

**DESCRIPTION OF LOANS UNDER  
AUTHORITY 6<sup>TH</sup> GENERAL STUDENT LOAN PROGRAM BOND RESOLUTION**

The proceeds of the Bonds issued by the Higher Education Loan Authority of the State of Missouri (the “Authority”) pursuant to the 6<sup>th</sup> General Student Loan Program Bond Resolution, as amended to date (collectively, the “6<sup>th</sup> Resolution”), are used to finance or refinance Eligible Loans (defined hereafter), to fund a reserve account and to pay certain costs of issuance.

As of September 30, 2007, there was on deposit under the 6<sup>th</sup> Resolution approximately \$4 million in cash, accrued receivables and investments and approximately \$53 million in student loans insured, guaranteed or otherwise permitted pursuant to the 6<sup>th</sup> Resolution (“Eligible Loans”) having characteristics substantially similar to those described below. During the disclosure year, the Authority sought and received approval from AMBAC Assurance Corporation, the bond insurer, to remove \$14 million in excess coverage assets above the parity release level in accordance with the 6<sup>th</sup> Resolution. **Eligible Loans financed or refinanced thereafter and held under the 6<sup>th</sup> Resolution may have characteristics similar to such Loans or the characteristics of such Eligible Loans may vary materially from the characteristics of the Eligible Loans described below.**

**Distribution of Portfolio by Loan Type (as of September 30, 2007)**

Loan Type	Aggregate Outstanding Principal Balance	Percent of Total Principal Balance
Stafford	\$40,410,203.94	76.93%
Consolidation	5,173,658.38	9.85%
PLUS/SLS	6,943,658.93	13.22%
HEAL Loans	0.00	0.00%
Supplemental Loans	<u>0.00</u>	<u>0.00%</u>
<b>TOTALS:</b>	<u>\$52,527,521.25</u>	100.00%

**Distribution of Portfolio by Borrower Payment Status (as of September 30, 2007)**

Borrower Payment Status	Aggregate Outstanding Principal Balance	Percent of Total Principal Balance
In School	\$8,093,194.07	15.41%
In Grace	4,338,164.79	8.26%
Forbearance	7,003,812.73	13.33%
Deferment	8,402,893.45	16.00%
Repayment	<u>24,689,456.21</u>	<u>47.00%</u>
<b>TOTALS:</b>	<u>\$52,527,521.25</u>	100.00%

**Distribution of Portfolio by School Type (as of September, 30, 2007)**

School Type	Aggregate Outstanding Principal Balance	Percent of Total Principal Balance
Four-Year Schools	\$38,516,169.72	73.33%
Two-Year Schools	12,721,562.56	24.22%
Graduate Schools	10,352.69	0.02%
Other	<u>1,279,436.28</u>	<u>2.44%</u>
<b>TOTALS:</b>	<u>\$52,527,521.25</u>	100.00%

**DESCRIPTION OF LOANS UNDER  
AUTHORITY 8<sup>TH</sup> GENERAL STUDENT LOAN PROGRAM BOND RESOLUTION**

The proceeds of the Bonds issued by the Higher Education Loan Authority of the State of Missouri (the “Authority”) pursuant to the 8<sup>th</sup> General Student Loan Program Bond Resolution, as amended to date (collectively, the “8<sup>th</sup> Resolution”), are used to finance or refinance Eligible Loans (defined hereafter), to fund a reserve account and to pay certain costs of issuance.

As of September 30, 2007, there was on deposit under the 8<sup>th</sup> Resolution approximately \$3 million in cash, accrued receivables and investments and approximately \$40 million in student loans insured, guaranteed or otherwise permitted pursuant to the 8<sup>th</sup> Resolution (“Eligible Loans”) having characteristics substantially similar to those described below. As of September 30, 2007, the reserve account balance of the 8<sup>th</sup> Resolution was approximately \$255 thousand. During the disclosure year, the Authority sought and received approval from Bank of America N.A., the letter of credit provider, to remove \$6 million in excess coverage assets above the parity release level in accordance with the 8<sup>th</sup> Resolution. **Eligible Loans financed or refinanced thereafter and held under the 8<sup>th</sup> Resolution may have characteristics similar to such Loans or the characteristics of such Eligible Loans may vary materially from the characteristics of the Eligible Loans described below.**

**Distribution of Portfolio by Loan Type (as of September 30, 2007)**

Loan Type	Aggregate Outstanding Principal Balance	Percent of Total Principal Balance
Stafford	\$33,822,913.51	85.31%
Consolidation	0.00	0.00%
PLUS/SLS	5,825,868.53	14.69%
HEAL Loans	0.00	0.00%
Supplemental Loans	<u>0.00</u>	<u>0.00%</u>
<b>TOTALS:</b>	<b><u>\$39,648,782.04</u></b>	<b>100.00%</b>

**Distribution of Portfolio by Borrower Payment Status (as of September 30, 2007)**

Borrower Payment Status	Aggregate Outstanding Principal Balance	Percent of Total Principal Balance
In School	\$6,661,084.49	16.80%
In Grace	3,863,651.83	9.74%
Forbearance	4,455,906.81	11.24%
Deferment	5,355,068.92	13.51%
Repayment	<u>19,313,069.99</u>	<u>48.71%</u>
<b>TOTALS:</b>	<b><u>\$39,648,782.04</u></b>	<b>100.00%</b>

