DEPARTMENT OF EDUCATION

Submission for OMB Review; Comment Request

AGENCY: Department of Education.

SUMMARY: The Director, Information Collection Clearance Division, Regulatory Information Management Services, Office of Management, invites comments on the submission for OMB review as required by the Paperwork Reduction Act of 1995.

DATES: Interested persons are invited to submit comments on or before February 17, 2009.

ADDRESSES: Written comments should be addressed to the Office of Information and Regulatory Affairs, *Attention:* Education Desk Officer, Office of Management and Budget, 725 17th Street, NW., Room 10222, New Executive Office Building, Washington, DC 20503 or faxed to (202) 395–6974.

SUPPLEMENTARY INFORMATION: Section 3506 of the Paperwork Reduction Act of 1995 (44 U.S.C. Chapter 35) requires that the Office of Management and Budget (OMB) provide interested Federal agencies and the public an early opportunity to comment on information collection requests. OMB may amend or waive the requirement for public consultation to the extent that public participation in the approval process would defeat the purpose of the information collection, violate State or Federal law, or substantially interfere with any agency's ability to perform its statutory obligations. The IC Clearance Official, Regulatory Information Management Services, Office of Management, publishes that notice containing proposed information collection requests prior to submission of these requests to OMB. Each proposed information collection, grouped by office, contains the following: (1) Type of review requested, e.g. new, revision, extension, existing or reinstatement; (2) Title; (3) Summary of the collection; (4) Description of the need for, and proposed use of, the information; (5) Respondents and frequency of collection; and (6) Reporting and/or Recordkeeping burden. OMB invites public comment.

Dated: January 12, 2009.

Angela C. Arrington,

IC Clearance Official, Regulatory Information Management Services, Office of Management.

Institute of Education Sciences

Type of Review: Revision.

Title: Early Childhood Longitudinal Study Kindergarten Class of 2010–2011.

Frequency: Annually.

Affected Public: Individuals or household.

Reporting and Recordkeeping Hour Burden:

Responses: 164,869.

Burden Hours: 101,055.

Abstract: The ECLS–K 2010–2011 is the follow-up study to the ECLS–K. It is a longitudinal study that will follow children from kindergarten through fifth grade to measure child development, school readiness and early school experiences. It will include cognitive assessments of children on an annual basis, parent interviews, and surveys of teachers, school administrators and the primary care provider.

Requests for copies of the information collection submission for OMB review may be accessed from *http://edicsweb.ed.gov,* by selecting the ''Browse Pending Collections'' link and by clicking on link number 3872. When you access the information collection, click on ''Download Attachments'' to view. Written requests for information should be addressed to U.S. Department of Education, 400 Maryland Avenue, SW., LBJ, Washington, DC 20202–4537. Requests may also be electronically mailed to the Internet address *ICDocketMgr@ed.gov* or faxed to (202) 401–0920. Please specify the complete title of the information collection when making your request.

Comments regarding burden and/or the collection activity requirements should be electronically mailed to *ICDocketMgr@ed.gov.* Individuals who use a telecommunications device for the deaf (TDD) may call the Federal Information Relay Service (FIRS) at 1–800–877–8339.

[FR Doc. E9–805 Filed 1–14–09; 8:45 am]

BILLING CODE 4000–01–P

DEPARTMENT OF EDUCATION

DEPARTMENT OF THE TREASURY

OFFICE OF MANAGEMENT AND BUDGET

Federal Family Education Loan Program (FFELP)

AGENCY: Department of Education, Department of the Treasury, Office of Management and Budget.

ACTION: Notice of terms and conditions of additional purchase of loans under the Ensuring Continued Access to Student Loans Act of 2008.

SUMMARY: Under the authority of section 459A of the Higher Education Act of 1965, as amended (''HEA''), as enacted by the Ensuring Continued Access to Student Loans Act of 2008 (Pub. L. 110–227) and amended by Public Law 110–315 and Public Law 110–350, the Department of Education (''Department'') may purchase, or enter into forward commitments to purchase, Federal Family Education Loan Program (''FFELP'') loans made under sections 428 (subsidized Stafford loans), 428B (PLUS loans), or 428H (unsubsidized Stafford loans) of the HEA, on such terms as the Secretary of Education (''Secretary''), the Secretary of the Treasury, and the Director of the Office of Management and Budget (collectively, ''Secretaries and Director'') jointly determine are ''in the best interest of the United States'' and ''shall not result in any net cost to the Federal Government (including the cost of servicing the loans purchased).''

This notice establishes the terms and conditions that will govern certain loan purchases made under section 459A of the HEA, as extended by Public Law 110–350, including (a) purchases from an asset-backed commercial paper vehicle referred to as an ''ABCP Conduit'' or ''Conduit'' (''ABCP Conduit Program'') and (b) replication for the 2009–2010 academic year of the Loan Participation Purchase Program (''2009–2010 Participation Program'') and Loan Purchase Commitment Program (''2009–2010 Purchase Program'') (collectively, ''Programs'').

This notice also outlines the Department's methodology and factors that have been considered in evaluating the price at which the Department will purchase these additional FFELP loans; and describes how the use of those factors and methodology will ensure that the additional loan purchases do not result in any net cost to the Federal Government. The Secretaries and Director concur in the publication of this notice and have jointly determined that, based on the Department's analysis, the purchase of additional loans as described in this notice is in the best interest of the United States and shall not result in any net cost to the Federal Government (including the cost of servicing the loans purchased).

DATES: *Effective Date:* The terms and conditions governing the purchase of loans under the 2009–2010 Participation Program and Purchase Program, and the ABCP Conduit Program are effective January 16, 2009.

FOR FURTHER INFORMATION CONTACT: U.S. Department of Education, Office of Federal Student Aid, Union Center Plaza, 830 First Street, NE., room 111G3, Washington, DC 20202. Telephone: (202) 377–4401 or by e-mail: *ffel.agreementprocess@ed.gov.*

If you use a telecommunications device for the deaf (TDD), call the Federal Relay Service (FRS), toll free, at 1–800–877–8339. Individuals with disabilities can obtain this document in an accessible format (*e.g.* , braille, large print, audiotape, or computer diskette) on request to the office listed under **FOR FURTHER INFORMATION CONTACT**.

SUPPLEMENTARY INFORMATION:

Introduction

The Department's purchase of FFELP loans is intended primarily to ensure that students and parents continue to have access to FFELP loans for the remainder of the 2008–2009 academic year and for the 2009–2010 academic year.

The Department of Education first exercised its authority under section 459A of the HEA in July 2008, when the Secretaries and Director established the Participation Program and Purchase Program for eligible loans made for academic year 2008–2009.[1]

Under the Participation Program, the Department has purchased participation interests in eligible loans that are held by an eligible lender acting as a sponsor under a Master Participation Agreement. Under the Purchase Program, the Department has purchased eligible loans that are held by eligible lenders. To participate in either the Participation Program or the Purchase Program, a lender must enter into an agreement with the Department for that program.

Subsequent to the announcements of the Purchase Program and Participation Program in July, the Secretary of Education concluded that additional action was necessary to ensure students and parents have access to FFELP for the remainder of the 2008–2009 academic year. Specifically, the Secretaries and Director acknowledged the possibility that some lenders would not be able to obtain capital to make second disbursements of 2008–2009 academic year FFELP loans even for the short-term necessary before lenders can utilize the ABCP Conduit Program. To provide needed liquidity to support new lending, the Department, through the Short-term Purchase Program announced in December 2008, extended the offer to purchase loans to include eligible loans made for the 2007–2008 academic year. The Department at that time gave notice that it would purchase such loans beginning on or about December 1, 2008 and would continue purchasing them through February 28, 2009 or the date on which one or more conforming Asset-Backed Commercial Paper (ABCP) Conduits for purchasing FFELP loans become operational, whichever occurs earlier. Through the Short-term Purchase Program, the Department will expend up to $500 million to purchase eligible loans each week during this period, for a potential total aggregate amount of up to $6.5 billion.

The Secretaries and the Director believe that, although capital markets have improved, lenders may continue to have difficulty in obtaining funding to make loan commitments for the upcoming academic year, or to make subsequent disbursements on loans, without a commitment from the Department to purchase those loans. To address this need, the Secretaries and the Director have concluded that the Purchase Program and the Participation Program should be replicated for the 2009–2010 academic year. The Secretaries and the Director further conclude that the Department should enter into forward purchase commitments with one or more conforming ABCP Conduits that can purchase FFELP loans, and thereby provide additional liquidity to support new lending. An entity that wishes to establish an ABCP Conduit must submit such offers to the Department at *http://www.federalstudentaid.ed.gov/ffelp.*

Terms and Conditions

Pursuant to section 459A of the HEA, the Secretaries and Director establish the terms and conditions that will govern these additional purchase programs. The terms and conditions governing the replication of the Loan Purchase Program for academic year 2009–2010 (''2009–2010 Loan Purchase Commitment Program Terms and Conditions'') are attached as Appendix A to this notice; those governing the replication of the Participation Program for academic year 2009–2010 (''2009–2010 Loan Participation Program Terms and Conditions'') are attached as Appendix B to this notice, and those governing the ABCP Conduit Program are attached as Appendix C to this notice.

The 2009–2010 Purchase Program and 2009–2010 Participation Program will operate for the 2009–2010 academic year in substantially the same way as the Purchase Program and Participation Program did for the 2008–2009 academic year.

Under the ABCP Conduit Program, the Department will enter into forward purchase commitments to purchase FFELP loans (subsidized Stafford loans, unsubsidized Stafford loans, and PLUS loans) on which the lender made the first disbursement on or after October 1, 2003, but no later than June 30, 2009, fully disbursed no later than September 30, 2009, and conveyed to the Conduit no later than June 30, 2010. The Department will not agree to purchase FFELP Consolidation loans under this program.

In order to participate in the ABCP Conduit Program, a sponsoring entity must enter into a ''Put Agreement'' with the Department consistent with the terms and conditions stated in Appendix C. The Put Agreement will establish the nature of the relationship between the Department and the Conduit and Conduit Manager. The Department will agree to purchase loans from the Conduit upon demand as needed to support the issuance of commercial paper by the Conduit. The Conduit is expected to exercise the Put only after the Conduit has attempted to obtain funds to meet maturing commercial paper from other resources, including other financial institutions, and has either been unable to do so, or, if it has obtained such funding, is unable to issue new commercial paper sufficient to obtain funds to repay those borrowings.

As explained in detail in Appendix C, the Department will agree to purchase loans at either 97 percent or 100 percent of the total of the outstanding principal balance plus accrued but unpaid interest as of the purchase date, depending on the characteristics of the loan. The Conduit may purchase loans as defined in the Put Agreement and the attached terms and conditions for the ABCP Conduit Program in Appendix C. Loans purchased by the Conduit must have been selected from the seller's portfolio in a manner that assures the sale to the Conduit of loans is fairly representative of the seller's total portfolio of conduit eligible loans. In addition, a lender that sells the Conduit a loan owed by a particular borrower must also sell the Conduit all other eligible loans it holds for that particular borrower.

Under the 2009–2010 Purchase Program and 2009–2010 Participation Program, the Department will purchase loans or participation interests in loans that have ''eligible borrower benefits,'' which are borrower benefits previously deemed acceptable in the 2008–2009 programs (upfront fee reductions already consummated or interest reductions not exceeding .25 percent conditioned on borrower use of an automatic loan payment process).

[1] The Secretaries and Director announced the terms and conditions governing the Participation Program and the Purchase Program for academic year 2008–2009 in a notice published in the **Federal Register** on July 1, 2008 (73 FR 37422). Minor revisions to this notice were published in the **Federal Register** on July 17, 2008 (73 FR 41048).

However, under the ABCP Conduit Program, the Department will agree to purchase loans with a broader range of borrower benefits, as summarized in the terms and conditions for the ABCP Conduit Program in Appendix C to this notice. In addition, a list of those specific borrower benefits will be posted to the Department's Web site at *http://www.federalstudentaid.ed.gov/ffelp.*

While loans that have a direct payment to a borrower as a borrower benefit—rather than an interest or principal reduction—are eligible for inclusion in the Conduit, the Department will require the holder of the loan to make the payment to the borrower prior to sale to the Department, regardless of whether the borrower actually earned the benefit. The Department will also require the seller of the loan to establish a reserve for this purpose.

Outline of Methodology and Factors in Determining Prices for All Programs

In accordance with Public Law No. 110–227, Public Law 110–315, and Public Law 110–350, the goal in structuring the 2009–2010 Purchase Program, the 2009–2010 Participation Program, and the ABCP Conduit Program is to maximize student loan availability while ensuring loan purchases result in no net cost to the Federal Government. The Secretaries and Director described the basis for determining the cost neutrality for the Purchase Program and Participation Program in the **Federal Register** notice published on July 1, 2008 (73 FR 37422). While this notice provides updated cost estimates, the methodology remains essentially the same for the 2009–2010 Purchase Program, the 2009–2010 Participation Program, and the ABCP Conduit Program based on analysis of the Department of Education. This section of the notice responds in particular to the statutory requirement for an outline of the methodology and factors considered in evaluating the price at which loans may be purchased, and describes how the use of such methodology and consideration of such factors will ensure no net cost to the Federal Government results from the loan purchases for the 2009–2010 Purchase Program, the 2009–2010 Participation Program, and the ABCP Conduit Program.

Price: To determine the price at which FFELP loans would be purchased from the Conduit, the Secretary of Education considered several factors. These factors included the price that would ensure this program resulted in no net cost to the Federal Government; the increased liquidity that the rate would offer distressed lenders; borrower benefits; and other factors. Based on this analysis, the Secretary of Education determined that 100 percent of outstanding principal and accrued interest was the appropriate price for those loans first disbursed on or after May 1, 2008, with no borrower benefits or only ''eligible borrower benefits,'' and not more than 255 days delinquent at the time of purchase, and 97 percent of principal and interest for any other loans. For the 2009–2010 Purchase Program and the 2009–2010 Participation Program, the Secretary of Education determined that the prices used for the 2008–2009 Programs remained the appropriate prices for 2009–2010. The Department will pay a purchase price for a loan for 2009–2010 of 100 percent of outstanding principal and interest plus one percent fee previously paid on the loan and $75.00. To purchase a participation interest in 2009–2010 loan, the Department will pay 100 percent of the amount of the outstanding principal (including any capitalized interest) of the loan at the time of purchase of the interest.

