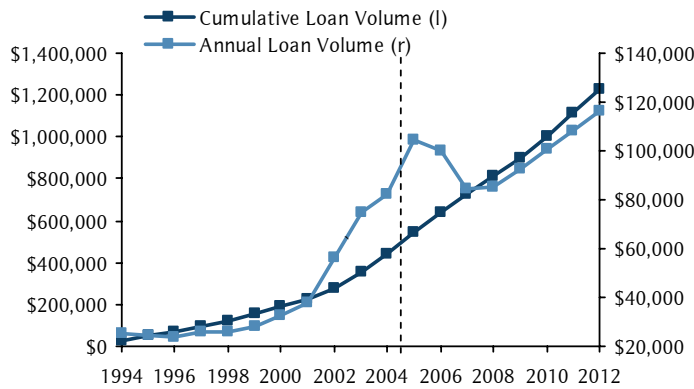
Note: Includes auction rate note.
Source: Bloomberg, IFR Markets, Barclays Capital.

Figure 5: Private (Alternative) Student Loan ABS Issuance



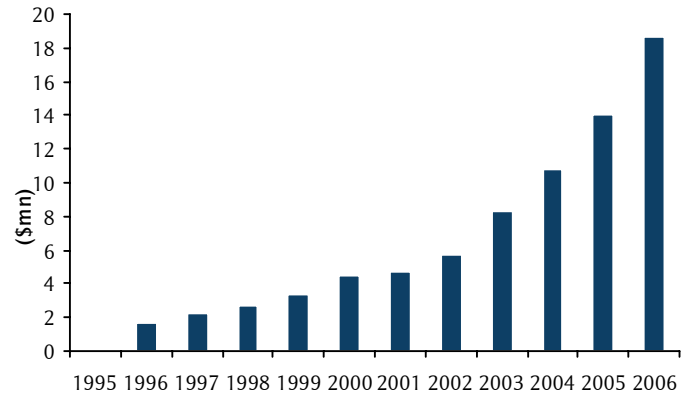
Source: Bloomberg, IFR Markets, Barclays Capital.

Figure 6: FFELP Loan Origination Volume and Commitments (\$mn)



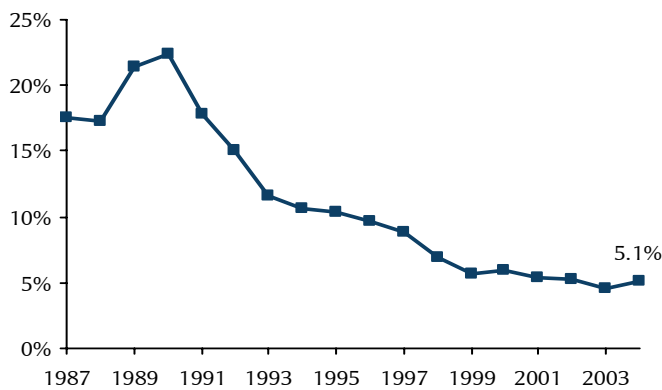
Note: includes consolidation and non-consolidation loans. Source: US Department of Education.

Figure 7: Private Student Loan Growth



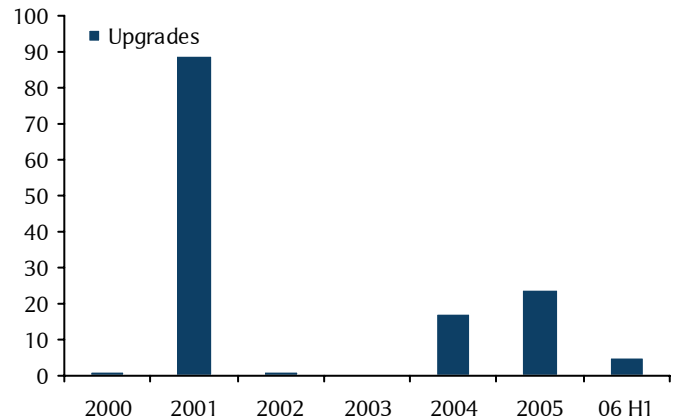
Source: College Board "Trends in Student Aid 2005", Sallie Mae.

Figure 8: National FFELP Student Loan Cohort Default Rates



Source: US Department of Education.

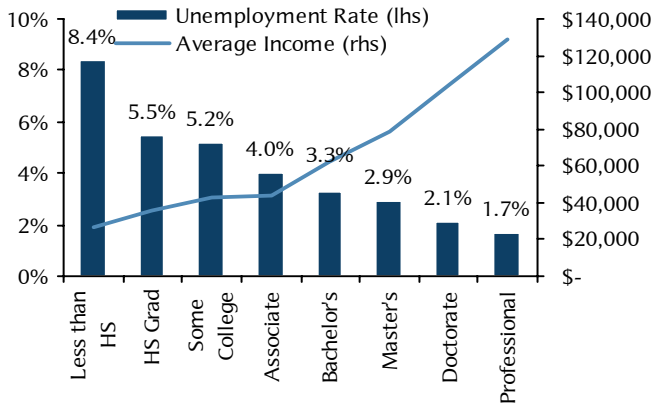
Figure 9: US SLABS Ratings Transition



Source: Moody's.

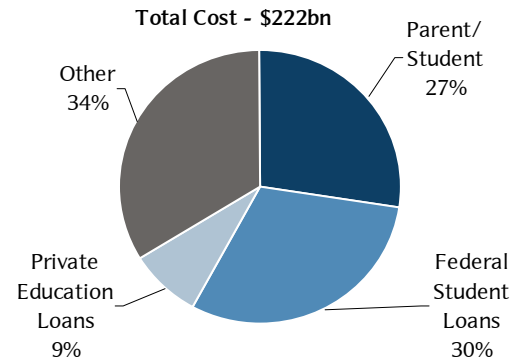
Higher Education Trends Support Continued Student Loan Growth

Figure 10: Value Proposition of Higher Education



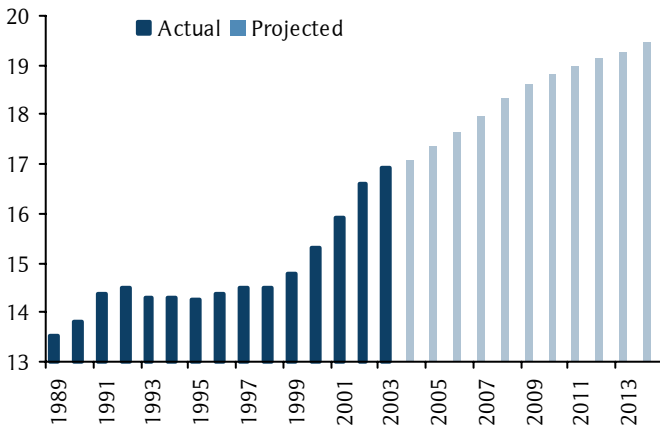
Note: Unemployment data as of 2003; Average Income as of 2004.
Source: Postsecondary Education Opportunity, US Census Bureau.

Figure 11: Sources of Funding for Higher Education AY 2005/06 (\$bn)



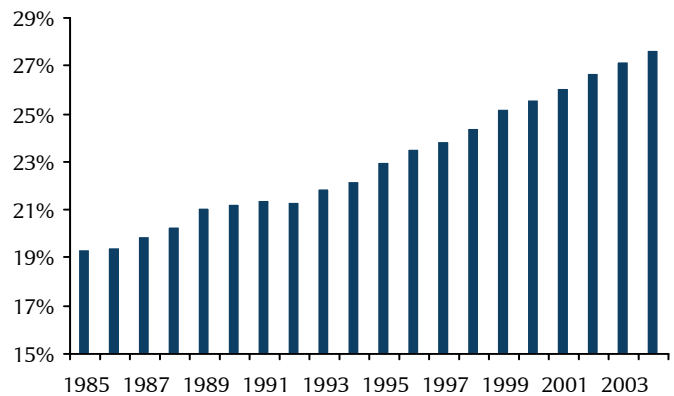
Source: Octameron Associates, Sallie Mae.

Figure 12: Student Enrollment Projections (Degree Granting Institutions) (mn)



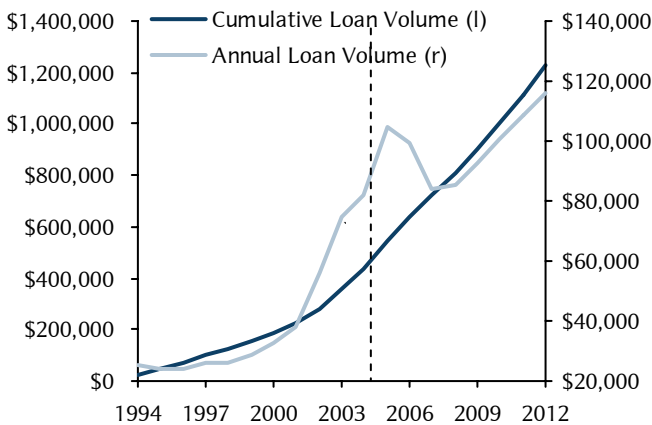
Note: Last updated September 2006. Source: National Center for Education Statistics.

Figure 13: US Population with College Degree



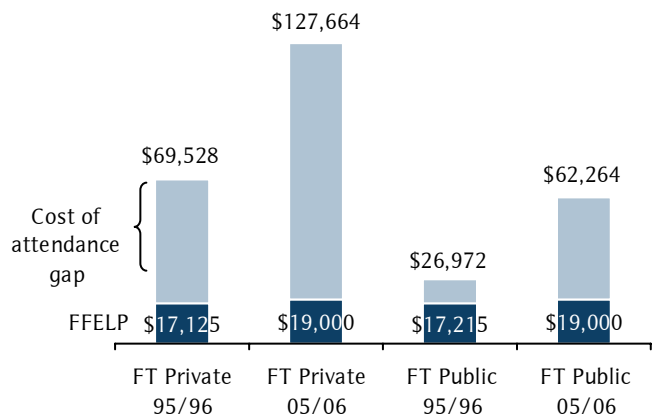
Source: U.S. Department of Commerce, Census Bureau, U.S. Census of Population, 1960, Volume 1, part 1.

Figure 14: Consolidation Loan Volume by Year (\$mn)



Source: US Department of Education FY 2007.

Figure 15: Higher Education: Cost of College Attendance AY 95/96 vs 05/06



Source: College Board, Sallie Mae.

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Access Group Inc.

Highlights

Bloomberg Ticker:
ACSS

- Access Group Inc. is a not-for-profit, student lender specializing in providing FFELP and private credit loans to graduate and professional students.

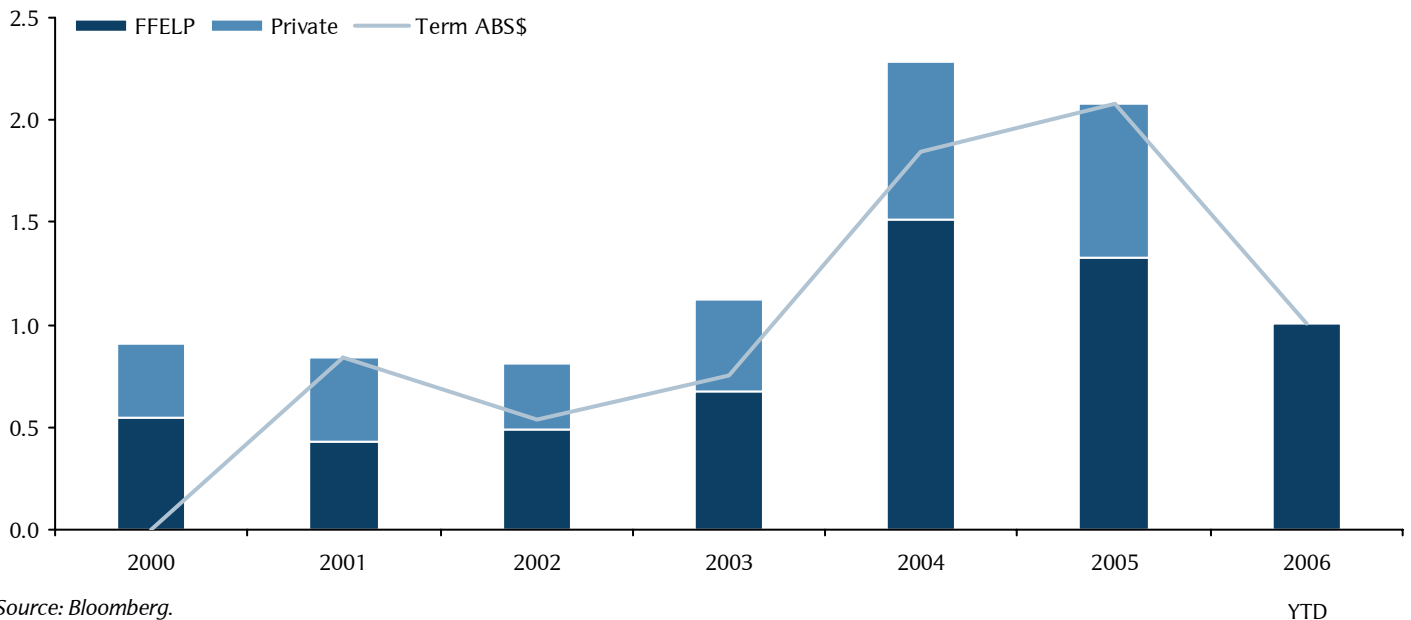
The Company

www.accessgroup.org

Access Group Inc. is a not-for-profit, student loan organization specializing in providing loans and related services to graduate and professional students. Its members include state-operated and non-profit law schools in the United States that have been approved by the American Bar Association. The entity is headquartered in Wilmington, Delaware, employs 285 and has \$8.2bn in assets (as of March 31, 2006).

The Access Group Loan Program initially was founded in 1983 as the Law School Assured Access Program in order to provide federally guaranteed loans to law school students. Over the past 21 years, the program has expanded to provide loans to graduate students pursuing professional degrees in law, business, medical, dental, health, and other programs. The company has offered FFELP loans since 1983 and private loans since 1986.

Figure 16: Historical ABS Issuance (\$bn)



Source: Bloomberg.

Originations/Underwriting

In 1998, Access Group Inc. contracted with National City Bank to originate and acquire FFELP and private student loans for its loan program. Since 2000, the company has originated FFELP loans under the Access Group Loan Program. However, the company has maintained its agreement with National City Bank for the origination and acquisition of private loans.

Private credit loans funded by National City Bank for the Access Group Loan Program include law, business, medical, dental, health, graduate school, and bar examination loans. The loan underwriting process requires that prospective borrowers meet the Access Group Loan Program's credit criteria, which include a minimum credit score or an eligible co-signer. In addition, borrowers must be attending a qualified graduate or professional school, at least part time.

The Access Group Loan Program does not set a dollar limit on the private loan lending to a single borrower, with the exception of bar examination loans and residency loans. In general, these loans must be repaid within 20 years and the minimum monthly payment is \$50.

Servicing

Kentucky Higher Education Student Loan Corp. (KHESLC), an independent corporation created in 1978 by the state of Kentucky, services most of the Access Group's student loan portfolio. As of March 31, 2006, KHESLC has provided loan servicing and collection services for approximately \$7.8bn of FFELP loans and other educational loans, of which \$6.3bn was made by the Access Group Loan programs. KHESLC has received the Exceptional Performance designation from the US Department of Education. As long as the designation remains in effect, the owners of FFELP loans serviced by KHESLC are entitled to receive 99% reimbursement on any guarantee claim properly submitted by KHESLC for payment (or 100% for claims submitted prior to July 1, 2006).

In July 2004, Access Group Inc. began servicing some of its loan portfolio in house. As of March 31, 2006, Access Group was servicing FFELP and private loans with an aggregate outstanding principal balance of \$1.3bn, of which approximately \$100mn was in repayment. Although Access Group has begun to review its preparedness to service loans currently serviced by KHESLC, it has no definite or immediate plans to transfer the servicing of existing loans to itself.

Securitizations

Access Group first tapped the ABS market in 2000, issuing a \$911mn auction-rate note transaction backed by FFELP and private loans. Since 2000, the company has come to the market about 15 times, securitizing \$5.6bn in FFELP-backed and \$3.1bn in private loans. As of August 2006, total securitization volume by Access Group Inc. totaled \$8.7bn, with \$6.7bn issued as term ABS notes indexed to Libor and \$1.99bn as auction-rate notes.

Historically, Access Group Inc. has issued one private and one to two FFELP deals per year. In 2005, transaction volume doubled as the company brought four transactions totaling \$2.1bn to market versus \$1.12bn in 2003. Year-to-date, the company has securitized one FFELP-backed transaction totaling \$1.0bn.

Structural Features – FFELP

Figure 17: Access Group Student Loan Trust (ACSS) 2006-1

Class	Amount (\$mn)	Moody's/S&P/Fitch	Avg. Life	Benchmark	Spread
A1	163.00	Aaa/AAA/AAA	3.00yr	3ML	+0 bp
A2	422.00	Aaa/AAA/AAA	6.90yr	3ML	+11bp
A3	381.24	Aaa/AAA/AAA	13.80yr	3ML	+20 bp
B	40.26	A3/A+/A	12.63yr	3ML	+45 bp

Note: As of May 23, 2006. Source: IFR Markets, Bloomberg.

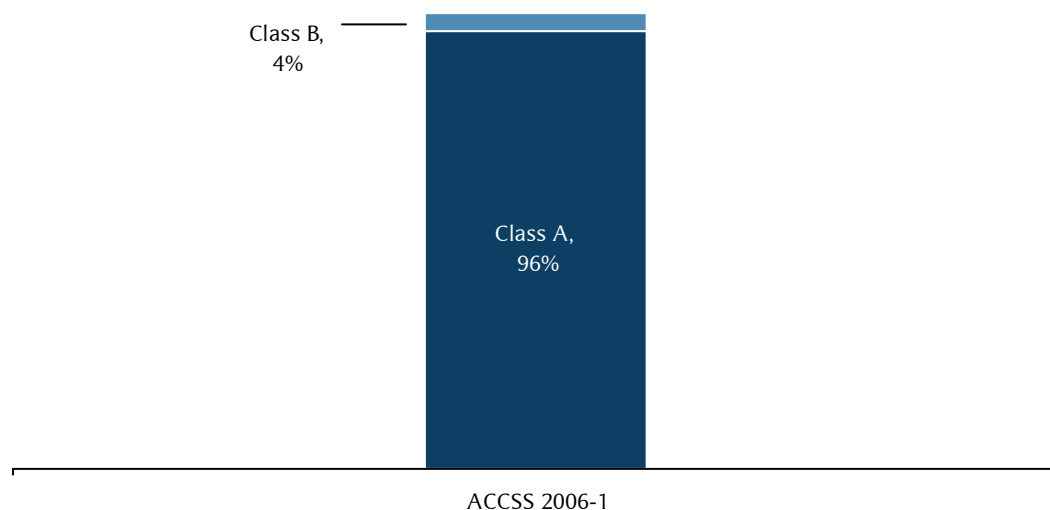
Access Group Student Loan Trust securitization vehicle is a discrete trust. The latest transaction features a senior/subordinate structure indexed to three-month Libor. The deal does not include auction-rate note classes. The transaction has a sequential pay structure for class A notes until the step-down date. Class B notes receive pro-rata payments after the step-down date, unless transaction triggers are in effect.

The transaction has subordinate note interest and principal triggers and a step-down date feature. Interest and principal payments intended for the subordinate class would be diverted to the senior class if the senior parity or the trust parity ratio falls below 100%.

Credit Enhancement – FFELP

Credit enhancement on the 2006-1 transaction consists of 4.0% single-A rated subordinate class B notes. This is unchanged from 2005-2 but was lowered from 5.0% for the 2005-1 transaction. The capitalized interest account (CIA) was established at closing and initially sized to 7.3% of the aggregate principal amount of the notes. The minimum CIA is equal to the greater of 0.25% of the aggregate principal amount of the notes then outstanding, or 0.15% of the original aggregate principal amount of the notes.

Figure 18: ACCSS 2006-1 Credit Enhancement Levels



Source: Company reports.

Collateral Characteristics – FFELP

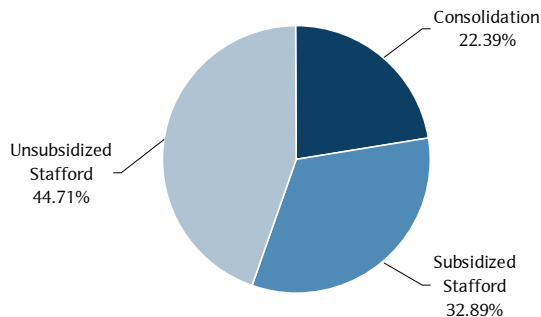
Figure 19: Pool Assets – ACCSS 2006-1

Summary	
Aggregate principal balance	\$868,401,429
Aggregate accrued Interest	\$8,560,601
Aggregate outstanding balance	\$876,962,030
Number of borrowers	40,740
Average outstanding balance per borrower	\$21,526
Number of loans	76,718
Average outstanding balance per loan	\$11,431
Weighted-average remaining term (months)	178
Weighted-average interest rate	4.32%
State Concentration: California*	16.77%
State Concentration: New York*	16.34%

Note: As of March 31, 2006. Note: *Student's domicile at the time of loan origination. Source: Company reports.

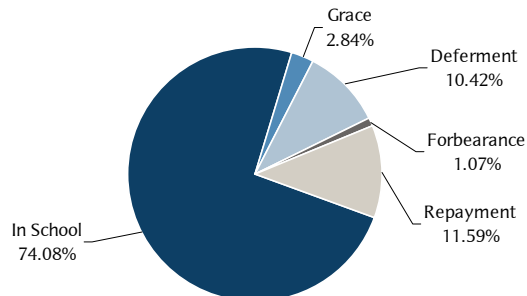
The ACCSS 2006-1 pool assets consist of FFELP loans with an aggregate balance of \$868mn. The trust holds loans for 40,740 borrowers, with an average outstanding principal balance of \$21,526. The weighted-average borrower interest rate on the loans is 4.32%. California and New York account for the largest state concentrations, by receivables balance.

Figure 20: Distribution by Loan Type



Source: Company reports.

Figure 21: Distribution by Borrower Payment Status



Stafford loans, both subsidized and unsubsidized, comprise 77.6% of the pool. Consolidation loans comprise the remaining 22.4% of the pool balance. Borrowers with “in school” repayment status represent the greater part.

Structural Features – Private Loans

The Access Group 2005-B transaction has a senior/subordinate, sequential pay structure. The deal features a subordinate note interest trigger, which mandates that interest payments on the subordinate tranches are junior to principal payments on senior tranches as long as the senior parity ratio is less than 100%.

Unlike the earlier ACCSS 2005-A transaction, 2005-B includes an auction-rate note class. Interest on the class B is determined by a Dutch auction held every 28 days and payable on the first business day following each auction. Proceeds from the notes are used to purchase private student loans, fund the CIA and for issuance costs.

The deal also includes a basis swap agreement and an interest rate cap. Approximately 40% of the private student loans are indexed off the 91-day US Treasury Bill. Access entered into a basis swap contract to pay the 91-day Treasury Bill plus a spread multiplied by a notional amount in return for three-month Libor. The initial notional amount was \$138mn. Access entered into an interest rate cap agreement with an initial notional amount of \$370.971mn to limit the trust's exposure to a rising interest rate environment.

The transaction has a sequential pay structure for class A notes until the step-down date. Class B notes will receive pro-rata payments unless the trigger is in effect. The senior class A notes pay interest quarterly and are indexed to three-month Libor.

Figure 22: Access Group Student Loan Trust (ACCSS) 2005-B

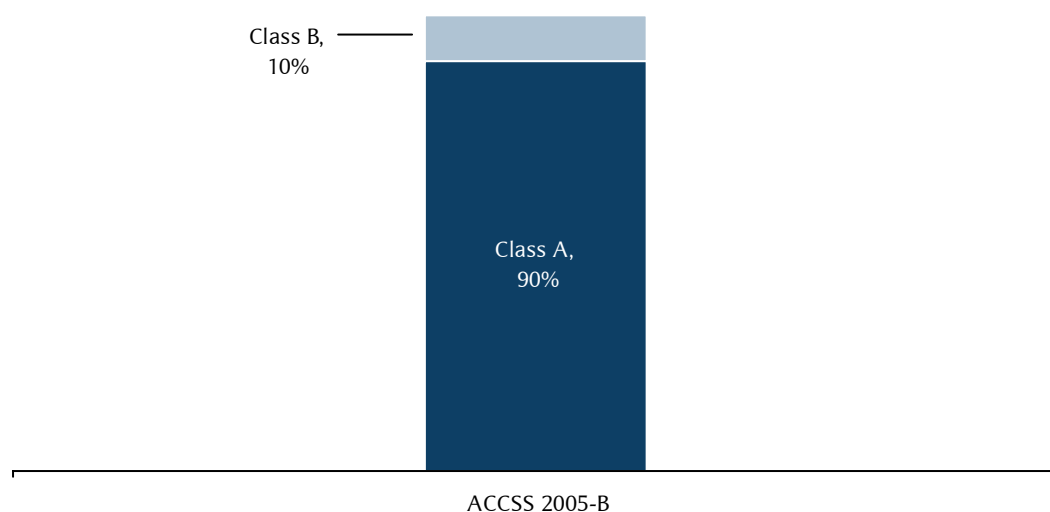
Class	Amount (\$mn)	Moody's/S&P/Fitch	Avg. Life	Benchmark	Spread
A1	156.00	Aaa/AAA/AAA	2.63 yr	3ML	+8 bp
A2	101.20	Aaa/AAA/AAA	7.32 yr	3ML	+23 bp
A3	76.67	Aaa/AAA/AAA	13.38 yr	3ML	+37bp
B	37.10	A3/A/A	10.66 yr	auction	N/A

As of September 30, 2005. Source: Company reports, Bloomberg.

Credit Enhancement – Private Loans

Credit enhancement on the ACCSS 2005-B private loan transaction consists of 10% subordination of single-A-rated class B notes. The capitalized interest account (CIA) was established on the cut-off date with a \$25mn cash deposit, which represents 6.74% of the original note balance. The CIA has step-down dates, whereby it eventually steps down to a floor of \$1.0mn. The CIA provides liquidity since approximately 26% of the loans in the pool are in the “in school” period.

Figure 23: ACCSS 2005-B Credit Enhancement



Source: Company reports.

Collateral Characteristics – Private Loans

The assets in the trust consist of a pool of private loans, originated under the Access Loan Program. The loans are indexed to three-month Libor and are reset quarterly. The pool has an aggregate outstanding balance of \$337.6mn, with a weighted-average margin over three-month Libor of 3.48%. At the deal's closing, the asset pool included 29,655 borrowers, representing an average balance of \$11,604.