**Distribution of Portfolio by School Type (as of September 30, 2007)**

School Type	Aggregate Outstanding Principal Balance	Percent of Total Principal Balance
Four-Year Schools	\$30,361,661.46	76.58%
Two-Year Schools	8,616,627.37	21.73%
Graduate Schools	8,564.08	0.02%
Other	<u>661,929.13</u>	<u>1.67%</u>
<b>TOTALS:</b>	<b><u>\$39,648,782.04</u></b>	<b>100.00%</b>

**DESCRIPTION OF LOANS UNDER  
AUTHORITY 9<sup>TH</sup> GENERAL STUDENT LOAN PROGRAM BOND RESOLUTION**

The proceeds of the Bonds issued by the Higher Education Loan Authority of the State of Missouri (the “Authority”) pursuant to the 9<sup>th</sup> General Student Loan Program Bond Resolution, as amended to date (collectively, the “9<sup>th</sup> Resolution”), are used to finance or refinance Eligible Loans (defined hereafter), to fund a reserve account and to pay certain costs of issuance.

As of September 30, 2007, there was on deposit under the 9<sup>th</sup> Resolution approximately \$5 million in cash, accrued receivables and investments and approximately \$35 million in student loans insured, guaranteed or otherwise permitted pursuant to the 9<sup>th</sup> Resolution (“Eligible Loans”) having characteristics substantially similar to those described below. As of September 30, 2007, the reserve account balance of the 9<sup>th</sup> Resolution was approximately \$2.6 million in investments. During the disclosure year, the Authority sought and received approval from MBIA Insurance Corporation, the bond insurer, to remove \$7 million in excess coverage assets above the parity release level in accordance with the 9<sup>th</sup> Resolution. **Eligible Loans financed or refinanced thereafter and held under the 9<sup>th</sup> Resolution may have characteristics similar to such Loans or the characteristics of such Eligible Loans may vary materially from the characteristics of the Eligible Loans described below.**

**Distribution of Portfolio by Loan Type (as of September 30, 2007)**

Loan Type	Aggregate Outstanding Principal Balance	Percent of Total Principal Balance
Stafford	\$31,862,248.91	92.05%
Consolidation	0.00	0.00%
PLUS/SLS	2,753,077.51	7.95%
HEAL Loans	0.00	0.00%
Supplemental Loans	<u>0.00</u>	<u>0.00%</u>
<b>TOTALS:</b>	<b><u>\$34,615,326.42</u></b>	<b>100.00%</b>

**Distribution of Portfolio by Borrower Payment Status (as of September 30, 2007)**

Borrower Payment Status	Aggregate Outstanding Principal Balance	Percent of Total Principal Balance
In School	\$17,723,771.01	51.20%
In Grace	4,810,275.43	13.90%
Forbearance	2,116,884.75	6.12%
Deferment	1,891,825.33	5.47%
Repayment	<u>8,072,569.90</u>	<u>23.32%</u>
<b>TOTALS:</b>	<b><u>\$34,615,326.42</u></b>	<b>100.00%</b>

**Distribution of Portfolio by School Type (as of September 30, 2007)**

School Type	Aggregate Outstanding Principal Balance	Percent of Total Principal Balance
Four-Year Schools	\$22,079,485.80	63.79%
Two-Year Schools	11,940,184.42	34.49%
Graduate Schools	9,764.53	0.03%
Other	<u>585,891.67</u>	<u>1.69%</u>
<b>TOTALS:</b>	<b><u>\$34,615,326.42</u></b>	<b>100.00%</b>

**DESCRIPTION OF LOANS UNDER  
AUTHORITY 10<sup>TH</sup> GENERAL STUDENT LOAN PROGRAM BOND RESOLUTION**

The proceeds of the Bonds issued by the Higher Education Loan Authority of the State of Missouri (the “Authority”) pursuant to the 10<sup>th</sup> General Student Loan Program Bond Resolution, as amended to date (collectively, the “10<sup>th</sup> Resolution”), are used to finance or refinance Eligible Loans (defined hereafter), to fund a reserve account and to pay certain costs of issuance.

As of September 30, 2007, there was on deposit under the 10<sup>th</sup> Resolution approximately \$4 million in cash, accrued receivables and investments and approximately \$1 million in student loans insured, guaranteed or otherwise permitted pursuant to the 10<sup>th</sup> Resolution (“Eligible Loans”) having characteristics substantially similar to those described below. During the disclosure year, the Authority sought and received approval from Moody’s to remove approximately \$4 million in excess coverage assets above the parity release level in accordance with the 10<sup>th</sup> Resolution. The 1993A Series, which is the only remaining bond series outstanding under this Resolution, matures on February 15, 2008. As of September 30, 2007, the reserve account balance of the 10<sup>th</sup> Resolution was approximately \$2.6 million. **Eligible Loans financed or refinanced thereafter and held under the 10<sup>th</sup> Resolution may have characteristics similar to such Loans or the characteristics of such Eligible Loans may vary materially from the characteristics of the Eligible Loans described below.**

**Distribution of Portfolio by Loan Type (as of September 30, 2007)**

Loan Type	Aggregate Outstanding Principal Balance	Percent of Total Principal Balance
Stafford	\$888,979.92	86.53%
Consolidation	0.00	0.00%
PLUS/SLS	138,328.14	13.47%
HEAL Loans	0.00	0.00%
Supplemental Loans	<u>0.00</u>	<u>0.00%</u>
<b>TOTALS:</b>	<b><u>\$1,027,308.06</u></b>	<b>100.00%</b>