Analysis of Cost Neutrality

The cost-neutrality analysis conducted solely by the Department of Education used, in part, credit subsidy cost estimation procedures established under the Federal Credit Reform Act of 1990 (Pub. L. No. 101–508) and OMB Circular A–11. These procedures entail performing various analyses to project cash flows to and from the Government, excluding administrative costs. For changes to outstanding FFELP guaranteed loans, the analysis reflects the modification cost, or the difference between the estimate of the net present value of the remaining cash flows underlying the most recent President's Budget for such loan guarantees, and the estimate of the net present value of these cash flows after the purchase program, reflecting only the effects of the modification. For new loans, cash flows are discounted to the point of disbursement, using the Credit Subsidy Calculator 2 (''OMB calculator''), developed by the Office of Management and Budget to estimate credit subsidy costs for all Federal credit programs, as the discounting tool. Costs for new loans can be expressed as subsidy rates that reflect the Federal costs associated with a loan; these costs are expressed as a percentage of the credit extended by the loan. For example, a subsidy rate of 10.0 percent indicates a Federal cost of $10 on a $100 loan.

The metric to determine cost neutrality was that costs under the new programs should not exceed costs expected under the FFELP in the absence of these programs. All cost estimates were based on economic and technical assumptions developed for the FY 2009 President's Budget for the FFELP, updated to reflect the impact of statutory or administrative actions that have occurred since the budget was published in February 2008.

Student loan cost estimates were developed to assess the Federal cost incurred for loans financed for each loan type. The analysis also considered risk factors particular to the 2009–2010 Purchase Program, the 2009–2010 Participation Program and the ABCP Conduit Program, such as the likelihood that lenders would sell only their least profitable loans.

This discussion outlines the Department's analysis of the 2009–2010 Purchase Program, the 2009–2010 Participation Program, and the ABCP Conduit Program with respect to the following critical aspects affecting the Federal cost:

- Administrative costs
- Borrower behavior
- Lender behavior
- Risk factors

Administrative Costs. Federal administrative costs are normally not included in subsidy cost calculations. To capture the full cost of the 2009–2010 Purchase Program, the 2009–2010 Participation Program, and the ABCP Conduit Program, however, section 459A of the HEA requires that the determination of cost neutrality reflect total costs, including Federal administrative costs subject to annual appropriation, and these costs were included in this analysis. Administrative cash flows primarily involve servicing costs associated with loans purchased by the Department. These costs can extend for up to 40 years, as servicing must continue until the last loan is paid in full. Under the base scenario for the 2009–2010 Participation and Purchase Programs, servicing costs would be $557 million on a present value basis. Servicing costs associated loans put to the Department from an ABCP Conduit, weighted across the three loan volume scenarios discussed below under ''Lender Behavior,'' would be $35 million on a net present value basis. The Department's estimates were developed using the price structure of the Department's servicing contract for put loans, with adjustments for start-up costs, inflation, and other costs.

Borrower Behavior. Since the base FFELP serves as the foundation of the 2009–2010 Purchase Program, the 2009–2010 Participation Program, and the

ABCP Conduit Program, and the characteristics of the base program are unchanged, there is no reason to believe that the 2009–2010 Purchase Program, the 2009–2010 Participation Program, or the ABCP Conduit Program will affect borrower behavior. Thus, this cost analysis uses borrower behavior assumptions used to prepare the FY 2009 President's Budget to gauge the effect on program costs of borrower-based activities such as loan repayment, use of statutory benefits such as deferments and loan discharges, and default rates and timing. These assumptions are based on a wide range of data sources, including the National Student Loan Data System, the Department's operational and financial systems, and a group of surveys conducted by the National Center for Education Statistics such as the 2004 National Postsecondary Student Aid Survey, the 1994 National Education Longitudinal Study, and the 1996 Beginning Postsecondary Student Survey.

Lender Behavior. A key factor in assessing whether the proposed programs would operate in a cost-neutral manner was lender behavior: specifically for the ABCP Conduit Program, how many ABCP Conduits would be created, and for the 2009–2010 Purchase Program and the 2009–2010 Participation Program, how many lenders would participate in the program, including how many and what type of loans would they eventually choose to sell to the Department. The Department considered alternative scenarios of lender behavior to determine whether the 2009–2010 Purchase Program, the 2009–2010 Participation Program, and ABCP Conduit Program could be considered cost-neutral under each. Because the ABCP Conduit Program would allow the Conduit Manager to sell loans with contingent borrower benefits—such as interest rate reductions for a specified number of on-time payments—all alternatives include an adjustment to reflect the impact of these potential reductions on future loan repayments. Consistent with stress tests applied by rating agencies in the private securitization market, this adjustment reduces the net cash flow to the Government by reducing the principal of sold loans by 0.5 percent a year.

Based on an analysis of lender and probability data provided by the Treasury Department and the Department of Education's financial advisors, it was determined the most likely size of the ABCP Conduit Program was $25 billion. Within that total, three scenarios were used to assess the impact of different behavior by participating lenders. The first assumed the ABCP Conduit Program would be unsuccessful and 100 percent of loans would be put to the Department on October 1, 2009; the likelihood of this scenario occurring was 2 percent. Under Scenario 2, ongoing minor market disruptions were assumed to result in 20 percent of loans being put, evenly distributed across the five-year life of the ABCP Conduit; this scenario had a likelihood of 10 percent. The third and most probable scenario, with an 88 percent likelihood, assumed that, at the end of the ABCP Conduit, not-for-profit lenders would put 75 percent of their volume and for-profit lenders would put 10 percent of their volume. Scenarios 2 and 3 both also assume loans would be put upon becoming more than 210 days delinquent. Consolidated results were developed weighted by each scenario's relative probability.

Two scenarios were examined for the 2009–2010 Participation Program, one under which lenders would put 100 percent of loans financed through the program at the end of 2010 and one under which lenders would put 50 percent of loans financed through participations and redeem the other 50 percent. For the latter scenario, the Department assumed a ''worst case'' in which lenders sold their smallest, least profitable loans. Because long-term loan servicing costs are generally charged on an account basis independent of loan size, small loans tend to be less profitable than larger loans. Considering the probability of the various scenarios, the Department determined that costs for the 2009–2010 Purchase Program, the 2009–2010 Participation Program, and the ABCP Conduit Program were less expensive to the Government than baseline subsidy costs for FFELP loans. (Please see Tables in this notice for a summary of the analysis.)

Risk Factors. Analyzing whether the 2009–2010 Purchase Program, the 2009–2010 Participation Program, and the ABCP Conduit Program would operate in a cost-neutral manner requires that projected costs account for the presence of various risk factors that must be assumed since these programs will not operate entirely like the base FFELP, or without operational risk. As such, the Secretary of Education's estimates for the 2009–2010 Purchase and Participation Programs included the same adjustments included for the original 2008–2009 programs. For the ABCP Conduit Program, the estimates include five risk factors: (1) That improvements in the national economy will reduce lenders' incentives to put loans for the ABCP Conduit; (2) that some of the loans purchased by the Department would be those on which the Department would reject a reinsurance claim under the FFELP (''claim rejects''); (3) that unforeseen problems undermine the Department's ability to effectively oversee and administer the ABCP Conduit Program (''operational risk''); (4) that costs related to servicing purchased loans do not fully reflect possible future requirements (''general administrative risk''); and (5) that the composition of loans ultimately sold to the Department may result in higher Federal costs than the composition assumed in this analysis (''portfolio composition risk'').

To ensure cost estimates reflect a conservative assessment of possible Federal costs, the Secretary of Education added cost adjustments to incorporate each risk factor. The adjustments were based on an assessment of private-sector behavior and program data as follows:

Economic Factors. While the current estimates assume a general improvement in the national economy, it also assumes that there will be some periods wherein it will be in lenders' financial interest to sell loans in the ABCP Conduit to the Department. Because there is a chance conditions will be such that lenders will choose to fund these loans privately rather than sell them to the Department, a risk factor of 50 basis points has been added to the estimate.

Claim Rejects. This risk factor takes into account the costs associated with the purchase of loans that would not typically qualify for the federal reinsurance coverage under the FFELP due to improper origination or servicing. The 12 basis point increase in cost is based on a historical rejected claim rate of 1 percent of volume, and assumes that these loans would have lower loss rates than the average portfolio.

Operational Risk. This factor addresses risks that might result from servicing errors, technology failures, or fraud. The Department has made every effort to mitigate operational risk. Nonetheless, this analysis assumes a very conservative 100 basis point risk factor to reflect reduction in program cost to reflect this risk. This is consistent with the risk factor used for the original Participation and Purchase Programs.

General Administrative Risk. The Department's analysis of cost neutrality examined the Department's current loan servicing contract and assumptions of borrower status over the life of the loan after purchase by the Department. The Department's analysis assumed minimal start-up costs because the ABCP

Conduit Program builds on the current previously established programmatic infrastructure. In December 2008, the Department extended its current loan servicing contract for one year. This involved the renegotiation of payment rates for certain activities which may affect long-term servicing costs for the loans purchased under the original Purchase Program, the original Participation Program, the 2009–2010 Purchase Program, the 2009–2010 Participation Program, and the ABCP Conduit Program. Given the future uncertainty surrounding several factors, including the assumptions outlined in this notice and the status of loans ultimately purchased by the Department, it is possible that unforeseen additional costs may be incurred. Accordingly, a General Administrative Risk Factor of 100 basis points was added to the analysis.

Portfolio Composition Risk. The cost to the Government of the ABCP Conduit Program depends on numerous factors, including loan size, default/prepayment risk, borrower benefits, and other characteristics of the purchased loans. The cost-neutrality analysis accounts for some of these factors, as outlined in this notice, but may not incorporate all of the dimensions of lender behavior and the loans ultimately purchased by the Department. Given this uncertainty, savings may deviate to some degree from the Department's estimate of savings in the model. To ensure that the potential risk and the potential costs are adequately reflected, a Portfolio Composition Risk Factor of 100 basis points was added to the analysis.

The Department also considered a high operational risk scenario in which the cost assessment for operation risk was raised from 20 basis points to 80 basis points. Even with this increased assessment, the Department estimates that the 2009–2010 Purchase Program, the 2009–2010 Participation Program, and the ABCP Conduit Program remain cost-neutral. The Terms and Conditions for the 2009–2010 Purchase Program, the 2009–2010 Participation Program, and the ABCP Conduit Program seek to reduce the likelihood of lenders exclusively selling low-balance loans. Lenders will be required to sell all eligible loans they hold for a specific borrower into the ABCP Conduit, and the Conduit Manager would be required to select loans for any put to the Department in a manner that assures that the loans to be put are representative of the Conduit portfolio. These provisions make it less likely that lenders will choose to sell only poorly-performing loans to the Department.

Conclusion. After taking into account alternative market and lender behavior scenarios, the Administration determines that the 2009–2010 Purchase Program, the 2009–2010 Participation Program, and the ABCP Conduit Program are in the best interest of the United States and will result in no net cost to the Government.

Applicable Program Regulations: 34 CFR part 682.

Electronic Access to This Document

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You may obtain a copy of the Master Loan Sale Agreement and direction regarding submission of the Master Loan Sale Agreement and offers to sell loans at *http://federalstudentaid.ed.gov/ffelp.*

Note: The official version of this document is the document published in the **Federal Register**. Free Internet access to the official edition of the **Federal Register** and the Code of Federal Regulations is available on GPO Access at: *http://www.gpoaccess.gov/nara/index.html.*

(Catalog of Federal Domestic Assistance Number 84.032 Federal Family Education Loan Program)

Program Authority: 20 U.S.C. 1087i–1.

Dated: January 9, 2009.

Margaret Spellings,

Secretary of Education.

Dated: January 9, 2009.

Henry M. Paulson, Jr.,

Secretary of the Treasury.

Dated: January 9, 2009.

Stephen S. McMillin,

Deputy Director, Office of Management and Budget.

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TABLE 1

Replication of Participation Interest and Loan Purchase Programs

Baseline: No intervention in the Federal Family Education Loan (FFEL) Program, 2009/2010 Award Year

	Volume		
	2009	2010	Total
Stafford	14,572	14,295	28,868
Unsubsidized Stafford	18,464	21,569	40,033
PLUS	6,197	3,873	10,070
Total	39,234	39,737	78,971

	Cost Percentage		Outlays		
	2009	2010	2009	2010	Total
Stafford	16.93%	16.58%	2,467	2,370	4,837
Unsubsidized Stafford	-3.56%	-2.51%	-657	-541	-1,199
PLUS	-6.02%	-6.04%	-373	-234	-607
Total	3.66%	4.01%	1,437	1,595	3,032

Scenario 1: The 2008-2009 loan participation and loan purchase programs are replicated in 2009-2010. This scenario, representing the most likely outcome, assumes Education will purchase 100 percent of loans financed through the participation.

	Cost Percentage		Outlays		
	2009	2010	2009	2010	Total
Participation Interest Program					
Volume (non-add)			*20,108*	*19,577*	*39,685*
Base FFEL Costs (Pre-Purchase)	3.69%	4.10%	*742*	*802*	*1,545*
Program Costs	0.12%	0.78%	*24*	*153*	*177*
Claim Rejects	0.06%	0.06%	*12*	*12*	*24*
Operational Risk	0.10%	0.10%	*20*	*20*	*40*
Bankruptcy Remoteness Risk	0.15%	0.15%	*30*	*29*	*60*
Prepayment Risk	0.20%	0.20%	*40*	*39*	*79*

TABLE 1 Continued

		1.41%		276	
Administrative Expenses (NPV)	1.35%		271		*547*
Total, Participation Interest Program	1.98%	2.70%	*398*	*528*	*926*
Loan Purchase Program					
Volume (non-add)			*343*	*334*	*676*
Base FFEL Costs (Pre-Purchase)	3.69%	4.10%	*13*	*14*	*26*
Program Costs	-2.28%	-3.08%	*(8)*	*(10)*	*(18)*
Claim Rejects	0.06%	0.06%	*0*	*0*	*0*
Operational Risk	0.10%	0.10%	*0*	*0*	*1*
Bankruptcy Remoteness Risk	0.05%	0.05%	*0*	*0*	*0*
Prepayment Risk	0.20%	0.20%	*1*	*1*	*1*
Administrative Expenses (NPV)	1.47%	1.43%	5	5	10
Total, Loan Purchase Program	-0.40%	-1.24%	*-1*	*-4*	*-6*
Total, Participation Interest and Loan Purchase			397	524	921
Loans remaining in FFEL					
Volume (non-add)			*18,784*	*19,826*	*38,610*
Program Costs	*3.66%*	*4.01%*	*688*	*796*	*1,484*
Total volume (non-add)			*39,234*	*39,737*	*78,971*
Total			*1,084*	*1,320*	*2,404*
Change from Baseline			*-352*	*-275*	*-627*

Scenario 2: The 2008-2009 loan participation and loan purchase programs are replicated in 2009-2010. This scenario, representing a high-cost outcome, assumes Education will purchase the 50 percent of loans financed through the participation with the smallest average borrower balances.