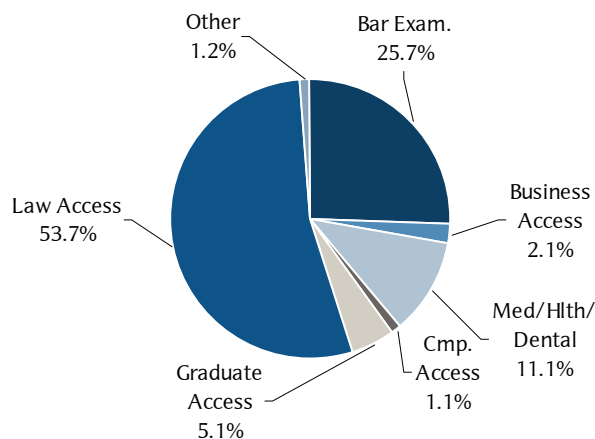
Figure 24: Pool Assets – ACCSS 2005-B

Summary	
Aggregate principal balance	\$337,612,979
Aggregate accrued Interest	\$6,513,384
Aggregate outstanding balance	\$344,126,363
Number of borrowers	29,655
Average outstanding balance per borrower	\$11,604
Number of loans	37,314
Average outstanding balance per loan	\$9,222
Weighted-average remaining term (months)	231
Weighted-average interest rate over Libor index	3.48%
Weighted-average interest rate over T-Bill index	2.87%
State Concentration: California	17.87%

Note: As of September 30, 2005. Source: Company reports.

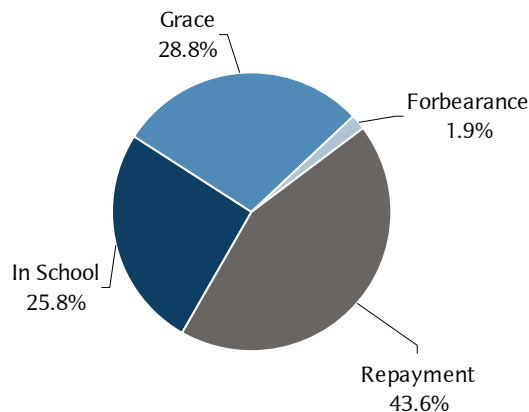
The pool comprises loans to graduate students in law, business, or health-related fields. As was the case in previous transactions, Law Access loans made up 54% of the pool. Over 60% of the initial pool has a FICO score greater than 700. The overall average FICO score of the pool was approximately 709 at closing. Co-signed loans had an average FICO score of roughly 743, and non-co-signed loans had an average score of 705.

Figure 25: Distribution by Loan Type



Source: Company reports.

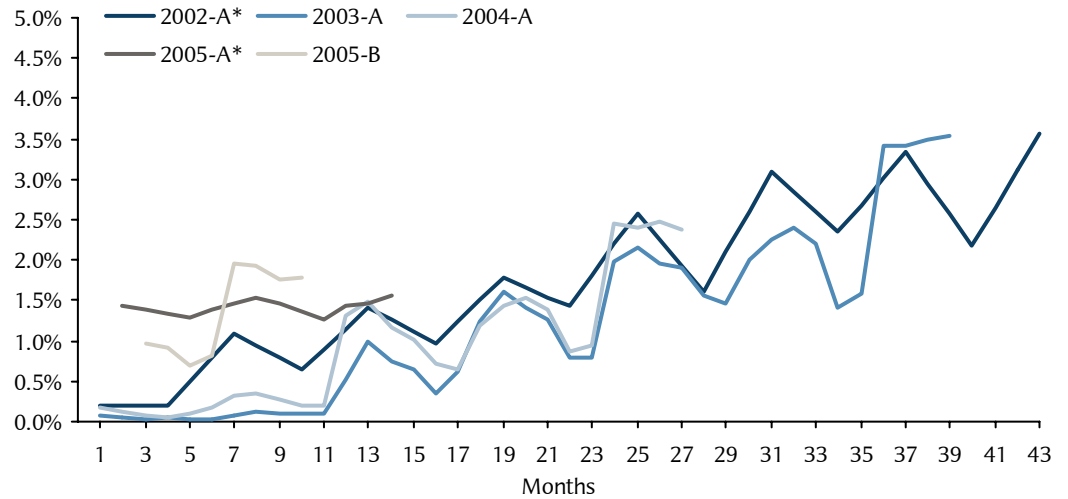
Figure 26: Distribution by Borrower Payment Status



Approximately 44% of the pool was in repayment status at the time of the securitization, while 25.8% was still in school. Borrowers in grace period comprised 29% of the pool, with the remaining balance in forbearance status.

Performance – Private Loans

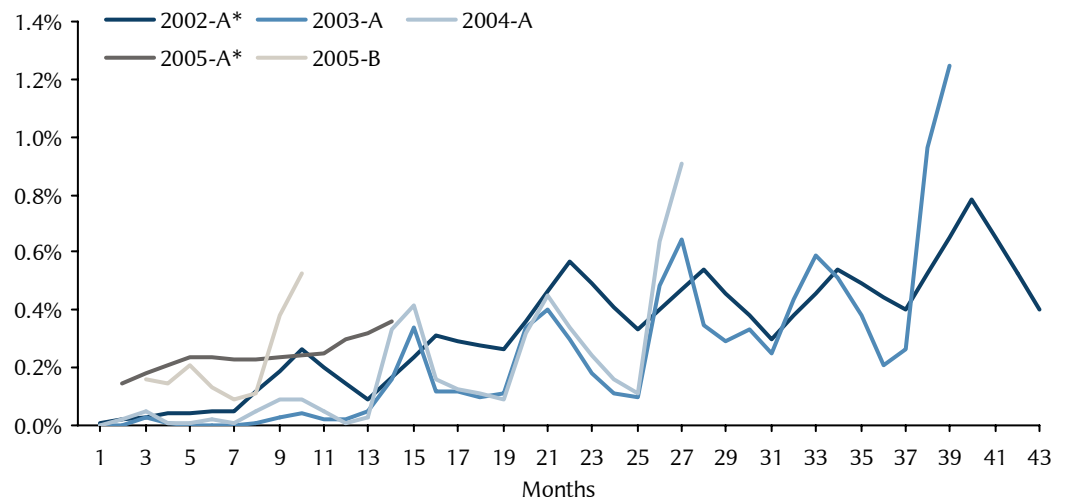
Figure 27: 30+ Day Delinquencies (% of Pool Balance)



Note: *2002-A and 2005-A transactions report on quarterly basis.
Source: Company reports, ABSNet.net.

In general, the percentage of delinquent accounts increases over time, especially during the first few years, when borrowers begin repaying their loans. As more loans enter the repayment period, an increasing number tend to become delinquent, resulting in a steady rise in the reported delinquency rate. In the most recent reporting period, 90+ days delinquencies moved above 1.0% for ACCSS 2003-A and also increased for ACCSS 2004-A and 2005-B.

Figure 28: 90+ Day Delinquencies (% of Pool Balance)



Note: *2002-A and 2005-A transactions report on quarterly basis.
Source: Company reports, ABSNet.net.

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The Brazos Group

Highlights

Bloomberg Tickers:
BRAZO, BRHEA, EDIN,
EFSI, EDFUS, FSFC,
PECOS, THEA

- The Brazos Group offers a variety of student loan services, including origination and servicing. The company is among the top-ten issuers of SLABS.
-

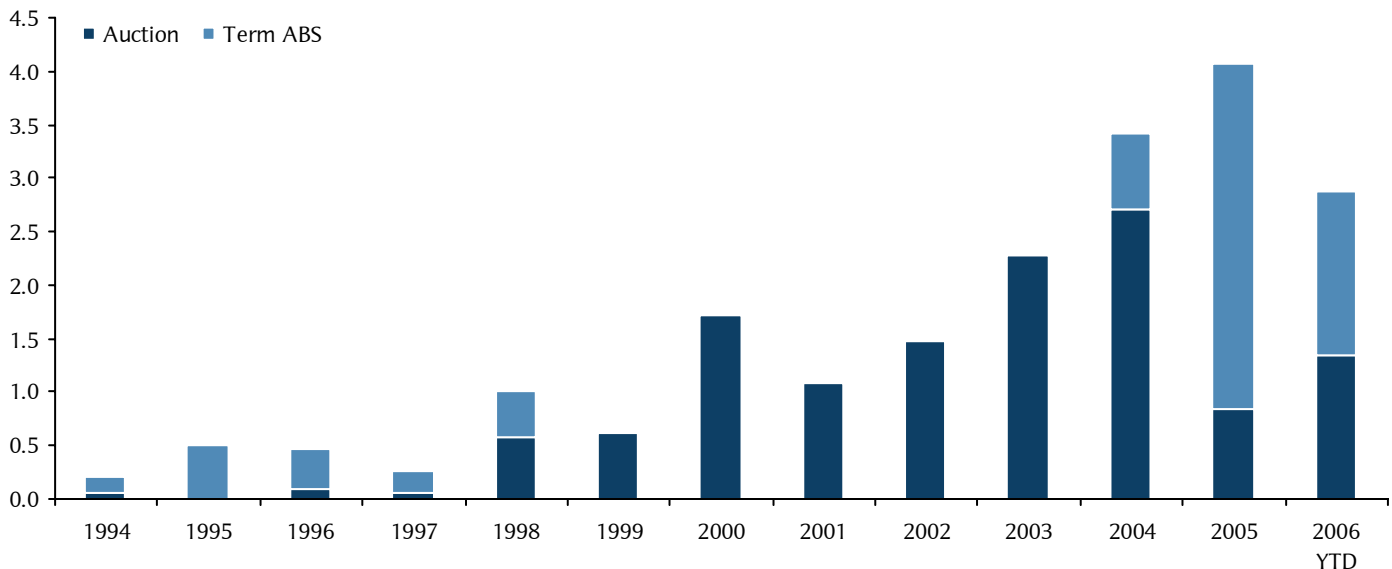
The Company

www.bhesc.org

The Brazos Group was founded in 1975 and is headquartered in Waco, Texas, and consists of non-profit companies, which originate and service student loans. The company's operations include secondary market activities, several higher education authorities, a service corporation, a loan origination and repayment servicing company, as well as several lending corporations that are controlled by its officers and directors.

The Brazos Group holds more than \$11.7bn in student loans, including collateral purchased or originated by the Brazos Higher Education Authority, Brazos Student Finance Corporation, Pecos Higher Education Authority, Brazos Education Assistance, Federated Student Finance Corporation, EdInvest Company, Trinity Higher Education Authority, Academic Finance Corporation, and EFSI. The loans are serviced by the master servicer, Brazos Higher Education Service Corporation. The Brazos Group offers student loans through FFELP, Health Education Assistance Loans, and credit-underwritten alternative loans.

Figure 29: Historical ABS Issuance (\$bn)



Source: Company reports, Bloomberg.

Originations/Underwriting

Brazos originated and purchased over \$12.7bn of student loans from 1999 to 2004. As of April 2006, approximately \$7.4bn remained outstanding. Brazos is not qualified as an eligible lender under the Higher Education Act for FFELP student loan program; however, it does have an arrangement with US Bank, a subsidiary of US Bancorp, the nation's sixth-largest financial services firm. US Bank acts as eligible lender trustee, holding the legal title to the financed student loans on behalf of the trust.

Brazos offers alternative loans through the EIC Program, which is marketed by the Education Investment Company. EIC loans are private loans made primarily to students at approved chiropractic or approved foreign medical schools. These loans are not included in the company's public securitizations. To be eligible for EIC loans, borrowers must have a minimum of two years of credit history, a FICO score of 650 or higher, and no record of personal bankruptcy for the past seven years. The program is available to Canadian citizens pursuing a chiropractic degree in the United States, US citizens and permanent residents, and Canadian citizens studying medicine in the Caribbean and Israel.

Servicing

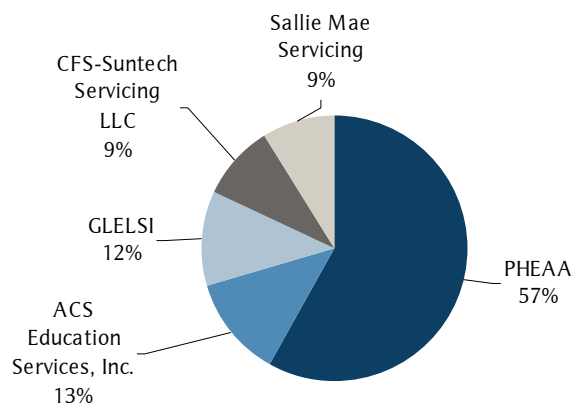
Brazos Higher Education Service Corporation is designated as the "master servicer" for the Group. As of June 30, 2006, Brazos Higher Education Service Corporation had approximately 419 full-time and 20 part-time employees working at facilities throughout the US. The total number of student loan accounts serviced by Brazos Higher Education Service Corporation was approximately 1.6 million, aggregating \$11.8bn in principal.

Brazos has entered into sub-servicing agreements with Pennsylvania Higher Education Assistance Agency (PHEAA), Great Lakes Educational Loan Services Inc. (GLELSI), Sallie Mae Servicing, a division of Sallie Mae Inc., ACS Education Services, Inc, CFS-SunTech Servicing LLC as well as other sub-servicers in the student loan industry.

Sallie Mae services approximately \$110.1bn of FFELP loans, including \$19.1bn owned by third-party clients as of March 2006. As of July 31, 2006, PHEAA serviced approximately 8.9mn student loans, with an aggregate principal balance of \$63.2bn. PHEAA's other line of business includes loan guarantee services. PHEAA has been guaranteeing student loans since 1964 and has guaranteed over \$72bn in federal student loans. PHEAA has experienced 119% growth in loan servicing over the past three years and has serviced loans since 1972.

Great Lakes is the principal service provider for the Great Lakes Higher Education Corporation, one of the largest providers of student loan services. GLELSI services approximately 1.8mn student and parental accounts, with an outstanding balance of approximately \$29bn. As of June 2006, 68% of the portfolio serviced by GLELSI was in repayment status, 6% was in grace status, with the remaining 26% in interim status. In March 2005, Moody's assigned its highest servicer quality (SQ) rating of SQ1 to GLELSI as servicer of FFELP student loans.

Figure 30: BRHEA 2006-1 Loan Distribution by Servicer



Source: Company reports.

ACS Education Services, Inc. is a wholly owned subsidiary of Affiliated Computer Services, Inc. (ACSI). As of July 2006, ACS provided loans servicing for approximately \$119bn student and parental loans, including approximately \$88bn in Federal Direct Student Loans under contract with the ED.

CFS-SunTech Servicing LLC (CFS-SunTech) is the successor in interest to SunTech, Inc., which began servicing education loans in 1990. CFS-SunTech is a wholly owned subsidiary of Collegiate Funding Services. In March 2006, Collegiate Funding Services was acquired by JPM Chase. CFS is designated as an Exceptional Performer by the ED. As of July 2006, CFS-SunTech serviced a portfolio of \$9.7bn in FFELP and private education loans for approximately 382,000 accounts. CFS-SunTech had approximately 236 employees where it operates in Ridgeland, MS. In June 2004, CFS-SunTech has received a SQ1 servicer quality rating from Moody's.

Sallie Mae, PHEAA, GLELSI, and ACS Education Services have received the "Exceptional Performer" designation by the ED. As a result, lenders serviced by these companies are eligible to receive reimbursement on claims for defaulted loans based upon 99% of the unpaid principal balance plus accrued unpaid interest rather than the statutory 97%.

Securitizations

The Brazos Group was an early and active participant in the SLABS market since 1979, setting up a number of trusts in various companies. Brazos securitization volume has grown steadily over the years. In June 2006, Brazos completed five new transactions totaling \$479.0mn. Four of the deals were issued out of separate trusts backed by both FFELP and private student loans. These included EdInvest Company, EFSI, Federated Student Finance Corporation and Academic Finance Corporation. Brazos also issued a \$288.2mn transaction backed by FFELP out of its Brazos Higher Education Authority 1999 Trust. The two largest issuers, Brazos Higher Education Authority (BRHEA) and Brazos Student Finance Corporation, have issued the majority of the transactions.

In August, the company issued \$100mn auction rate notes through an affiliate, Educational Funding Services, Inc., California. Educational Funding Services, California 2006-1 (Bloomberg ticker: EDFUS) is the second transaction from a recently created master trust. EDFUS 2006-1 totaled \$100mn, bringing total issuance from the trust to \$252.25mn.

Structural Features - BRHEA 2006-1

Brazos Higher Education Authority securitization vehicle is a standalone trust. BRHEA 2006-1 comprises nine tranches: A1 through A3 are sequential-pay, uncapped Libor floating-rate term notes, and A4 through A8 and B1 are auction-rate notes. Note: Brazos recently issued BRHEA 2006-2.

Figure 31: Brazos Higher Education Authority (BRHEA) 2006-1

Class	Amount (\$mn)	Moody's/S&P/Fitch	Avg. Life	Benchmark	Spread
A1	190.78	Aaa/AAA/AAA	3.00 yr	3ML	+1 bp
A2	296.65	Aaa/AAA/AAA	7.00 yr	3ML	+9 bp
A3	152.10	Aaa/AAA/AAA	9.96 yr	3ML	+11 bp
A4	72.45	Aaa/AAA/AAA	N/A	auction	N/A
A5	72.45	Aaa/AAA/AAA	N/A	auction	N/A
A6	72.42	Aaa/AAA/AAA	N/A	auction	N/A
A7	62.10	Aaa/AAA/AAA	N/A	auction	N/A
A8	31.05	Aaa/AAA/AAA	N/A	auction	N/A
B1	50.00	A2/A/A	N/A	auction	N/A

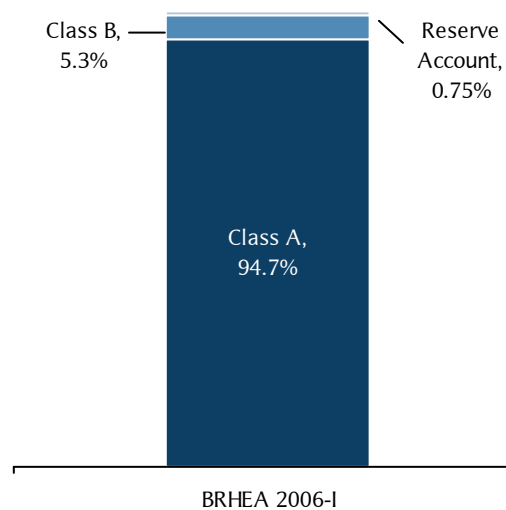
Note: As of April 21, 2006. Source: Company reports, Bloomberg.

Principal payments on tranches A1 through A3 are paid quarterly and disbursed according to a pre-set, targeted amortization schedule. The trust entered into an interest rate swap agreement with Citibank through December 2007. The trust will pay a fixed rate of 3.255% to the swap counterparty and receive three-month Libor based on a notional amount of \$400mn.

Credit Enhancement

The credit enhancement for BRHEA 2006-1 consists of subordination from single-A-rated class B notes and a fully funded reserve account at closing. Like the BHREA 2005-1 transaction, the reserve account is set at 0.75% of the original principal note balance, with a minimum balance of \$1.0mn.

Figure 32: BRHEA 2006-1 Credit Enhancement



Source: Company reports.

Collateral Characteristics

Figure 33: Pool Assets – BRHEA 2006-1

Summary	
Aggregate outstanding principal balance	\$4,720,831,930
Number of accounts	169,848
Average outstanding principal balance per account	\$27,794
Number of loans	315,423
Average outstanding principal balance per loan	\$14,967
Weighted-average remaining term to maturity	262 months
Weighted-average annual borrower interest rate	4.20%
California	11.41%
Pennsylvania	8.41%

Note: As of February 28, 2006. Source: Company reports.

BRHEA 2006-1 pool assets consist of 169,848 accounts with an aggregate principal amount of \$4.7bn and a weighted-average outstanding principal balance per account of \$27,794. The weighted-average annual borrower interest rate is 4.20%. The greatest geographic concentration is in California (11.41%), followed by Pennsylvania (8.41%).

Figure 34: Distribution by Loan Type

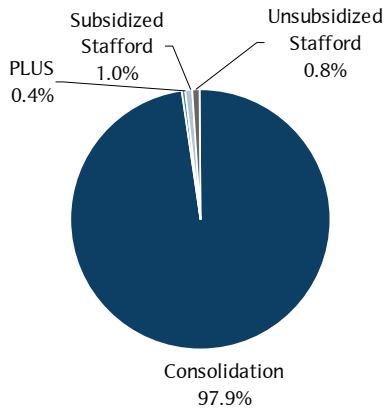
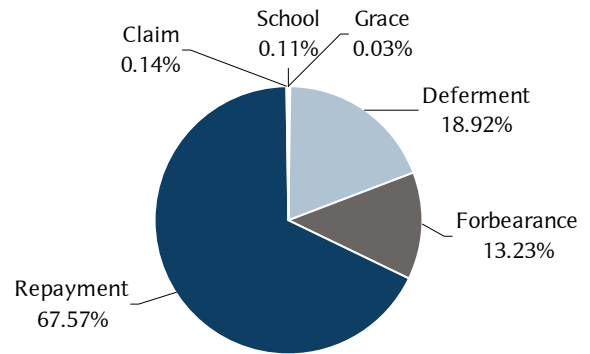


Figure 35: Distribution by Payment Status



Source: Company reports.

Consolidation loans account for approximately 98% of the pool. Subsidized Stafford loans make up an additional 0.97% of the pool balance. By payment status, 68% currently receive interest and/or principal payments, allowing the portfolio to enjoy sufficient liquidity. Most of the non-consolidation loans were granted to students in four-year schools, with loans to students in two-year schools and vocational schools contributing less than 1% of the pool balance.

Loans in repayment represent 67.6% of the asset pool, of which 92.8% are current and 7.2% are more than 31 days delinquent. For repayment status, 34.9% are in the first year of the repayment period. Loans in deferment and forbearance represent 18.9% and 13.2%, respectively.

Performance

Brazos Group's managed FEELP student loan portfolio has demonstrated stable performance, according to Dominion Bond Rating Services (DBRS) research. Utilization rates for deferment and forbearance averaged 14.3% and 12.7% since 1999, respectively. As of November 2005, cumulative defaults totaled 8.3% and rejected default loans claims totaled 0.12%.

College Loan Corporation

Highlights

Bloomberg Ticker:
COLLE

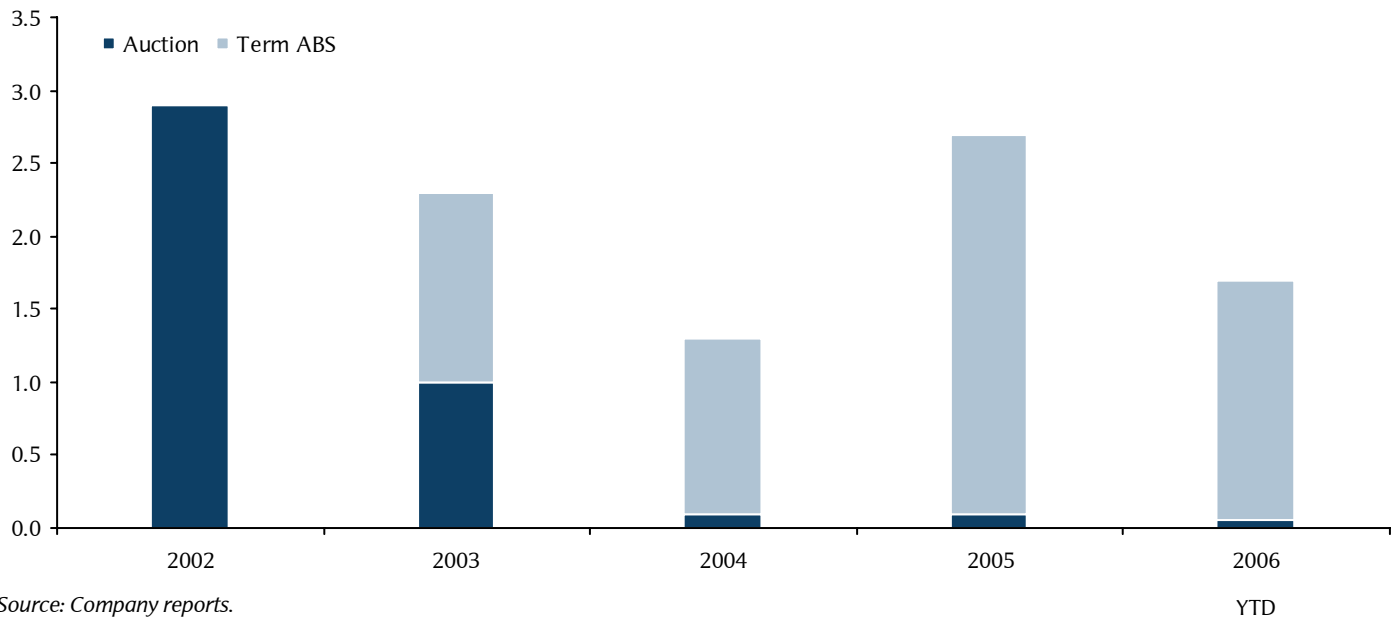
- College Loan Corporation (CLC) is a national student loan company with offices throughout the United States. CLC has been a frequent issuer of FFELP student loan ABS.
-

The Company

www.collegeloan.com

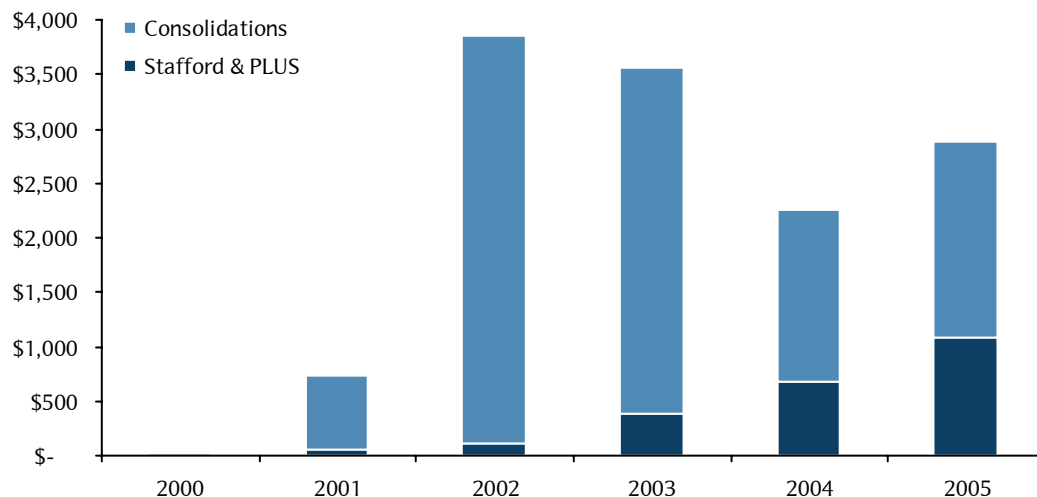
College Loan Corporation (CLC) was founded in 1999 and offers student loans throughout the United States. Based in San Diego, California, CLC employs more than 600 people in regional offices around the country. The company provides student loans in all 50 states and focuses on Federal Stafford, PLUS, and consolidation loan programs. It is among the top ten largest FFELP holders and originators of education loans. CLC also offers a range of private loan products to graduate and undergraduate students. Currently, CLC manages over \$9.0bn of student loans, consisting of FFELP and private student loans.

Figure 36: Historical ABS Issuance (\$bn)



Originations/Underwriting

Figure 37: Historical Annual FFELP Loan Originations (\$mn)



Note: Includes Stafford, PLUS and consolidation loans. Source: Department of Education, CLC.

Over the past five years, CLC has experienced significant loan origination growth. In 2005, the company originated over \$2.9bn of loans. In 2000, its first full-year of operation, the company underwrote \$17.4mn in FFELP student loans. By the following year, underwriting reached \$743mn and grew to a high of \$3.8bn in 2002.