**Distribution of Portfolio by Borrower Payment Status (as of September 30, 2007)**

Borrower Payment Status	Aggregate Outstanding Principal Balance	Percent of Total Principal Balance
In School	\$130,188.92	12.67%
In Grace	71,897.07	7.00%
Forbearance	184,938.14	18.00%
Deferment	235,132.37	22.89%
Repayment	<u>405,151.56</u>	<u>39.44%</u>
<b>TOTALS:</b>	<b><u>\$1,027,308.06</u></b>	<b>100.00%</b>

**Distribution of Portfolio by School Type (as of September 30, 2007)**

School Type	Aggregate Outstanding Principal Balance	Percent of Total Principal Balance
Four-Year Schools	\$671,489.04	65.36%
Two-Year Schools	331,096.71	32.23%
Graduate Schools	0.00	0.00%
Other	<u>24,722.31</u>	<u>2.41%</u>
<b>TOTALS:</b>	<b><u>\$1,027,308.06</u></b>	<b>100.00%</b>

**DESCRIPTION OF LOANS UNDER  
AUTHORITY 11<sup>TH</sup> GENERAL STUDENT LOAN PROGRAM BOND RESOLUTION**

The proceeds of the Bonds issued by the Higher Education Loan Authority of the State of Missouri (the "Authority") pursuant to the 11<sup>th</sup> General Student Loan Program Bond Resolution, as amended to date (collectively, the "11<sup>th</sup> Resolution"), are used to finance or refinance Eligible Loans (defined hereafter), to fund a reserve account and to pay certain costs of issuance.

As of September 30, 2007, there was on deposit under the 11<sup>th</sup> Resolution approximately \$200 million in cash, accrued receivables and investments and approximately \$3.8 billion in student loans insured, guaranteed or otherwise permitted pursuant to the 11<sup>th</sup> Resolution ("Eligible Loans") having characteristics substantially similar to those described below. Since the 2006 continuing disclosure filing, the Authority has redeemed over \$806 million in Senior taxable bonds and \$41 million in tax-exempt Subordinate bonds under this Resolution. On August 22, 2007 the Authority issued an additional \$216 million in Senior and \$30 million in Subordinate Auction Rate Notes, 2007G-K Series bonds, under the Resolution. During the disclosure year, the Authority initiated and successfully completed a bondholder consent process to obtain bondholder approval to modify the 11<sup>th</sup> Resolution. Additional information about this process can be found under the filings dated December 4, 2006 and January 24, 2007. In December 2007 the 11<sup>th</sup> Resolution was further amended, without the need for bondholder consent but with rating agency confirmations, to adjust certain definitions with respect to the setting of auction rates for the bonds to address the current interest rate environment. As of September 30, 2007, the reserve account balance of the 11<sup>th</sup> Resolution was approximately \$24 million. **Eligible Loans financed or refinanced thereafter and held under the 11<sup>th</sup> Resolution may have characteristics similar to such Loans or the characteristics of such Eligible Loans may vary materially from the characteristics of the Eligible Loans described below.**

**Distribution of Portfolio by Loan Type (as of September 30, 2007)**

Loan Type	Aggregate Outstanding Principal Balance	Percent of Total Principal Balance
Stafford	\$1,720,168,130.24	45.12%
Consolidation	1,751,196,693.88	45.94%
PLUS/SLS	340,005,531.63	8.92%
HEAL Loans	732,612.57	0.02%
Supplemental Loans	<u>0.00</u>	<u>0.00%</u>
<b>TOTALS:</b>	<b><u>\$3,812,102,968.32</u></b>	<b>100.00%</b>

**Distribution of Portfolio by Borrower Payment Status (as of September 30, 2007)**

Borrower Payment Status	Aggregate Outstanding Principal Balance	Percent of Total Principal Balance
In School	\$558,982,566.56	14.66%
In Grace	336,729,221.63	8.83%
Forbearance	491,954,381.42	12.91%
Deferment	499,814,366.40	13.11%
Repayment	<u>1,924,622,432.31</u>	<u>50.49%</u>
<b>TOTALS:</b>	<b><u>\$3,812,102,968.32</u></b>	<b>100.00%</b>

**Distribution of Portfolio by School Type (as of September 30, 2007)**

School Type	Aggregate Outstanding Principal Balance	Percent of Total Principal Balance
Four-Year Schools	\$3,010,614,303.00	78.98%
Two-Year Schools	698,796,101.51	18.33%
Graduate Schools	2,528,608.92	0.07%
Other	<u>100,163,954.89</u>	<u>2.63%</u>
<b>TOTALS:</b>	<b><u>\$3,812,102,968.32</u></b>	<b>100.00%</b>

**DESCRIPTION OF LOANS UNDER  
AUTHORITY 12<sup>TH</sup> GENERAL STUDENT LOAN PROGRAM BOND RESOLUTION**

The proceeds of the Bonds issued by the Higher Education Loan Authority of the State of Missouri (the “Authority”) pursuant to the 12<sup>th</sup> General Student Loan Program Bond Resolution, as amended to date (collectively, the “12<sup>th</sup> Resolution”), are used to finance or refinance Eligible Loans (defined hereafter), to fund a reserve account and to pay certain costs of issuance.