	Cost Percentage		Outlays		
	2009	2010	2009	2010	Total
Participation Interest Program					
Volume (non-add)					
Loans Redeemed			*10,054*	*9,789*	*19,843*
Loans Put			*10,054*	*9,789*	*19,843*
Total			*20,108*	*19,577*	*39,685*

TABLE 1 Continued

Base FFEL Costs (Pre-Purchase)	3.69%	4.10%	*742*	*802*	*1,545*
Program Costs - Loans Redeemed	3.39%	3.39%	*341*	*332*	*673*
Program Costs - Loans Put	0.62%	1.27%	*63*	*125*	*187*
Claim Rejects	0.06%	0.06%	*6*	*6*	*12*
Operational Risk	0.80%	0.80%	*161*	*78*	*239*
Bankruptcy Remoteness Risk	0.15%	0.15%	*30*	*29*	*60*
Prepayment Risk	0.20%	0.20%	*40*	*39*	*79*
		1.57%		154	
Administrative Expenses (NPV)	1.50%		151		*305*
Total, Participation Interest Program	6.72%	7.45%	*792*	*763*	*1,555*
Loan Purchase Program					
Volume (non-add)			*343*	*334*	*676*
Base FFEL Costs (Pre-Purchase)	3.69%	4.10%	*13*	*14*	*26*
Program Costs	-2.28%	-3.08%	*-8*	*-10*	*-18*
Claim Rejects	0.06%	0.06%	*0*	*0*	*0*
Operational Risk	0.80%	0.80%	*0*	*0*	*1*
Bankruptcy Remoteness Risk	0.05%	0.05%	*0*	*0*	*0*
Prepayment Risk	0.20%	0.20%	*1*	*1*	*1*
Administrative Expenses (NPV)	1.47%	1.43%	*5*	*5*	*10*
Total, Loan Purchase Program	0.30%	-0.54%	*-1*	*-4*	*-6*
Total, Participation Interest and Loan Purchase			790	759	1,549
Loans remaining in FFEL					
Volume (non-add)			*18,784*	*19,826*	*38,610*
Program Costs	*3.66%*	*4.01%*	*688*	*796*	*1,484*
Total volume (non-add)			*39,234*	*39,737*	*78,971*
Total			*1,478*	*1,555*	*3,033*
Change from Baseline (High)			*41*	*-40*	*1*

TABLE 2

Savings from Conduit Program

Baseline: No intervention in the Federal Family Education Loan (FFEL) Program

	Volume						Cost Percentage					
	2004	2005	2006	2007	2008	2009	2004	2005	2006	2007	2008	2009
Stafford	6,135	4,038	2,618	4,452	3,287	643	12.11%	13.92%	16.24%	17.23%	14.16%	15.22%
Unsubsidized Stafford	5,107	3,732	2,691	4,251	3,259	887	2.31%	1.72%	0.51%	-1.48%	-3.97%	-3.30%
PLUS	746	851	715	1,961	1,094	198	0.70%	0.48%	-1.92%	-4.05%	-6.00%	-6.11%
Total	11,988	8,621	6,024	10,663	7,640	1,728	7.23%	7.31%	7.06%	5.86%	3.54%	3.27%

	Outlays						
	2004	2005	2006	2007	2008	2009	Total
Stafford	743	562	425	767	465	98	3,061
Unsubsidized Stafford	118	64	14	-63	-129	-29	-26
PLUS	5	4	-14	-79	-66	-12	-162
Total	866	630	425	625	270	56	2,873

Scenario 1: Education purchases 100 percent of loans in the Conduit Program on October 1, 2009.

	Cost Percentage						Outlays						
	2004	2005	2006	2007	2008	2009	2004	2005	2006	2007	2008	2009	Total
Conduit Program													
Volume (non-add)													
Loans in Conduit							2,234	2,823	3,454	8,565	6,870	1,456	25,402
Loans Put from Conduit							2,234	2,823	3,454	8,565	6,870	1,456	25,402
Change in 2009 Program Costs in Conduit						-12.94%						-188	-188
FFEL Guaranteed Loan Modification							-225	-234	-205	-426	-873		-1,962
Administrative Expenses (NPV)	2.30%	2.25%	2.16%	2.09%	2.13%	2.08%	51	64	75	179	146	30	545
Loan Purchase Subsidy Costs	-4.67%	-7.05%	-6.63%	-6.75%	-3.88%	-2.79%	-104	-199	-229	-578	-267	-41	-1,418

TABLE 2 Continued

Risk Adjustments													
Economic Risk	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	11	14	17	43	34	7	127
Claim Rejects	0.12%	0.12%	0.12%	0.12%	0.12%	0.12%	3	3	4	10	8	2	30
Operational Risk	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	4	6	7	17	14	3	51
General Administrative Risk	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	22	28	35	86	69	15	254
Portfolio Composition Risk	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	22	28	35	86	69	15	254
Total, Loan Purchase Extension	0.45%	-1.97%	-1.65%	-1.85%	1.07%	2.10%	10	(56)	(57)	(158)	73	31	(157)
Federal Financing Bank Liquidity Provision							0	0	0	0	0	0	0
Total Change							(215)	(289)	(262)	(584)	(800)	(158)	(2,307)

Scenario 2: Assumes 20% of volume is sold to the Department from the conduit, with puts evenly distributed across the five-year life of the put.. This scenario also assumes loans are put if they become more than 210 days delinquent.

	Cost Percentage						Outlays						
	2004	2005	2006	2007	2008	2009	2004	2005	2006	2007	2008	2009	Total
Conduit Program													
Volume (non-add)													
Loans in Conduit							2,234	2,823	3,454	8,565	6,870	1,456	25,402
Loans Put from Conduit							773	816	840	1,875	1,564	377	6,244
Change in 2009 Program Costs in Conduit						-9.89%						-144	-144
FFEL Guaranteed Loan Modification							-28	-27	-31	-62	-649		-796
Administrative Expenses (NPV)	0.78%	0.95%	1.14%	1.30%	1.33%	1.39%	6	8	10	24	21	5	74
Loan Purchase Subsidy Costs	3.49%	2.92%	0.22%	-1.39%	5.54%	-1.49%	27	24	2	-26	-87	-6	-66

TABLE 2 Continued

Risk Adjustments													
Economic Risk	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	11	14	17	43	34	7	127
Claim Rejects	0.12%	0.12%	0.12%	0.12%	0.12%	0.12%	3	3	4	10	8	2	30
Operational Risk	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	4	6	7	17	14	3	51
General Administrative Risk	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	22	28	35	86	69	15	254
Portfolio Composition Risk	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	22	28	35	86	69	15	254
Total, Loan Purchase Extension	7.10%	6.69%	4.18%	2.73%	-1.39%	2.72%	96	111	109	240	128	41	725
Federal Financing Bank Liquidity Provision							2	3	3	9	8	2	27
Total Change							71	86	82	187	(513)	(101)	(188)

Scenario 3: Assumes 75 % of not-for-profit volume and 10% of for-profit volume from the conduit is sold to the Department at the end of five years. This scenario also assumes loans are put if they become more than 210 days delinquent.

	Cost Percentage						Outlays						
	2004	2005	2006	2007	2008	2009	2004	2005	2006	2007	2008	2009	Total
Conduit Program													
Volume (non-add)													
Loans in Conduit							2,234	2,823	3,454	8,565	6,870	1,456	25,402
Loans Put from Conduit							625	606	563	1,171	992	238	4,195
Change in 2009 Program Costs in Conduit						-7.32%						-107	-107
FFEL Guaranteed Loan Modification							-27	-27	-24	-56	-645		-778
Administrative Expenses (NPV)	0.26%	0.32%	0.42%	0.55%	0.56%	0.66%	2	2	2	6	6	2	19
Loan Purchase Subsidy Costs	6.37%	6.09%	3.82%	1.51%	-7.29%	-1.14%	40	37	22	18	-72	-3	41

TABLE 2 Continued

Risk Adjustments													
Economic Risk	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	11	14	17	43	34	7	127
Claim Rejects	0.12%	0.12%	0.12%	0.12%	0.12%	0.12%	3	3	4	10	8	2	30
Operational Risk	0.20%	0.20%	0.20%	0.20%	0.20%	0.20%	4	6	7	17	14	3	51
General Administrative Risk	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	22	28	35	86	69	15	254
Portfolio Composition Risk	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	22	28	35	86	69	15	254
	9.45%	9.22%	7.07%	4.88%	-	2.34%	104	118	121	266	127	40	777
Total, Loan Purchase Extension					3.90%								
Federal Financing Bank Liquidity Provision							1	1	2	5	4	1	14
Total Change							78	93	99	214	(514)	(66)	(94)

Summary

	Total Costs	Probability of Occurrence	Probable Cost
Scenario 1	-2,307	2.00%	-46
Scenario 2	-188	10.00%	-19
Scenario 3	-94	88.00%	-83
	-2,590		-148

APPENDIX A

Loan Purchase Commitment Program for Eligible FFELP Loans

Summary of Terms and Conditions

These terms and conditions do not purport to be all of the terms and conditions that will govern the Loan Purchase Commitment Program. The final terms and conditions of the Loan Purchase Commitment Program will be those included in a definitive Master Loan Sale Agreement and other documentation related thereto.

Purchase Program Purpose: The purpose of the Loan Purchase Commitment Program ("Purchase Program") as implemented for the 2009-2010 academic year is to encourage Eligible Lenders, as defined below, to provide students and parents access to Stafford and PLUS loans made under the Federal Family Education Loan Program ("FFELP") for the 2009-2010 academic year, by providing a market for Eligible Loans during the term of the Purchase Program. The Purchase Program described herein (the "2009 Purchase Program") will consist of a standard Master Loan Sale Agreement ("2009 Master Loan Sale Agreement") to be provided by the Department of Education ("Department") and related documents to which each Eligible Lender will agree.

Purchase Program Authority: Under section 459A of the Higher Education Act of 1965 ("HEA"), as amended, the Department has the authority to purchase, or enter into forward commitments to purchase, student loans made under sections 428 (subsidized Stafford loans), 428B (PLUS loans), or 428H (unsubsidized Stafford loans) of the HEA, on such terms as the Secretary of Education ("Secretary"), the Secretary of the Treasury, and the Director of the Office of Management and Budget jointly determine are in the best interest of the United States.

Program Description: Pursuant to the terms of the 2009 Purchase Program, the Department may purchase Eligible Loans that are held by Eligible Lenders. Such purchases may occur during the period commencing on July 1, 2009 and ending on September 30, 2010. To participate in the 2009 Purchase Program, each Eligible Lender must submit a Notice of Intent to Participate in the 2009 Program. With the filing of this Notice of Intent to Participate, the Eligible Lender is vested with the option to put to the Department those loans that are Eligible Loans under the terms of the 2009 Purchase Program. Prior to executing the put, the Eligible Lender must enter into a 2009 Master Loan Sale Agreement with the Department, as explained later here. Entering into the Master Loan Sale Agreement preserves the put option. Neither the filing of the Notice of Intent to Participate nor the Master Loan Sale Agreement commits the Eligible Lender to put Eligible Loans to the Department.

Upon execution of the put option, the Lender must transfer title to the loans it sells, and at the direction of the Department, deliver to the Department or its agent the fully executed master promissory note (or all electronic records evidencing the same) evidencing each Eligible Loan that the Eligible Lender wishes to sell to the Department and any and all other documents and computerized records relating to such Eligible Loans.

In order to acquire the option to sell loans under the Purchase Program, an Eligible Lender must first file with the Department a "Notice of Intent to Participate in the Loan Purchase Commitment Program and/or Loan Participation Purchase Program for Eligible FFELP Loans" ("Notice of Intent"). By so doing, the Lender states its desire to have the option to sell loans or participation interests in loans, or both, to the Department. The timing of the Lender's Notice of Intent controls which loans the Lender may sell under the 2009 Purchase Program. The Lender may not sell Eligible Loans to the Department under the 2009 Purchase Program on which the first disbursement was made prior to the date on which the Department receives the Lender's Notice of Intent.

Furthermore, an Eligible Lender may sell the Department a Loan that was made by another lender only if both that Eligible Lender and the Lender that made the loan have each filed with the Department a Notice of Intent, and only if each Lender filed its respective Notice prior to date on which the Lender made or acquired the Loan.

Commitment to Future FFELP Participation: By its execution of a 2009 Master Loan Sale Agreement, each Eligible Lender represents to the Department that it shall continue to participate in the FFELP and that at such time as funds become reasonably available to such Eligible Lender from private sources, it will originate new FFELP loans or acquire FFELP loans made by other lenders after the date of the Secretary's purchases from such Eligible Lender under the 2009 Agreement.

Eligible Lender: Any entity that is an eligible lender under § 435(d) of the Higher Education Act and holds FFELP loans, or that holds a beneficial ownership interest in FFELP loans held on its behalf by an eligible lender as trustee, is eligible to participate in the 2009 Purchase Program, subject to the terms and conditions of the Purchase Program as described herein and in the 2009 Master Loan Sale Agreement.

Eligible Loans: The following loans will be eligible for purchase pursuant to the Purchase Program:

Subject to the Notice Requirements described below, FFELP subsidized or unsubsidized Stafford Loans and FFELP PLUS loans that were made to students (and parent PLUS loans made to parents of dependent students) for loan periods that include, or begin on or after, July 1, 2009 ("Academic Year 2009-2010") and on which the first disbursement is made on or after May 1, 2009 but no later than July 1, 2010 and which is fully disbursed no later than September 30, 2010.