The company markets its services through both college affiliations and direct-to-consumer channels. CLC works with more than 1,000 colleges and universities, and more than 900 feature the company's name on their preferred lender lists, which are maintained by the schools to ensure a smooth lending process. CLC's marketing reaches students and families by direct mail and advertising, both of which support Internet and telephone marketing. CLC performs certain core servicing functions in-house, including qualifying a loan application, securing a valid application, and following up to verify completeness. To perform the subsequent loan origination steps, CLC uses the expertise of outside service providers.

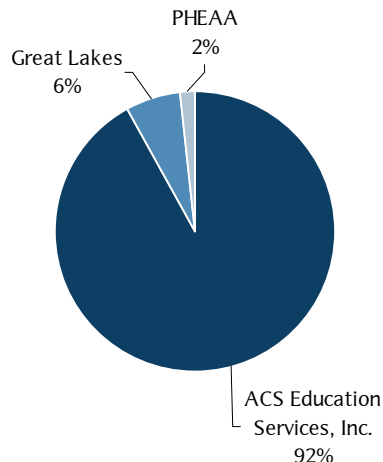
In June 2006, the company announced the launch of a new loan origination system and new subsidiary, CLC Servicing, which, according to CLC, enable it to extend its service to reach schools and borrowers through the entire lending process. In real time, schools are able to certify loans online, change preferences, or choose different processes based on loan type.

Servicing

As a full member of ELM Resources (a not-for-profit company that provides loan processing services via the Internet), CLC makes automated loan processing available online to schools and borrowers. The company also provides a 24/7 hotline, staffed by consultants who can answer questions about student loans.

CLC has contractual agreements with several outside service providers. ACS Educational Services, Inc (ACS) services the majority of the loan pool. Great Lakes Educational Loan Services (GLELSI) and Pennsylvania Higher Education Assistance Agency (PHEAA) service less than 8% of the loans.

Figure 38: College Loan Corporation Trust I Student Loan Distribution by Servicer



Source: Company reports.

ACS, GLELSI, and PHEAA have received the “Exceptional Performer” designation from the US Department of Education. As a result, lenders who use these servicers are currently eligible to receive reimbursement on claims for defaulted loans based on 99% (on/after July 1, 2006) of the unpaid principal balance plus accrued unpaid interest, rather than the statutory guarantee currently set at 97% (for loans disbursed on/after July 1, 2006).

ACS is a wholly-owned subsidiary of Affiliated Computer Services, Inc. (ACSI). ACS provides loans servicing for approximately \$119bn of student and parental loans, including approximately \$88bn in Federal Direct Student Loans under contract with the ED.

GLELSI is a wholly owned subsidiary of Great Lakes Higher Education Corporation (GLHEC), a not-for-profit corporation headquartered in Madison, Wisconsin. GLHEC and its affiliates also maintain regional offices in Columbus, Ohio, and St. Paul, Minnesota. GLELSI services approximately 1.8mn student and parental accounts, with an outstanding balance of about \$29bn. As of June 2006, 68% of the portfolio serviced by GLELSI was in repayment status, 6% was in grace status, with the remaining 26% in interim status. In March 2005, Moody’s assigned its highest servicer quality (SQ) rating of SQ1 to GLELSI as servicer of FFELP student loans.

PHEAA acts as a subservicer on CLC transactions. As of July 31, 2006, PHEAA serviced approximately 8.9mn student loans, with an aggregate principal balance of \$63.2bn. PHEAA’s other line of business includes loan guarantee services. PHEAA has been guaranteeing student loans since 1964 and has guaranteed over \$72bn in federal student loans as of April 30, 2006. PHEAA has experienced 119% growth in loan servicing over the past three years and has serviced loans since 1972.

Securitizations

College Loan Corporation completed its first securitization transaction in 2002, issuing \$700mn of FFELP-backed ABS. Since then, CLC has been an active participant in the ABS market with one or two deals a year, relying on the market to finance its loans. To date, the company has completed eight securitization transactions totaling \$10.9bn.

Structural Features

Figure 39: College Loan Corporation Trust I (COLLE) 2006-1

Class	Amount (\$mn)	Moody's/S&P/Fitch	Avg. Life	Benchmark	Spread
1A-1	100.0	Aaa/AAA/AAA	1.5 yr	3ML	+1 bp
1A-2	200.0	Aaa/AAA/AAA	4.0 yr	3ML	+2 bp
1A-3	260.0	Aaa/AAA/AAA	7.0 yr	3ML	+9 bp
1A-4	195.0	Aaa/AAA/AAA	9.7 yr	3ML	+11bp
1A-5	300.0	Aaa/AAA/AAA	11.9 yr	3ML	+14 bp
1A-6	280.0	Aaa/AAA/AAA	15.0 yr	3ML	+18 bp
1A-IO	(1)	Aaa/AAA/AAA	N/A	Fixed	10%
1A-7A	40.0	Aaa/AAA/AAA	3.0 yr	N/A	RRN
1A-7B	270.0	Aaa/AAA/AAA	3.0 yr	N/A	RRN
B	55.0	A2/A/A	N/A	auction	N/A

Note: As of March 28, 2006. Classes 1A-7A and 1A-7B not offered. (1) Initial notional amount equal to \$280mn.
Source: Company reports, Bloomberg.

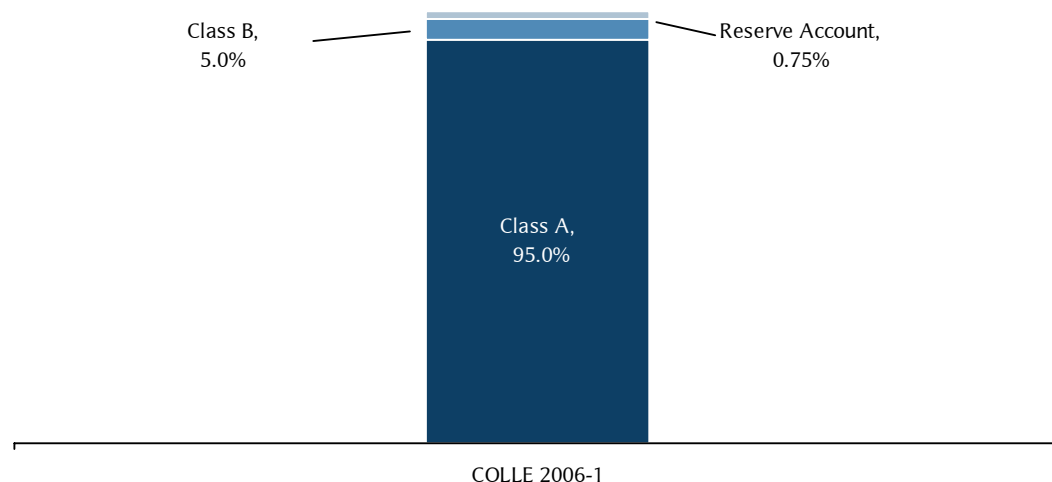
CLC's most recent transaction was COLLE 2006-1 totaling \$1.39bn of offered notes. The deal also included two privately placed reset rate note tranches, a \$40mn fixed-rate, class 1A-7A note, and a \$270mn, variable-rate, class 1A-7B note. Including the non-offered notes, the aggregate initial principal balance is \$1.7bn. The 1A-6 notes are uncapped floating-rate notes, indexed to three-month Libor. The IO notes are interest-only securities that will accrue interest at a fixed-rate based on a notional amount equal to the class 1A-6 initial principal amount. If the interest earned on the IO notes is less than what would be earned if the notional amount had equaled the initial principal balance of the class 1A-6 notes, carry-over interest will be due on the difference. The class B notes are offered as auction-rate notes. Interest on the class B will be determined by a 28-day auction process.

The trust is a senior/subordinate master trust with a sequential payment priority, and the assets within the trust are cross-collateralized among series. The timing and amount of principal payments to previously issued series 2003-2, 2004-1, and 2005-1 will affect the timing and amount of principal payments to 2006-1. Subordinate tranches do not receive any principal payment so long as the 2003-2, 2004-1, and 2005-1 notes are outstanding. Subordinated notes may be redeemed while other senior notes remain outstanding, provided the total and senior parity ratios are at least 100.5% and 107.0%, respectively, upon redemption of the subordinate debt.

Credit Enhancement

Credit enhancement on the 2006-1 COLLE transaction consists of 5.0% subordination of the single-A rated class B notes and a fully funded reserve account of 0.75% of the principal balance outstanding (with a floor of \$2.0mn), and excess spread. The reserve fund is available to pay interest and principal at the final maturity of each class.

Figure 40: COLLE 2006-1 Credit Enhancement



Source: Company reports.

Collateral Characteristics

Figure 41: Pool Assets – COLLE 2006-1

Summary	
Aggregate outstanding principal balance	\$7,246,967,659
Number of borrowers	411,864
Average outstanding principal balance per borrower	\$17,596
Weighted-average remaining term to maturity	224 months
Weighted-average annual borrower interest rate	4.47%

Note: As of January 31, 2006. Source: company reports.

College Loan Corporation Trust's pool assets consist of FFELP loans with an aggregate balance of \$7.2bn. The trust holds loans for 411,864 borrowers. The average outstanding principal per borrower is \$17,596, with a weighted-average coupon of 4.47%.

The largest portion of the loan portfolio consists of 38.4% subsidized consolidation and 41.7% unsubsidized consolidation loans, or a combined 80% of the pool balance. Subsidized and unsubsidized Stafford loans and PLUS loans contribute the remaining 20%.

The loan portfolio enjoys sufficient liquidity, with 66.5% of loans in repayment status and 47% of the portfolio consisting of subsidized loans. When first entering repayment status, borrowers have the highest probability of defaulting, entering forbearance or deferment periods. Consolidation loans are typically made to borrowers in grace or in repayment status which provides for strong liquidity support from the underlying collateral. Of the loans in repayment, 95.5% are current and 4.5% are 60+ days delinquent.

Figure 42: Student Loans by Loan Type

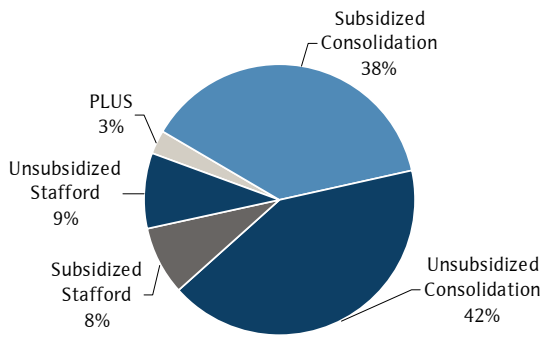
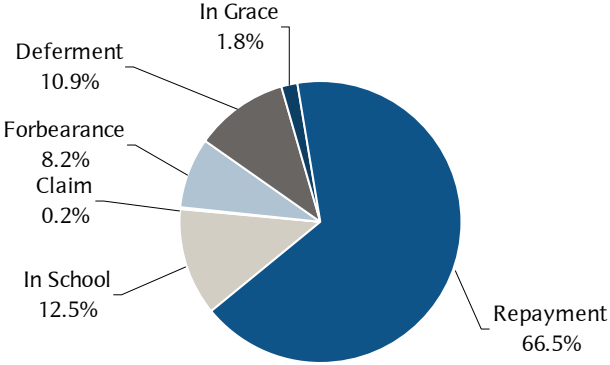


Figure 43: Student Loans by Loan Status



Source: Company reports.

First Marblehead

Highlights

Bloomberg Ticker:
NCSLT, NCT, NCMSL

- First Marblehead is a major originator of private credit student loans and provides processing services for student loan programs. The company has securitized an increasing portion of its private credit loan portfolio.
-

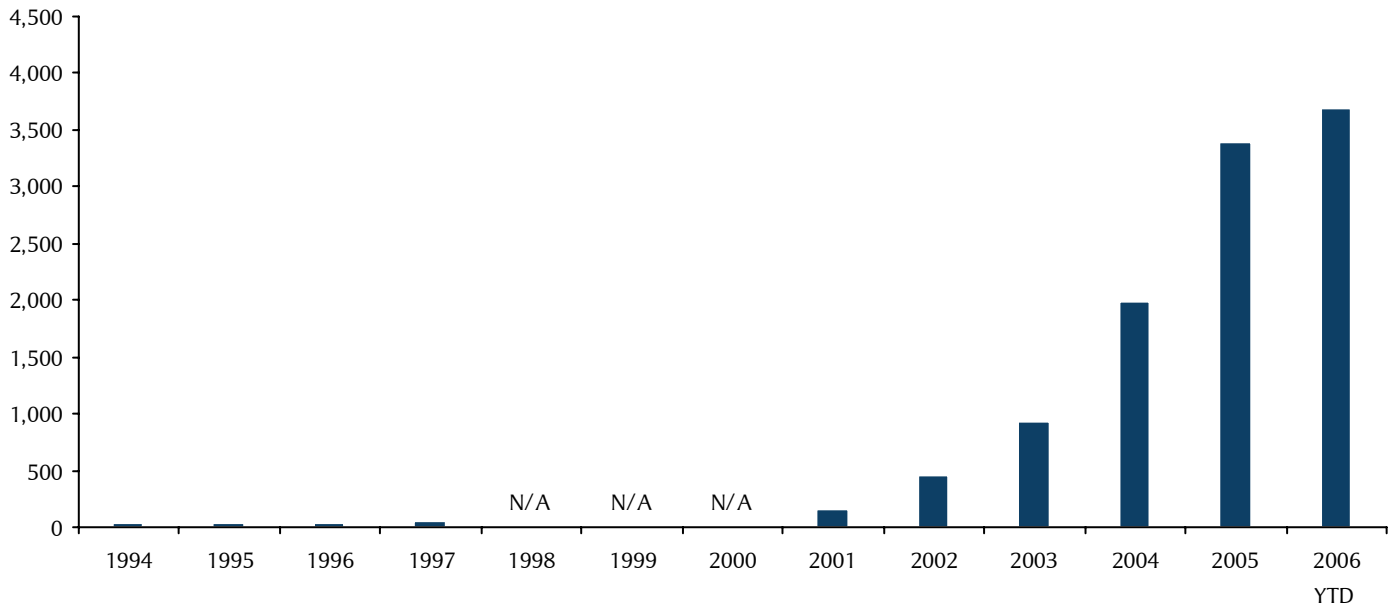
The Company

www.firstmarblehead.com

First Marblehead (NYSE: FMD) is a Delaware corporation formed as a limited partnership in 1991, incorporated in 1994, and has been trading on the Big Board since October 2003. The company offers outsourcing services for private, non-government guaranteed, education lending in the US. First Marblehead offers securitization services and execution solutions for education loan programs to financial and educational institutions. In providing these services, First Marblehead does not serve as a lender, guarantor, or loan servicer. Instead, it receives fees for the services provided in connection with processing and securitizing student loans.

The company focuses on loan programs for undergraduate, graduate, and professional education, and, to a lesser degree, on the primary and secondary school markets. In Q4 of fiscal 2006, the volume of loans facilitated by First Marblehead that are available for securitization increased 51% to \$569mn. In fiscal year 2006 (ended June 2006), the amount increased 34% to \$2.92bn, compared with \$2.18bn for the 12 months ended June 2005.

Figure 44: Historical ABS Issuance (\$mn)



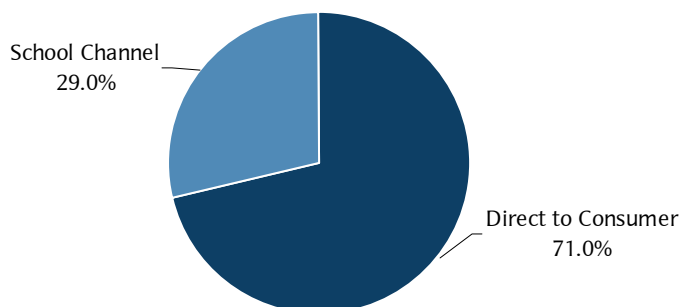
Source: Bloomberg.

Originations/Underwriting

First Marblehead offers services in connection with loan programs targeted at two major marketing channels: private label programs and the Guaranteed Access to Education (GATE) programs. Lenders market private label programs directly to prospective students and their families, as well as to educational institutions. The share of loans originated through those two channels fluctuate seasonally, with 65.3%, 85.4% and 71.0% of the loan balances coming from the direct-to-consumer origination channel in the 2006-1, 2006-2 and 2006-3 transactions, respectively. Businesses, unions, affinity groups and other organizations also offer these programs to their employees or members. First Marblehead's most significant clients include JPMorgan Chase, Bank of America, and Charter One Bank.

The company uses an automated credit-underwriting process under which loan application data are sent automatically to credit bureaus, which then generate and return a credit report. Software subsequently analyzes the report data along with all scoring parameters associated with the loan type, and a credit decision is generated. In 2005, 64% of 849,000 private loan applications received came via the Internet. According to company reports, 80% of the borrowers in the private label loan programs have creditworthy co-borrowers.

Figure 45: National Collegiate Funding 2006-3 by Loan Marketing Type



Source: Company reports.

Servicing

The Pennsylvania Higher Education Assistance Agency (PHEAA) services most of the private loan portfolio for National Collegiate Funding LLC, which is a wholly owned subsidiary of the First Marblehead Corporation, for which it serves as an administrator for the trust. PHEAA is a public corporation created in 1964 by the State of Pennsylvania; its principal place of business is Harrisburg.

PHEAA has extensive experience servicing private student loans. As of July 2006, PHEAA serviced approximately 8.9mn student loans with an aggregate principal balance of over \$63.2bn, of which approximately \$6.8bn had been securitized by the First Marblehead or its affiliates. PHEAA's other lines of business include loan guarantee services, the administration of certain state scholarship and financial aid programs, as well as issuing tax-exempt and taxable notes to finance its secondary market purchases of student loan portfolios.

PHEAA has received the “Exceptional Performer” designation by the ED. As a result, lenders who use these servicers are eligible to receive reimbursement on claims for defaulted loans based on 99% (claims filed on/after July 1, 2006) of the unpaid principal balance plus accrued unpaid interest, rather than the statutory guarantee set at the current 97% (loans disbursed after July 1, 2006).

Securizations

First Marblehead issues SLABS through its wholly owned, special purpose corporation, National Collegiate Funding LLC. First Marblehead provides structural and advisory services to the securitization trusts. The company structured and facilitated 33 public and private securitizations consisting entirely of private student loans.

First Marblehead facilitated 11 transactions before 2000, one securitization in fiscal 2001, three per year in fiscal 2002-04, and five in fiscal 2005. First Marblehead securitized \$2.26bn in fiscal 2005. Year-to-date, the company has issued \$3.4bn SLABS backed-by private loans out of National Collegiate Student Loan Trust (NCSLT) and \$281mn, privately-placed, floating-rate bonds out of National Collegiate Trust (NCT).

Structural Features

Figure 46: National Collegiate Student Loan Trust (NCSLT) 2006-3

Class	Amount (\$mn)	Moody's/S&P/Fitch	Avg. Life	Benchmark	Spread
A-1	323.60	Aaa/AAA/AAA	3.06 yr	1ML	+3 bp
A-2	306.23	Aaa/AAA/AAA	5.24 yr	1ML	+11 bp
A-3	322.79	Aaa/AAA/AAA	7.84 yr	1ML	+15 bp
A-4	294.51	Aaa/AAA/AAA	12.31 yr	1ML	+27 bp
A-5	325.13	Aaa/AAA/AAA	18.60	1ML	+32 bp
A-IO	(1)	Aaa/AAA/AAA	N/A	N/A	7.10%
B	94.18	Aa3/AA/AA	12.89 yr	1ML	+36 bp
C	92.45	A3/A/A	12.89 yr	1MI	+47 bp
D	83.87	Baa2/BBB/BBB	12.89 yr	1ML	+115 bp

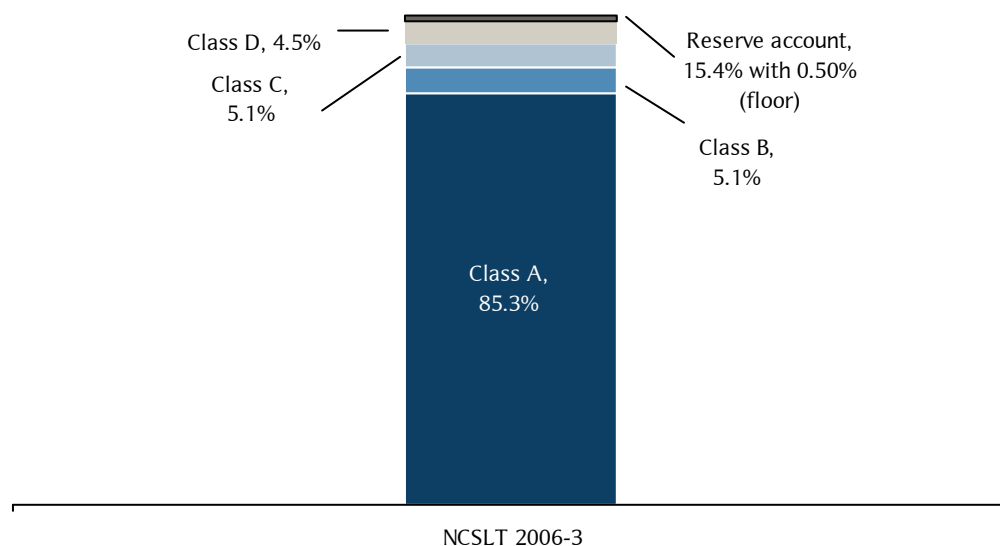
Note: As of September 26, 2006. (1) Initial notional amount equal to \$325.130mn. Source: Company reports, IFR.

NCSLT 2006-3 notes are issued out of a discrete trust. Interest payments on the notes are indexed to one-month Libor. The class A-IO will pay interest monthly at a fixed-rate based on a notional amount. The deal has a senior/subordinate monthly pay structure, and for the first time, includes a class D. Principal is paid sequentially to the class A, B, C and D so that each class is paid in full before payments are made to the next class. To the extent the class D interest rate note trigger is not breached, interest payable to the notes will be senior to principal payments on the class A and C notes.

On, or after, the step-down date, the notes will pay on a pro rata basis, as long as subordinate note interest triggers are not in effect. The subordinate note principal trigger is in effect if the note parity trigger is less than 101%, or if the cumulative default rate exceeds 10%.

Credit Enhancement

Figure 47: NCSLT 2006-3 Credit Enhancement



Source: Company reports.

Credit enhancement on the 2006-3 NCSLT transaction consists of AA-rated class B, A-rated class C, and BBB-rated class D subordination, a reserve account, a liquidity note agreement, and the student loan guarantee provided by The Education Resources Institute Inc. (TERI, rated A+ by Fitch). Class A notes benefit from 14.7% subordination, class B notes benefit from 9.6% subordination, and class C notes benefit from 4.5% subordination. The class D notes ratings are partially based on the TERI guarantee.

Liquidity support is provided from both the reserve account and a liquidity note. The reserve account had an initial deposit of \$283.5mn (or 15.4% of the initial notes balance) at closing with a minimum amount of \$9.2mn (or 0.50%). An additional \$118mn is available to be drawn under a liquidity note. Both the reserve account and the liquidity note will step down according to a schedule. The liquidity note will step down to zero before the cash reserve can step down.

The deal carries a guarantee from TERI, which will pay claims on defaulted loans that have met its due diligence requirements. The TERI pledge fund has an initial balance of \$86.7mn. Excess funds may be released out of the trust as long as a parity level of 103% (target) is maintained after release, which creates overcollateralization.

Collateral Characteristics

The assets of the trust consist of a pool of private student loans that were originated by several banks under different loan programs and were structured with the assistance of First Marblehead. The largest geographic concentrations of loans are in California and Texas.

At the closing date, borrowers' weighted-average annual percentage spread over Libor was 4.8%, and the weighted-average remaining term to maturity of the loans in the pool was 268 months, or 22 years.

The pool consisted of 104,658 loans extended to 97,472 borrowers, with an average balance per borrower of \$13,890. Co-signed loans had a higher average FICO score of 714, compared with 706 for non-co-signed loans. The weighted-average FICO score of all the loans was 712 considering creditworthy/co-signed loans accounted for 82.4% of the principal balance.

Figure 48: Pool Assets - NCSLT 2006-3

Summary	
Outstanding principal balance	\$1,353,901,838
Total accrued interest	\$26,087,079
Total outstanding principal and accrued interest	\$1,379,988,917
Number of borrowers	97,472
Average outstanding principal balance per borrower	\$13,890
Number of loans	104,658
Average outstanding principal balance per loan	\$12,936
Weighted-average annual interest rate	Libor + 4.80%
Weighted-average annual interest rate in repayment	Libor + 4.92%
Weighted-average remaining term to maturity	268 months
Weighted-average FICO score for all loans	712
Weighted-average FICO score for cosigned loans	714
Weighted-average FICO score for non-cosigned loans	706
California	9.5%
Texas	9.0%

Note: As of August 31, 2006. Source: Company reports.

Graduate student loans contributed 12.8% of the aggregate pool balance, while 81.9% of the pool was undergraduate loans. Primary education loans and continuing education loans make up the remainder.

Figure 49: Distribution by Program Type

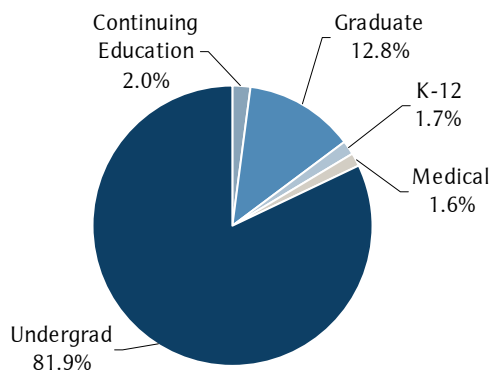
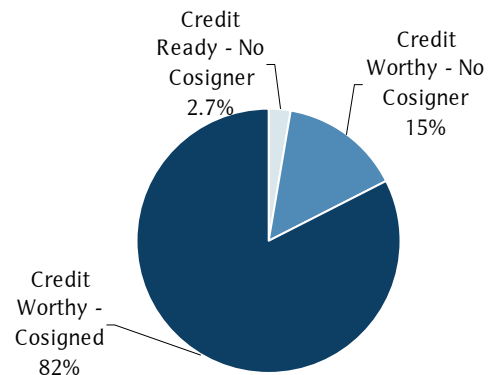


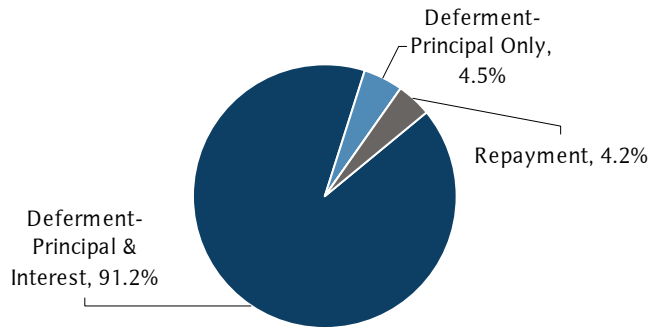
Figure 50: Distribution by Loan Type



Source: Company reports.

The majority, or 91%, of the pool balance was in a principal and interest deferment period; 4.5% was in principal deferment, and 4.2% of the loans had entered the repayment period. Loans in forbearance status accounted for less than 0.1% of the pool balance.