As of September 30, 2007, there was on deposit under the 12<sup>th</sup> Resolution approximately \$29 million in cash, accrued receivables and investments and approximately \$340 million in student loans insured, guaranteed or otherwise permitted pursuant to the 12<sup>th</sup> Resolution (“Eligible Loans”) having characteristics substantially similar to those described below. In December 2007 the 12<sup>th</sup> Resolution was amended, with the consent of Ambac Assurance Corporation and rating agency confirmations, to adjust certain definitions with respect to the setting of auction rates for the bonds to address the current interest rate environment. **Eligible Loans financed or refinanced thereafter and held under the 12<sup>th</sup> Resolution may have characteristics similar to such Loans or the characteristics of such Eligible Loans may vary materially from the characteristics of the Eligible Loans described below.**

**Distribution of Portfolio by Loan Type (as of September 30, 2007)**

Loan Type	Aggregate Outstanding Principal Balance	Percent of Total Principal Balance
Stafford	\$52,205,125.17	15.38%
Consolidation	30,902,548.59	9.10%
PLUS/SLS	6,772,210.07	1.99%
HEAL Loans	129,840.23	0.04%
Supplemental Loans	<u>249,526,184.99</u>	<u>73.49%</u>
<b>TOTALS:</b>	<u>\$339,535,909.05</u>	100.00%

**Distribution of Portfolio by Borrower Payment Status (as of September 30, 2007)**

Borrower Payment Status	Aggregate Outstanding Principal Balance	Percent of Total Principal Balance
In School	\$106,449,563.08	31.35%
In Grace	37,000,709.69	10.90%
Forbearance	21,282,768.30	6.27%
Deferment	27,858,454.38	8.20%
Repayment	<u>146,944,413.60</u>	<u>43.28%</u>
<b>TOTALS:</b>	<u>\$339,535,909.05</u>	100.00%

**Distribution of Portfolio by School Type (as of September 30, 2007)**

School Type	Aggregate Outstanding Principal Balance	Percent of Total Principal Balance
Four-Year Schools	\$300,874,023.39	88.61%
Two-Year Schools	36,741,954.98	10.82%
Graduate Schools	95,516.61	0.03%
Other	<u>1,824,414.07</u>	<u>0.54%</u>
<b>TOTALS:</b>	<u>\$339,535,909.05</u>	100.00%

**DESCRIPTION OF LOANS UNDER  
AUTHORITY 2005 TRUST INDENTURE**

The proceeds of the Bonds issued by the Higher Education Loan Authority of the State of Missouri (the "Authority") pursuant to the 2005 Trust Indenture, as amended to date (collectively, the "2005 Trust Indenture"), are used to finance or refinance Eligible Loans (defined hereafter), to fund a reserve account and to pay certain costs of issuance.

As of September 30, 2007, there was on deposit under the 2005 Trust Indenture approximately \$20 million in cash, accrued receivables and investments and approximately \$363 million in student loans insured, guaranteed or otherwise permitted pursuant to the 2005 Trust Indenture ("Eligible Loans") having characteristics substantially similar to those described below. As of September 30, 2007, the reserve account balance of the 2005 Trust Indenture was approximately \$2.9 million. **Eligible Loans financed or refinanced thereafter and held under the 2005 Trust Indenture may have characteristics similar to such Loans or the characteristics of such Eligible Loans may vary materially from the characteristics of the Eligible Loans described below.**

**Distribution of Portfolio by Loan Type (as of September 30, 2007)**

Loan Type	Aggregate Outstanding Principal Balance	Percent of Total Principal Balance
Stafford	\$128,216,560.71	35.32%
Consolidation	208,119,987.94	57.33%
PLUS/SLS	26,664,101.24	7.35%
HEAL Loans	0.00	0.00%
Supplemental Loans	<u>0.00</u>	<u>0.00%</u>
<b>TOTALS:</b>	<u>\$363,000,649.89</u>	100.00%

**Distribution of Portfolio by Borrower Payment Status (as of September 30, 2007)**

Borrower Payment Status	Aggregate Outstanding Principal Balance	Percent of Total Principal Balance
In School	\$38,179,539.96	10.52%
In Grace	16,465,416.74	4.54%
Forbearance	45,620,305.45	12.57%
Deferment	58,260,134.52	16.05%
Repayment	<u>204,475,253.22</u>	<u>56.33%</u>
<b>TOTALS:</b>	<u>\$363,000,649.89</u>	100.00%

**Distribution of Portfolio by School Type (as of September 30, 2007)**

School Type	Aggregate Outstanding Principal Balance	Percent of Total Principal Balance
Four-Year Schools	\$309,574,673.54	85.28%
Two-Year Schools	48,044,631.20	13.24%
Graduate Schools	108,119.16	0.03%
Other	<u>5,273,225.99</u>	<u>1.45%</u>
<b>TOTALS:</b>	<u>\$363,000,649.89</u>	100.00%

**DESCRIPTION OF LOANS UNDER  
AUTHORITY MULTI-SELLER ASSET BACKED COMMERCIAL PAPER CONDUIT**

The proceeds of the Indenture between the Higher Education Loan Authority of the State of Missouri (the "Authority") and YC Susi Trust and Kitty Hawk Funding Corporation, as conduit lenders, pursuant to the Multi-Seller Asset Backed Commercial Paper Conduit, as amended to date (collectively, the "Conduit"), are used to finance or refinance Eligible Loans (defined hereafter), to fund a reserve account and to pay certain borrowing costs.