In order to be eligible for the Purchase Program, each loan must --

(a) have been originated and serviced in compliance with all requirements of applicable law, including the HEA and the implementing regulations;

(b) have been fully disbursed;

(c) bear interest at the stated statutory rate under the HEA for such loan, except as that rate may be modified pursuant to an Eligible Borrower Benefit, as defined below;

(d) be evidenced by a signed master promissory note in the form (including any required addenda) published and prescribed by the Department, without change of any kind, containing no provision that restricts the ability of the Department to exercise its rights under the Master Loan Sale Agreement or requires the obligor to consent to the transfer, sale or assignment of the rights and duties of the Eligible Lender;

(e) have been originated by an Eligible Lender that, pursuant to the Program Description above, filed with the Department a timely Notice of Intent to Participate;

(f) satisfy each of the terms, conditions and representations and warranties in the Master Loan Sale Agreement, including without limitation the following representations and warranties:

(1) immediately prior to the sale of the Eligible Loan, the Eligible Lender has good and marketable title to the loan free and clear of any encumbrance, lien or security interest or any other prior commitment (other than as may be granted in favor of the Department or that will be released upon the Department's purchase of such loan);

(2) the loan has not been modified, extended or renegotiated in any way, except as required or permitted under the HEA or other applicable laws, rules and regulations, and the applicable guarantee agreement;

(3) the loan constitutes a legal, valid and binding obligation to pay on the part of the related obligor enforceable in accordance with its terms and is not subject to a current bankruptcy proceeding;

(4) the loan has no borrower benefits other than Eligible Borrower Benefits. Eligible Borrower Benefits include only unconditional upfront fee reductions which are accrued and paid or made prior to the date on which an Eligible Loan is sold, or permitted reductions in interest rates of not more than .25 percent that are contingent on the use of an automatic payment process by the borrower for any payments due;

(5) the sale of the loan does not conflict with law or require consent of any person not a party to the sale; and

(6) the loan satisfies all of the terms and conditions of the Master Loan Sale Agreement; and

(7) if the loan is subject to a servicing agreement, such agreement is terminable upon thirty (30) days' notice, and the Eligible

Lender shall be responsible for any de-boarding, deconversion or related fees or expenses to the related servicer; and

(g) if the lender holds more than one Stafford Loan for a borrower, each of which is an Eligible Loan, the lender sells all such Eligible Stafford Loans to the Department.

Loans that are ineligible for the Purchase Program include --

FFELP Consolidation Loans or any other types of loans not specifically described in the Master Loan Sale Agreement;

loans disbursed for academic years other than Academic Year 2009-2010;

loans on which the lender has committed to providing the borrower with any borrower benefits other than Eligible Borrower Benefits; and

loans on which a default claim or other claim for payment on the loan has been filed with the guaranty agency.

Term: In order to participate in the 2009 Purchase Program, a lender must be an Eligible Lender and must enter into a 2009 Master Loan Sale Agreement with the Department under which the Eligible Lender will have an irrevocable option to sell Eligible Loans, as defined above, that are fully disbursed, to the Department subject to the terms and conditions of the 2009 Master Loan Sale Agreement. The Eligible Lender must notify the Department that it will exercise its option to sell the fully disbursed Eligible Loan(s) no later than August 14, 2010, and must complete all loan sales on or before September 30, 2010. If an Eligible Lender fails to meet one or both of these dates the option expires, and the Department will not honor any commitment to purchase loans under the 2009 Purchase Program.

Purchase Price: The Department will purchase an Eligible Loan at a purchase price equal to the sum of (1) the outstanding principal balance of the Eligible Loan at time of sale, plus (2) accrued and unpaid interest on the Eligible Loan as of time of sale, plus (3) a reimbursement of the one percent loan fee (as provided by section 438(d) of the HEA) previously paid by the Eligible Lender to the Department, plus (4) $75.00.

Document Delivery: In connection with each sale of Eligible Loans, as directed by the Department, the Eligible Lender must deliver the original fully executed master promissory note evidencing the purchased Eligible Loans and any and all other documents and electronic records evidencing such loans to the entity designated by the Department to retain such documents.

Purchase Frequency: Eligible Lenders may sell Loans to the Department not more frequently than weekly.

Closing Conditions: In order enter into a 2009 Master Loan Sale Agreement with the Department, an Eligible Lender must deliver to the Department each of the following,

unless the Lender has previously entered into a Master Loan Sale Agreement, provided such records at that time, and now certifies that the records remain accurate --

(a) copies of the applicable formation documents, corporate resolutions and good standing certificates for the Eligible Lender;

(b) incumbency certificates of the Eligible Lender;

(c) opinions of the Eligible Lender's counsel relating to corporate matters, legality, validity and enforceability of the Master Loan Sale Agreement and related documents, no conflicts, and such other matters as the Department may request; and

(d) such other documents as the Department may request.

On or prior to each sale of Eligible Loans to the Department, each Eligible Lender shall be required to deliver to the Department --

(a) any required security releases for the Eligible Loans;

(b) a purchase request for such purchase;

(c) loan schedule (in electronic format); and

(d) such other documents as the Department may request.

Notice Requirements: Each Eligible Lender that elects to participate in the 2009 Purchase Program must take the following steps:

- The Lender must submit its Notice of Intent to Participate in the program, as explained above.
- Unless the Lender has entered into a Master Participation Agreement with the Department, the Lender must, no later than March 31, 2010, execute the 2009 Master Loan Sale Agreement and provide a statement setting forth representations, warranties and guarantees required by the Department in the Federal Register notice.
- After the Department countersigns the Master Loan Sale Agreement, and at least forty-five (45) days before the date of any intended sale of loans, the Lender must notify the Department of its intent to sell loans to the Department and must certify that the representations, warranties and guarantees made previously to the Department are current and true.

Loan Servicing: Each loan shall be purchased by the Department on a servicing-released basis. If the loan is subject to a servicing agreement, such agreement must be terminable upon thirty (30) days' notice by the Department. The Department may issue such notice at any time after the Eligible Lender provides notice of its intent to sell loans. The Eligible Lender shall be responsible for any de-boarding, deconversion or related

fees or expenses to the related servicer. Accordingly, upon purchase of any Eligible Loan, the Department shall obtain all rights to service such Eligible Loan and may, in its sole discretion require deconversion of such Eligible Loan in order to service the loan itself or through a third-party servicer of its designation.

Fees and Expenses: Each Eligible Lender shall be required to pay all of its costs and expenses which are incurred in connection with the negotiation, preparation, execution and delivery of the Master Loan Sale Agreement and any or any other related documents, including, without limitation, the reasonable fees and out-of-pocket expenses of counsel for any Eligible Lender with respect thereto, and all other fees, costs and other expenses incurred in connection with the transfer of ownership of Eligible Loans, and delivery of such loans, to the Department.

Other Department Program: Separately, the Department is offering a Loan Participation Purchase Program under which it purchases participation interests in eligible FFELP loans made for the 2009-2010 academic year. This Purchase Program does not require, nor does it preclude, the participation of an Eligible Lender in the Loan Participation Purchase Program .

Governing Law and Forum: The 2009 Master Loan Sale Agreement and the Notice of Intent to Participate, and the rights and obligations of the parties thereto, shall be governed by and construed in accordance with Federal law. Insofar as there may be no applicable Federal law, the internal laws of the State of New York (without giving regard to conflicts of laws principles other than Sections 5-1401 and 5-1402 of the New York General Obligations Law) shall be deemed reflective of Federal law insofar as to do so would not frustrate the purposes of any provision of this Master Loan Sale Agreement or the transactions governed thereby.

APPENDIX B

Loan Participation Purchase Program for Eligible FFELP Loans

Summary of Terms and Conditions

These terms and conditions do not purport to be all of the terms and conditions that will govern the Loan Participation Purchase Program. The final terms and conditions of the Loan Participation Purchase Program will be included in a definitive Master Participation Agreement and other documentation related thereto.

Loan Participation Purchase Program Purpose: The purpose of the Loan Participation Purchase Program ("Participation Program") as implemented for the 2009-2010 academic year is to encourage Eligible Lenders, as defined below, to provide students and parents access to Stafford and PLUS loans made under the Federal Family Education Loan Program ("FFELP") for the 2009-2010 academic year by selling short-term participation interests in Eligible Loans, as defined below, to the Department of Education ("Department") during the term of the Participation Program. The Participation Program described herein (the "2009 Participation Program") will consist of a standard Master Participation Agreement (the "2009 Master Participation Agreement") to be provided by the Department and related documents to which each Eligible Lender and related parties described below will agree.

Participation Program Authority: Under section 459A of the Higher Education Act of 1965 ("HEA"), as amended, the Department has the authority to purchase, or enter into forward commitments to purchase, student loans made under sections 428 (subsidized Stafford loans), 428B (PLUS loans), or 428H (unsubsidized Stafford loans) of the HEA, on such terms as the Secretary of Education ("Secretary"), the Secretary of the Treasury, and the Director of the Office of Management and Budget jointly determine are in the best interest of the United States.

Program Description: Pursuant to the terms of the 2009 Participation Program, the Department may purchase Participation Interests in Eligible Loans held by an Eligible Lender, acting as a sponsor under a Master Participation Agreement ("Sponsor"). In order to participate in the 2009 Participation Program, each Sponsor must enter into a 2009 Master Participation Agreement with the Department and a third-party Custodian acceptable to the Department.

Put Option means the option issued to Eligible Lenders by the Department under the Department's separate Loan Purchase Commitment Program for the 2009-2010 academic year (the "2009 Purchase Program"). As a condition precedent to the Department's purchase of a Participation Interest in an Eligible Loan under the 2009 Participation Program, both the originating Eligible Lender and, if different, the Eligible Lender then in possession of the Eligible Loan must each have provided to the Department timely "Notice of Intent to Participate in the Loan Purchase Commitment Program and/or Loan Participation Purchase Program for Eligible FFELP Loans"("Notice of Intent").

An Eligible Lender that sells participation interests to the Department under the 2009 Participation Program is not obligated by that action to exercise the Put Option.

Eligible Lender: Any entity that is an eligible lender under § 435(d) of the Higher Education Act and holds FFELP loans, or that holds a beneficial ownership interest in FFELP loans held by an eligible lender as trustee, on its behalf, is eligible to participate in the Participation Program, subject to the terms and conditions of the Participation Program as described herein and in the Master Participation Agreement.

Sponsor means an Eligible Lender that will sell Participation Interests in FFELP loans under the terms of the Participation Program.

Custodian means the entity selected by the Sponsor and acceptable to the Department that will hold legal title to those Eligible Loans in which the Department purchases a Participation Interest . The Custodian or its designee holds the fully executed master promissory notes that evidence the Purchased Eligible Loans and any and all other documents and computerized records relating to such Purchased Eligible Loans. Only a National or State-chartered bank that is an eligible lender pursuant to § 435(d)(1)(A) of the HEA can serve as a Custodian. The Department reserves the right to establish those additional requirements that an entity must meet in order to act as a Custodian for the Participation Program.

Program Structure: Under the Participation Program, a Sponsor will transfer Eligible Loan to the Custodian, which will issue to the Sponsor participation interests in such loans. These interests will be evidenced by participation certificates issued by the Custodian. The Department will purchase from the Sponsor a senior participation interest in the loans ("Purchased Eligible Loans."), and will receive a senior participation certificate that represents a 100 percent beneficial ownership interest in the principal portion of each such Purchased Eligible Loan and the right to receive the "Participant's Yield."

The Participant's Yield is the amount, payable for each quarter during which the Department holds a participation interest, equal to (a) the daily average principal balance of the Department's participation interest in a Purchased Eligible Loan for that quarter multiplied by (b) the product of (i) the rate determined by the Department and published pursuant to § 438(b)(2)(I)(i)(I) of the HEA for that quarter ("Commercial Paper Rate") plus fifty (50) basis points ("Spread") and (ii) the number of days in that quarter, and (c) divided by 360. If any of specified adverse events, including filing for bankruptcy, occur with respect to the Sponsor or its Servicer, the Spread may be increased to three hundred (300) basis points.

The Sponsor will receive from the Custodian a subordinate participation interest with respect to the Purchased Eligible Loans, and a participation certificate that evidences the Sponsor's right to redeem the Purchased Eligible Loans by exercise of the Put Option or otherwise, and subject to the terms of the Master Participation Agreement, the right to receive those collections on the Purchased Eligible Loans that remain after satisfaction of the Participant's Yield and the Department's Participation Interest in the Purchased Eligible Loans.

The Custodian will hold title to the Purchased Eligible Loans in trust for the benefit of both the Department as the owner of the senior participation interest and the Sponsor as owner of the junior participation interest, until the Sponsor redeems the Department's Participation Interest.

In order to protect the interests of the Department, the Department will also be granted a protective first priority perfected security interest in the following assets: (i) the Purchased Eligible Loans in which it has a Participation Interest; (ii) all payments received on the Purchased Eligible Loans and all funds collected or to be collected with respect to such Loans; and (iii) any monies on deposit in accounts established under the related Master Participation Agreement (including the Collection Account), and all related rights and security with respect thereto under the related Master Participation Agreement. Each subsequent purchase of a participation interest in other Eligible Loans, or in Purchased Eligible Loans on which subsequent disbursements have been made, will be evidenced by an increase in the outstanding principal balance of the related Participation Interest. The amount of Purchased Eligible Loans and the balance of the Participation Interest may decrease as principal payments or other reductions in the principal balance are made with respect to the Purchased Eligible Loans and remitted to the Department or in connection with the redemption or exercise of the Put Option with respect to any Purchased Eligible Loans.

The Master Participation Agreement will include representations, warranties and covenants and events of default and other termination events as are customary under similar participation interest facilities or as are determined by the Department.

Commitment to Future FFELP Participation: By its execution of a 2009 Master Participation Agreement, each Eligible Lender represents to the Department that it shall continue to participate in the FFELP and that at such time as funds become reasonably available to the Eligible Lender from private sources, it will originate new FFELP loans or acquire FFELP loans made by other lenders after the date of the Secretary's purchases from the Eligible Lender.

Eligible Loans: The following loans will be eligible for the Participation Program:

Subject to the Notice Requirements described below, FFELP subsidized or unsubsidized Stafford Loans and FFELP PLUS loans made to students and parents of dependent students for loan periods that include, or begin on or after, July 1, 2009 ("Academic Year 2009-2010"), and for which the first disbursement is made on or after May 1, 2009 but no later than July 1, 2010, and that is scheduled to be fully disbursed no later than September 30, 2010.