Figure 51: Distribution by Repayment Status

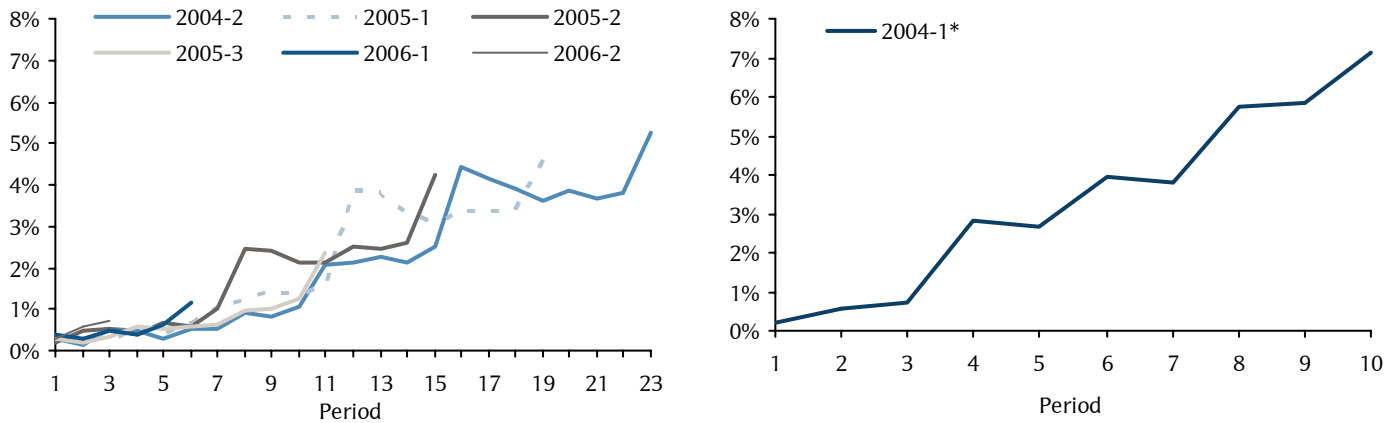


Source: Company reports.

Delinquencies and Forbearance

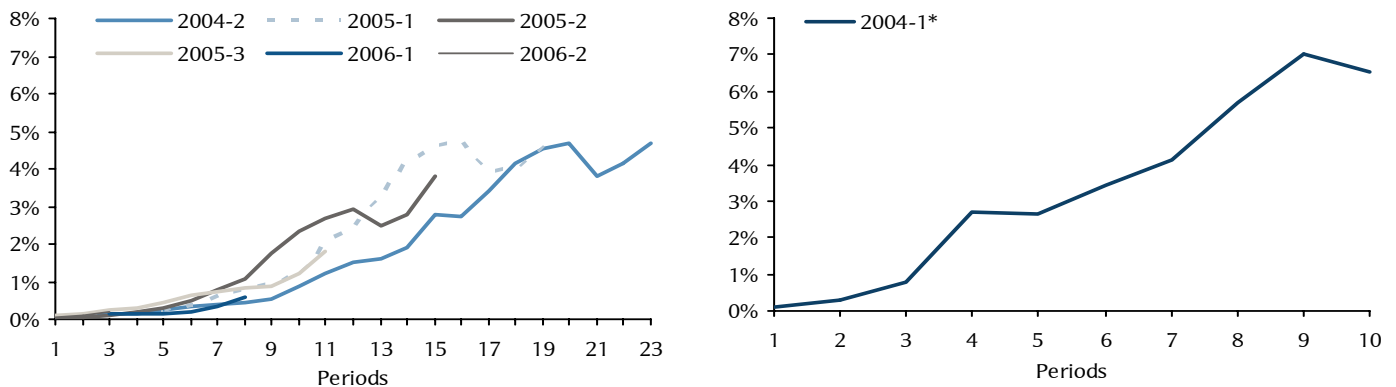
Delinquencies and forbearances edge up as more loans enter the repayment period. Generally, the percentage of delinquent accounts increases as deals go through the first few years of payments. This phenomenon continues as more loans in the pool enter repayment and some of those loans become delinquent. It is important to note that the delinquency and forbearance data are stated as a percentage of the total pool.

Figure 52: 30+ Days Delinquencies



Note: NCSLT 2004-1 reports quarterly. Source: Company reports.

Figure 53: Forbearance



Note: NCSLT 2004-1 reports quarterly. Source: Company reports.

Goal Financial, LLC

Highlights

Bloomberg Ticker:
GOAL, SLCC, ELAB, HEF

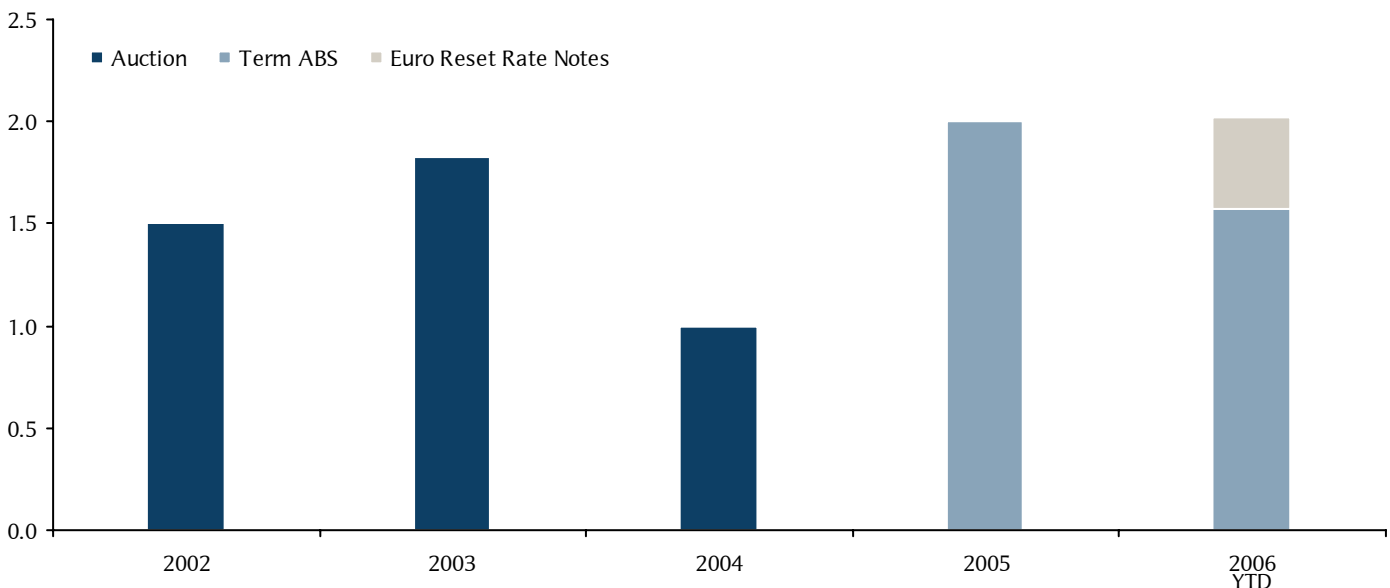
- Goal Financial, LLC, is the ninth-largest holder of federal student loans. The company has been active in the student loan ABS market since 2002, when it issued its first auction rate note transaction. Since 2005, Goal has issued term securities, rather than auction rate securities.
 - Goal student loan ABS paper has gained liquidity as the company has increased its issuance volume with over \$8.3bn in student loan-backed debt to date.
-

The Company

www.goalfinancial.net

Goal Financial, LLC, is a privately held student loan marketer and originator based in San Diego, CA. The company is the ninth-largest holder of federal student loans with a \$7.1bn portfolio for 192,000 borrowers as of August 31, 2006. Goal obtains loans through direct origination or acquisitions. The company has issued \$1-2bn of student loan ABS per year since it began securitizing its loans in 2002. Goal has an experienced management team and over 300 employees. In February 2006, Goal acquired EStudentLoan.com, a web-based service that facilitates student loan comparisons, and ScholarshipExperts.com, an online scholarship search engine.

Figure 54: Historical ABS Issuance (\$bn)



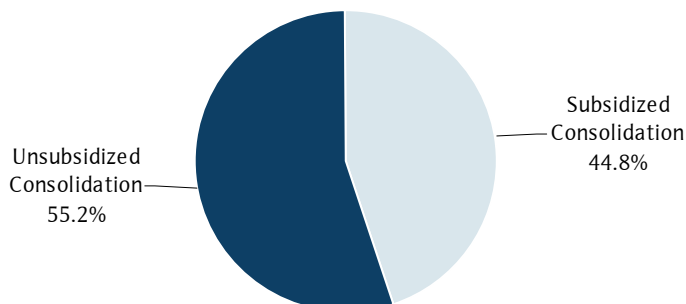
Source: Bloomberg.

Originations/Underwriting

Since 2001, Goal has provided federally guaranteed loans to more than 192,000 families. As of August 31, 2006, the company's managed portfolio stood at \$7.12bn. The company has been able to achieve rapid growth and success through a combination of a strong

management team, customer service and technology. Goal uses a Direct to Consumer (DTC) business model to facilitate the origination of its student loans. This strategy is supported by the company's focus on customer service and technology.

Figure 55: GOAL 2006-1 Composition by Loan Program

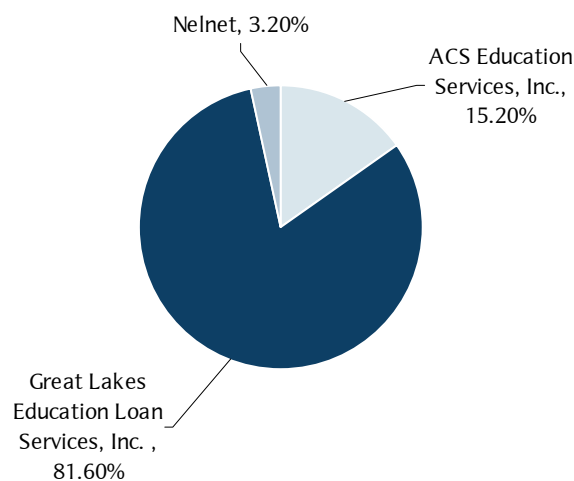


Source: Company reports.

Servicing

Great Lakes Educational Loan Services, Inc. (GLELSI) is Goal's primary student loan servicer, handling over 81% of the company's total portfolio. The rest of the loans are serviced by ACS Education Services, Inc (ACS) and Nelnet. All three have been awarded Exceptional Performer status by the U.S. Department of Education, which provides them with a 99% federal reimbursement on student loan claims (on/after July 1, 2006) rather than the statutory 98% (97% guarantee for loans disbursements made after July 1, 2006).

Figure 56: Servicer Distribution



Source: Company reports.

GLELSI is a wholly owned subsidiary of Great Lakes Higher Education Corporation (GLHEC), a not-for-profit corporation headquartered in Madison, Wisconsin. GLHEC and its affiliates also maintain regional offices in Columbus, Ohio, and St. Paul, Minnesota. GLELSI services approximately 1.8 million student and parental accounts, with an outstanding balance of about \$29bn. As of June 2006, 68% of the portfolio serviced by GLELSI was in repayment status, 6% was in grace status, and the remaining 26% was in interim status. In March 2005, Moody's assigned its highest servicer quality (SQ) rating of SQ1 to GLELSI as servicer of FFLEP student loans.

Securitizations

Goal Financial has been in the student loan ABS market since March 2002, when the company issued its first auction rate note transaction. The company is an active and programmatic securitizer, having issued over \$8.3bn in student loan-backed debt. Since 2005, GOAL has issued term securities rather than auction rate securities.

Structural Features

Figure 57: GOAL Capital Funding Trust (GOAL) 2006-1

Class	Amount (\$mn)	Moody's/S&P/Fitch	Avg. Life	Benchmark	Spread
A1	408.65	Aaa/AAA/AAA	3.00 yr	3ML	+0 bp
A2	277.37	Aaa/AAA/AAA	7.00 yr	3ML	+10 bp
A3	352.50	Aaa/AAA/AAA	9.57 yr	3ML	+12 bp
A4	234.32	Aaa/AAA/AAA	11.99 yr	3ML	+15 bp
A5 ¹	€350.00	Aaa/AAA/AAA	10.00 yr ²	3M€	+12 bp
A6	225.00	Aaa/AAA/AAA	19.4 yr	3ML	+21 bp
B	70.60	A3/A/A	12.78 yr	3ML	+45 bp

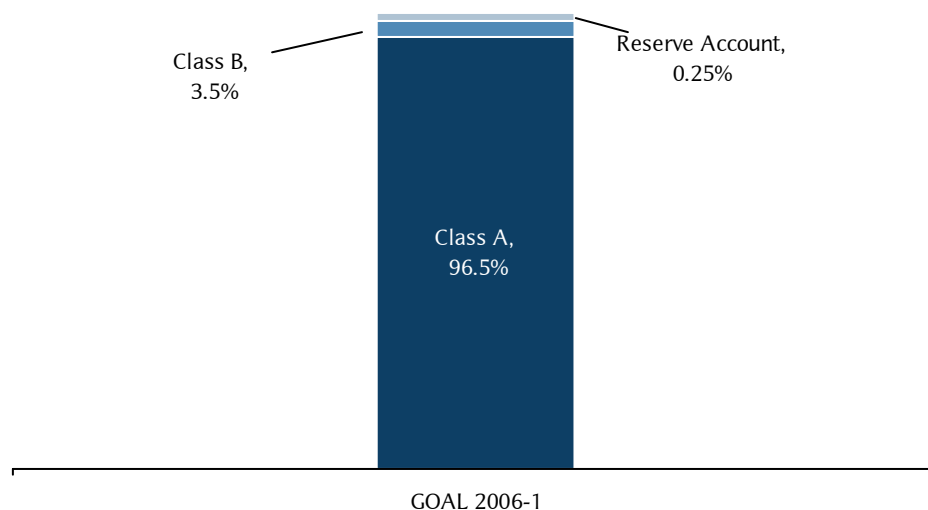
Note: ¹ Using an exchange rate of \$1.2816 = € (Euro). ² Reset-rate note. Source: Company reports.

GOAL 2006-1 is issued out of a discrete trust. The transaction employs a senior/subordinate structure and includes seven classes of notes. Interest on the class A1 through A6, and the class B notes are indexed to three-month Libor. The class A-5 notes are euro-denominated reset-rate notes indexed to three-month Euribor. The currency and interest rates on the class A5 notes will reset from time to time. The trust entered into a swap agreement for a currency swap, whereby the trust will pay US dollars and will receive a sufficient amount in euros.

Principal payment is initially made sequentially to the class A-1 through A-6 notes, until the step-down date on May 25, 2012. The class B notes will not receive principal until after the stepdown date, as long as no subordinate principal trigger event is in effect. At that time, the class B notes will receive principal pro rata with the class A notes. A subordinate principal trigger occurs when the total outstanding notes exceed the adjusted pool balance for any distribution date. The deal includes a 10% clean-up call, whereby Goal may optionally redeem all outstanding notes when the loan balance is 10% or less of the initial pool balance.

Credit Enhancement

Figure 58: GOAL 2006-1 Credit Enhancement



Source: Company reports.

Credit enhancement consists of a reserve account, excess spread and 3.5% subordination for the senior notes. Subordination levels were reduced from 4.0% in GOAL 2005-2. The reserve account was fully funded at 0.25% of the sum of the trust assets (the current student loan balance, the aggregate amount in the pre-funding account, the amounts in the capitalized interest account, and the add-on consolidation amount). The capitalized interest account was funded at \$80mn at deal closing. The CIA is scheduled to amortize to zero on November 2008.

Collateral Characteristics

The pool assets consist of consolidated FFELP student loans. As of March 31, 2006, the aggregate outstanding principal balance was \$1.3bn, with an average outstanding principal balance per borrower of \$38,106. The weighted average borrower interest rate was 5.45%, and the weighted average remaining term to scheduled maturity was 288 months.

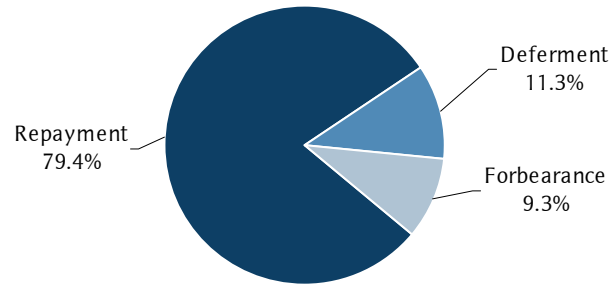
Figure 59: Pool Assets - GOAL 2006-1

Summary	
Aggregate outstanding balance	\$1,272,955,262
Number of loans	33,406
Average outstanding principal balance per loan	\$38,106
Weighted-average annual interest rate	5.455%
Weighted-average remaining term (months)	288
Percentage of loans with SAP index based on CP	100%
Percentage of loans with graduated repayment characteristics	68.02%
Weighted-average FICO score for cosigned loans	718
Weighted-average FICO score for non-cosigned loans	697
California	10.98%
New York	9.32%
Ohio	3.78%

Note: As of March 31, 2006. Source: Company reports.

Approximately 79% of the loans were in active repayment status, which provided liquidity because principal collections from these loans will be available to cover periodic interest payments on the loans. Over 11% of the loans were in deferment, while 9.3% were in forbearance.

Figure 60: Distribution by Repayment Status



Source: Company reports.

KeyCorp

Highlights

Bloomberg Ticker:
KSLT

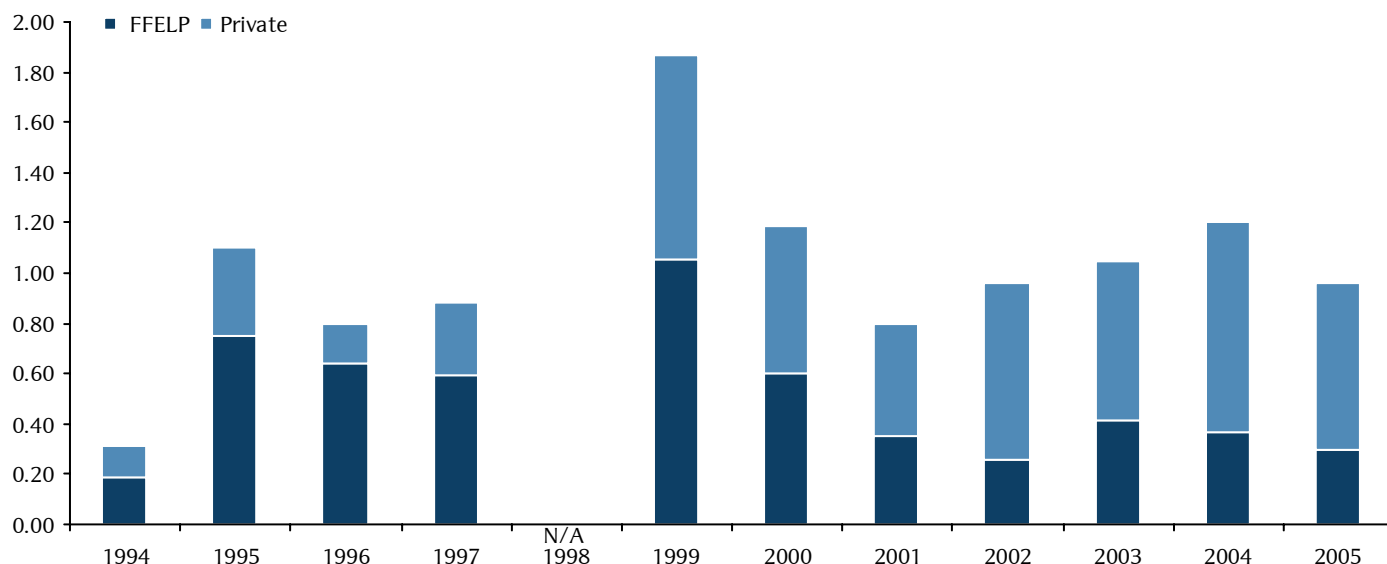
- KeyCorp is a diversified financial services company offering a variety of student loan products. The company has been a frequent issuer of student loan ABS, securitizing both FFELP and private student loans.

The Company

www.key.com

KeyCorp (NYSE: KEY A2/A-/A) is a financial services holding company, founded in 1958 and headquartered in Cleveland, Ohio. The company has approximately \$95bn in assets and about 19,500 employees. KeyCorp and its subsidiaries provide investment management, retail and commercial banking, consumer finance, and investment banking products and services to individuals and companies throughout the US, in addition to certain businesses internationally. As of July 2006, Key Corp operated 946 full-service retail banking branches (“KeyCenters”), a telephone banking call center services group, and a network of approximately 2,120 ATMs in 13 states.

Figure 61: Historical ABS Issuance (\$bn)



Source: Company reports, Moody's.

Originations/Underwriting

Key Bank has been providing education financing for over 50 years and currently originates loans through Key Bank USA, a wholly owned subsidiary, which on October 1, 2004 merged with Key Bank USA NA. KeyBank originates and acquires both federal and private student loans and has been originating FFELP graduate loans since 1990. The company provides federal student loans to undergraduate, graduate, and professional students enrolled in, or recently graduated from, accredited law, medical, dental, business and other approved graduate schools.

The private credit loan program was first introduced by KeyCorp in 1991. Though originally designed for law school students, the program has been expanded over the years to include virtually all undergraduate and graduate fields of study. It offers private credit loans to undergraduate and graduate students who are either credit-ready, creditworthy, or have creditworthy co-signers. KeyBank also offers loans to students pursuing career or vocational training.

Servicing

Servicing was originally performed by a wholly owned subsidiary, Key Bank USA, which provided master servicing to KeyCorp. Effective with October 1, 2004 merger, KeyBank succeeded Key Bank USA as the master servicer of its student loans trust. KeyBank also directly services a portion of the student loan portfolio through its Education Loan Servicing Center in Boston, Massachusetts.

PHEAA and Great Lakes are sub-servicers on the KeyCorp transactions. Both sub-servicers have received the “Exceptional Performer” designation by the ED. As a result, lenders who use these servicers are eligible to receive reimbursement on claims for defaulted loans based on 99% (on/after July 1, 2006) of the unpaid principal balance plus accrued unpaid interest, rather than the statutory guarantee set at 97%.

Securitizations

KeyCorp is a regular participant in the asset backed market (Bloomberg Ticker: KSLT). The company has tapped the securitization market 14 times, issuing a total of \$11.1bn in SLABS. The company typically issues one transaction a year. Issuance was \$963mn in 2005, \$1.2bn in 2004, and \$1.04bn in 2003. The largest annual securitization volume was \$1.8bn in 1999.

KeyCorp has securitized over \$5.5bn of FFELP student loans and \$5.6bn in private credit loans. In 2005, most of the volume came from private loan securitizations, accounting for \$669mn, or 69.5% of the securitized assets.

Figure 62: KeyCorp SLABS Issuance by Loan Type

Loan Type	Historical Issuance (\$)	Historical Issuance (%)	2005 Issuance (\$)	2005 Issuance (%)
FFELP	5,504,924	49.6%	293,864	30.5%
Private	5,599,715	50.4%	668,855	69.5%

Source: Company reports.

Structural Features

KeyCorp transactions typically combine FFELP and private loans, with a limited amount of cross-collateralization between the two collateral types. In its 2005-A transaction, group I collateral, backing class I-A and I-B notes, consisted of FFELP loans, while group II collateral for class II-A through II-C notes consisted of private loans. The structure paid a floating rate tied to three-month Libor. The company’s previous deal, 2004-A, included a class II-D.

KeyCorp Student Loan Trust 2005-A is a discrete trust. The two separate sub-trusts are senior/subordinate structures, and each group maintains separate collection accounts. There is limited cross-collateralization between the two groups to the extent that excess available funds remain after all required payments have been made under each respective payment waterfall.

For each group, principal pay-down on the class A notes is sequential before the step-down date. After the step-down date, principal is paid sequentially on the senior classes, but pro rata on the subordinate class, provided the subordinate note trigger is not in effect. The trigger is tripped when the ratio of trust assets to liabilities falls below 100% or the amount of student loan defaults exceed a certain percentage.

Figure 63: KeyCorp Student Loan Trust (KSLT) 2005-A

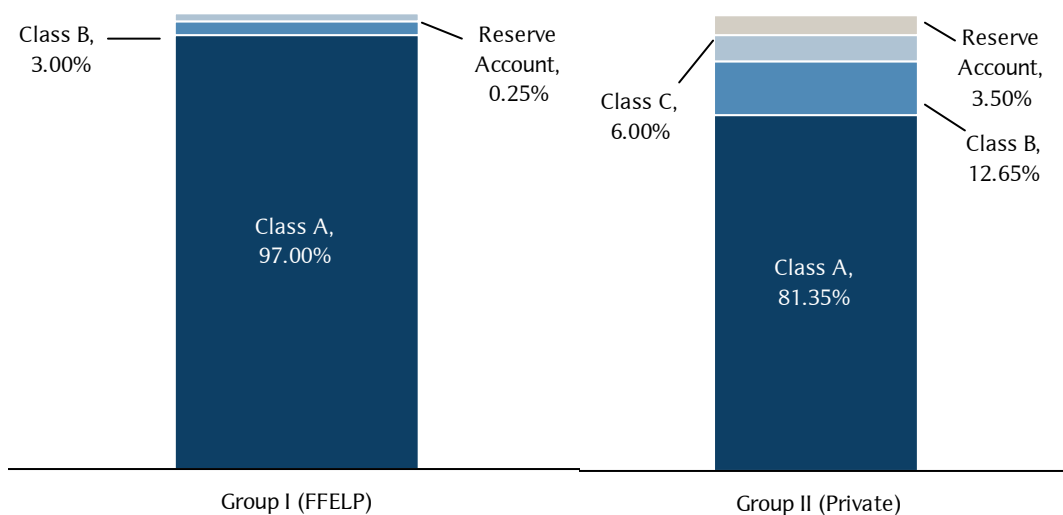
Class	Amount (\$mn)	Moody's/S&P/Fitch	Avg. Life	Benchmark	Spread
IA1	97.54	Aaa/AAA/AAA	2.00 yr	3ML	+1 bp
IA2	187.51	Aaa/AAA/AAA	9.00 yr	3ML	+13 bp
IB	8.82	Aa1/AA/AA	9.95 yr	3ML	+40 bp
IIA1	186.52	Aaa/AAA/AAA	2.00 yr	3ML	+5 bp
IIA2	148.39	Aaa/AAA/AAA	5.00 yr	3ML	+13 bp
IIA3	75.00	Aaa/AAA/AAA	8.00 yr	3ML	+23 bp
IIA4	134.20	Aaa/AAA/AAA	12.37 yr	3ML	+34 bp
IIB	84.61	A2/A/A	9.97 yr	3ML	+73 bp
IIC	40.13	Baa2/BBB/BBB	9.97 yr	3ML	+130 bp

As of November 10, 2005. Source: Company reports, Bloomberg.

Credit Enhancement

Credit enhancement for the group I class A notes consists 3.0% subordination from the class B notes; a 0.25% reserve account with a floor of 0.15% of the original outstanding balance of the group I notes; and excess spread. The class B notes are backed by the reserve account and excess spread. Limited cross-collateralization from group II notes is available.

Figure 64: KSLT 2005-A Credit Enhancement



Source: Company reports.