As of September 30, 2007, there was on deposit under the Conduit approximately \$1 million in cash, accrued receivables and investments and approximately \$112 million in student loans insured, guaranteed or otherwise permitted pursuant to the Conduit ("Eligible Loans") having characteristics substantially similar to those described below. **Eligible Loans financed or refinanced thereafter and held under the Conduit may have characteristics similar to such Loans or the characteristics of such Eligible Loans may vary materially from the characteristics of the Eligible Loans described below.**

**Distribution of Portfolio by Loan Type (as of September 30, 2007)**

Loan Type	Aggregate Outstanding Principal Balance	Percent of Total Principal Balance
Stafford	\$77,043.14	0.07%
Consolidation	111,905,584.22	99.93%
PLUS/SLS	20.45	0.00%
HEAL Loans	0.00	0.00%
Supplemental Loans	0.00	0.00%
<b>TOTALS:</b>	<u>\$111,982,647.81</u>	100.00%

**Distribution of Portfolio by Borrower Payment Status (as of September 30, 2007)**

Borrower Payment Status	Aggregate Outstanding Principal Balance	Percent of Total Principal Balance
In School	\$90.26	0.00%
In Grace	0.00	0.00%
Forbearance	16,147,335.26	14.42%
Deferment	8,861,989.81	7.91%
Repayment	<u>86,973,232.48</u>	<u>77.67%</u>
<b>TOTALS:</b>	<u>\$111,982,647.81</u>	100.00%

**Distribution of Portfolio by School Type (as of September 30, 2007)**

School Type	Aggregate Outstanding Principal Balance	Percent of Total Principal Balance
Four-Year Schools	\$88,108,998.06	78.68%
Two-Year Schools	23,780,803.16	21.24%
Graduate Schools	0.00	0.00%
Other	<u>92,846.59</u>	<u>0.08%</u>
<b>TOTALS:</b>	<u>\$111,982,647.81</u>	100.00%



## THE AUTHORITY

The Authority was established in 1981 pursuant to the MOHELA Act for the purpose of assuring that all eligible post-secondary education students have access to guaranteed student loans. The MOHELA Act was amended, effective August 28, 1994, to provide the Authority with generally expanded powers to finance, acquire and service student loans, including, but not limited to, those guaranteed or insured pursuant to the Higher Education Act.

The Authority is governed by a board of seven members, five of whom are appointed by the Governor of the State, subject to the advice and consent of the Senate of the State, and two others who are designated by statute: the State Commissioner of Higher Education and a member of the State Coordinating Board for Higher Education. There is currently one vacancy on the board. The present members are:

<u>Name</u>	<u>Term Expires</u>	<u>Occupation/Affiliation</u>
Randy Etter	October 2009	Executive Director, Advanced Technology Center Linn State Technical College
W. Thomas Reeves	October 2011	President, Pulaski Bank St. Louis, Missouri
Dr. John Smith	October 2010	Educational Consultant St. Charles, Missouri
Dr. Robert Spence	October 2008	President, Evangel University Springfield, Missouri
Vacant	October 2012	Lending Institution Representative
Dr. Robert Stein	Indefinite	Commissioner, Missouri Department of Higher Education
Greg Upchurch	Indefinite	Missouri Coordinating Board for Higher Education

The address of the Authority is 633 Spirit Drive, Chesterfield, Missouri 63005-1243. The telephone number of the Authority is (636) 532-0600 or 1-800-6MOHELA. The Authority web site address is <http://www.mohela.com>. Notwithstanding the foregoing reference, nothing on the Authority web site is incorporated by such reference into this document. The Authority has a staff of approximately 285 individuals performing customary loan servicing, administrative and related functions.

**Raymond H. Bayer, Jr.** serves as Executive Director, Chief Executive Officer, and Assistant Secretary. He is responsible for the Authority's entire operation and oversees all of its activities. Mr. Bayer joined the Authority in 1985. Mr. Bayer is a graduate of the University of Missouri, St. Louis, and holds a Master of Business Administration degree from Webster University and a Master of Arts in Finance degree from Webster University.

**Scott D. Giles** serves as the Director of Finance and the Chief Financial Officer for the Authority. He is responsible for the Finance, Accounting, Treasury Management, and Lender Services and Reconciliation areas, as well as the Authority's capital structure strategy, financing transactions, interest rate risk management, cash management, investing and insurance. Mr. Giles previously served as the Authority's Treasurer. Prior to joining the Authority, Mr. Giles served as the Director of the Missouri Student Loan Group for the Missouri Department of Higher Education. Mr. Giles has served as a member of the Board of Directors of the National Council of Higher

Education Loan Programs and as a member and Chairman of the Board for Mapping-Your-Future. He has also served as a commissioned bank examiner with the Federal Reserve Bank of St. Louis and as an assistant bank examiner with the Missouri Division of Finance. Mr. Giles holds a Bachelor of Science degree in Business Administration with an emphasis in Finance from Southeast Missouri State University and a Master of Public Administration degree from the University of Missouri–Columbia.

**Penny J. Hagan** serves as Assistant Director and Controller for the Authority. She oversees the day to day operations, recording and reporting of the Accounting and Finance Division. Ms. Hagan joined the Authority in January 1995. She holds a Bachelor of Arts degree in Business Administration with an emphasis in Accounting and a Master of Business Administration degree from Lindenwood University.

**Jim Matchefts** serves as General Counsel for the Authority. Dr. Matchefts joined the Authority in 2007. Prior to joining the Authority, Dr. Matchefts served for 10 years as General Counsel to the Missouri Department of Higher Education (“MDHE”). As part of his duties with the MDHE, Dr. Matchefts oversaw the operation of the MDHE Student Loan Program, which is Missouri’s state-designated guaranty agency under the Federal Family Education Loan Program. For five years before joining the MDHE, he worked in the St. Louis, Missouri City Counselor’s Office, representing the City of St. Louis in various civil litigation and corporate matters. He received his Juris Doctorate degree from Washington University in 1985 and his Doctor of Education degree from Saint Louis University in 2002.