In order to be eligible for the Participation Program each loan must --

(a) have been originated and serviced in compliance with all requirements of applicable law, including the HEA and the implementing regulations;

(b) have had at least one disbursement made;

(c) bear interest at the stated statutory rate under the HEA for such loan, except as that rate may be modified by an Eligible Borrower Benefit, as defined in the Agreement;

(d) be evidenced by a signed master promissory note in the form (including any required addenda) published and prescribed by the Department, without change of any kind, containing no provision that either restricts the ability of the Department to exercise its rights under the Master Participation Agreement or requires the obligor to consent to the transfer, sale or assignment of the rights and duties of the Eligible Lender;

(e) be eligible, when fully disbursed, to be sold to the Department through the Put Option; and

(f) satisfy each of the terms, conditions and representations and warranties in the Master Participation Agreement, including without limitation the following representations and warranties:

(1) immediately prior to delivery of legal title to the Custodian, the Sponsor has good and marketable title to the loan free and clear of any encumbrance, lien or security interest or any other prior commitment (other than as may be granted in favor of the Department or that will be released upon the Department's purchase of a participation interest in such loan);

(2) the loan has not been modified, extended or renegotiated in any way, except as required or permitted under the HEA or other applicable laws, rules and regulations, and the applicable guarantee agreement;

(3) the loan constitutes a legal, valid and binding obligation to pay on the part of the related obligor enforceable in accordance with its terms and is not subject to a current bankruptcy proceeding;

(4) the loan has no borrower benefits or other incentive programs other than Eligible Borrower Benefits, which include only unconditional upfront fee reductions which are accrued and paid or made prior to the date on which a Participation Interest is sold, or permitted reductions in interest rates of not more than .25 percent that are contingent on the use of an automatic payment process by the borrower for any payments due;

(5) the transfer of the loan to the Custodian and the sale of the Participation Interest does not conflict with law or require consent of any person not a party to the transaction;

(6) the loan satisfies all of the terms and conditions of the Master Participation Agreement;

(7) if the loan has not been fully disbursed, the Sponsor will make or cause all subsequent scheduled disbursements to be made, as an agent of the Custodian;

(8) if the loan is subject to a servicing agreement, such agreement must be terminable upon thirty (30) days' notice, and the Sponsor shall be responsible for any de-boarding, deconversion or related fees or expenses to the related Servicer, as defined below.

Loans that are ineligible for the Participation Program include --

FFELP Consolidation Loans or any other types of loans not specifically described in the Master Participation Agreement;

loans disbursed for an academic year other than Academic Year 2009-2010;

loans on which the lender has committed to providing the borrower with any borrower benefits other than Eligible Borrower Benefits;

loans that have not had at least one disbursement as of July 1, 2010;

loans in which the Department has previously purchased a Participation Interest, whether or not that interest has been redeemed; or

loans that are more than 225 days delinquent or on which a default claim or other claim for payment on the loan has been filed with the guaranty agency.

Term: In order to participate in the Participation Program, a Sponsor, and, if not itself an Eligible Lender, its Eligible Lender Trustee, must enter into a single Master Participation Agreement with the Department under which the Sponsor will have an irrevocable option to sell to the Department, subject to the terms and conditions of the Master Participation Agreement, Participation Interests in each Eligible Loan. The Department will not enter into a 2009 Master Participation Agreement with an Eligible Lender after July 1, 2010. The Sponsor must exercise the option to sell Participation Interests in Eligible Loan(s) on or before August 1, 2010.

After August 1, 2010, the Department will not purchase Participation Interests in any loans other than Purchased Eligible Loans, and the option to sell Participation Interests in any other loans expires. After that date, the Department will purchase additional Participation Interests in those Purchased Eligible Loans on which an additional disbursement has been made after that date, on the following conditions:

- the first disbursement on the Loan was made by July 1, 2010,

- the Loan became subject to a Participation Interest by August 1, 2010,
- the second disbursement was made between August 1, 2010 and September 14, 2010,
- the Sponsor notified the Department that it intended to redeem the Participation Interest with respect to the Loan by selling the Loan to the Department by the Put Option, and
- the Sponsor then completes the sale under the Put Option within 30 days of the second disbursement.

Purchase Price: The Department will purchase each Participation Interest at a purchase price equal to the outstanding principal balance of the Eligible Loans subject to such Participation Interest at time of the purchase of such Interest. To maintain the Department's 100% interest in the principal balance of each Purchased Eligible Loan, the Sponsor shall be required to fund any subsequently scheduled disbursements on such loan, and the Department will purchase a Participation Interest in any amount subsequently disbursed on such Purchased Eligible Loans.

Collection Account: A segregated pledged account established at the Custodian for the purpose of holding all payments and other proceeds received on or with respect to the Purchased Eligible Loans, including proceeds of the sale of such loans ("Collections") for the benefit of the Department, as holder of the Participation Interest. The Servicers, as defined below, will deposit all Collections as soon as possible, but in no event later than two (2) business days after receipt of good funds, into the Collection Account.

Responsibility for Fees and Other Charges: The Custodian is responsible for any fee or other charge owed to the Department or to the guaranty agency on an Eligible Purchased Loan after the loan has been transferred to the Custodian, including amounts owed to the Department as a recapture of excess interest ("negative special allowance").

Permitted Investments: The Custodian may invest those amounts on deposit in each Collection Account only in overnight or short-term U.S. Treasury securities that will, in all cases, mature on or prior to the day immediately preceding the date such funds are required to be disbursed.

Minimum Delivery Requirements: Each Sponsor that enters into a Master Participation Agreement with the Department shall be required to represent and warrant to the Department that such Sponsor intends to sell to the Department during the term of the Participation Program, participation interests in Eligible Loans with an aggregate unpaid principal balance of not less than $50,000,000. In order to satisfy such minimum delivery requirement, a Sponsor shall be permitted to aggregate Eligible Loans originated or held by other Eligible Lenders, provided that such Sponsor has authority to convey legal title to such Eligible Loans to the Custodian and to sell Participation Interests in Eligible Loans originated or held by such other Eligible Lenders. Eligible Lenders that claim Special Allowance Payments (SAP) at the rate payable for eligible not-for-profit holders and that seek to aggregate Eligible Loans must do so through a Sponsor that aggregates only loans that qualify for SAP at that rate.

Purchase Frequency: Sponsors shall sell Participation Interests to the Department not more frequently than weekly.

Closing Conditions: Except as noted below, on or prior to the execution of the Master Participation Agreement by a Sponsor, such Sponsor shall be required to deliver to the Department --

(a) copies of the applicable formation documents, corporate resolutions and good standing certificates for the Sponsor;

(b) incumbency certificates of the Sponsor;

(c) opinions of the Sponsor's counsel relating to corporate matters, legality, validity and enforceability of the Master Participation Agreement and related documents, perfection, no conflicts, and such other matters as the Department may request;

(d) agreements, if any, with other Eligible Lenders to aggregate, transfer legal title to, and sell participation interests in Eligible Loans;

(e) UCC search reports and all UCC-1 Financing Statements;

(f) Master Participation Agreement, Eligible Servicing Agreement, as defined below (if any), Custodial Agreement (if not included as part of the Master Participation Agreement); and

(g) such other documents as the Department may request.

A Sponsor that has previously entered into a Master Loan Sale Agreement with the Department and in doing so, has provided the records described in (a), (b), and (c) at that time, may now certifies that these records remain accurate, rather than providing copies of those records

On or prior to each sale of a Participation Interest in Eligible Loans to the Department, each Sponsor shall be required to deliver to the Department --

(a) any required security releases for the Eligible Loans;

(b) list of lockboxes and copies of lockbox servicing instructions, to the extent not already provided;

(c) a purchase request for such purchase;

(d) Loan Schedule (in electronic format); and

(e) such other documents as the Department may request.

In addition, the Custodian will be required to deliver to the Department (a) a certification evidencing receipt and review of each of the loan documents relating to the Eligible Loans, and (b) a Participation Certificate.

Custodian Monthly Closing Reports: The Custodian will provide to the Department a monthly settlement date report summarizing loan activity for the prior calendar month, in the form and on the date specified by the Department

Loan Servicing: Each Eligible Loan which is subject to a Participation Interest shall be serviced by or at the direction of the Custodian. The Custodian may retain the Sponsor or a servicer of FFELP student loans not under sanction by the Department To service the Loans, and in its discretion and pursuant to directions from the Department, to maintain custody of Loan records. The entity that services the Loans ("Servicer") must enter into, and perform pursuant to the terms of, an Eligible Servicing Agreement, as defined below, and must service the loans in accordance with Department regulations. The Sponsor will be responsible for the payment of any servicing related fees and expenses incurred in connection with the Participation Program. A servicing agreement will be deemed to be an "Eligible Servicing Agreement" if it: (i) contains customary terms and conditions that reflect a negotiated, arms-length transaction; (ii) provides for not more than a fair market servicing fee; (iii) includes usual and customary representations, warranties, covenants and events of default; (iv) acknowledges or be amended to acknowledge that the Department is an intended third-party beneficiary of such agreement entitling the Department to instruct the Servicer and exercise remedies with respect to the applicable Purchased Eligible Loans upon the occurrence of a Termination Event (as defined under the Master Participation Agreement); and (v) provides that any Servicer will deposit all funds received on Purchased Eligible Loans into the Collection Account (as defined above) no later than two (2) business day after receipt of good funds.

Each Eligible Servicing Agreement will also provide that upon notice of the exercise of the Put Option or other acquisition of a Purchased Eligible Loan by the Department, such agreement is terminable upon thirty (30) days' notice without the payment of any de-boarding, deconversion or related costs, penalties or fees to the related Servicer and that the servicing shall be transferred as instructed by the Department. Accordingly, upon purchase of any Eligible Loan or other acquisition of title thereto, the Department shall obtain all rights to service such Eligible Loan and may, in its sole discretion, require deconversion of such Eligible Loan in order to service the loan itself or through a third-party Servicer of its designation.

Servicing Standard: Each Servicer will manage, service, administer, make collections and calculate any amounts owed to the Department with respect to the Purchased Eligible Loans (including collection of any interest subsidy payments and special allowance payments and calculate any negative special allowance owed with respect to the Purchased Eligible Loans) in accordance with all requirements as set forth in the established Master Participation Agreement, including but not limited to compliance with all applicable federal and state laws, including all applicable rules, regulations and other requirements of the HEA and the applicable guarantee agreement. Each Servicer shall be responsible for segregating, marking each Eligible Purchased Loan as owned by the related Custodian and remitting to the Custodian all payments received on the Purchased

Eligible Loans. This includes, but is not limited to, physical or electronic marking of relevant computer records.

Additional Reports and Information: The Sponsor and the Custodian may be required by the Department to provide regular monthly reports regarding transactions affecting loans, including information identifying the schools for which loans were made, loan delinquencies, and other information.

At any time, the Department and its representatives will have the right to request, schedule and conduct, during normal business hours and upon reasonable prior notice, a due diligence/audit of the Servicer's operations in respect to this Participation Program, the transaction documents, the Eligible Purchased Loans and settlement reports at the expense of the Servicer or Sponsor. Also, from time to time during a calendar year, the Department shall have the right to request, schedule and conduct, during normal business hours and upon reasonable prior notice, additional due diligence of the Sponsor, the Custodian and any Servicers, at the Sponsor's expense.

With respect to each Servicer, the Department shall be provided any audit reports or other annual compliance/operational audits performed on such Servicer relating to the servicing of FFELP student loans.

The Custodian shall be responsible for providing to the Department, within 90 days after the Termination Date of a Participation, as provided in the Master Participation Agreement, an audit conducted by an independent auditor of the Custodian's activities under that Participation.

Other information as requested by the Department shall be delivered to the Department, which may include audited annual financial statements or unaudited quarterly financial statements of the Sponsor and any Servicer or their respective consolidated groups.

Statements of Compliance: Both the Sponsor and the Servicer will provide to the Department a statement of compliance with respect to the Master Participation Agreement and any related documents and applicable law, together with an agreed upon procedures letter delivered by an independent public accountant with respect to the Master Participation Agreement, all in form acceptable to the Department within 60 days of the execution of the Master Participation Agreement and on any subsequent dates specified by the Department.

Operation of the Participation Program: The Department will pay the Sponsor the purchase price for a Participation Interest promptly after the Sponsor notifies the Department and the Custodian confirms that a disbursement has been made on the Eligible Loan and the Eligible Loan has been placed in the Participation Program, subject to timing and frequency arrangements specified herein and in the Master Participation Agreement. The Department will remit this payment through the Custodian. The Sponsor is responsible for ensuring that all fees and charges, and all servicing requirements under FFELP rules for a Purchased Loan, are satisfied. In the event that any Eligible Loan has become subject to a Participation Interest and such Eligible Loan is purchased out of the Participation Program by the Sponsor or any other entity, such loan shall cease to be eligible for the Participation Program and no Eligible Lender shall thereafter be permitted to sell a Participation Interest in such loan to the Department.

A Purchased Eligible Loan that becomes and remains delinquent must be redeemed by the Sponsor not later than the 255th day of such delinquency.

Termination Date: The termination date for each Participation Interest will be the earliest to occur of (i) the date on which the Sponsor notifies the Department that it will no longer be a participant in the program and reduces its amount outstanding to zero, (ii) the effective date of a termination event, including, without limitation, the bankruptcy, insolvency or other adverse event with respect to the Sponsor, and (iii) September 30, 2010.

Resolution of the Facility; Redemption Payment/Put Option: Under the terms of the Participation Program, each Participation Interest will expire on September 30, 2010. On or before such date, the Sponsor must pay the Custodian for remittance to the Department, with respect to each Purchased Eligible Loan subject to the Participation Interest, the purchase price paid by the Department for the Participation Interest in such Purchased Eligible Loan together with the Participant's Yield on such purchase price, calculated through the next scheduled distribution date. Upon receipt of this redemption payment by the Custodian, the Department agrees to release its interest in any Eligible Loan which is subject to any Participation Interest that is so redeemed. If the Sponsor elects to exercise the Put Option with respect to such underlying Eligible Loans, the Sponsor will release its interest in such Eligible Loans to the Department, and the Department will offset the Redemption Payment owed by Sponsor against the amount due the Sponsor under the Put Option and will remit the net amount to the Custodian.

On the Termination Date, all Purchased Eligible Loans, and the related servicing rights attributable to such loans, for which the Sponsor has not made the Redemption Payment shall become the property of the Department without any further action by the Department and the Participation Interests and the rights of the Department and the Sponsor under the Master Participation Agreement shall be terminated.

Distribution of Funds:

Monthly distribution: On a monthly basis, the Custodian will remit to the Department funds on deposit in the Collection Account in order to satisfy the outstanding Participant's Yield and Participation Interest.

Final distribution: On or before October 20, 2010, the Custodian shall distribute any remaining funds in the Collection Account, in the following order of priority --

a) To the Department, the Participant's Yield;

b) To the Department, any remaining amounts until its Participation Interest balance is reduced to zero; and

c) To the Sponsor, any remaining amounts.

Notice Requirements: The Department will publish the terms of the 2009 Loan Participation Purchase Program in the Federal Register. Each Eligible Lender that elects to participate in the 2009 Participation Program must take the following steps:

- The Lender must submit to the Department a Notice of Intent.
- Upon confirmation of receipt by the Department of the Notice of Intent, the Lender must provide a good faith estimate of the amount of Participation Interests it proposes to sell to the Department throughout the term of the Participation Program. The Lender must update this estimate on a monthly basis.
- The Lender must execute the Master Participation Agreement and provide the representations, warranties and guarantees required by the Department under that Agreement by the earlier of July 1, 2010, or the closing date of the sale of the first Participation Interest.
- If the Lender proposes to exercise the Put Option to sell Purchased Eligible Loans to the Department, the Lender must, after the Department countersigns the Master Participation Agreement, and at least forty-five (45) days before the date of any intended sale of loans, notify the Department of its intent to sell loans to the Department and must certify that the representations, warranties and guarantees made previously to the Department are current and true.