Credit enhancement of the group II notes consists of a 3.5% reserve account with a floor of 0.50% of the original group II loan, which was fully funded at closing. The senior notes are backed by 18.65% subordination provided by class II-B and II-C. The BBB-rated class II-C notes provide 6% subordination to class B. Limited cross-collateralization from group I notes is available.

Collateral Characteristics

Most of the group II private credit loans (97.3%) are non-guaranteed, with 2.7% guaranteed by The Education Resources Institute (TERI). In 2002 and 2001, a larger portion of the private credit loans were TERI guaranteed. The amount of non-guaranteed private credit loans has increased over the last few years. In the 2001-A transaction, 59.5% of the loans were non-guaranteed, compared with 66.8% in 2002-A, and 91.4% in 2003-A. For the 2004-A transaction, only 5.09% of the loan pool was guaranteed.

Figure 65: KSLT 2005-A Group I

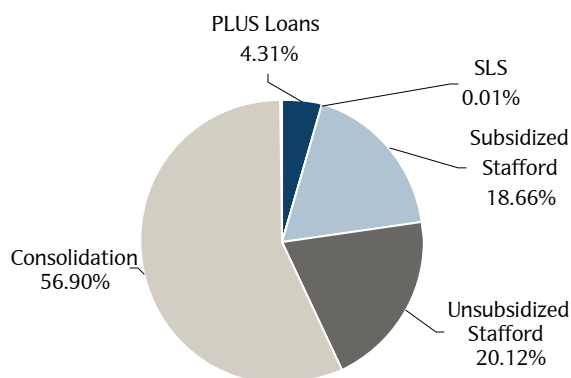
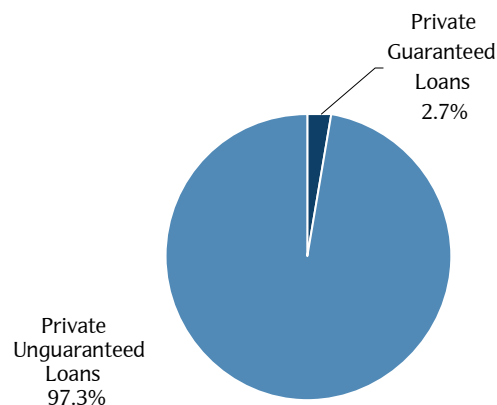


Figure 66: KSLT 2005-A Group II



Source: Company reports.

Group I pool assets consist of FFELP loans, with an aggregate balance of \$238mn, a weighted-average annual borrower interest rate of 4.26% and a weighted-average remaining term of 221 months. Consolidation loans make up the largest portion of the total pool, accounting for approximately 57% of the pool balance.

Figure 67: Pool Assets - KSLT 2005-A

Aggregate Characteristics	Group I	Group II
Aggregate outstanding balance	\$237,608,178	\$552,140,275
Weighted-average annual borrower interest rate	4.26%	6.33%
Weighted-average original term (mos.)	235	250
Weighted-average remaining term (mos.)	221	228
Number of borrowers	14,134	28,091
Average outstanding balance per borrower	\$16,811	\$19,655
Ohio	30.10%	12.11%
New York	8.92%	13.14%
California	7.87%	8.74%

Note: As of August 1, 2005. Source: Company reports.

Group II pool assets consist of \$552.1mn of private credit underwritten loans with a weighted-average coupon rate of 6.33% and 228 months weighted average remaining term. Loans originated through the Key Alternative Loan Program for graduate and undergraduate studies constitute 62.5% of the pool balance, followed by the loans originated through the Campus Door Private Loan Program (11.99%), which was designed and sponsored by Campus Door, Inc., a Delaware corporation. Campus Door provides private undergraduate and private graduate loans to students enrolled in an ED approved school.

Figure 68: KSLT 2005-A Group I Payment Status

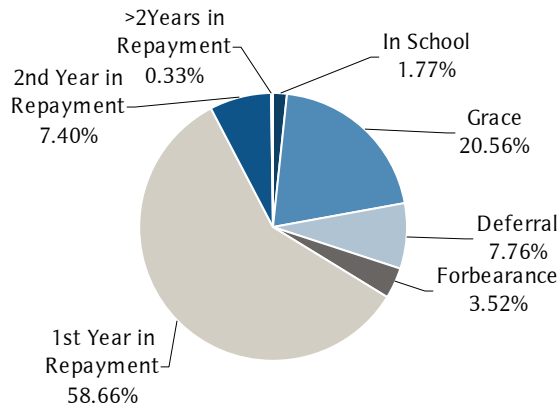
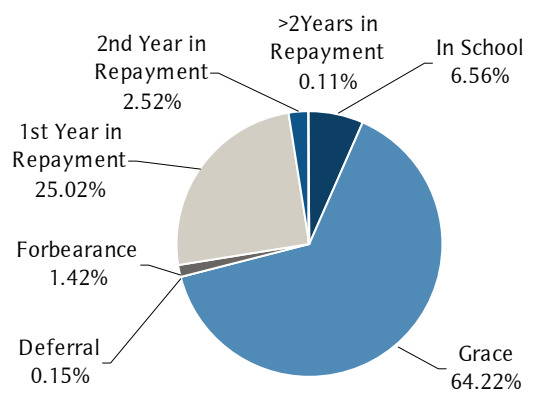


Figure 69: KSLT 2005-A Group II Payment Status



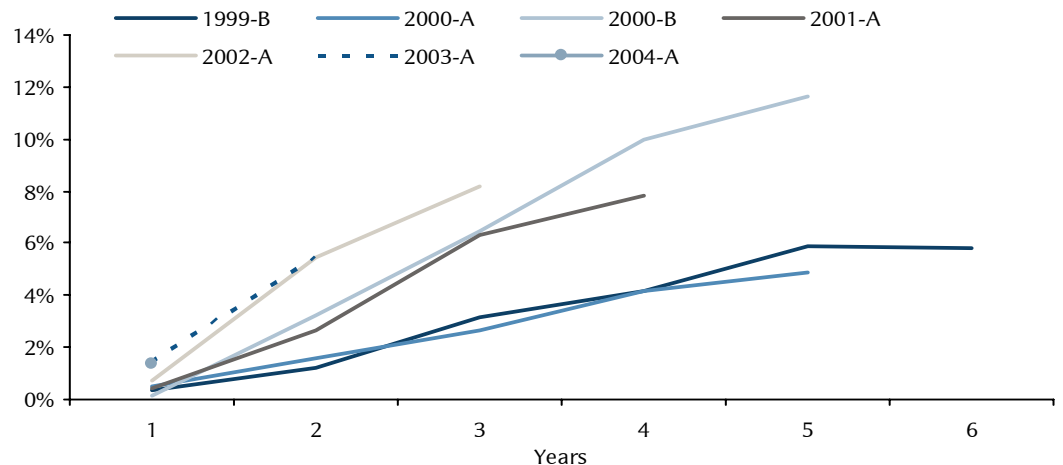
Source: Company reports.

Performance

KeyCorp has provided cumulative net charge-off rates for its securitization trusts starting in 2000. The charge-off rate in the first year of the 2004-A deal was 1.37%, higher than the average charge-off rate of 0.72% for the first repayment period. The uptick in charge-offs could be a function of a greater portion of the pool balance in repayment status in the first period for 2004-A compared with the earlier transactions.

The 2002 vintage exhibits a steeper climb in charge-off rates relative to older vintages. The two transactions of 2000 show a significant divergence in charge-off rates, largely owing to the mix of private and FFELP loans in the 2000-A and 2000-B pools, with FFELP loans contributing 65% to 2000-A and 37% to 2000-B trust pool balances.

Figure 70: KeyCorp Cumulative Annual Net Charge-Offs



Source: Company reports.

Nelnet Inc.

Highlights

Bloomberg Ticker:
NSLC, NSLT, NGT,
and NGT2

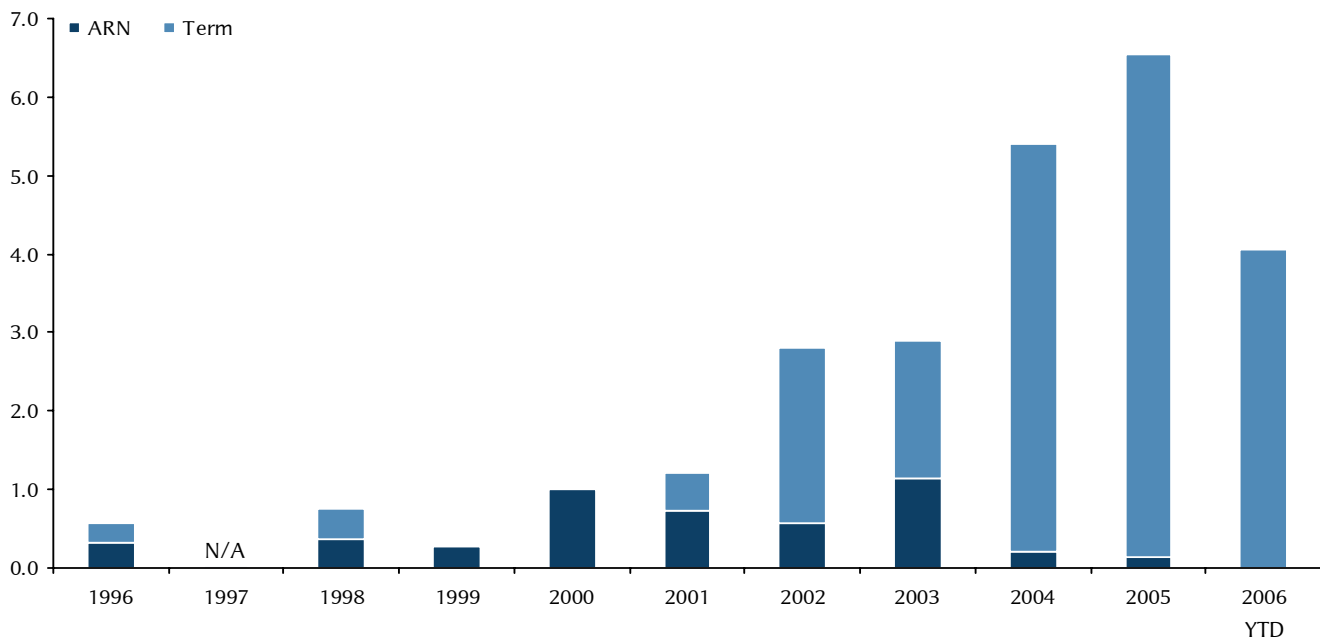
- Nelnet is a leading originator and an experienced servicer of student loans, with history as a servicer dating back to 1978. The company is a frequent issuer of FFELP-backed student loan ABS.

The Company

www.nelnet.net

Nelnet Inc. (NNI: Baa2/BBB+/NR) based in Lincoln, Nebraska, is a vertically integrated education finance company with \$22.4bn in total assets as of June 2006. The company originates, holds, and services primarily FFELP student loans, and provides a broad range of services and technology-based products, including loan guarantee servicing and a suite of software solutions. NNI began servicing education loans on January 1, 1978, as UNIPAC Service Corporation, for Union Bank and Trust Company and Packers National Bank. UNIPAC expanded its third-party student loan servicing business and reached approximately \$9.7bn in loan assets in 2000. In the same year, it merged with Nelnet, a smaller education finance company founded in 1996. In December 2003, Nelnet completed an initial public offering of its class A common stock. Through a series of acquisitions, NNI has added geographic diversity and operational expertise. Recent acquisitions include CUnet, a performance-based educational marketing and managed services company headquartered in Wyckoff, New Jersey, and Peterson's, a leading provider of education and career guidance. NNI employs around 4,000 people nationwide.

Figure 71: Historical ABS Issuance (\$bn)



Source: Company reports.

Originations/Underwriting

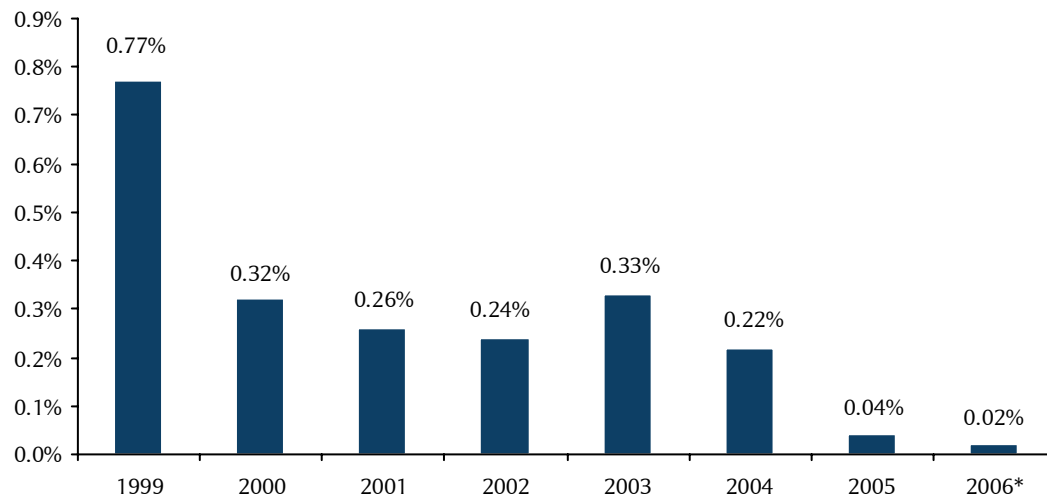
NNI originates and acquires loans through its direct, branding partnership, forward flow channels, and spot acquisitions. In 2005, the company originated or acquired \$5.4bn in student loans through the aforementioned channels. In the same period, it also acquired \$3.1bn of loans through portfolio/business acquisitions. In H1 06, NNI originated /acquired \$3.7bn of student loans. As of June 30, the company's \$22bn managed loan portfolio consisted of 65% consolidation and 31% Stafford loans.

Servicing

NNI offers student loan servicing to lending institutions and the secondary markets. It relies heavily on computer-based data processing systems in servicing student loans. As of March 2006, NNI serviced \$29.3bn in student loans. The company's servicing software is used by approximately 35 third-party clients to service more than \$65bn in student loans.

To collect on the FFELP guarantees, NNI must service the loans in accordance with origination, disbursement, servicing, and claim-filing requirements that meet program guidelines. NNI has stated that 0.22% of claims filed in 2004 were initially rejected, compared with 0.33% in 2003. Historically, approximately 80% of initially rejected claims are collected within three years. The initial net claim reject rates, resulting from a NNI servicing error, have fallen from 0.77% of the pool balance in 1999 to 0.02% in 2006 (as of March 2006). The Department of Education has designated NNI as an "Exceptional Performer."

Figure 72: Initial Reject of Claims Filed (%)



Note: *As of March 2006. Source: Company reports.

Recent News

On September 29, NNI received a copy of the final audit report (*Special Allowance Payments to Nelnet for Loans Funded by Tax-Exempt Obligations*) from the Office of Inspector General (OIG) of the ED related to the OIG audit of the company's student loan portfolio receiving 9.5% special allowance payments.

The audit found that for the quarters ended March 31, 2003, through June 30, 2005, NNI was improperly paid about \$278mn; and it could be improperly paid about \$882mn after June 2005 for what have been deemed ineligible loans for 9.5% special allowance payments. NNI has been instructed to calculate and return overpayments in connection to these loans and exclude them from future requests for SAP payments.

The company disagrees with the report and continues to believe it billed for the payments in accordance with applicable laws, regulations, and the ED's previous guidance. According to NNI, in May 2003 it sought confirmation from the ED regarding whether it was allowed to receive the 9.5% SAP on loans being acquired with funds obtained from the proceeds of tax-exempt obligations originally issued prior to October 1, 1993, and subsequently refinanced with proceeds of taxable obligations without retiring the tax-exempt obligations. NNI deferred recognizing the portion of the 9.5% special allowance income generated by those loans. Then in June 2004, after considering clarifying information based on written and verbal communications and confirmation from the ED, management concluded that the earnings process had been completed and recognized previously deferred income of \$124.3 million on that portfolio. According to the ED, the response "neither concurred with nor objected to the process" Nelnet described in the letter.

A law enacted in 1993 was meant to end the subsidies; however, it grandfathered subsidies for loans funded with tax-exempt bonds. Lenders were allowed to recycle profits and refinance the bonds to make more such loans.

Although the company "intends to seek a satisfactory resolution," it realizes the outcome cannot be predicted and stated that the return of the overpayment may have a material adverse effect on its financial condition and results. Through June 2006, Nelnet has established reserves and recorded \$322.6mn of pre-tax income related to this issue.

Securitizations

Nelnet priced its first ABS transaction in March 1996. Since then, it has become a frequent issuer in the term floating-rate ABS market. Since 1996, it has issued \$25.5bn of SLABS, bringing in \$20.8bn in term ABS securitization volume. It securitized over \$5.4bn and \$6.5bn of student loans in 2004 and 2005, respectively. The company has indicated that it plans to be a frequent, programmatic issuer of term SLABS by accessing the market on a quarterly basis.

Nelnet taps the securitization market through its three securitization vehicles: Nelnet Student Loan Trust (NSLT), Nelnet Student Loan Corporation (NSLC), and the Nelnet Education Loan Funding Inc (NELF). NSLC is a wholly owned subsidiary of Nelnet Inc., whose sole purpose is acquiring, holding, and managing student loans originated under the FFELP. Nelnet also issues SLABS through NELF, a bankruptcy-remote special purpose entity whose activities are restricted to financing, acquiring, holding, and managing FFELP loans. Although Nelnet originates both FFELP and private credit student loans, to date the company has securitized only FFELP student loans. The companies' trusts are restricted from purchasing any other type of student loans.

In mid-2006, Nelnet administered the first single-seller ABCP conduit backed by student loan collateral: Nelnet Student Asset Funding Extendable CP LLC. It is sized at \$5bn and will fund FFELP loans.

Structural Features

Nelnet's most recent transaction was NSLT 2006-2, a discrete senior/subordinate trust. NSLT 2006-2 pays a floating interest rate and features a sequential pay structure, beginning with class A-1 through A-7 until after the step-down date, when the class B principal starts to amortize pro rata with the class A notes, subject to satisfying trigger conditions at each distribution date. The trigger event occurs if the amount of outstanding notes exceeds the pool balance, or if the cleanup call is not exercised. Classes A6 and A7 are reset rate notes. The Euro-denominated class A7 reset rate notes will make quarterly interest rate payments indexed to three-month Euribor. The issuer entered into a currency swap agreement, whereby the trust pays three-month Libor plus a spread and will receive euros from the swap counterparty.

The transaction includes a capitalized interest account of \$19mn to provide liquidity until April 2007. The CIA will step down to 6.0% and 4.50% on the October 2006 and January 2007 quarterly distribution dates, respectively. In addition, the transaction also has a 10% clean-up call feature.

Figure 73: Nelnet Student Loan Trust (NSLT) 2006-2

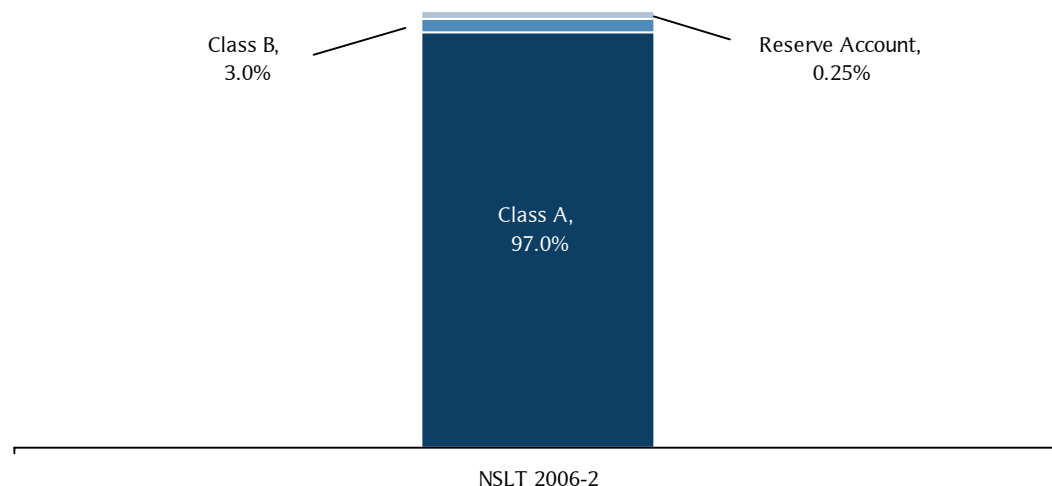
	Amount (\$mn)	Moody's/S&P/Fitch	Avg. Life	Benchmark	Spread
A1	149.00	Aaa/AAA/AAA	1.0 yr	3ML	-3 bp
A2	352.00	Aaa/AAA/AAA	3.0 yr	3ML	-1 bp
A3	191.00	Aaa/AAA/AAA	5.0 yr	3ML	+4 bp
A4	386.50	Aaa/AAA/AAA	7.1 yr	3ML	+8 bp
A5	345.00	Aaa/AAA/AAA	9.9 yr	3ML	+10 bp
A6	115.00	Aaa/AAA/AAA	12.1yr	3ML	+12 bp
A7	€352.67*	Aaa/AAA/AAA	15.5 yr	3M€	+10 bp
B	61.50	Aa1/AA/AA+	11.6 yr	3ML	+20 bp

Note: * Using an exchange rate of \$1.276=€1.00. Data as of May 9, 2006. Source: Company reports, Bloomberg.

Credit Enhancement

Consistent with earlier transactions, credit enhancement consists of 3.0% AA-rated class B note subordination and a fully funded reserve account of 0.25% of the initial pool balance. The reserve account has a floor of the greater of either 0.25% of the outstanding pool balance or 0.15% of the initial pool balance.

Figure 74: NSLT 2006-2 Credit Enhancement



Source: Company reports.

Collateral Characteristics

The pool assets consisted of 66,428 FFELP consolidation student loans, of which 48% were subsidized and 52% were unsubsidized. The principal balance was \$1.0bn, with an average outstanding balance per borrower of \$25,925. The weighted-average annual borrower interest rate was approximately 4.18%, and the weighted-average remaining term to maturity was 264 months.

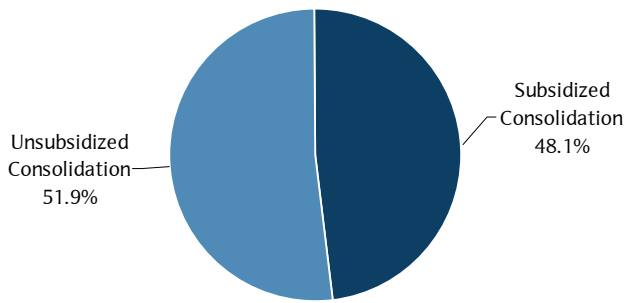
Figure 75: Pool Assets – NSLT 2006-2

Summary	
Aggregate outstanding principal balance	\$1,014,933,079
Number of borrowers	39,149
Average outstanding principal balance per borrower	\$25,925
Number of loans	66,428
Average outstanding principal balance per loan	\$15,279
Weighted-average annual borrower interest rate	4.18%
Weighted-average remaining term	264 months

Note: As of April 30, 2006. Source: Company reports.

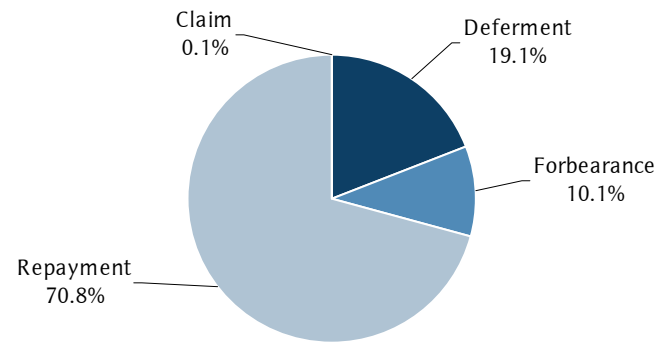
As of the cut-off date of the transaction, 71% of the pool was in repayment with 55% of the balance in the first year of repayment. Additionally, 19.1% of the loan pool was in deferment and 10.1% was in forbearance.

Figure 76: Distribution Loan Type



Source: Company reports.

Figure 77: Distribution by Borrower Payment Status



Prepayments

Nelnet provides a historical prepayment behavior study for its Stafford, consolidation and PLUS loan portfolios on a static pool basis dating back to 1992. The original FFELP balance included \$12.4bn. The company analyzed various drivers/sources of prepayments, including loan consolidation, default reimbursement, periodic borrower cash prepayment (non-consolidation) and lump-sum borrower cash prepayments (non-consolidation).

The Single Monthly Mortality (SMM) approach was used to calculate a single cumulative weighted average CPR. This resulted in unique CPR curves over the life of each cohort and for each loan type. The study found that the three loan types prepay differently from the 7% standard industry CPR. Among the loan types, differences were noted among the average cumulative CPRs, as well as the sources of prepayment activity.

For Stafford loans, while the oldest pool record CPRs in the 17% to 24% range, newer pools have prepaid at a faster rate from 45% to a high of 74.5% as of the cut-off date. PLUS loans display the second-highest CPRs as the most recent pools reached in the 33.8% to 54.5% range. The curve is concave as the oldest vintages CPRs average from 15.5% to 30.7%, while middle vintages were slower at 10.2% to 16.8%. Consolidation loans CPR curves consistently ramp upward and increase from 1% to 8% in the first years of repayment to 12% after ten years, with most of the cumulative weighted average CPRs in the 5-6% range.