**William C. Shaffner** serves as the Director of Business Development. He has supervisory responsibility for School and Lender Channel Sales, Loan Consolidation, E-Commerce and Marketing. He also serves on the National Council of Higher Education Loan Programs and the Americorps-St. Louis Board of Directors. Mr. Shaffner joined the Authority in July 2004 and has over twenty-five years of progressive experience in the Federal Family Education Loan Program working at University of Central Florida, USA Funds, USA Group, Sallie Mae and American Student Assistance. Mr. Shaffner is a graduate of the University of Central Florida and holds a Bachelor of Science degree in Business Administration.

**Mary J. Stewart** serves as the Director of Loan Servicing and Loan Origination. She has supervisory responsibility over the Call Center, Loan Servicing, Loan Origination and Acquisitions. Ms. Stewart holds a Bachelor of Science degree in Business Administration with a minor in Computer Science from Dana College in Blair, Nebraska. Ms. Stewart joined the Authority in 1990 where she began working in the Customer Service Department. She has held management positions of Supervisor, Manager and Vice President, primarily over the Loan Servicing/Call Center units.

**Quentin C. Wilson** serves as Associate Director–Student Access and Success. In addition to the development, implementation and oversight of investments in college access and affordability, he is responsible for the Authority’s public affairs and government relations, strategic planning and policy, compliance and audit functions. Mr. Wilson has served in both the private and public sectors, most recently as Missouri Commissioner of Higher Education, Cabinet Director and Director of Revenue for the State of Missouri. Mr. Wilson obtained a Bachelor of Arts degree in Public Affairs from the George Washington University and a Master of Business Administration degree from St. Louis University, as well as certificates in Project Management from Boston University and the State and Local Government Senior Executives Program at Harvard University.

### **Loan Purchase Program**

The Authority has established its Loan Purchase Program in order to effectuate the general purposes of the Authority and the specific objective of assisting students in obtaining a post-secondary education. Through its Loan Purchase Program the Authority seeks to increase the availability of funds for such purposes by financing: (a) loans that are guaranteed by a Guaranty Agency and reinsured by the Secretary pursuant to the Higher Education Act; (b) loans that are insured by the Secretary of Health and Human Services under the Public Health Service Act; or (c) other educational loans permitted under the Act. Such loans may be financed through the issuance of bonds, subject to the terms and conditions of the particular resolutions securing such obligations.

Under the Act and pursuant to the Loan Purchase Program, the Authority is authorized to either originate or acquire certain types of student loans, and with respect to other types of student loans, only to acquire such loans.

The Authority may either originate or acquire PLUS Loans, Consolidation Loans, HEAL Loans Institution Loans and Supplemental Loans, but may only acquire Subsidized and Unsubsidized Stafford Loans. The Authority expects that all Eligible Loans made or acquired with the proceeds of its Bonds will be Higher Education Act Eligible or approved Supplemental Loans. Some bonds permit the Authority to finance Institution Loans and Supplemental Loans, which are other loans made to finance education permitted under the Act, for which consent of the Bond Insurer, Liquidity Provider and/or other appropriate parties may be required. The Authority also finances loans authorized under the Missouri State Department of Elementary and Secondary Education Teachers Scholarship Program.

In order to participate in the Authority's Loan Purchase Program with respect to Higher Education Act Eligible Loans, each third-party lender must enter into a loan purchase agreement with the Authority and must be an "eligible lender" under the Higher Education Act or be otherwise approved by the Authority. An "eligible lender" under the Higher Education Act includes certain commercial banks, mutual savings banks, savings and loan associations, credit unions, insurance companies, pension funds, certain trust companies and educational institutions. In its agreement with the Authority, the selling lender must make certain representations with respect to the loans to be sold, and agree to repurchase the loan at the Authority's request if any representation or warranty made by the lender regarding the loan proves to be materially incorrect, if a maker or endorser of a note evidencing the loan asserts a defense which raises a reasonable doubt as to its legal enforcement or if the Secretary refuses to honor a claim with respect to the loan because of circumstances which occurred prior to the Authority's purchase of the loan.

Most Stafford and PLUS Loans will be eligible for the Rate Relief program currently offered by the Authority (the "RR Program"). Under the RR Program, borrowers with qualified loans owned by the Authority may be eligible for certain interest rate reductions on such loans. The Authority expects that in the aggregate, a substantial amount of interest rate reduction relief will be provided with respect to the Eligible Loans securing the bonds. To the extent that Eligible Loans are financed with Tax-Exempt Bonds, and dependent upon various loan portfolio factors and tax regulations relating to Tax-Exempt Bonds under the relevant Resolution or Indenture, the amount of interest rate reduction attributable to Eligible Loans financed with Tax-Exempt Bonds will generally be applied against any obligations the Authority may have with respect to amounts received in excess of the allowable yield on the Eligible Loans for federal income tax purposes. The RR Program and other benefits offered by the Authority may be modified or terminated by the Authority, provided the Authority may not modify the RR Program or other benefits in a manner that materially adversely affects the Bondowners unless the appropriate consent is obtained.

### **Loan Servicing**

The Authority's servicing operation services education loans for several other lenders in addition to servicing most of the Authority's own loan portfolio. The Authority currently services a significant portion of its portfolio of Higher Education Act Eligible Loans with the assistance of software developed and maintained by Pennsylvania Higher Education Assistance Agency ("PHEAA"). The Authority has entered into an agreement with PHEAA pursuant to which PHEAA has agreed to provide the equipment, software, training and related support necessary to enable the Authority to comply with the provisions of the Higher Education Act.