The timing of the Lender's Notice of Intent controls which loans for which the Lender may sell Participation Interests. The Eligible Lender may not sell Participation Interests to the Department relating to loans for which the first disbursement was made prior to the date on which the Department receives the Notice of Intent. If an Eligible Lender wishes to sell a Participation Interest to the Department in an Eligible Loan that it did not originate, both that Eligible Lender and the Lender that made the loan must each file a Notice of Intent with the Department. Each Lender must file its respective Notice prior to date on which it made or acquired the Loan.

Fees and Expenses: Each Sponsor shall be required to pay all of its costs and expenses which are incurred in connection with the negotiation, preparation, execution and delivery of the Master Participation Agreement and any or any other related documents, including, without limitation, the reasonable fees and out-of-pocket expenses of counsel for such Sponsor, all other costs and expenses of servicing the Purchased Eligible Loans, and all costs and expenses incurred in connection with the transfer and delivery of the Purchased Eligible Loans to the Custodian, including, without limitation, the fees of the custodian and any fees and expenses incurred in connection with transferring ownership of any Purchased Eligible Loans to the Custodian or to the Department in connection with the exercise of the Put Option or any other acquisition of ownership of the Purchased Eligible Loans by the Department.

Governing Law and Forum: The Master Participation Agreement, the Notice of Intent to Participate, and the rights and obligations of the parties thereto shall be governed by

and construed in accordance with Federal law. Insofar as there may be no applicable Federal law, the internal laws of the State of New York (without giving regard to conflicts of laws principles other than Sections 5-1401 and 5-1402 of the New York General Obligations Law) shall be deemed reflective of Federal law insofar as to do so would not frustrate the purposes of any provision of the Master Participation Agreement or the transactions governed thereby.

APPENDIX C

FFELP Loan ABCP Conduit Put Program

Summary of Terms and Conditions
January 9, 2008

The following terms and conditions do not purport to be all of the terms and conditions that will govern the FFELP Loan ABCP Conduit Put Agreement. The final terms and conditions of the FFELP Loan ABCP Conduit Put Agreement will be included in a definitive Put Agreement and other documentation related thereto.

FFELP Loan ABCP Conduit Purpose: The purpose of the FFELP Loan ABCP Conduit ("Conduit Program") and the related Put Agreement is to encourage Sellers, as defined below, to provide students and parents access to Stafford and PLUS loans (each as defined below) made under the Federal Family Education Loan Program ("FFELP") by providing a highly rated and liquid source of funding to Sellers for Eligible Loans, as defined below, supported by the right to put such Eligible Loans to the Department of Education ("Department") upon the occurrence of certain events. The Put Option, as defined below, will be evidenced by a Put Agreement ("Put Agreement") among the Department, a commercial paper conduit ("Conduit") and its agent and Eligible Lender Trustee ("Conduit Administrator", together with the Conduit, individually and collectively, as applicable, "Conduit Party"). The Conduit Program will be documented pursuant to agreements and other documentation ("Transaction Documents") consistent with the Put Agreement and these terms and conditions.

Program Authority: Under section 459A of the Higher Education Act of 1965, as amended ("HEA"), the Department has the authority to purchase, or enter into forward commitments to purchase, student loans made under sections 428 (Subsidized Stafford loans), 428B (PLUS loans), or 428H (Unsubsidized Stafford loans) of the HEA, on such terms as the Secretary of Education ("Secretary"), the Secretary of the Treasury, and the Director of the Office of Management and Budget jointly determine are in the best interest of the United States.

Program Description: One or more Conduits may be established by Sellers and other private market participants. Any such Conduit may be established with the following structure as described in this section "Program Description" or such alternative structure as may be approved by the Department, with or without the use of SPVs and/or Funding Notes (each as defined below); provided, that any such structure shall have terms and conditions substantially as set forth in this Summary of Terms and Conditions. Under the Conduit Program as implemented in a form now being developed, Sellers may sell Eligible Loans to bankruptcy remote special purpose vehicles (each, an "SPV") pursuant to Purchase Agreements, as defined below. Each SPV will issue one or more funding

notes (each, a "Funding Note") to the Conduit and certificates or subordinated interests to the Seller to fund its purchase of Eligible Loans. Certain state agency or not-for-profit Sellers may issue Funding Notes directly to the Conduit without the use of an SPV if they meet the criteria specified in the Transaction Documents (the SPV or Seller issuing the Funding Note, the "Funding Note Issuer"). Funding Notes will be payable from, and will be secured by a first priority perfected security interest in, the Eligible Loans owned by the SPVs. The Conduit will then fund its acquisition of each Funding Note through the issuance of commercial paper ("CP") and/or other interests (collectively, "Securities"). The assets and liabilities of the Conduit will be administered by an administrator. Upon maturity, CP will be paid from one or a combination of the following: (i) payments received under the Funding Notes (which will be paid from collections and proceeds of the Eligible Loans), (ii) the issuance of additional Securities, (iii) advances provided by certain liquidity providers to the Conduit Program, if any ("Liquidity Providers"), and (iv) a reserve account, if any. Upon the occurrence of a Put Event (as defined below) and subject to the terms of the Put Agreement, the Department will agree to purchase Eligible Loans that are part of the Conduit Program.

The Conduit shall conduct a competitive process to select any Conduit Program party receiving a fee in connection with the provision services to the Conduit or otherwise relating to the Conduit Program, including, but not limited to, the Conduit Administrator, any manager, any trustee, and the Liquidity Providers.

Put Option: The option issued pursuant to the Put Agreement (by the Department) to the Conduit Party that requires the Department to purchase Eligible Loans upon the occurrence of a Put Event. Once issued with respect to an Eligible Loan, the Put Option will be irrevocable until the Put Expiration for so long as such loan is part of the Conduit Program and will not be subject to set-off by the Department with respect to amounts owed to the Department by any Seller, any SPV, the Conduit Party or any Eligible Lender Trustees.

Put Expiration: The Put Option will expire with respect to all Eligible Loans on the fifth anniversary of the date of the Put Agreement but not later than September 30, 2014.

Put Event: The Put Option shall be exercised by the Conduit Party automatically upon the occurrence of (i) any failure to make a liquidity funding when due; provided, that, a Put Event shall not be deemed to occur under this clause (i) if the related liquidity funding shall have been made by any other person; or (ii) any liquidity funding shall remain unpaid for more than forty-five (45) days after the date on which such liquidity funding was made in accordance with the related liquidity agreement; or (iii) the date that is 45 days prior to the Put Expiration; provided, that a Put Event shall occur on each date preceding such forty-fifth day to the extent necessary in order to ensure that the Daily Put Limit (as defined below) is not exceeded on any related Put Date; or (iv) the declaration or automatic occurrence of a Funding Note "event of default" (as defined in the Transaction Documents), including without limitation an event of default relating to a Seller's breach of its commitment to lend under the section of these terms and conditions entitled "Commitment to Future FFELP Participation" as more fully described in the

Transaction Documents; or (v) with respect to any loan pledged to the Conduit Party pursuant to a Purchase Agreement, such loan shall have become 210 days or more delinquent; or (vi) the date that 45 days prior to maturity date of any Securities (other than CP); provided that the Department will only purchase Eligible Loans pursuant to clauses (i) through (iv) that are not sold pursuant to an auction process conducted by or on behalf of the Conduit Party. The minimum auction price shall be the Put Price.

Put Notice: The Department will be required to purchase Eligible Loans subject to the Put Option on the date (or, if such date is not a business day, the following business day or, if such day is a Blackout Date (as defined below), the preceding business day that is not a Blackout Date and on which the Daily Put Limit has not been exceeded) 45 days after it has received a notice of the exercise of the Put Option ("Put Notice") following a Put Event ("Put Date"). The Put Notice shall become irrevocable (subject to the auction process described above) (i) with respect to any Put Notice delivered in connection with the occurrence of a Put Event set forth in clauses (i) through (iv) of the definition thereof, fifteen (15) days after delivery to the Department of such Put Notice, and (ii) with respect to any Put Notice delivered in connection with the occurrence of a Put Event set forth in clause (v) of the definition thereof, thirty (30) days after the date upon which the related loan(s) became 210 days delinquent. On the second business day of each week, the Conduit Party shall deliver the Put Notice with respect to all Eligible Loans that became 210 days delinquent during the preceding week.

Put Allocation: The Eligible Loans subject to any Put Notice (with respect to clause (i) through (iv) and (vi) of the definition of Put Event) or any auction shall consist of a sample of all Eligible Loans owned by each Funding Note Issuer to which the Put Notice applies on such date based on criteria and methodology specified in the Put Agreement allocated by the Funding Note Issuer and sufficient to pay the applicable liquidity funding or additional Securities.

As more fully described in the Put Agreement, if a seller has only one servicer or if the seller is selling loans across all of its servicers the loans will be selected on a random basis with no threshold testing required. All loans in and out must be on an account basis (all associated loans of a borrower). All random selections will be done in a manner specified in advance and certified by the Department.

With respect to Loans coming in to conduit:

1) Each Seller will provide a representation of no adverse selection

2) Unless a Seller notifies ED otherwise, the Eligible Portfolio should exclude "restricted loans" which are any loans already pledged to a securitization or where servicing can not be released.

3) If the Seller is selling less than all of the loans of a particular servicer, the Seller conducts a random selection by cohort year for such servicer.

4) Test the Selected loans first by loan size and remove loans systematically starting with the loans that are furthest out of bounds (higher or lower) (from the selected servicer) until the loans size "Threshold" is met; second test portfolio by school type and remove loans systematically starting with the loans that are furthest out of bounds (higher or lower) (from the selected servicer) until the school type "Threshold" is met; third test portfolio by payment status and remove loans systematically starting with the loans that are furthest out of bounds (higher or lower) (from the selected servicer) until the payment status "Threshold" is met; fourth test portfolio by Loan Type and remove loans systematically starting with the loans that are furthest out of bounds (higher or lower) (from the selected servicer) until the payment status "Threshold" is met.

5) Threshold will mean with a 95% confidence level of the Sellers Eligible Portfolio.

With respect to Loans out for a securitization:

Same as proposed for loans coming into the conduit except the Threshold for the tests conducted in 4) above will be based on the current portfolio in the conduit prior to removal of loans for the securitization.

Put Price: The Department will purchase Eligible Loans subject to a Put Notice at a price equal to (i) 100% of the outstanding principal balance including accrued interest of Eligible Loans (A) with first disbursements made on or after May 1, 2008; (B) subject to only Eligible Borrower Benefits (as defined below) and (C) less more than 210 days delinquent as of the related Put Event or (ii) 97% of the outstanding principal balance including accrued interest of all other Eligible Loans not more than 270 days delinquent. In each case accrued interest includes interest to be capitalized through the Put Date. "Eligible Borrower Benefits" include only unconditional upfront fee reductions which are accrued and paid or made prior to the date on which the loan is sold to an SPV or pledged by a direct Funding Note Issuer, or permitted reductions in interest rates of not more than 0.25 percent that are contingent on the use of an automatic payment process by the borrower for any payments due.

Daily Put Limit: The Department will not be required to purchase Eligible Loans under the Put Agreement having an aggregate Put Price (in addition to Eligible Loans purchased pursuant to clause (v) of the definition of "Put Event") in excess of (a) $500,000,000 per week during any calendar week prior to July 20, 2009 or (b) $10,000,000,000 per day on or after July 20, 2009. There may be Put Dates on any business day, including successive business days. In addition, the Department will not be required to purchase any loans on any day identified by the Department in writing to the Conduit Administrator as a day unavailable for making purchases of Loans or other payments under this Agreement ("Blackout Date") if identified in writing to the Conduit Administrator.

If the Department is otherwise required to honor the exercise of the Put Option on a date that is a Blackout Date, the Department will honor such by payment within the daily limits stated here on the preceding business day that is not a Blackout Date on which the Daily Put Limit has not been exceeded.

Put Fee: The Department will be entitled to a fee ("Put Fee") for providing the Put Option equal to the sum of a the Fixed Put Fee and the Variable Put Fee (each as defied below). The "Fixed Put Fee" is an amount equal to a per annum rate on the average daily balance of the outstanding principal balance of the Funding Notes equal to (A) with respect to each Put Fee Payment Date (as defined below) during the 2009 and 2010 calendar years, 0.05%, (B) with respect to each Put Fee Payment Date during the 2011 calendar year, 0.15% and (C) with respect to each Put Fee Payment Date during the 2012 and 2013 calendar years and thereafter, 0.25%. The "Variable Put Fee" is 80% the product of (A), the excess, if any, of the Target Rate (as defined below) over the over the Conduit Cost of Funds Rate (as defined below) times (B) the average daily outstanding principal balance of the Funding Notes, as defined below, calculated for each day in the related period, in each case calculated and payable on a monthly basis in arrears. The Fixed Put Fee will be payable with all other senior fees and expenses and the Variable Put Fee will be payable subordinate to the CP and the fees payable to the Liquidity Providers.

The "Put Fee Payment Date" is any date upon which any portion of the Put Fee is due and payable to the Department pursuant to the terms and provisions of the Transaction Documents.

The "Target Rate" will be equal to one-month LIBOR (determined in accordance with the Transaction Documents). The "Conduit Cost of Funds Rate" will be equal to the per annum rate equivalent to the daily average for the related accrual period of the weighted average daily discount and interest on the CP together with any fees and commissions of dealers of CP plus, with the Department's prior approval, similar amounts with respect to other Securities and, if applicable other Securities; provided, that in calculating the "Conduit Cost of Funds Rate" such discount rate and fees and commissions shall be converted to an interest bearing equivalent rate per annum.

Seller: An institution that holds Eligible Loans (whether directly or through an eligible lender trustee) shall be eligible to participate in the Conduit Program, subject to the terms and conditions of the Conduit Program as described herein and in the Conduit Program Term Sheet. Upon the occurrence of a termination event under the applicable Purchase Agreement, the related seller will cease to be a Seller and the related SPV will not be permitted to purchase further loans from such entity.