Figure 78: Stafford CPR, by Source

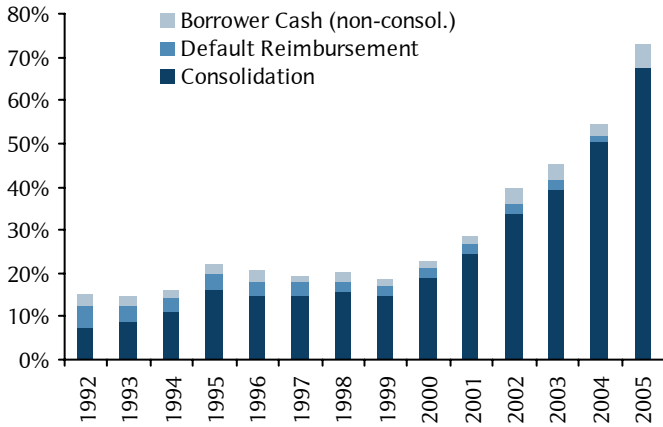


Figure 79: Stafford - Overall CPR, All Sources, Year Aligned

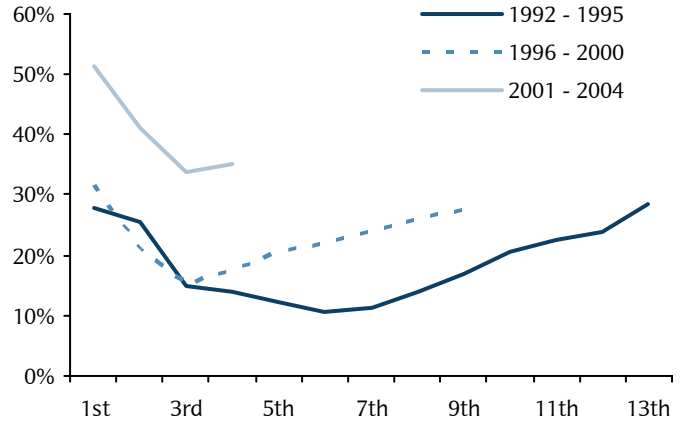


Figure 80: PLUS CPR, by Source

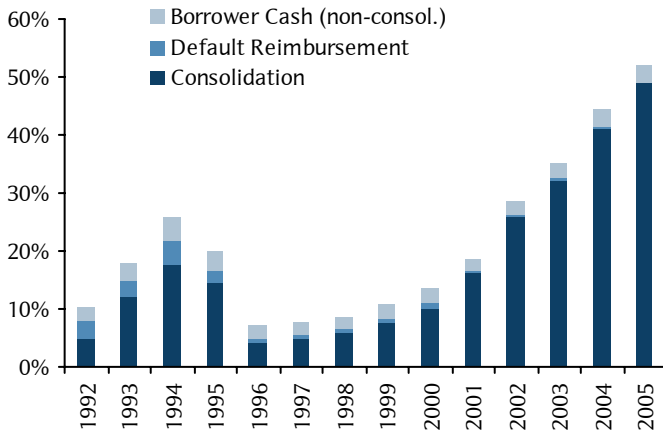


Figure 81: PLUS - Overall CPR, All Sources, Year Aligned

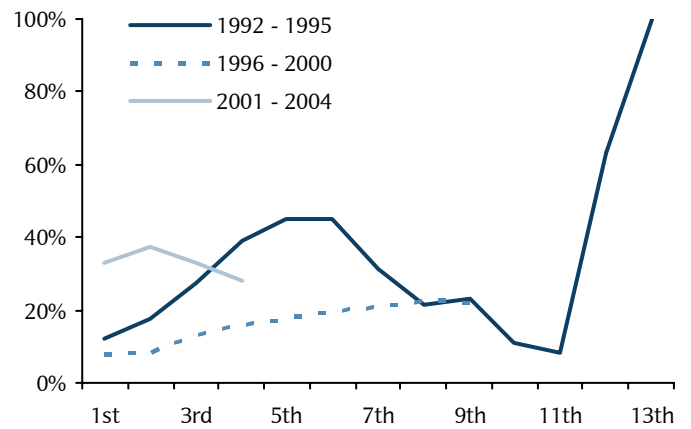


Figure 82: Consolidation CPR, by Source

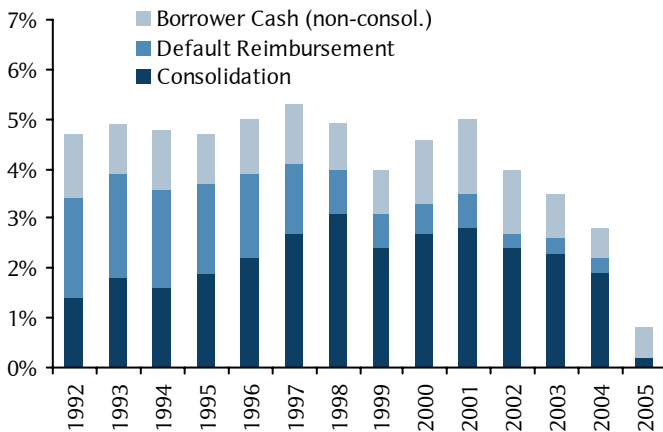
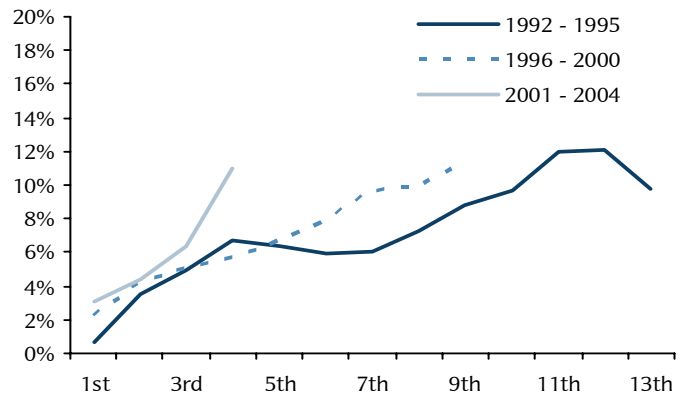


Figure 83: Consolidation - Overall CPR, All Sources, Year Aligned



Source: Nelnet

NorthStar

Highlights

Bloomberg Ticker:
NEF

- NorthStar provides both FFELP and private credit loans and is a newcomer to the ABS market, having issued one to two deals in each of the last three years.
-

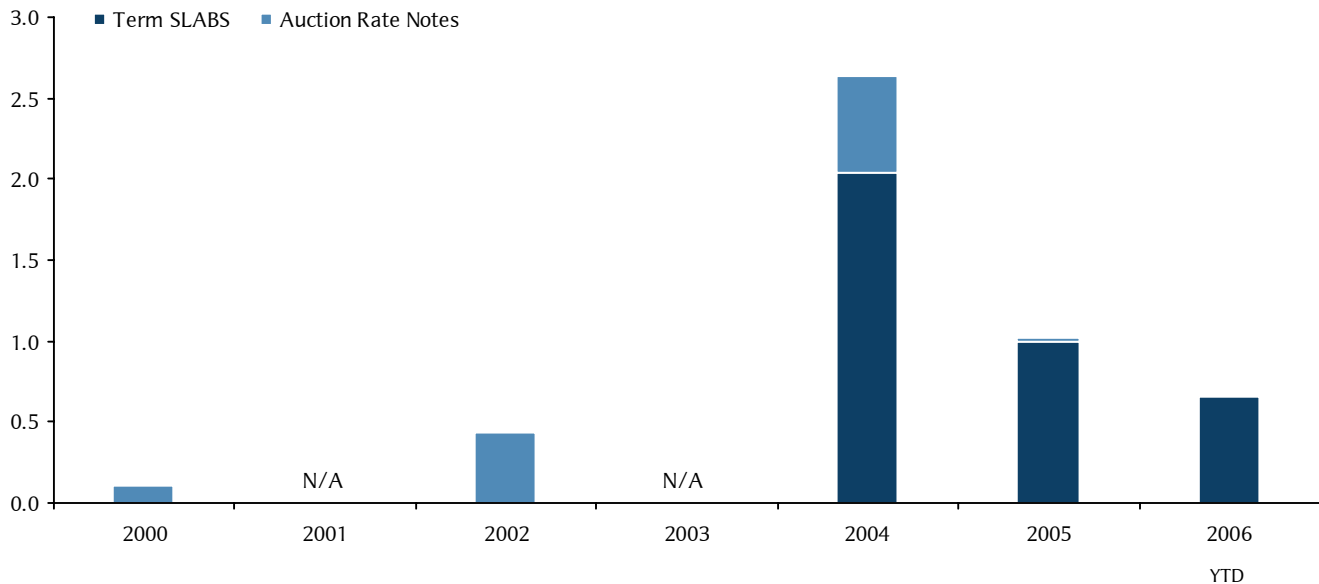
The Company

www.northstar.org

NorthStar Education Finance Inc., headquartered in St. Paul, Minnesota, is a non-profit corporation incorporated in January 2000. The company's primary activity is the administration of its Total Higher Education Loan Program (T.H.E. Loan Program), which provides both FFELP and alternative (ie, private) loans to students attending qualified graduate and four-year undergraduate schools. As of December 31, 2005, NorthStar had 70 employees and managed approximately \$3.9bn of student loans, of which \$3.4bn were FFELP loans and \$519mn private student loans.

NorthStar was formed to continue the student loan programs begun by NorthStar Guarantee Inc., a non-profit corporation founded in 1991 as the State of Minnesota's federal education loan guarantor, which later focused on direct educational lending. In 2000, NorthStar Guarantee Inc. transferred all student loans to NorthStar Education Finance (NEF). NorthStar Guarantee Inc. is affiliated with Great Lakes Higher Education Corporation (GHLEC).

Figure 84: Historical ABS Issuance (\$bn)



Source: Company reports.

Originations/Underwriting

Until 2000, all student loans originated by the company were processed and serviced by GHLEC, but since then the company has processed virtually all of its loan originations in house. The company has a proprietary credit underwriting process for private student loans, which utilizes credit scoring models and the school's historical default experience. The majority of private loans are originated by University National Bank and then purchased by NorthStar. Private loans are made only to eligible borrowers at eligible schools. Eligibility is determined by the company's proprietary credit underwriting process using credit scoring models.

NorthStar's T.H.E. Loan program, which includes FFELP and private loans, is marketed to law, MBA, and medical students, as well as other graduate and undergraduate students meeting certain underwriting criteria. All FFELP four-year college students are eligible for NorthStar's T.H.E. Loan Program. In addition, to assist financing education, NorthStar has instituted a T.H.E Bonus borrower benefit program, which pays third-party origination fees charged by some originators on the borrower's behalf.

Servicing

GLHEC's wholly owned subsidiary, Great Lakes Educational Loan Services Inc. (GLELSI), services all student loans for NorthStar. GLELSI services approximately 1.8mn student and parental accounts, with an outstanding balance of about \$29bn. As of June 2006, 68% of the portfolio serviced by GLELSI was in repayment status, 6% was in grace status, with the remaining 26% in interim status. In March 2005, Moody's assigned its highest servicer quality (SQ) rating of SQ1 to GLELSI as servicer of FFELP student loans. GLELSI is one of the Department of Education's "Exceptional Performers."

Securitizations

NorthStar relies primarily on securitization for long-term funding. It first tapped the ABS market in 2000, issuing a \$110mn auction-rate note transaction backed by student loans. In 2004, the company made a notable entry into the term ABS market, issuing over \$2bn in term SLABS in two transactions. Both transactions were issued out of Northstar Education Finance, Inc (NEF). In 2005, the company issued \$1.0bn notes backed by FFELP collateral and, this year, a \$652.6 transaction backed by private loans.

Structural Features – FFELP Loans

Figure 85: NorthStar Education Finance, Inc. (NEF) 2005-1

Class	Amount (\$mn)	Moody's/S&P/Fitch	Avg. Life	Benchmark	Spread
1A-1	193.10	Aaa/AAA/AAA	6.94 yr	3ML	+10 bp
1A-2	118.30	Aaa/AAA/AAA	9.95 yr	3ML	+13 bp
1A-3	227.90	Aaa/AAA/AAA	13.88 yr	3ML	+17 bp
1A-4	210.70	Aaa/AAA/AAA	18.12 yr	3ML	+23 bp
1A-5	250.00	Aaa/AAA/AAA	3.0 yr	RRN	4.74%*
1B	20.00	A2/A/A	N/A	auction	N/A

*Effective until the initial reset date (October 28, 2008). Data as of October 17, 2005.
Source: Company reports, Bloomberg, IFR Markets.

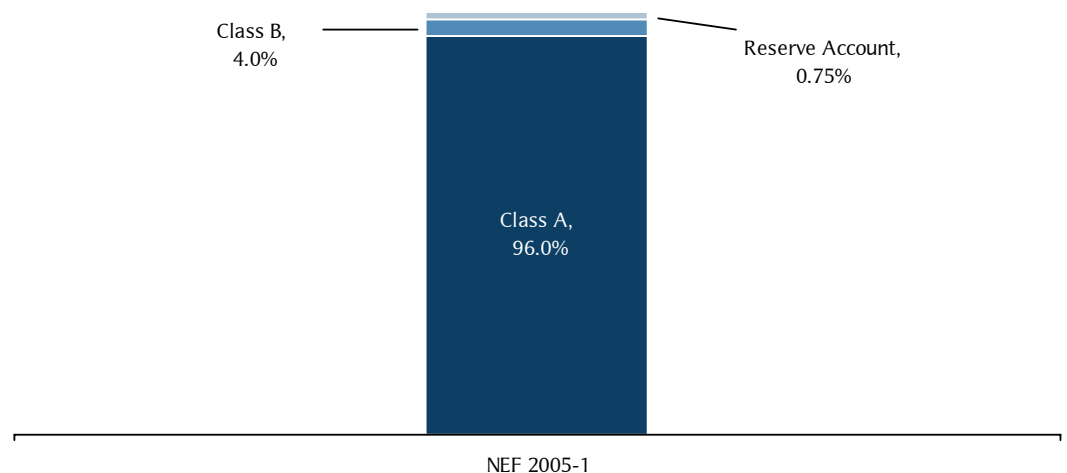
The most recent FFELP transaction from NorthStar Education Finance Trust master trust features a quarterly pay senior/subordinate structure. Similar to the previous FFELP issuance, the deal includes one auction-rate note (class B) class and four (class A) term note classes. For the first time, NorthStar has included reset rate notes (class 1A-5). The senior notes rank pari passu with other previously issued, outstanding senior notes. The class A notes are uncapped floating-rate term notes indexed to three-month Libor. The class 1A-5 reset rate notes will initially pay interest quarterly at a fixed rate of 4.74% per annum. The initial reset date is on October 28, 2008; thereafter, the notes will pay interest based on a fixed- or floating-rate. The class B note is a 28-day auction rate note with an available funds cap and an interest rate cap.

The transaction has a targeted amortization structure under which payment of principal will be directed to each class on a sequential basis. The class A notes are subject to optional redemption on any quarterly distribution date. On or after the distribution date, the principal outstanding balance of the notes is expected to be reduced to zero. The class B notes will not receive any principal distribution until the class A notes are fully paid.

Credit Enhancement

Credit enhancement on NEF 2005-1 transaction consists of class B subordination of 4.0% and a reserve account sized at 0.75% of the outstanding note principal (or \$2.5mn) and excess spread. The capitalized interest account was fully funded at \$60mn to provide additional liquidity for the transaction. The amount held in the CIA account is subject to a quarterly reduction of \$2.5mn until the account balance is reduced to zero by October 2011.

Figure 86: NEF 2005-1 Credit Enhancement



Source: Company reports.

Collateral Characteristics

The NEF master trust pool assets consist of FFELP loans with an aggregate balance of \$2.9bn. The trust holds loans for 66,711 borrowers, with an average principal outstanding balance per borrower of \$42,867. Most of the loans in the pool were granted to graduate students to finance their law, MBA, or medical degrees. These borrower types historically are less likely to default on their loans. The weighted-average borrower interest rate on the loans is 3.6%, with a weighted-average remaining term to maturity of 24.4 years. Note: the

remaining term to maturity was calculated assuming 60% of the medical students that have a required residency program would utilize a 36-month deferment during residency. The largest geographical pool concentrations are in California (17.4%) and New York (9.3%).

Figure 87: Pool Assets – NEF 2005-1

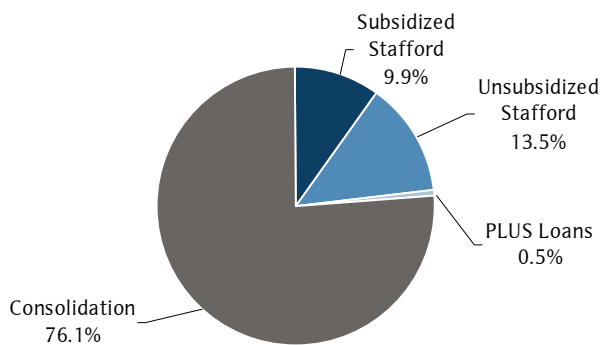
Summary	
Aggregate notes outstanding	\$2,859,721,654
Number of borrowers	66,711
Average outstanding principal balance per borrower	\$42,867
Number of loans	162,997
Average outstanding principal balance per loan	\$17,545
Weighted-average borrower interest rate	3.56%
Weighted-average remaining term to maturity	293 months
Average principal balance per Consolidation loan borrower	\$64,128
Average principal balance per Stafford loan borrower	\$20,790
Average principal balance per PLUS loan borrower	\$10,197

Note: As of August 31, 2005. Source: Company reports.

Loans extended to students still in school represented 12.6% of the collateral pool, with 27.5% of the pool in active repayment status. Loans in deferment and forbearance contributed 38.2% and 17.7% of the pool balance, respectively.

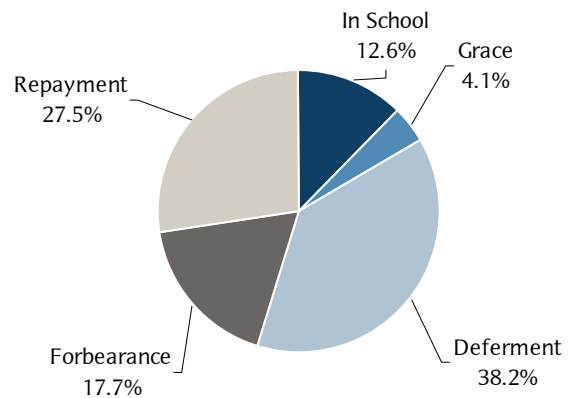
The loan portfolio is mainly comprised of consolidation loans, which account for 76% of the outstanding principal balance. Subsidized and unsubsidized Stafford Loans combined account for 23.4% of the pool balance.

Figure 88: Distribution by Loan Type



Source: Company reports.

Figure 89: Distribution by Borrower Payment Status



Structural Features – Private Loans

Figure 90: NorthStar Education Finance, Inc. (NEF) 2006-A

Class	Amount (\$mn)	Moody's/S&P/Fitch	Avg. Life	Benchmark	Spread
A1	155.06	Aaa/AAA/AAA	3.00 yr	3ML	+4 bp
A2	111.29	Aaa/AAA/AAA	6.99 yr	3ML	+19 bp
A3	112.93	Aaa/AAA/AAA	10.00 yr	3ML	+21 bp
A4	208.06	Aaa/AAA/AAA	14.88 yr	3ML	+35 bp
B	62.26	A3/A/A	11.64 yr	3ML	+55 bp

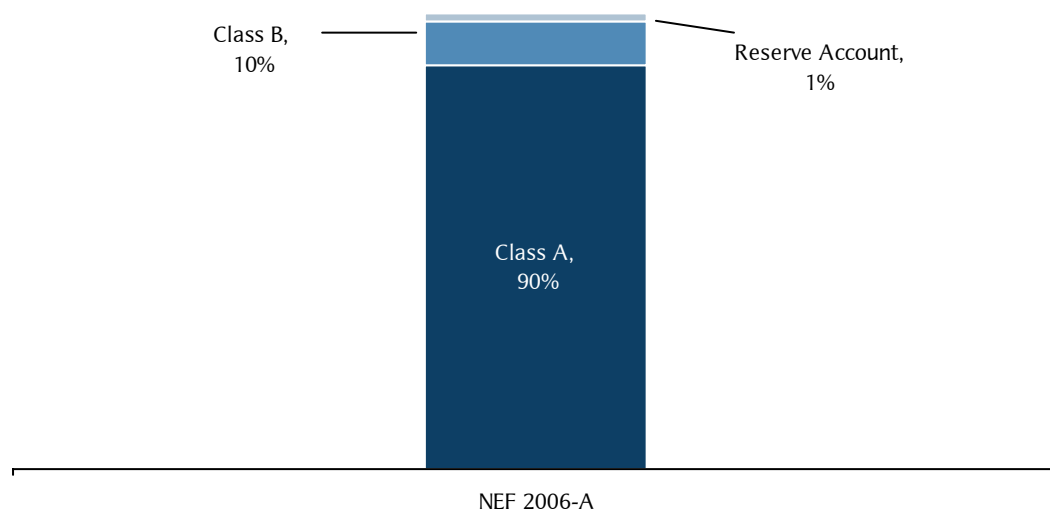
As of May 8, 2006. Source: Asset Securitization Report.

NEF 2006-A was issued out of a newly formed, discrete trust. The transaction is backed by a pool of private student loans which were originated under NorthStar's T.H.E. Loan program. The deal includes four class A senior notes and one subordinate class B notes indexed to three-month Libor. Principal is paid sequentially to the class A1 through A4 and B notes until the step-down date. At that time, the payment priority will shift to pro rata, as long as no subordinate note principal trigger has occurred.

Credit Enhancement

Credit enhancement for the class A notes consists of 10% subordination from the class B notes. A reserve fund is sized at 1.0% of the loan pool balance, with a floor of 50 bp of the initial pool balance. The transaction also includes a capitalized interest account of \$50.8mn to provide liquidity for the transaction as only 36.5% of the loans on the pool are in active repayment at deal closing. Amounts in the CIA will be used to pay fees and interest on the notes prior to using the reserve fund. The amount held in the CIA account is subject to quarterly reductions until the account balance is reduced to zero.

Figure 91: NEF 2006-A Credit Enhancement



Source: Company reports.

Collateral Characteristics

As of May 31, 2006, the loan pool consisted of 53,484 credit-tested, private student loans from 25,300 borrowers, with an aggregate balance of \$563.4mn (pending disbursements).

Figure 92: Pool Assets – NEF 2006-1

Summary	
Aggregate notes balance (includes pending disbursements)	\$563,356,720
Pending disbursements (March, April or May)	\$9,873,286
Projected outstanding principal balance (May 31, 2006)	\$573,230,006
Total accrued interest	\$22,668,236
Number of borrowers	25,300
Average outstanding principal balance per borrower	\$22,657
Number of loans	53,484
Average outstanding principal balance per loan	\$10,718
Weighted average remaining terms (1)	217 months
Weighted average borrower interest rate	7.08%
Weighted average spread over 3M Libor	2.92%
Weighted average spread over 91-day T-Bill	3.13%
Weighted average FICO as of January 2006 – Higher of borrower / co-signer	718
Weighted average FICO as of origination – Higher of borrower / co-signer (2)	721
Weighted average FICO as of January 2006 – Borrower	709
Weighted average FICO as of origination – Borrower (2)	713
Weighted average FICO as of January 2006 – Co-signer	756
Weighted average FICO as of origination – Co-signer (2)	757

Note: (1) Assumes all existing financed student loans to non-medical graduate students will continue with a repayment term of 15 years. Approximately \$74.5mn in financed student loans could be eligible for an extension of the repayment term from 15 to 20 years. (2) For borrowers of multiple financed loans, the FICO score as of the origination date of the borrower's most recent financed student loan has been assumed for all of the borrower's previously originated financed student loans. As of May 31, 2006. Source: Company reports.

The average principal outstanding balance per borrower and per loan was \$22,657 and \$10,718, respectively. The weighted-average borrower interest rate on the loans was 7.08%, with a weighted average remaining term to maturity of about 18 years. The largest geographical pool concentrations are in California and New York.

Most of the loans in the pool were granted to graduate students to finance their law, MBA, or medical degrees. These borrower types historically are less likely to default on their loans. As of January 2006, the loans have a weighted average FICO of 718 (higher of borrower/co-signer).

Figure 93: Distribution by Loan Type

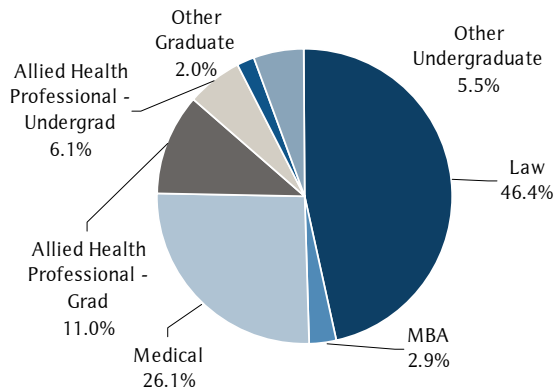
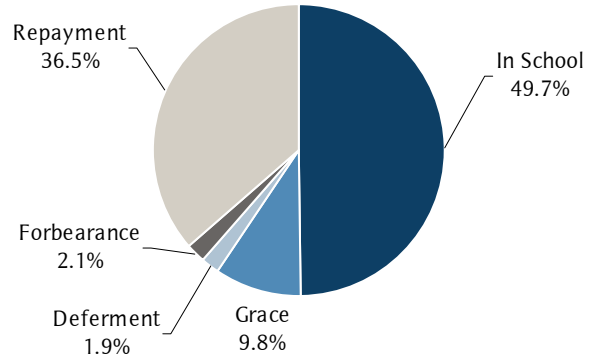


Figure 94: Distribution by Borrower Payment Status



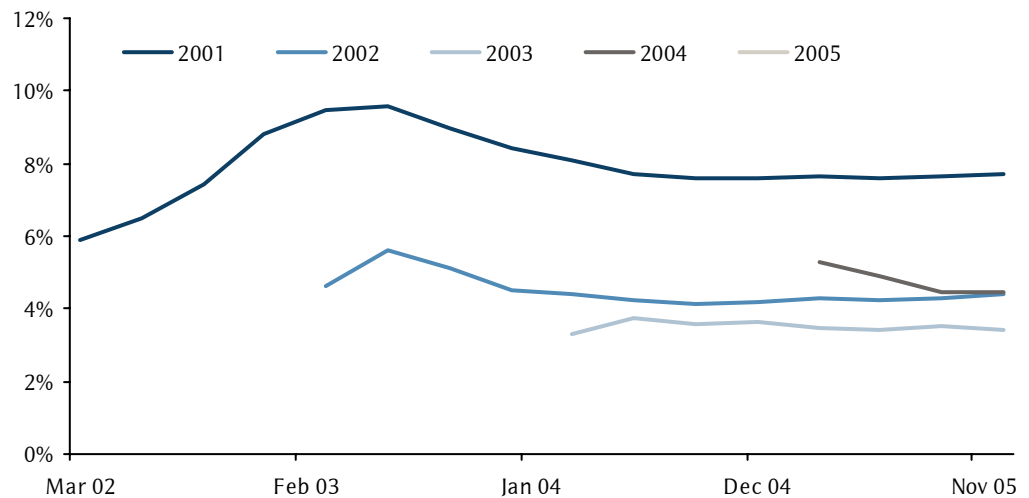
Source: Company reports.

As of May 31, 2006, loans extended to students still in school represented 49.7% of the collateral pool, with 36.5% of the pool in active repayment status. Loans in grace status accounted for 9.8% of the pool balance, while loans with deferment and forbearance status contributed only 4.1%. Additionally, California and New York accounted for the largest geographic distributions.

Prepayment Rates

For NorthStar's 2001 vintage, cumulative prepayment speeds ramped up to as high as 9.6% in mid-2003, before trending back down to the 7.0% range. Cumulative prepayments for subsequent vintages (2002-04) have performed in a tighter band and are recently reported in the 3-4% range. Quarterly CPRs depict a more volatile trend, with the 2001 vintage spiking to a high of 15.9% at end-2002, which likely indicates increased consolidation activity. In December 2005, prepayments were reported at just under 6.0% for the 2001 vintage. For the 2002 vintage, prepayment ramped up to a high of 8.9% in mid-2003.

Figure 95: NorthStar Cumulative Prepayment Rates



Source: Company reports.

SLM Corporation

Highlights

Bloomberg Ticker:
SLMA

- SLM Corporation is the leader in student loan lending, offering an array of credit services to students. The company shed its government-sponsored entity (GSE) status in December 2004. Sallie Mae has been and will likely continue to be the dominant issuer of student loan ABS.