PHEAA also services a portion of the Authority's loan portfolio in a full service capacity. The servicing agreement provides for "life of loan" servicing and will remain in place as long as the loans serviced thereunder are outstanding or until the agreement is otherwise terminated, although the Authority has the option of transferring those loans from PHEAA to the Authority for servicing. PHEAA software is currently used by several lenders nationwide to service similar loans on a remote or full service basis. See "**Pennsylvania Higher Education Assistance Agency**" below.

In addition to its agreement with PHEAA, the Authority has servicing agreements with Great Lakes Educational Loan Services, Inc., Educational Assistance Service Company, Inc. and ACS Education Services. Great Lakes Educational Loan Services, Inc., Educational Assistance Service Company, Inc. and ACS Education Services are expected to service less than 1% in aggregate principal amount of the student loans held under the various debt instruments and such amount is not expected to materially increase. The Authority may from time to time enter into other servicing agreements and arrangements in accordance with the terms of the various debt instruments.

The Higher Education Act requires the exercise of due diligence in the collection of Higher Education Act Eligible Loans. The Higher Education Act defines due diligence as requiring the use of collection practices at least as extensive and forceful as those generally practiced by financial institutions for the collection of consumer loans. The Higher Education Act also requires the exercise of reasonable care and diligence in the making and servicing of Higher Education Act Eligible Loans and provides that the Secretary may disqualify an “eligible lender” (which could include the Authority or the Trustee as holder of Higher Education Act Eligible Loans) from further federal insurance if the Secretary is not satisfied that the foregoing standards have been or will be met. An eligible lender may not relieve itself of its responsibility for meeting these standards by delegation of its responsibility to any servicing agent and, accordingly, if any servicer fails to meet such standards, the Authority’s ability to realize the benefits of insurance may be adversely affected.

The Higher Education Act requires that a guaranty agency ensure that due diligence will be exercised by an eligible lender in making and servicing Higher Education Act Eligible Loans guaranteed by such guaranty agency. Each guaranty agency establishes procedures and standards for due diligence to be exercised by the servicer and by eligible lenders which service loans subject to such guaranty agencies’ guarantee. If the Authority or any other servicer does not comply with the established due diligence standards, the Authority’s ability to realize the benefits of any guaranty may be adversely affected.

### **Pennsylvania Higher Education Assistance Agency**

Pennsylvania Higher Education Assistance Agency (“PHEAA”) is a body corporate and politic constituting a public corporation and government instrumentality created pursuant to an act of the Pennsylvania Legislature. Under its enabling legislation, PHEAA is authorized to issue bonds or notes, with the approval of the Governor of the Commonwealth of Pennsylvania for the purpose of purchasing making, or guaranteeing loans. Its enabling legislation also authorizes PHEAA to undertake the origination and servicing of loans made by PHEAA and others. PHEAA’s headquarters are located in Harrisburg, Pennsylvania with regional offices located throughout Pennsylvania and additional offices located in California, Delaware and West Virginia. As of June 30, 2007, it had approximately 2,700 employees.

PHEAA has been guaranteeing student loans since 1964 and has guaranteed a total of approximately \$39.3 billion principal amount of Stafford Loans and approximately \$5.8 billion principal amount of PLUS Loans and SLS Loans, and approximately \$47.9 billion principal amount of consolidation loans under the Higher Education Act. In addition to guaranteeing loans under the Higher Education Act, PHEAA also operates certain guarantee programs for which it receives no federal reinsurance. PHEAA’s two principal servicing products are its full servicing operation (in which it performs all student loan servicing functions on behalf of its customers) and its remote servicing operation (in which it provides only data processing services to its customers that have their own servicing operations).

PHEAA’s most recent audited financial reports are available at [www.pheaa.org](http://www.pheaa.org).

### **Lewis and Clark Discovery Initiative**

Legislation regarding the Authority was adopted by the 2007 Missouri General Assembly relative to Missouri Governor Matt Blunt’s Lewis and Clark Discovery Initiative to provide funding for certain capital projects for Missouri’s public higher education institutions (the “Initiative”). The new law became effective on August 28, 2007. The legislation, known as Senate Bill 389 (the “LCDI Legislation”) directs the Authority to distribute \$350 million into a new fund in the State treasury known as the “Lewis and Clark Discovery Fund” (the “Fund”) on the following schedule: \$230 million no later than September 15, 2007; an additional \$5 million by December 31, 2007; and further installments of \$5 million each calendar quarter ending September 30, 2013. Investment earnings on the Fund are credited against subsequent payments by the Authority. The Authority made its first distribution to the Fund on September 14, 2007 and has adopted a resolution authorizing and directing the second required distribution be made no later than December 31, 2007. The LCDI Legislation provides that the Authority may delay payments if the Authority determines that any such distribution may materially adversely affect the service and benefits provided to Missouri students or residents in the ordinary course of the Authority’s business, the borrower benefit programs of the Authority or the economic viability of the Authority. However, the entire \$350

million is to be paid by September 30, 2013 unless otherwise approved by the Authority and the Missouri Commissioner of the Office of Administration. The General Assembly is to appropriate the amounts in the Fund for capital projects that it approves at the public colleges and universities.