Conduit Administrator: An entity selected by the Conduit and acceptable to the Department that will act as agent for the Conduit. The Conduit Administrator will be responsible for exercising the Put Option and must be a National or State-chartered bank that is an eligible lender pursuant to § 435(d)(1)(A) of the HEA and meets the qualifications set forth in the Put Agreement.

Purchase Agreements: Under the Conduit Program, Sellers may sell Eligible Loans to their respective SPVs pursuant to purchase agreements in the form approved by the Department (each, a "Purchase Agreement") for a purchase price consisting of cash,

Securities and/or other interests. Upon the sale of Eligible Loans to an SPV, a Seller shall be required to simultaneously sell to such SPV all other Eligible Loans, if any, to the same borrower then owned by such seller or its affiliates. Any Eligible Loan purchased by an SPV and pledged to the Conduit Party during the Program Term, as defined below, will be subject to the Put Agreement. Once an Eligible Loan has been sold to an SPV, such Eligible Loan shall become ineligible for inclusion after the Purchase Date in either the Department's Loan Purchase Commitment Program or Loan Participation Purchase Program, unless the Eligible Loan is repurchased by the Seller in connection with a Put Event and such loan is otherwise eligible for such program. Certain parties may be able to issue Funding Notes without the use of an SPV. In which case the applicable Program Documents shall have effectively the same provisions described herein, as applicable.

The Purchase Agreements shall include representations, warranties, covenants and events of default and other termination events as are customary for similar Conduit Programs or as otherwise determined by the Department including representations and warranties ("Eligibility Representations") that each loan transferred to the SPV is an Eligible Loan on the date such Eligible Loan is purchased by the SPV ("Purchase Date"). Upon the receipt of notice from the SPV, the Conduit Party or the Department, the Seller will be required to repurchase any loan which failed to satisfy these Eligibility Representations as of the Purchase Date. All of the SPV's rights under the Purchase Agreement with respect to any loans for which the Put Option is exercised shall be assigned to the Department. Accordingly, after the put is exercised with respect to a loan, the Department will have all repurchase and other rights against the Seller if such loan did not satisfy the Eligibility Representations on the applicable Purchase Date.

Prior to the sale of any Eligible Loans to the Conduit Program, the Conduit Party (or its sub-custodian) must receive (i) the loan documentation with respect to such loans required by the Purchase Agreement, (ii) the applicable Eligible Servicing Agreement, as defined below, and (iii) such other certifications and documentation as required by the Put Agreement or the Purchase Agreement.

The only eligibility criteria for the put will be the Put Criteria as defined below. Without limiting the generality of the foregoing, except for the Put Criteria, the Department's obligations to honor the Put Agreement with respect to a loan shall be unconditional even if all of the Eligibility Representations (other than the Put Criteria) were not true as of the applicable Purchase Date or subsequently became untrue.

Each Funding Note Issuer will have the right to prepay at any time all or a portion of the Funding Note issued by that Funding Note Issuer and to obtain a release of an appropriate portion of the Eligible Loans from the lien of the Funding Note (provided no obligations to the Department or the Conduit which are then due remain unpaid). If the Funding Note is not prepaid in full and less than all Eligible Loans of the Funding Note Issuer are being released, the loans to be released will be selected by the Seller or SPV, as applicable, and must be selected based on criteria and methodology specified in the Transaction Documents. Sellers may not resell to their respective SPVs, and Funding

Note Issuer may not re-pledge, any Eligible Loan that has been previously released in connection with a full or partial prepayment of the related Funding Note.

Program Term: The Put Opinion will apply to Eligible Loans pledged by a Funding Note Issuer under the Conduit Program prior July 1, 2010 the "Program Term").

Commitment to Future FFELP Participation: By its execution of a Purchase Agreement, the Seller (and, as applicable, the Eligible Lender Trustee acting on its behalf) represents that:

By its execution of a Purchase Agreement, and upon each sale or pledge thereunder, the applicable Seller shall represent to the Department that:

(i) during a twenty four (24) month period commencing with the month in which it sells or pledges Loans pursuant to a Purchase Agreement, it will originate and disburse Subsidized Stafford Loans, PLUS Loans or Unsubsidized Stafford Loans, or will, within the same twenty-four (24) month period, acquire Subsidized Stafford Loans, PLUS Loans or Unsubsidized Stafford Loans made by other lenders, and that the combined amount of such originated and acquired loans, excluding any loans (A) sold or pledged pursuant to a Purchase Agreement, (B) sold to the Department in connection with the Loan Purchase Commitment Program, and (C) with respect to which participation interests are sold to the Department in connection with the Loan Participation Purchase Program, shall equal the Commitment Amount for such month;

(ii) within the twelve (12) months following the month in which it sells and/or pledges loans pursuant to a Purchase Agreement, it will conduct activities constituting a continued participation in FFELP, including but not limited to servicing a pre-existing FFELP loan portfolio, purchasing additional FFELP loans, or maintaining a platform from which the Seller may originate FFELP loans; and

(iii) not later than twenty-seven (27) months following the month in which it first sells and/or pledges Loans pursuant to a Purchase Agreement (and every six months thereafter until each Commitment Amount has been satisfied, each a "Commitment Reporting Date"), it will provide a report to the Department and the Conduit Party certifying that it has originated and/or acquired FFELP loans in an amount equal to or exceeding the Commitment Amounts required to be satisfied prior to such Commitment Reporting Date;

provided, that, the applicable Seller may satisfy the commitment set forth above by arranging to have another eligible lender under Section 435(d) of HEA ("Eligible Lender") assume such commitment as evidenced by a commitment letter, in form satisfactory to the Department, between such Eligible Lender and the Department, with a copy to the Conduit Party.

For the purposes of confirming compliance with the Seller's commitment above, the Seller must, on an annual basis, provide a report to the Department setting forth the

activities conducted by the Seller with the Net Cash Proceeds received through the sale of loans or issuance of Funding Notes under the applicable Purchase Agreement, the dollar value and number of loans originated and/or acquired, and detailing any other uses of funds received through the sale of loans or issuance of Funding Notes under the applicable Purchase Agreement and the amounts expended on such "other uses". The Department may apply a penalty for failure to comply with this commitment.

A Seller may satisfy this commitment by arranging to have another Seller assume such commitment.

In addition, in connection with the Seller's commitment above, on the last business day of each calendar month, commencing in the first month in which a Seller sells or pledges a Loan pursuant to a Purchase Agreement and ending in July 2010, the Conduit Party will provide, or cause to be provided, to the Department a notice setting forth the amount of Net Cash Proceeds received by each Seller that is party to a Purchase Agreement during such month.

"Commitment Amount" means, with respect to a Seller and all sales and/or pledges of loans to the Conduit Program during a calendar month, an amount equal to the product of (a) the Net Cash Proceeds received by the Seller in such month, multiplied by (b) the Market Adjustment for such month.

"Net Cash Proceeds" means an amount equal to (a) the cash proceeds received by a Seller from the sale and/or pledge of Loans to the Conduit Program (including cash proceeds received from the sale and/or pledge of Securities other than CP) ("Cash Proceeds"), minus (b) the amount paid by the Seller in connection with such sale and/or pledge of the loans to repay indebtedness secured by the loans [or, with respect to any loans that are not pledged to secure indebtedness of the Seller, the Deemed Liabilities allocated to such loans.]

"Market Adjustment" means, as of any date of determination and any Commitment Amount, the lesser of (a) one (1) and (b) the percentage equivalent of a fraction, (i) the numerator of which is the annualized aggregate original principal balance of all Loans originated by all Eligible Lenders (as shown on the Department's NSLDS system) during the period commencing with the month immediately following the month of the applicable sale and/or pledge of Loans to the Conduit program and ending at the end of the twenty-fourth month after such sale and/or pledge (or at the end of the preceding month if less than twenty-four months have elapsed since such sale and/or pledge), and (ii) the denominator of which is the aggregate original principal balance of all Loans originated by all Eligible Lenders (as shown on the Department's NSLDS system) during the twelve month period ending with the month immediately preceding the month of the applicable sale and/or pledge of Loans to the Conduit Program.

"Deemed Liabilities" means, with respect to a Seller and loans not pledged to secure indebtedness of the Seller, an amount equal to the product of (a) the Cash Proceeds for such Loans and (b) the percentage equivalent of a fraction, the numerator of which equals

the total liabilities and the denominator of which equals the total liabilities and stockholder's equity, in each case calculated in accordance with generally accepted accounting principals and reflected in the most recent consolidated quarterly financial statements for the Seller (or the Seller's ultimate parent to the extent financial statements are not available for the Seller).

Eligible Loans: The following loans will be eligible for the Put Agreement:

FFELP Subsidized Stafford or Unsubsidized Stafford Loans and FFELP PLUS loans that were made to students, and PLUS loans made to parents of dependent students, in each case for which the first disbursement was made on or after October 1, 2003 but no later than July 1, 2009, and that was fully disbursed no later than September 30, 2009.

In order to be eligible for the Conduit Program and the Put Agreement each loan must ((a) through (c), "Put Criteria"):

(a) constitute a loan under one of the FFELP programs described above as certified by the applicable guaranty agency at the time of sale to the Conduit Program;

(b) have been disbursed within the dates specified above; and

(c) have been sold to an SPV by a Seller or pledged to the Conduit pursuant to a Purchase Agreement in a form approved by the Department and containing the terms, conditions and representations and warranties required by the Department, including without limitation the following representations and warranties (with such technical changes as may be approved by the Department):

(1) not be delinquent 210 days or more as of the date of sale to the SPV or pledged to the Conduit or then be subject to a default claim filed with the applicable guaranty agency;

(2) immediately prior to the sale to the SPV or pledged to the Conduit, the Seller has good and marketable title to the loan free and clear of any encumbrance, lien or security interest or any other prior commitment (other than any lien that will be released upon the sale or pledge of such loan);

(3) the loan has been fully disbursed not later than the date of sale to the Conduit Program;

(4) the loan has not been modified, extended or renegotiated in any way, except as required under the HEA or other applicable laws, rules and regulations, and the applicable guarantee agreement, except as any such modification, extension, or renegotiation relates exclusively to borrower benefits on the Loan;

(5) the loan constitutes a legal, valid and binding obligation to pay on the part of the related obligor enforceable in accordance with its terms and is not subject to a current bankruptcy proceeding;

(6) the loan was originated and has been serviced in compliance with all requirements of applicable law, including the HEA and the implementing regulations;

(7) the sale, pledge or assignment of the loan does not conflict with any law or require notice to or consent, approval, authorization or order of any person or governmental authority, except for such consents, approvals, authorizations or orders, if any, that have been obtained prior to the related date of sale or pledge, and for any notices to borrowers and guaranty agencies required by the HEA;

(8) the loan satisfies all of the terms and conditions of the Purchase Agreement and the Transaction Documents;

(9) any servicing agreement applicable to such loan shall automatically terminate with respect to such loan upon the relevant Put Date for such loan unless the Department otherwise notifies the related Servicer as soon as practicable but not less than five (5) Business Days prior to the Put Date and the Seller is responsible for any de-boarding, deconversion or related fees or expenses to the related Servicer, as defined below;

(10) the loan is evidenced by a signed promissory note in the form (including any required addenda) published by, and prescribed by, the Department, without change of any kind, and is not subject to any agreement not contained in that note that would bar, condition or limit either transfer of the loan or the exercise by a transferee of the rights of the lender under terms of the note, except as such an agreement relates exclusively to Eligible Borrower Benefits on the loan;

(11) the loan was sold and/or pledged pursuant to a Purchase Agreement on or prior to the earlier of July 1, 2010 and

the declaration of a "termination event" (as defined in the Transaction Documents); and

(12) the loan was not selected adversely from the Eligible Loans owned by the Seller for sale to the Conduit Program based on criteria specified in the Transaction Documents.

Loans that are ineligible for the Conduit Program and the Put Agreement include:

FFELP consolidation loans or any other types of loans not specifically permitted under Section 459(A) of the HEA; if any Eligible Loans are consolidated after the sale to the Conduit Program, the proceeds of the applicable consolidation loan must be used to pay such Eligible Loans in full; or

loans disbursed for periods other than those defined above.

Loans with borrower benefits other than Eligible Borrower Benefits will be eligible for the Conduit Program with a Put Price equal to 97%.

Allocation of Funding Among Sellers: The process for allocating funding availability among Sellers will be set forth in the Transaction Documents.

Responsibility for Fees and Other Charges: Each Funding Note Issuer is responsible for any fee or other charge owed to the Department or to the guaranty agency on an Eligible Loan after the loan has been sold to such Funding Note Issuer, including amounts owed to the Department as a recapture of excess interest ("negative special allowance").

Closing/Put Conditions: On or prior to the execution of a Purchase Agreement by a Seller, such Seller shall be required to deliver to the Conduit Administrator:

(a) copies of the applicable formation documents, corporate resolutions and good standing certificates for the Seller;

(b) incumbency certificates of the Seller;

(c) opinions of the Seller's counsel relating to corporate matters, legality, validity and enforceability of the Purchase Agreement and related documents, no conflicts, true sale and non-consolidation and such other matters as the Department may request;

(d) either (i) UCC search reports and all UCC-1 Financing Statements within 45 days of the date of such Purchase Agreement, or (ii) an opinion of counsel to the Seller, in form and substance approved by the Department, relating to the priority of the Conduit Party's lien on the related Loans;

(f) the Purchase Agreement, Eligible Servicing Agreement, as defined below (if any), and the Custodial Agreement (if any);

(g) a copy of a "notice of intent to participate" submitted by or on behalf of the Seller to the Department;

(h) evidence of establishment of the trust accounts in the name of the Funding Note Issuer;

(i) an irrevocable power of attorney, which power of attorney is coupled with an interest, from such Seller to the Conduit Party and assignable to the Department granting certain rights and powers specified with respect to the applicable loans; and

(j) such other documents as specified in the Put Agreement.

On or prior to the sale of an Eligible Loan to the Department pursuant to the Put Agreement, the Conduit Party, shall be required to deliver to the Department:

(a) a release of lien for the Eligible Loans;

(b) a Put Notice;

(c) loan schedule (in electronic format);

(d) an original trust receipt certifying that it, or a Servicer holding physical possession on its behalf in accordance with an Eligible Servicing Agreement, is in possession of the applicable loan documents relating to such Eligible Loans;

(e) a bill of sale; and

(f) such other documents as specified in the Put Agreement.

Except as expressly set forth in the Put Agreement, the failure to deliver any such item shall not effect the Department's obligations to honor the Put Option.