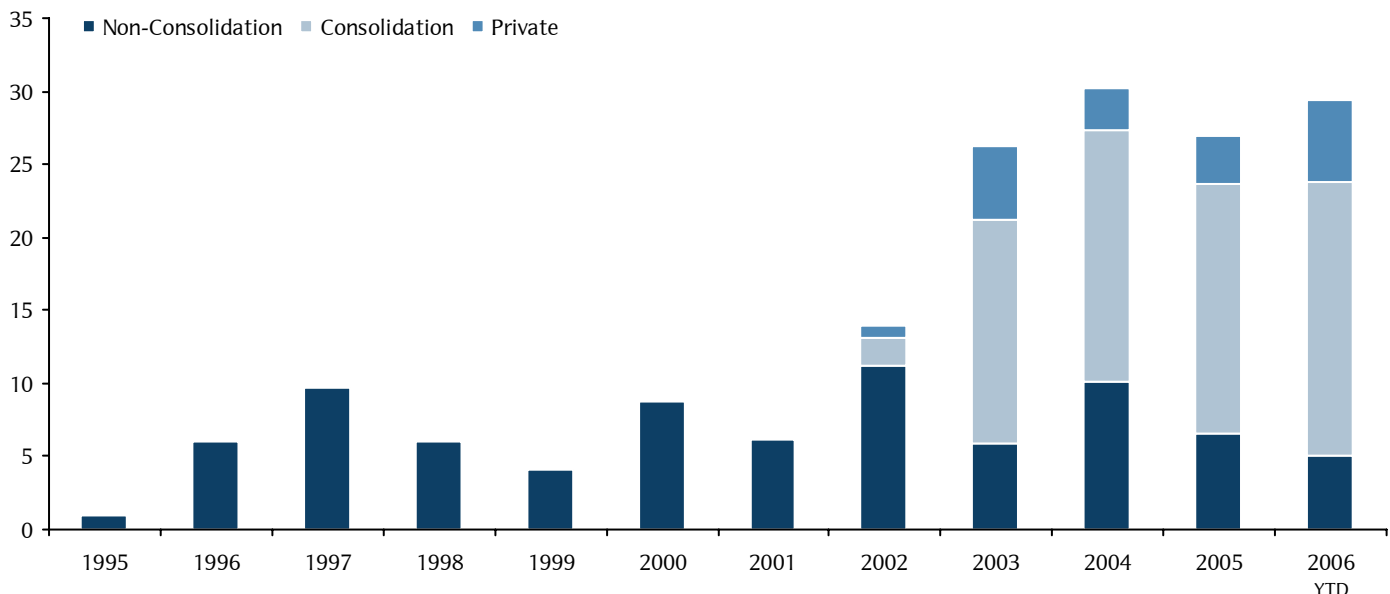
The Company

www.salliemae.com

SLM Corporation (SLM: A2/A/A+), or Sallie Mae, is the market leader in education finance, providing a wide array of credit products and services to the higher education community, including FFELP and private credit student loans, student loan and guarantor servicing, as well as debt management and collection services. The company generates more than half of its earnings from the spread between the yield received on the managed portfolio of student loans and the cost of funding. It also earns fees from student loan servicing, guarantee processing, and default management and collection services. Most recently, the company announced its entry into the wholesale consolidation loan business through several portfolio purchases.

The Student Loan Marketing Association (SLMA) was founded in 1972 as a GSE to create a national secondary market in federal education loans. In 1997, the company created SLM Corporation to expand the scope of its student loan business and initiated the privatization process, which was completed on December 29, 2004. The company's status as a private sector corporation has enabled it to originate student loans directly, reducing its dependence on other originators. The privatization process also facilitated Sallie Mae's entry into other credit and fee-based businesses.

Figure 97: Historical ABS Issuance



Source: Company reports, Barclays Capital.

Originations/Underwriting

Sallie Mae originates both FFELP and private student loans. The company's market share in FFELP loan origination has been growing steadily. In 2004, SLM surpassed the federal government as the leading originator of federally supported education loans. As of June 30, 2006, the company has reached over 6,000 colleges, universities, and other schools, and has acquired over 10mn borrowers. Sallie Mae has nearly \$130bn of managed student loans, of which 85% are FFELP loans (with a 100% federal guarantee of interest and principal) and 15% are non-guaranteed private education loans. For the six months ended June 30, 2006, net charge-offs represented 0.10% of managed student loans.

Sallie Mae originates and purchases FFELP Stafford Loans, SLS Loans, PLUS Loans, and Consolidation Loans, which are insured by guarantors (typically state agencies) and are reinsured by the Department of Education (ED).

In addition to originating FFELP loans under the Higher Education Act, the company makes private credit loans to undergraduate and graduate students and their parents which are not federally guaranteed. These private credit loan programs typically are used by borrowers to supplement federal loans made by Sallie Mae to fully cover the cost of education. The types of private credit loans originated by the company include LAWLOANS[®], MBALoans[®], and MEDLOANSSM, which are provided to students pursuing law, business, or medical graduate degrees, respectively. Sallie Mae's Signature Education Loan[®] Program is marketed to graduate and undergraduate students pursuing all other areas of study.

The company's underwriting criteria for the Signature Education Loan[®] Program, the LAWLOANS[®] Program, and MBALoans[®] Program includes credit bureau FICO scores, as well as its own propriety models, which include judgmental and debt-to-income tests for co-borrowers. Freshmen borrowers, in all cases, require a co-borrower. Students that do not meet the underwriting criteria can be granted credit if they obtain a creditworthy co-signer. As of June 2006, 50% of Sallie Mae's private credit loans had co-borrowers, and 29% of these loans were made to graduate students. Sallie Mae MEDLOANSSM Program's underwriting criteria, which is not FICO-based, includes a close evaluation of an applicant's credit history.

Servicing

Sallie Mae Inc. manages and operates loan servicing for all of its subsidiaries. Operations centers are located in Florida, Indiana, Nevada, Pennsylvania, and Texas. Sallie Mae Inc., headquartered in Reston, Virginia, is a wholly owned subsidiary of SLM Corp. Sallie Mae owns or manages education loans to more than 10mn borrowers. The company provides borrowers with a comprehensive set of online tools to manage their account, including OpenNet, a Web-based origination platform designed to give borrowers single point-of-entry processing flexibility. The Internet-based services include student loan application and management systems with e-signature capabilities that provide expedited loan processing and approval. The company also employs web-based systems to automate the servicing process, which, include among others, NetPay, an electronic billing system, and Manage Your Loans, a servicing Web site.

On October 5, 2004, the company was designated an "Exceptional Performer" by the ED. This designation is renewable annually and increases the portion of its FFELP loans guaranteed by the US government to 99% from 97% (as of July 1, 2006), as long as the servicer's exceptional performance designation remains in effect.

Securitizations

In 1995, SLM started to tap the securitization market in an effort to diversify away from its GSE funding source. Sallie Mae has become a frequent, programmatic issuer of SLABS. Over the last three years, Sallie Mae has increased issuance of SLABS to refinance its GSE debt and to finance new loan originations. At June 2006, ABS represented 71% of the company's \$147bn of total managed debt outstanding.

In 2005, Sallie Mae issued \$27.0bn in 12 transactions, compared with \$30bn of issuance in 2004, and \$30.6bn in 2003. Year to date, the company has issued nine FFELP-backed transactions and three private credit transactions, totaling \$26.8bn. Through 2005, SLM has issued a total of \$10.7bn of private credit transactions. In 2006, SLM has issued an additional \$5.7bn of private credit loan ABS.

Structural Features – FFELP-backed Loans

Historically, the company uses discrete trust securitization vehicles with senior/subordinated structure. SLM Student Loan Trust 2006-8 is backed by 100% FFELP consolidation loan collateral. The deal features a sequential pay structure. The trust will pay principal first to the class A notes until paid through the step-down date, after which classes A and B will receive pro rata principal distributions given that no trigger event is in effect. The servicer has a clean-up call option, which gives it the right to purchase all remaining trust student loans on the first distribution date that the pool balance is 10% or less of the initial pool balance.

Figure 98: SLM Student Loan Trust (SLMA) 2006-8

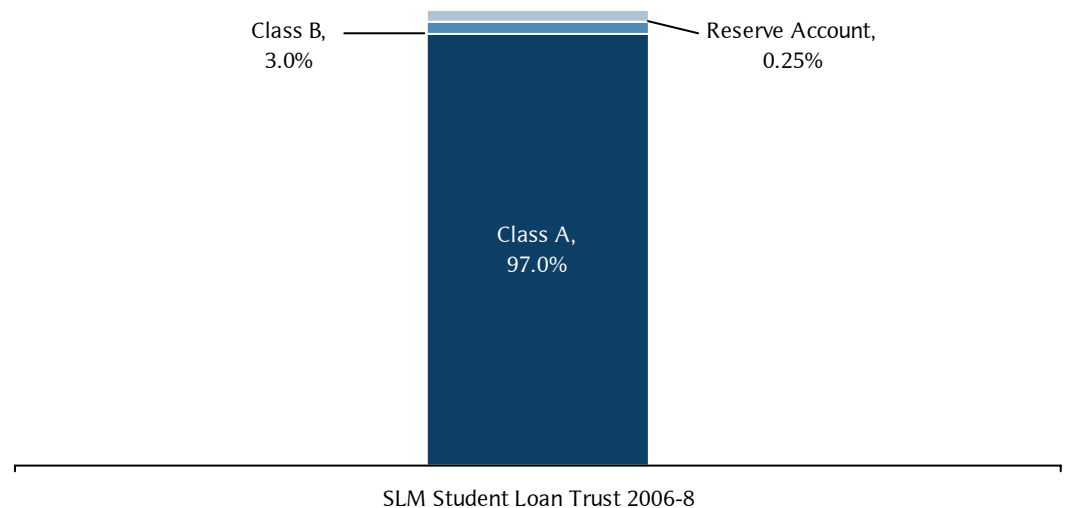
Class	Amount (\$)	Moody's/S&P/Fitch	Avg. Life	Benchmark	Spread
A1	\$260.00	Aaa/AAA/AAA	1.00 yr	3ML	-2 bp
A2	\$619.00	Aaa/AAA/AAA	3.00 yr	3ML	0 bp
A3	\$195.00	Aaa/AAA/AAA	5.00 yr	3ML	+2 bp
A4	\$658.00	Aaa/AAA/AAA	7.00 yr	3ML	+8 bp
A5	\$532.00	Aaa/AAA/AAA	10.00 yr	3ML	+11 bp
A6	\$761.04	Aaa/AAA/AAA	14.41 yr	3ML	+16 bp
B	\$93.56	Aa1/AA+/AAA	10.99 yr	3ML	+23 bp

Note: As of August 27, 2006. Source: Company report, Bloomberg.

Credit Enhancement – FFELP-Backed Loans

For the SLMA 2006-8 transaction, credit enhancement consists of 3.0% subordination of (split-rated Aa1/AA+/AAA) class B notes to senior class A notes and a fully funded reserve account.

Figure 99: SLMA 2006-8 Credit Enhancement - FFELP



Source: Company reports.

Interest on class B notes is subordinate to the class A notes, and principal on the class B notes is subordinate to both principal and interest on the class A notes. The fully funded reserve account of 0.25% of the initial loan balance was created at closing from the net sale proceeds of the notes. The reserve account is available for payments of interest, servicing fees, or administrative fees, to the extent necessary. The reserve account balance is maintained at a level equal to the greater of 0.25% of the outstanding pool balance, or 0.15% of the initial pool balance.

Collateral Characteristics – FFELP-backed Loans

The trust contains 273,068 loans totaling approximately \$3.0bn. Average principal balance per borrower at closing totaled \$17,363, and the weighted-average annual borrower interest rate amounted to approximately 5.17%. The loan's weighted-average remaining term to maturity was 236 months.

Figure 100: Pool Assets - SLMA 2006-8

Composition of the Trust Student Loans	
Aggregate outstanding principal balance	\$3,001,056,436
Aggregate outstanding principal balance – Treasury bill	\$130,426,515
Aggregate outstanding principal balance – Commercial paper	\$2,859,004,871
Number of borrowers	172,839
Average outstanding principal balance per borrower	\$17,363
Number of loans	273,068
Average outstanding principal balance per loan – Treasury bill	\$15,857
Average outstanding principal balance per loan – Commercial paper	\$10,813
Weighted-average remaining term to scheduled maturity	236 months
Weighted-average annual borrower interest rate	5.17%

As of September 7, 2006. Source: Company reports.

The collateral pool backing the SLMA 2006-8 transaction consists of 100% FFELP consolidation loans. Unsubsidized loans represented 58.2%, and the remaining 41.8% were subsidized student loans.

Figure 101: Distribution by Loan Program Type

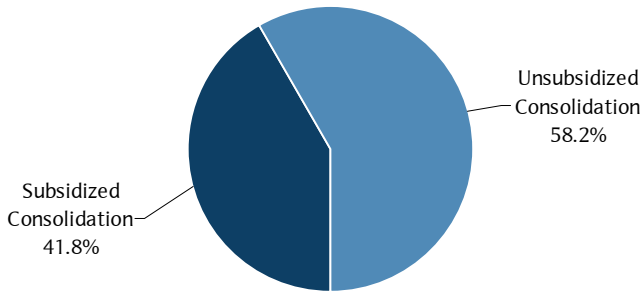
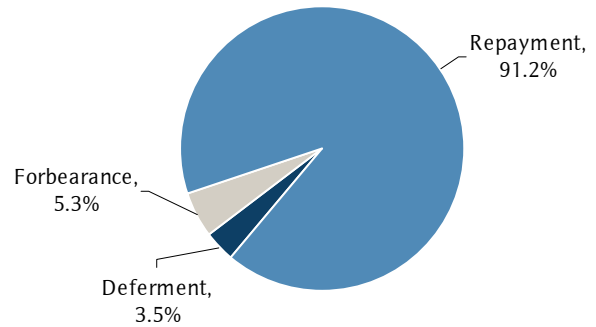


Figure 102: Distribution by Payment Status



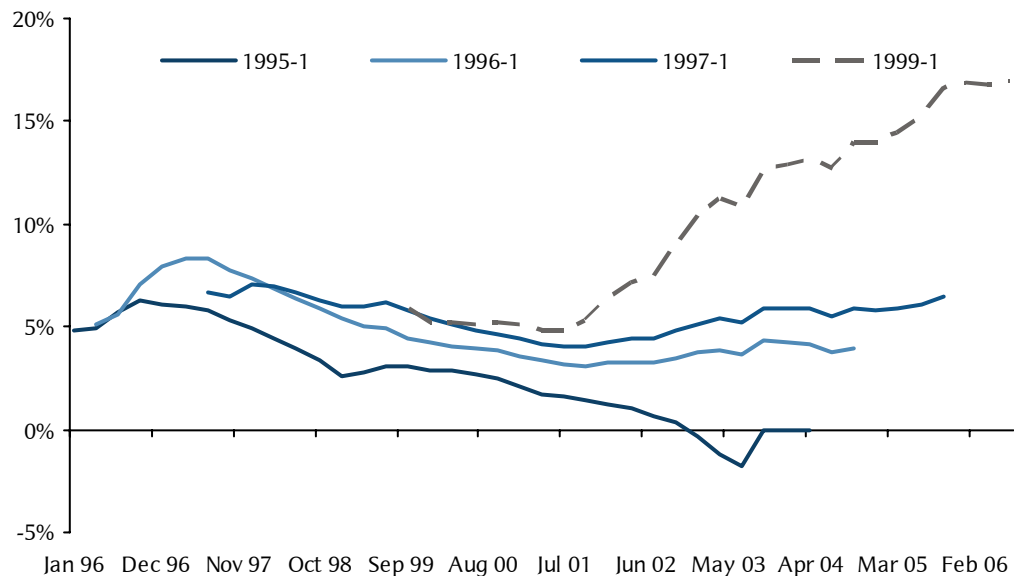
Source: Company reports.

In terms of borrower status, loans in forbearance and deferment represented 5.3% of the initial pool balance. Most of the 91% of borrowers in repayment status entered their first repayment year.

Prepayment Rates – FFELP-Backed Loans

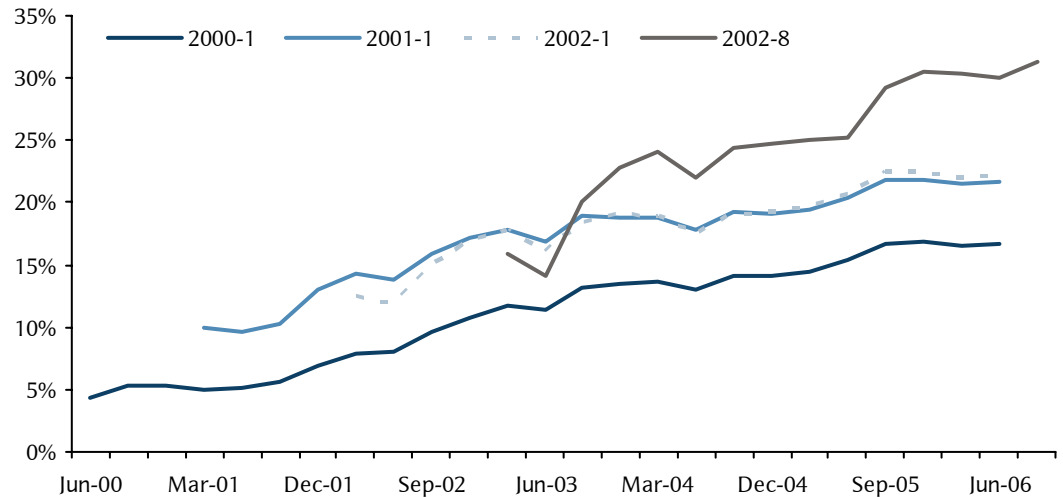
As of July 2006, cumulative prepayment speeds ramped up to as high as 34% for Sallie Mae’s non-consolidation, FFELP loans, in part due to a wave of increased consolidation volume ahead of the scheduled July 1, 2006 Stafford interest rate increase. The following figures depict ABS speeds of representative transactions from different vintages from 1995 to date.

Figure 103: SLMA FFELP ABS Prepayment Speeds, Pre-2000 Transactions



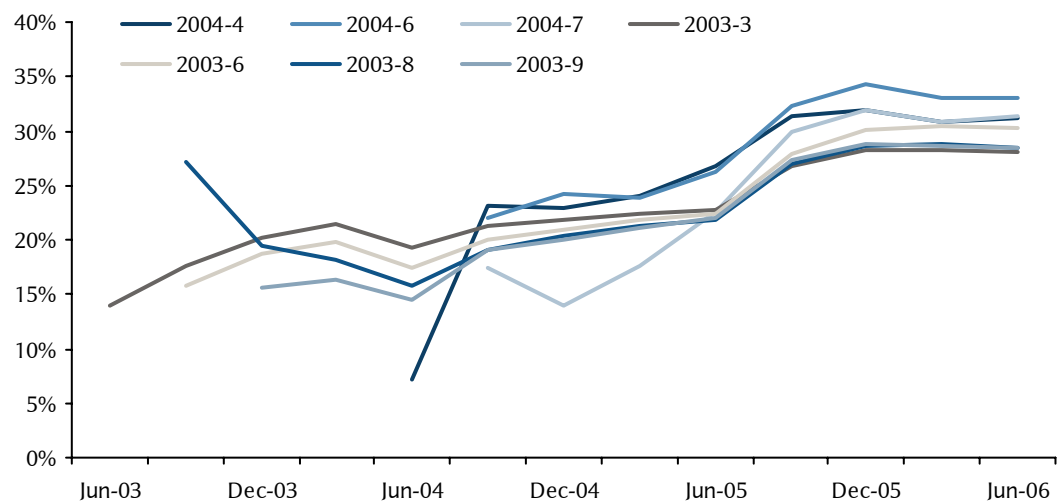
Source: Company reports.

Figure 104: SLMA FFELP ABS Prepayment Speeds, 2000-02 Transactions



Source: Company reports.

Figure 105: SLMA FFELP ABS Prepayment Speeds, Post-2002 Transactions



Source: Company reports.

Structural Features – Private Credit Program

SLMA 2006-C is a discrete trust. The deal makes payments quarterly on a sequential priority basis. It pays principal first to A-1 until fully paid, and then sequentially to A-2, A-3, A-4, and A-5. The structure makes sequential payments for a minimum of five years; thereafter, the principal payments will be distributed to each class according to the targeted enhancement levels, as long as cumulative realized losses do not exceed the threshold and the target credit enhancement levels are achieved. Classes B and C will not receive any principal payments for the first five years.

The structure features a clean-up call if the loan balances decrease to less than 10% of the initial balance. If the optional repurchase is not exercised, the structure will direct excess funds to the turbo payment of any outstanding principal, with final payment going to the lowest-rated tranche. The ratings on the class B notes have been raised to Aa2/AA-/AA from Aa3/A/AA since SLMA 2005-B. Ratings on the class C notes have also been raised to A2/A/A from A3/BBB/A.

Figure 106: SLM Private Credit Student Loan Trust (SLMA) 2006-C

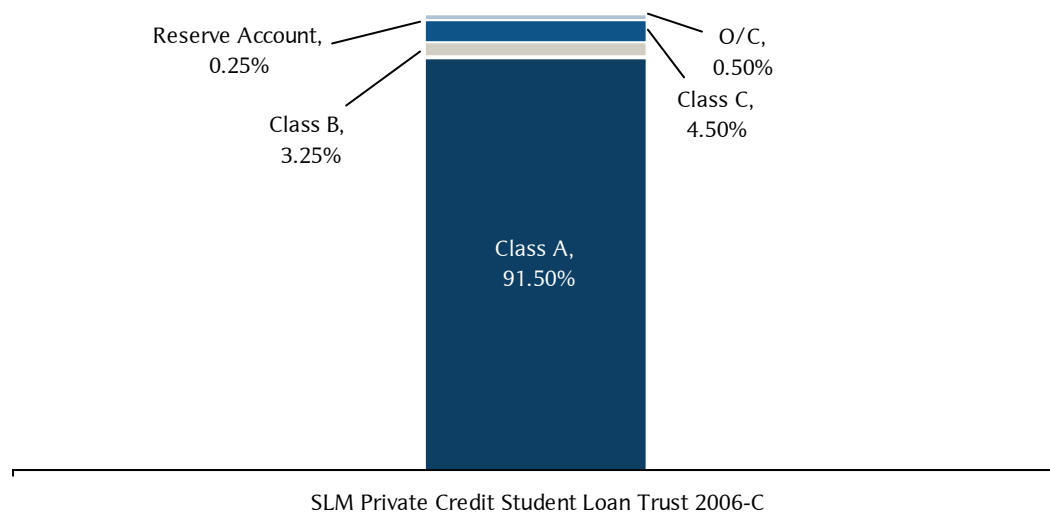
Class	Amount	Moody's/S&P/Fitch	Avg. Life	Benchmark	Spread
A1	\$157.00	Aaa/AAA/AAA	2.50 yr	3ML	+1 bp
A2	\$268.00	Aaa/AAA/AAA	5.00 yr	3ML	+5 bp
A3	\$110.00	Aaa/AAA/AAA	7.50 yr	3ML	+13 bp
A4	\$215.00	Aaa/AAA/AAA	10.00 yr	3ML	+17 bp
A5	\$356.02	Aaa/AAA/AAA	14.16 yr	3ML	+24 bp
B	\$39.18	Aa2/AA-/AA	11.54 yr	3ML	+31 bp
C	\$54.25	A2/A/A	10.50 yr	3ML	+39 bp

As of September 19, 2006. Source: Company reports, Bloomberg.

Credit Enhancement – Private Credit Program

Consistent with the previous Sallie Mae private loan securitizations, credit enhancement on 2006-C deal consists of 3.25% class B subordination and 4.5% class C subordination. In addition, the structure uses a non-declining reserve account of 0.25%. The class B notes are subordinate to class A notes, and class C notes are subordinate to classes A and B. On the closing date, the structure had 0.5% overcollateralization. Excess spread is used to build the overcollateralization level to 2% of the initial asset balance. The structure features a \$117mn cash capitalization account to provide liquidity for the balance of portfolio loans that have not entered repayment period.

Figure 107: SLMA 2006-C Credit Enhancement - Private



Source: Company reports.

Collateral Characteristics – Private Loan Program

Figure 108: Pool Assets - SLMA 2006-C

Summary	
Aggregate outstanding principal balance	\$1,088,435,486
Weighted-average annual interest rate	6.98%
Weighted-average remaining term	200 months
Number of loans	122,086
Number of borrowers	98,962
Average outstanding principal balance per borrower	\$10,999

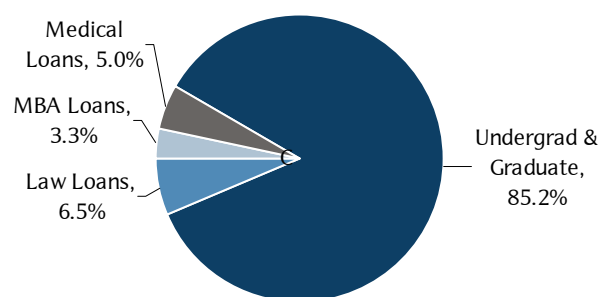
As of September 4, 2006. Source: Company reports.

The trust holds private credit student loans that are not guaranteed or insured under FFELP. The composition of the trust is consistent with the company's other private loan securitizations. The pool comprises SLM's Signature loans, MBA loans, and law school and medical school loans. The weighted-average annual interest rate was approximately 6.98%, with 200 months remaining until maturity. The trust included 122,086 loans made to 98,962 borrowers. Average balance per borrower was \$10,999.

Most of the collateral amount is represented by Signature loans, which accounted for 85.2% of the pool. The loans extended to MBA students accounted for 3.3% of the total collateral. MEDLOANSSM and LAWLOANS[®] represented 5.0% and 6.5% of the pool, respectively.

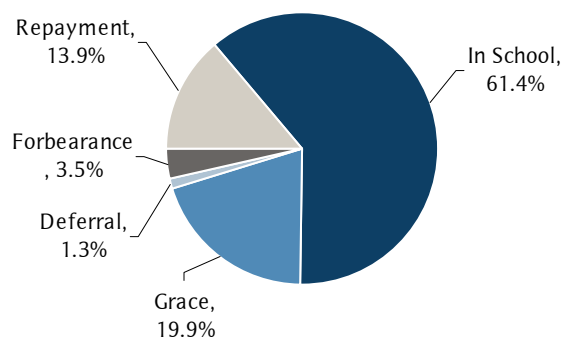
At the cut-off date, 13.9% of the loans had entered the repayment period, and 61.4% of the borrowers were still attending school.

Figure 109: Distribution by Program Type



Source: Company reports.

Figure 110: Distribution by Borrower Status

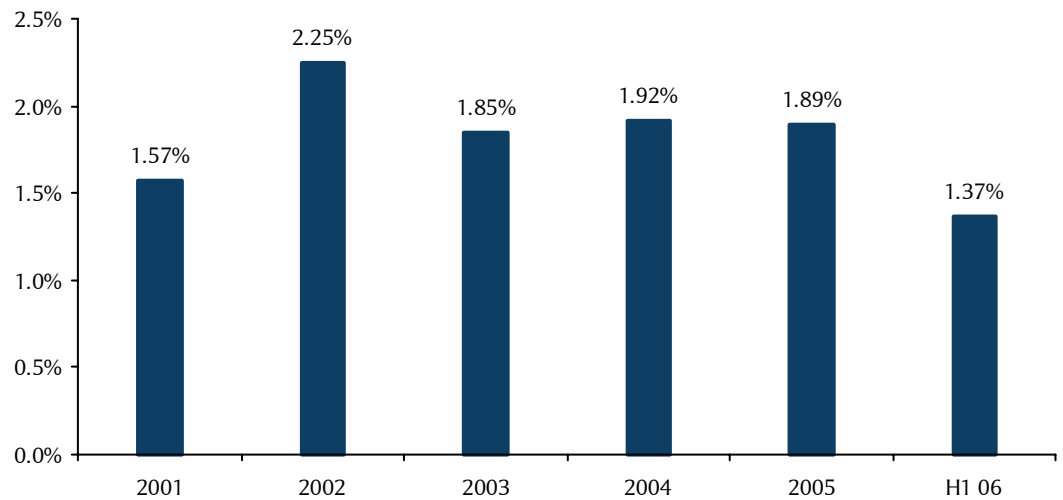


Source: Company reports.

Performance – Private Loan Program

SLMA's private loan portfolio has exhibited stable and positive trends. This is a result of strong underwriting, servicing and default management. For the six-months ended June 2006, net charge-offs for the company's managed private loan portfolio totaled 1.37%. This compares to 1.89% for full year 2005.

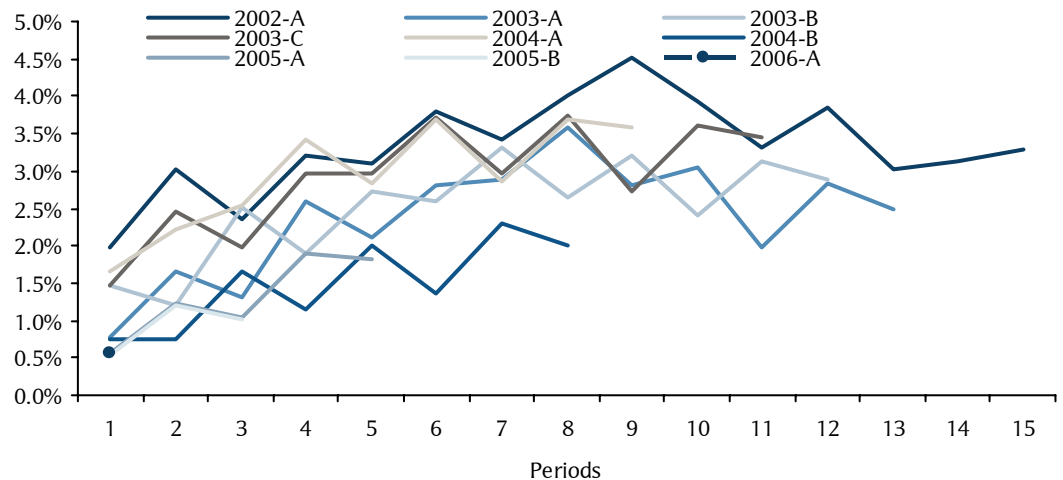
Figure 111: SLMA Managed Private Loans Net Charge-offs (% , Ann)



Note: Net charge-offs as a percentage of average managed private education loans in repayment
 Source: Sallie Mae

For the securitized pools, the 30+ day delinquency rate for SLMA private credit loans has ranged from a low of 0.54% for the 2005-B vintage to as high as 4.51% for the 2002-A vintage, which exhibits an elevated delinquency rate relative to later transactions. In general, the percentage of delinquent accounts increases over time, especially during the first few years, when borrowers begin to repay their student loans. As more loans enter the repayment period, a number of these loans will become delinquent, resulting in higher delinquencies.

Figure 112: SLMA Private Deals 30+ Day Delinquencies

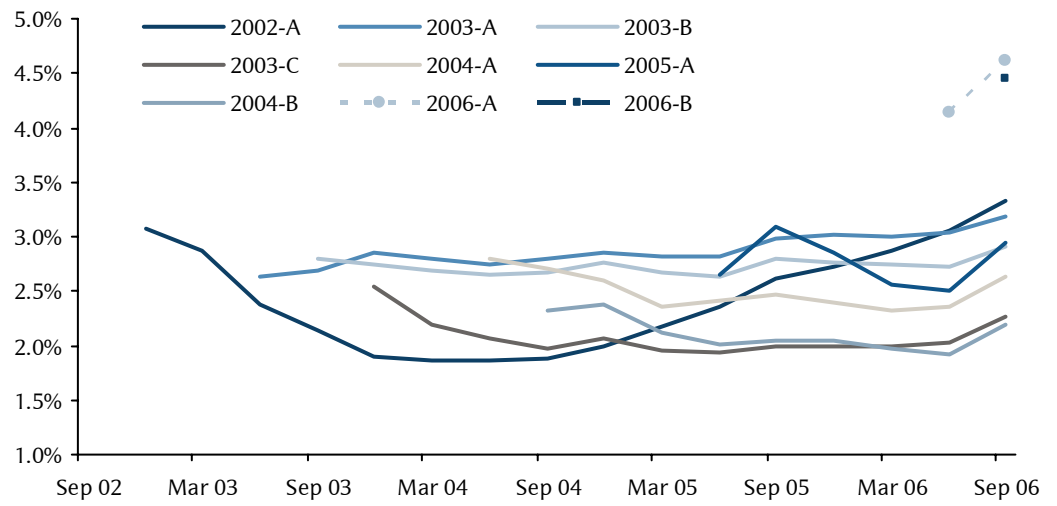


Source: Company reports, Barclays Capital.

Prepayment Rates – Private Loan Program

Prepayment speeds on private credit loan ABS are considerably slower than those on FFELP-backed loan transactions because the loan consolidation option is not available for private credit loan holders.

Figure 113: SLMA Private Credit ABS Prepayment Speeds



Source: Company reports.

The Student Loan Corporation

Highlights

Bloomberg Ticker:
SLCLT, SLC

- The Student Loan Corporation is one of the largest national originators and holders of FFELP and private student loans. This year (through 3Q 06), STU is the second-largest issuer of SLABS.
-

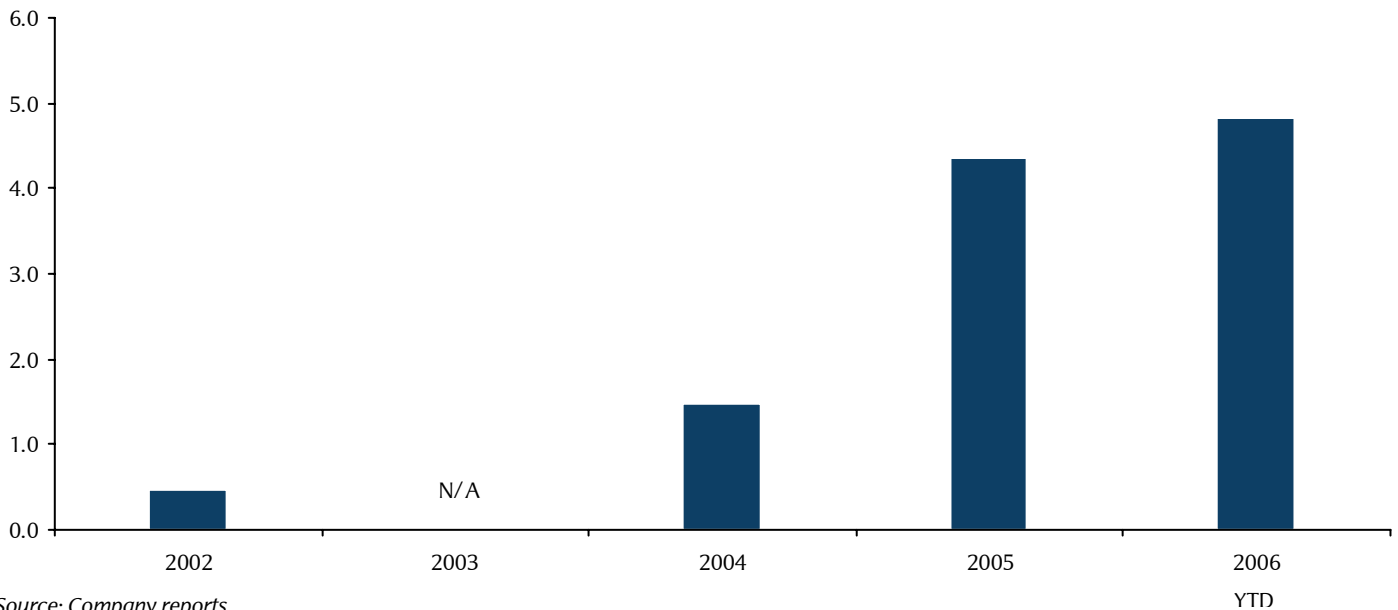
The Company

studentloan.citibank.com

Student Loan Corporation (NYSE: STU) is a subsidiary of Citibank, NA, which is a wholly owned, indirect subsidiary of Citigroup (C: Aa1/AA-/AA+). The company was incorporated in Delaware in 1992 but was operated as a division of Citibank Inc. for more than 25 years before that. Citibank remains the primary shareholder of STU, controlling 80% of the company's common stock.

The company serves approximately 1.7mn customers and has over 3,000 relationships with schools and universities. STU offers a full array of student loan products, including FFELP, consolidation, Federal SLS, and alternative student loans, such as those offered by its CitiAssist program. STU originates, holds, sells, and services federally insured student loans. The company is also active in purchasing federally guaranteed loans in the secondary market. Most of the loans directly originated by STU are serviced in house.

Figure 114: Historical ABS Issuance (\$bn)



Originations/Underwriting

The Student Loan Corporation is one of the largest holders and originators of student loans in the US. The company originates loans through a variety of channels, including schools, e-commerce initiatives, and repeat borrowers. For the twelve-month period ended June 30, 2006, the company had \$32.1bn in total managed student loan assets, a 9% increase over the previous year. That total includes \$24.7bn of the company's owned loan assets. Combined FFELP and CitiAssist loan disbursements were \$4.9bn in 2005, up 9% from 2004. In 2005, the company's secondary market purchases of student loans amounted to \$7.46bn.

STU originates student loans under FFELP, as well as its own alternative loan programs, such as CitiAssist, which are designed for students who either do not qualify for government student loan programs or need additional financing to cover the full cost of their education.

CitiAssist loans are credit based. A private insurer guarantees most loans against loss in cases of default, bankruptcy, or the death of the borrower. The loans are not reinsured by the federal government. The privately insured loans are subject to risk-sharing losses of 5-20% of the default claim amounts, depending on the insurer and type of loan. Uninsured private loans have risk-sharing arrangements with investment grade universities.

Servicing

STU has a policy of holding and servicing the majority of the loans it directly originates through school channels, as management believes that this approach makes the repayment process easier for the borrower. However, this policy could change if the firm undertakes a program to securitize portions of its Stafford and PLUS loan portfolios.

Citibank National Association (Aaa/AA/AA+), a wholly owned subsidiary of Citicorp, acts as a subservicer for the SLC Student Loan Trust 2006-1 securitized loan transaction. Citibank employees assist with the origination and servicing of student loans and also provide credit card services to Citigroup customers. As of March 31, 2006, Citibank NA and its affiliates had approximately 3,200 employees located at the Sioux Falls, South Dakota, facility, with more than 800 of them servicing student loans on behalf of Student Loan Corporation. Also, Citibank NA serviced approximately \$26bn in student loans.

In 2003, Student Loan Corporation was designated an "Exceptional Performer" by the Department of Education in recognition of the company's performance in servicing FFELP student loans. As a result, the company is eligible to receive reimbursement on claims for defaulted loans based on 99% of the unpaid principal balance plus accrued interest, rather than the statutory guarantee set at 97% (on/after July 1, 2006).

In prior securitizations, Student Loan Corporation contracted SunTech, Inc., a Mississippi-based company, which began servicing education loans in 1990. SunTech, a wholly owned subsidiary of the Collegiate Funding Services (Nasdaq: CFSI), provides loan origination and loan servicing for lenders and secondary markets.

Securitizations

STU first entered the market in 2002, securitizing \$500mn of FFELP consolidation student loan receivables in two distinct auction rate note transactions. The company did not return to the securitization market in 2003 but securitized \$1.5bn in notes backed by FFELP consolidation loans in 2004 and \$4.2bn in 2005. This year, STU securitized over \$4.8bn in FFELP consolidation loans. Overall, the company has priced a total of \$11.1bn of student loan ABS.

Structural Features

Figure 115: SLC Student Loan Trust (SLCLT) 2006-2

Class	Amount (\$mn)	Moody's/S&P/Fitch	Avg. Life	Benchmark	Spread
A1	130.0	Aaa/AAA/AAA	1.00 yr	3ML	-2 bp
A2	525.0	Aaa/AAA/AAA	3.00 yr	3ML	+0 bp
A3	136.0	Aaa/AAA/AAA	5.00 yr	3ML	+2 bp
A4	600.0	Aaa/AAA/AAA	7.00 yr	3ML	+8 bp
A5	445.0	Aaa/AAA/AAA	10.00 yr	3ML	+10 bp
A6	656.0	Aaa/AAA/AAA	14.52 yr	3ML	+16 bp
B	77.0	Aa1/AA+/AA+	11.28 yr	3ML	+23 bp

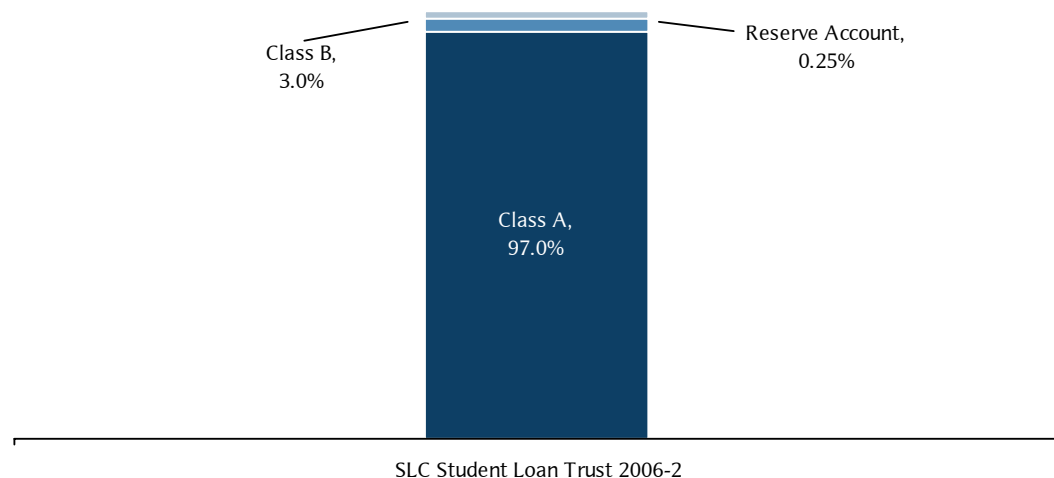
As of September 13, 2006. Source: Company report, Bloomberg.

The SLCLT 2006-2 transaction features class A and class B uncapped floating-rate notes, indexed to three-month Libor. The transaction is issued out of a discrete trust and uses a senior/subordinated structure under which principal and interest payment on class B notes is subordinate to principal and interest payment on class A notes. Before the step-down date on March 2013, the principal will be paid sequentially to the class A-1 through A-6 notes, then to class B notes only when none of the class A notes remain outstanding. The payment priority will switch to pro rata after the step-down date if the total parity ratio (the trust's assets divided by the principal balance of the notes outstanding) exceeds 100%.

Credit Enhancement

Credit enhancement on the 2006-2 SLCLT transaction consists of 3.0% subordination of the double-A rated class B notes and a reserve account sized at 0.25% of the original loan pool balance. The reserve account lifetime minimum is set at 0.15%. A capitalized interest account was funded at issuance, with \$61mn in issuance proceeds. The excess spread and government guarantees were also considered when sizing the level of credit enhancement.

Figure 116: SLCLT 2006-2 Credit Enhancement



Source: Company reports.

Collateral Characteristics

Figure 117: Pool Assets - SLCLT 2006-2

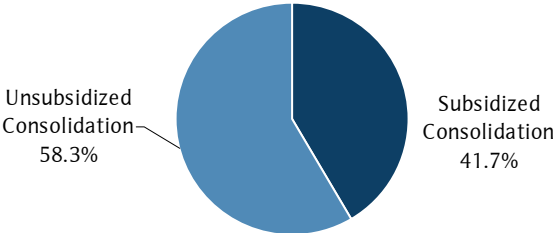
Summary	
Aggregate outstanding principal balance	\$2,272,925,293
Number of borrowers	94,418
Average outstanding principal balance per borrower	\$24,073
Number of loans	156,837
Average outstanding principal balance per loan	\$14,492
Weighted average remaining term to scheduled maturity	259 months
Weighted average annual borrower stated interest rate	4.73%
Geographic concentration: New York	23.4%
Geographic concentration: California	14.7%

As of August 21, 2006. Source: Company reports.

The asset pool of the SLCLT 2006-2 consists of FFELP consolidation loans with an aggregate balance of \$2.3bn. The trust holds loans for 94,418 borrowers, with an average outstanding principal balance per borrower of \$24,073, and a weighted-average borrower annual interest rate of 4.73%. Loans originated to students residing in New York and California represent the largest geographical concentrations in the asset pool.

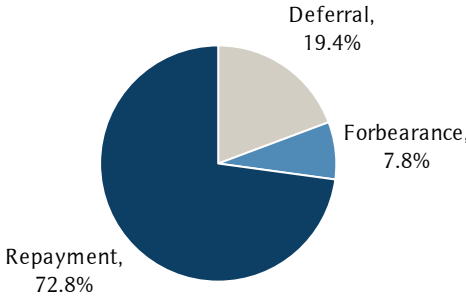
The asset pool comprises 42% subsidized and 58% unsubsidized Stafford consolidation loans. The portfolio enjoys sufficient liquidity, with 72.8% of loans in repayment status, 7.8% in forbearance, and 19.4% in deferral, as of August 21, 2006. Of the loans in repayment status, 1.7% are 60+ days delinquent.

Figure 118: Distribution by Loan Type



Source : Company reports.

Figure 119: Distribution by Loan Status



Source: Company reports.

Appendix I: Exceptional Performers

Organization Information
Name
Citibank SLC
Wells Fargo - Education Financial Services
Nelnet
Great Lakes Educational Loan Services, Inc.
Panhandle-Plains Student Loan Center
Sallie Mae Servicing
American Education Services
Student Assistance Foundation
Iowa Student Loan Liquidity Corporation
Affiliated Computer Services, Inc (ACS) Education Services
EdFinancial Services
Student Loan Finance Corporation
LoanStar Systems Inc.
New Mexico Education Assistance Foundation
Oklahoma Student Loan Authority
CFS SunTech Servicing LLP
Kentucky Higher Education Student Loan Corporation
Missouri Higher Education Loan Authority

Note: Last modified September 12, 2006. Redesignation is based on the entity's annual audit and an evaluation by ED/Federal Student Aid (FSA). Guaranty Agencies are required to continue claims reimbursement at the EP rate until otherwise notified by FSA/Financial Partners Services. Effective July 1, 2006, the claims reimbursement rate was reduced from 100% to 99%. Source: Department of Education, Federal Student Aid.

According to the ED, a lender or lender servicer designated for exceptional performance is eligible to receive 99% reimbursement on all claims submitted for insurance during the 12 months following the date the lender or lender servicer and appropriate guaranty agencies receive notification of the designation.

Appendix II: Glossary

Annualized Net Loss Rate	The dollar amount of losses, after recoveries, in a given period expressed as a percentage of the period's beginning collateral balance multiplied by 12.
Average Life	The weighted-average time (in years) to the return of principal to a note investor. The average life of a bond is calculated by multiplying the amount of each principal payment of the bond, by the number of years from the date of issuance to the related payment date, summing the results for all payment dates, and dividing by the original principal amount of the bond.
Consolidation Loan Program	Loans made in an amount sufficient to pay outstanding principal, unpaid interest, late charges, and collection costs on all federally insured and reinsured student loans incurred under FFELP or FDLP that the borrower selects for consolidation. The Higher Education Act (HEA) authorizes a program under which borrowers may consolidate one or more of their student loans into a single consolidation loan that is insured and reinsured on a basis similar to Stafford, PLUS, and SLS Loans. Consolidation Loans made under other various federal student loan programs, such as the Health Education Assistance Loan Program, and loans made by different lenders also may be included in the consolidation. Consolidation has contributed significantly to prepayments on federally insured student loans.
Credit Enhancement	Protection mechanisms available to ABS note investors to absorb collateral losses. The various forms of credit support in student loan ABS transactions include: subordination; over-collateralization; reserve account; financial guaranties or sureties; and excess servicing.
Cumulative Net Loss (CNL) Rate	The sum of all net losses on a pool of collateral divided by the original pool balance. CNL rates provide a meaningful comparison of the credit loss performance of collateral across originations from the same issuer and various other originators over time.
Default	Loans generally are classified as in default when they become 270 days past due.
Delinquencies	Accounts generally are considered delinquent when the monthly payment (or some specified portion thereof) is not made by the due date. Most originators track 30+, 60+, and 90+ day delinquencies, although some aggregate delinquencies into only one or two buckets. Later-stage delinquencies (60+ days or more) tend to be an accurate leading indicator of charge-offs, since obligors who fall this far behind in payments, tend to have difficulty recovering. Originators differ in their definitions of when an obligor is delinquent.
Department of Education	US Department of Education (ED) was established by Congress on May 4, 1980, under the Department of Education Organization Act 67. The objectives of the ED are to strengthen the commitment to equal educational opportunity for every individual, to supplement the efforts of the states in order to improve the quality of education, to encourage public, parental, and student participation in federal education programs, and to improve coordination and management of federal education programs/activities.
Eligible Lenders	Lenders eligible to make loans under FFELP generally include banks, savings and loan associations, credit unions, pension funds, and under some conditions, schools and guarantors. Eligible schools include institutions of higher education, including proprietary institutions that meet the standards provided in the Higher Education Act.
Expected Maturity Date	The expected maturity date is established when a transaction is structured and is based on the amortization schedule calculated using the pricing prepayment assumption and no collateral defaults.

FFELP Loans	Loans to students enrolled in eligible institutions, or to parents of dependent students, to finance their educational costs provided by the Federal Family Education Loan Program, known as FFELP. Payment of principal and interest on the student loans are guaranteed by a state or not-for-profit guarantee agency. In addition to the guarantee payments, the holder of student loans is entitled to receive interest subsidy payments and special allowance payments from the Education Department on eligible student loans. FFELP loans are grouped into four classes: Subsidized Stafford; Unsubsidized Stafford (which replaced Supplemental Loans to Students in 1994); PLUS Loans; and consolidation loans.
Forbearance	A temporary postponement or reduction in the repayment of a loan to give the borrower time and opportunity to make up for the overdue payments. Forbearance is granted if the borrower is experiencing economic hardship and is generally offered in 12-month intervals for up to three years. Interest continues to accrue during forbearance and the borrower is responsible for paying it.
Grace Period	Specified period of time between the date a student graduates or drops below half-time status and the date loan repayment begins. The grace period on FFELP loans is generally six months.
Guarantee Agencies	Under FFELP, guarantee agencies guarantee loans made by eligible lending institutions. Student loans are guaranteed up to 100% of principal and accrued interest against death or discharge. The agencies also guarantee lenders against default. For loans made before October 1, 1993, lenders are insured for 100% of the principal and unpaid accrued interest. Since October 1, 1993, lenders are insured for 98% of principal and accrued interest.
Higher Education Act	The enactment of the Higher Education Act of 1965 (HEA) was a defining moment in the history of the education loan market. The purpose of the Higher Education Act was to "strengthen the educational resources of our colleges and universities and to provide assistance for students in postsecondary and higher education." The HEA represented a federal commitment to alleviating the cost of higher education and equalizing college opportunities for low- and middle-income students. The FFEL Program was created under Title IV of the HEA.
Legal Final Maturity Date	The date after which a class of ABS notes is considered in default if all of the principal were not repaid to note holders. The date is determined by the rating agencies based on collateral characteristics and stress-test scenarios. Typically, the legal final maturity date is set by amortizing the collateral with zero defaults and zero prepayments, and adding one to six months to the date that each class pays off.
Original Term	The length of the loan is set out in the underlying retail sales contract. Loan terms range from 12 months to more than 72 months, with the typical term falling within the 60-month range. The original term is equal to the remaining term plus seasoning.
Originator	The entity that lends money to obligors, or originates the loan contracts, for inclusion in an ABS transaction.
Owner Trust	An owner trust allows for creation of tranches with specific payment characteristics and varying average lives. Time tranching is a useful method of enhancing the attractiveness of a trust's securities for a wider investor audience. Owner trusts typically feature money market tranches, which are attractive to short-term investors. Another feature of owner trusts is the use of excess spread as additional principal. Excess spread can be reallocated to pay down the note balance in each period (full turbo) or until a specified level of over-collateralization is achieved (partial turbo).

PLUS and SLS Loan Programs	Parent Loan for Undergraduate Students (PLUS) is a low-interest education loan for parents of undergraduate, dependent students that can be used to fund the entire cost of the student's education (less student financial aid), including books, supplies and living expenses. The Higher Education Act authorizes PLUS Loans to be made to parents of eligible dependent students and previously authorized Supplemental Loans for Students (SLS) loans to be made to the categories of students now served by the Unsubsidized Stafford Loan program. Only parents who have no adverse credit history or who are able to secure an endorser without an adverse credit history are eligible for PLUS Loans. The basic provisions applicable to PLUS and SLS Loans are similar to those of Stafford Loans for federal insurance and reinsurance. However, interest subsidy payments are not available under the PLUS and SLS programs and, in some instances, special allowance payments are more restricted.
Prepayment	The payment of the principal loan amount, in whole or in part, ahead of the scheduled due date. Student Loan prepayments are generally associated with the loan consolidation activity.
Repayment Period	The period when repayment of principal begins, generally six months after the borrower ceases to pursue at least a half-time course of study for Stafford loans. PLUS loans enter repayment on the date of the last disbursement. Consolidation loans enter repayment on the date the loan is disbursed. Non-consolidation loans have a maximum repayment period of 10 years with a minimum annual payment of \$600.
SAP	Quarterly interest subsidies, or Special Allowance Payments, provided by the federal government to encourage lenders to make loans at below-market rates. FFELP loans are offered to students at below-market rates, and lenders are induced to lend at these rates by the SAP and government guarantees of principal and interest. The SAP for a given loan is established at the time of loan origination by adding the Special Allowance Margin (SAM) to a benchmark borrowing rate and subtracting the applicable borrower interest rate. If interest rates rise between borrower resets, SAP payments will cover the difference up to a specified margin. The benchmark was the 91-day Treasury bill for loans originated prior to January 1, 2000, but now is the three-month commercial paper (CP) rate.
Subsidized Stafford Loans	Stafford Loans are the most common source of education loan funds, and are available to both graduate and undergraduate students. The Subsidized loans are need-based, and the federal government pays the interest on these loans while the student is in school and during the grace period before repayment begins or during any deferral periods (quarterly interest subsidy payments to the owner of the loan in an amount equal to the interest that accrues on the unpaid balance of the loan). Subsidized Stafford Loans are offered to students at below-market rates, while the student is enrolled in school. Following graduation, the borrower is permitted a six-month grace period before repayment begins over a term of up to 10 years. Students also pay a 3% origination fee to the government and a 1% origination fee to the guarantee agency.
Unsubsidized Stafford Loans	Unsubsidized Stafford Loans are essentially the same as Subsidized Stafford, except that the student is responsible for interest while in school or during the grace period (it can either be paid or capitalized).

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