Loan Servicing: Each Eligible Loan which is subject to the Put Agreement shall be serviced by the Seller or another servicer of FFELP student loans (the Seller or such other entity being referred to herein as the "Servicer") that will service the Eligible Loan, on behalf of the Conduit Program, pursuant to the terms of an Eligible Servicing Agreement, as defined below, and in accordance with Department regulations and such Servicer is not under sanction by the Department. Each SPV will be responsible for the selection of the Servicer and for the payment of any servicing related fees and expenses (except for fees of the new servicer if the Department takes over servicing) incurred in connection with the Conduit Program. A servicing agreement will be deemed to be an "Eligible Servicing Agreement" if it: (i) contains customary terms and conditions that reflect a negotiated, arms-length transaction; (ii) includes usual and customary representations, warranties,

covenants and events of default; (iii) includes an acknowledgment by the Servicer that the Department and the Conduit are the intended third-party beneficiaries of such agreement entitling the Department to instruct the Servicer and exercise remedies with respect to the applicable Eligible Loans upon the occurrence of the exercise of the Put Option; and (iv) provides that, upon the occurrence of a Put Event with respect to such Loan, such agreement shall automatically terminate with respect to such Loan upon the relevant Put Date for such Loan unless the Department otherwise notifies the related Servicer as soon as practicable but not less than five (5) Business Days prior to the related Put Date without any payment by the Department of any de-boarding, deconversion or related costs, penalties or fees to the related Servicer and that the servicing shall be transferred as instructed by the Department. The Department will be responsible for any boarding, conversion or related costs or fees of the new servicer. Accordingly, upon purchase of any Eligible Loan or other acquisition of title thereto, the Department shall obtain all rights to service such Eligible Loan and may, in its sole discretion require deconversion of such Eligible Loan in order to service the loan itself or through a third-party Servicer of its designation.

Additional Reports/ Information: A standard reporting package acceptable to the Department to be used by the Conduit and SPVs and containing information on loans by schools, delinquencies, and other features shall be provided to the Department by the Sellers, the Conduit Party and other parties to the Transaction Documents on a periodic basis.

At any time, the Department and its representatives will have the right to request, schedule and conduct, during normal business hours and upon reasonable prior notice, a due diligence/audit of the Servicer's operations in respect to the Conduit Program, the Transaction Documents, the Eligible Loans and settlement reports at the expense of the Servicer. Also, from time to time during a calendar year, the Department shall have the right to request, schedule and conduct, during normal business hours and upon reasonable prior notice, additional due diligence of the Sellers (and their SPVs), the Conduit and any Servicers, at such party's expense.

With respect to each Servicer, the Department shall be provided any audit reports or other annual compliance/operational audits performed on such Servicer relating to the servicing of FFELP student loans.

On an annual basis, the Conduit Party shall be responsible to cause, at its own expense, a registered public accounting firm and that is a member of the American Institute of Certified Public Accountants to furnish a report to the Department, to the effect that (i) it has obtained a representation regarding certain matters from the management of the Conduit Party, which includes an assertion that the Conduit Party has complied with the terms and provisions of the Transaction Documents and (ii) on the basis of an examination conducted by such firm in accordance with standards for attestation engagements issued or adopted by the Public Company Accounting Oversight Board, it is expressing an opinion as to whether such representation and assertion was fairly stated in all material respects, or it cannot express an overall opinion regarding such party's assessment of compliance with the Transaction Documents. In the event that an overall opinion cannot be expressed, such registered public accounting firm shall state in such report why it was unable to express such an opinion. Such report must be available for general use and not contain restricted use language and shall include among other things,

the amount of proceeds received by the Conduit in connection with the Put Agreement and the use of such proceeds.

Other information as requested by the Department shall be delivered to the Department, which may include audited annual financial statements or unaudited quarterly financial statements of the Sellers, the Conduit and any Servicer or their respective consolidated groups.

Statements of Compliance: Each of the Sellers, the SPVs, the Conduit and Servicers will be required to provide to the Administrator an annual statement of compliance with respect to the Transaction Documents, together with an agreed upon procedures letter delivered by an independent public accountant.

Notice Requirements: Each Seller that elects to participate in the Conduit Program must notify the Department, via a standard form letter, of its desire to participate in the Conduit Program. Such letter must not only contain notice of this desire, but must also contain representations and guarantees as required by the Department established in the Federal Register notice.

Fees and Expenses: Each Seller shall be required to pay all of its costs and expenses which are incurred in connection with the negotiation, preparation, execution and delivery of the related Purchase Agreement and any or any other related documents, including, without limitation, the reasonable fees and out-of-pocket expenses of counsel for such Seller, and all costs and expenses incurred in connection with the transfer and delivery of the Eligible Loans to the Conduit Party, including, without limitation, any fees and expense incurred in connection with transferring ownership of any Eligible Loans to the Department other than the fees and expenses of the Department's servicer.

Governing Law and Forum: The Put Agreement and the rights and obligations of the parties thereto shall be governed by and construed in accordance with Federal law. Insofar as there may be no applicable Federal law, the internal laws of the State of New York (without giving regard to conflicts of laws principles other than Sections 5-1401 and 5-1402 of the New York General Obligations Law) shall be deemed reflective of Federal law insofar as to do so would not frustrate the purposes of any provision of such Agreements or the transactions governed thereby.

APPENDIX D

Notice of Intent to Participate in the Loan Purchase Commitment Program and/or Loan Participation Purchase Program for Eligible FFELP Loans

[_____, 200_]

U.S. Department of Education
Washington, D.C.
By: E-mail: ffel.agreementprocess@ed.gov

Re: Loan Purchase Commitment Program and/or Loan Participation Purchase Program for Eligible FFELP Loans

Ladies and Gentlemen:

The undersigned, an eligible Federal Family Education Loan Program (FFELP) lender under Section 435(d)(1) of the Higher Education Act of 1965, as amended (HEA), eligible lender trustee, or holder of beneficial interests in FFELP Loans ("Undersigned"), hereby notifies the Department of Education that it intends to participate in either the Loan Purchase Commitment Program (the "Purchase Program") or the Loan Participation Purchase Program (the "Participation Program") for the 2009-2010 academic year, or both programs. Both programs are authorized under Section 459A of the HEA, as amended, and are generally described in the Notice of Terms and Conditions (Register Notice) published in the Federal Register, Vol. 73, No. 127, July 1, 2008, and more particularly as to the 2009-2010 academic year, in the notice published in the Federal Register on or about January 15, 2009. By signifying intent to participate in one or both of the programs, the undersigned does not commit to actually participate in either program.

By signifying its intent to participate in such program(s), the Undersigned hereby certifies and agrees that:

If the Undersigned participates in either of the programs, it will continue to originate or acquire FFELP loans made to students and parents.

If the Undersigned participates in the Participation Program, it will sell, from time to time, participation interests in FFELP loans to the Department of Education with an aggregate unpaid principal balance of not less than $50,000,000 in loans either held by such eligible lender or aggregated with other FFELP loans held by one or more eligible lenders. (The Undersigned recognizes that there is no minimum for the Purchase Program)

The Undersigned acknowledges that it shall not be permitted to sell FFELP loans or participation interests therein to the Department of Education with respect to which the first disbursement was made prior to the date on which the Department of Education receives this 2009 Notice of Intent to Participate.

The Department of Education will return to the Undersigned, via electronic mail (e-mail), information indicating the date on which the 2009 Notice of Intent to Participate was received by the Department of Education.

The Department of Education will accept signed copies of this 2009 Notice of Intent sent as a PDF attachment via e-mail at the address below.

The Undersigned is aware that it must refer to the Federal Register Notice and to the agreements referred to therein for a complete description of the terms and conditions under which the Department of Education will administer the Purchase Program and the Participation Program for the 2009-2010 academic year. The Undersigned also is aware that in order to participate in either of these programs, it must execute a Master Agreement for the respective program. If the Undersigned is a beneficial holder of FFELP loans, the Undersigned has included on this form the LID(s) under which it operates. If the Undersigned, as an eligible lender trustee, files this Notice on behalf of its beneficial holders of FFELP loans, the Undersigned has included the name and LID of each of those beneficial holders.

This 2009 Notice of Intent to Participate is executed and dated as of the date first listed above.

By executing and delivering to the Department this 2009 Notice of Intent, the Undersigned now possesses an option to participate in the Purchase Program and the Participation Program.

The Undersigned asks that the Department of Education please direct all inquiries and correspondence relating to these programs to:

[UNDERSIGNED NAME AND LENDER ID NUMBER]
[ELIGIBLE LENDER TRUSTEE NAME OR BENEFICIAL HOLDER NAME, IF ANY AND LIDS]
[STREET ADDRESS]
[CITY], [STATE] [ZIP]
Attention of: [NAME],
[TITLE]
By Phone - [XXX-XXX-XXXX]
By Fax – [XXX-XXX-XXXX]
By E-mail – [email address]

[NAME OF ENTITY]

By:_____
Name:
Title:

The completed, signed, and dated Notice of Intent to Participate should be sent as a PDF attachment to an e-mail message addressed to ffel.agreementprocess@ed.gov. The e-mail message subject line should read "Submission of Notice of Intent to Participate." For questions concerning the submission and receipt of the email please call (202) 377-4401

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DEPARTMENT OF EDUCATION

National Institute on Disability and Rehabilitation Research—Notice of Proposed Long-Range Plan for Fiscal Years 2010–2014

AGENCY: Office of Special Education and Rehabilitative Services, Department of Education.

ACTION: Notice of proposed long-range plan for fiscal years 2010–2014.

SUMMARY: The Assistant Secretary for Special Education and Rehabilitative Services proposes the National Institute on Disability and Rehabilitation Research's (NIDRR's) Long-Range Plan (Plan) for fiscal years 2010 through 2014. Pursuant to section 202(h)(1) of the Rehabilitation Act of 1973, as amended, the Department is required to develop a plan for NIDRR that outlines NIDRR's priorities for rehabilitation research, demonstration projects, training, and related activities, and explains the basis for these priorities.

DATES: We must receive your comments on or before March 16, 2009.

ADDRESSES: Address all comments about the proposed Plan to Donna Nangle, U.S. Department of Education, 400 Maryland Avenue, SW., Room 6029, Potomac Center Plaza, Washington, DC 20202–2700. If you prefer to send your comments through the Internet, use the following address: *NIDRR-Mailbox@ed.gov.*

You must include the term ''Long-Range Plan'' in the subject line of your electronic message.

FOR FURTHER INFORMATION CONTACT: Donna Nangle. Telephone: (202) 245–7462 or by e-mail: *donna.nangle@ed.gov*.

If you use a telecommunications device for the deaf (TDD), call the Federal Relay Service (FRS), toll free, at 1–800–877–8339.

SUPPLEMENTARY INFORMATION:

Invitation to Comment: We invite you to submit comments regarding the proposed Plan. To ensure that your comments have maximum effect in developing the final Plan, we urge you to identify clearly the specific area of the Plan that each comment addresses and to arrange your comments in the same order as the proposed Plan.

During and after the comment period, you may inspect all public comments about the proposed Plan on our Web site, at: *http://www.ed.gov/about/offices/list/osers/nidrr/policy.html.*

Assistance to Individuals With Disabilities in Reviewing the Record: On request we will provide an appropriate accommodation or auxiliary aid to an individual with a disability who needs assistance to review the comments or other documents in the public rulemaking record for this proposed Plan. If you want to schedule an appointment for this type of accommodation or auxiliary aid, please contact the person listed under **FOR FURTHER INFORMATION CONTACT**.

Background: In developing the research agenda in the proposed Plan, NIDRR considered: the legislative mandate for the Plan; consumer goals (as documented, for example, in public input on preparation of this Plan received via e-mail, the Web, and in a national teleconference in response to a notice published in the **Federal Register** and an e-mail solicitation inviting comment on the Plan); and scientific advances documented through state of the science conferences and literature.

The purposes of the proposed Plan are:

(1) To describe the broad general principles that will guide NIDRR's policies and use of resources;

(2) To establish objectives for research and related activities from which annual research priorities can be formulated; and

(3) To describe how NIDRR will operationalize the Plan, *i.e.*, the process by which NIDRR establishes annual priorities.

The authority for the Secretary to establish the Plan is contained in section 202(h) of the Rehabilitation Act of 1973, as amended (29 U.S.C. 762(h)).

The proposed Plan is published as an attachment to this notice.

Accessible Format: Individuals with disabilities can obtain this document in an accessible format (*e.g.*, braille, large print, audiotape, or computer diskette) on request to the contact person listed under **FOR FURTHER INFORMATION CONTACT**.

Electronic Access to This Document: You can view this document, as well as all other documents of this Department published in the **Federal Register**, in text or Adobe Portable Document Format (PDF) on the Internet at the following site: *http://www.ed.gov/news/fedregister.*

To use PDF you must have Adobe Acrobat Reader, which is available free at this site. If you have questions about using PDF, call the U.S. Government Printing Office (GPO), toll free, at 1–888–293–6498; or in the Washington, DC, area at (202) 512–1530.

Note: The official version of this document is the document published in the **Federal Register**. Free Internet access to the official edition of the **Federal Register** and the Code of Federal Regulations is available on GPO Access at: *http://www.gpoaccess.gov/nara/index.html.*

Dated: January 9, 2009.

Tracy R. Justesen,

Assistant Secretary for Special Education and Rehabilitative Services.

National Institute on Disability and Rehabilitation Research: Long-Range Plan (Plan) for Fiscal Years (FYs) 2010–2014

I. Introduction

NIDRR's mission is to support research and related activities to generate new knowledge and promote its effective use in order to improve the lives of individuals with disabilities and their opportunities for full participation in society. The Plan presents goals, objectives, and strategies for NIDRR research investments for FYs 2010 through 2014 that are aligned with this mission and that may be implemented through funding priorities.

Statutory Mandate

NIDRR was established by the 1978 amendments to the Rehabilitation Act of 1973, as amended (Act). As specified in section 200 of the Act (29 U.S.C. 760), NIDRR's role is to: (a) Support research, demonstration projects, training, and related activities to maximize the full inclusion and integration into society, employment, independent living, family support, and economic and social self-sufficiency of individuals with disabilities of all ages; (b) provide for a comprehensive and coordinated approach to the support and conduct of research, demonstration projects, training, and related activities; (c) promote the transfer of rehabilitation technology; (d) ensure the widespread distribution of practical scientific and technological information; and (e) increase opportunities for researchers who are members of minority groups and researchers who are individuals with disabilities.

NIDRR implements its statutory mandate by supporting research and development projects to generate new knowledge and products, along with supporting knowledge translation and capacity building activities. *Research and development* are supported through a variety of program mechanisms described later in this document. *Knowledge translation* is a process of ensuring that new knowledge and products gained through research and development will ultimately be used to improve the lives of individuals with disabilities and further their