The Authority does receive a significant benefit pursuant to the LCDI Legislation. The new law provides that, in the event of the initial distribution by the Authority, the Missouri Director of Economic Development is to allocate to and reserve for the Authority in 2007 and the next 14 years at least 30% of Missouri's tax-exempt bond volume cap allocation. The amount of this allocation may be reduced for 2014 and later years by the percentage of the \$350 million not paid by the Authority to the Fund by the end of the preceding year. This allocation was \$150 million for 2007. The Authority already utilized \$75 million of its 2007 allocation as part of the August 22, 2007 transaction. On December 17, the Authority received a carryforward allocation of \$75 million from the Department of Economic Development.

In anticipation of the adoption of some legislation requiring the Authority to provide funding for the Initiative, the Authority sold a significant portion of its student loan portfolio between December 2006 and March 2007. The Authority sold approximately \$1.43 billion in principal amount of student loans (approximately 24% of its loan portfolio) in connection with the Initiative. All of the loans sold were Consolidation Loans believed by the Authority to involve non-Missouri residents. The loan sales resulted in the redemption of over \$806 million in principal amount of outstanding taxable bonds of the Authority, all of which were outstanding under the 11<sup>th</sup> General Resolution. The loan sales generated approximately \$104 million in premiums which amounts are available to fund the Initiative. These amounts, along with excess collateral releases from the Resolutions and the trust indentures of the Authority, and other funds on hand, have permitted the Authority to make the initial \$230 million payment required by the LCDI Legislation. On November 6, 2007, the Authority's Board approved the first quarterly payment due December 31, 2007. Because the LCDI fund has earned over \$2.1 million in interest, the Authority will only have to pay \$2.9 million of the \$5 million quarterly payment due on December 31, 2007.

In order to "free up" funds for deposit into the Authority Account, earlier this year the Authority sought and obtained the consent of a majority of the Senior Bondowners under the 11<sup>th</sup> General Resolution to amend the definition of "Excess Coverage" upon receipt of a rating confirmation with respect thereto. Subsequent to receiving such Bondowner consent and rating confirmation, the Authority released approximately \$75 million in Excess Collateral from the Resolution for deposit into the Authority Account.

The Authority anticipates that it should be able to make the remaining payments required by the LCDI Legislation. These payments by the Authority will, however, substantially decrease the amount of its capital and, accordingly, erode its cushion of available funds for new programs and contingencies related to current operations. The Authority does not, however, anticipate that these payments will, in and of themselves, prevent the Authority from continuing its current operations.

## **Lawsuit**

On August 9, 2007, two individuals filed a lawsuit in Cole County, Missouri naming as defendants the Authority, its current board Members, its current Executive Director and its current Chief Financial Officer (the "Lawsuit"). As discussed below, the Lawsuit has been dismissed, but the possibility remains that it will be refiled in a different jurisdiction. The Lawsuit was a purported "class action" in which the two plaintiffs sought to represent a class consisting of all persons in the State of Missouri who obtained student loans that were owned or serviced by the Authority. While the precise size is unknown, such a "class" would include a large number and principal amount of loans and would include many loans that are pledged as collateral under the various Resolutions and Indentures. The two individual plaintiffs alleged that they are Authority borrowers.

The plaintiffs alleged that the \$350 million in payments by the Authority to fund the Initiative as required by the new Missouri law described above is an illegal and improper diversion of Authority assets which should instead be used to benefit student borrowers. The plaintiffs sought the imposition of a constructive trust over all Authority assets subject to the Initiative, a declaration that any payment of the Authority pursuant to the new Missouri law is unlawful and the issuance of an immediate injunction preventing the use of Authority funds in connection with the Initiative.

The Lawsuit also alleged that the Authority has engaged in misleading advertising and marketing and the imposition of unreasonable fees and charges relative to student loans. Such actions are alleged to have violated State statutes (including the Missouri Merchandising Practices Act) and also to create liability under other legal theories such as breach of contract, civil conspiracy or concert of action, common law fraud, breach of fiduciary duty and unjust enrichment. The plaintiffs did not request a specific amount of damages, but requested actual, compensatory and punitive damages as appropriate, as well as interest, attorneys' fees and costs of the suit and such other and further relief as is just and proper.

On September 5, 2007 the plaintiffs filed a motion for a preliminary injunction to delay the initial transfer by the Authority to the Fund. A hearing was held on September 11, 2007 and the judge denied the injunction, allowing the transfer to proceed. The Authority filed a motion to dismiss with respect to the Lawsuit on October 22. There were no determinations by any court of any of the procedural or substantive aspects of the Lawsuit apart from the denial of the plaintiffs' motion for preliminary injunction. On November 15, 2007 the plaintiffs filed a motion to dismiss without prejudice. The Authority has, however, been made aware of news reports indicating that the plaintiffs' attorney intends to refile the lawsuit in a different jurisdiction with additional unspecified claims. The Authority is not presently aware of facts which would support the claims or allegations made by the plaintiffs in the Lawsuit justifying any of the relief or damages sought by the plaintiffs. Further, the Authority believes that it raised strong arguments in its motion to dismiss the Lawsuit and it intends to vigorously defend itself in any refiled suit. The Authority does not presently believe that any such refiled suit will materially adversely affect the security for any of its Bonds or the Authority's ability to pay the debt service thereon. However, as with any litigation, the outcome of any refiled suit cannot be predicted with certainty. In addition, it is not possible to predict with certainty the potential financial impact of any refiled suit on the Authority.

## **RECENT STUDENT LOAN INDUSTRY DEVELOPMENTS**

### **Changes in the Higher Education Act or Other Relevant Laws**

***Recent and Future Changes in Relevant Law.*** Since its original enactment in 1965, the Higher Education Act has been amended and reauthorized numerous times. Certain of these amendments have significantly affected the federal student loan programs under the Higher Education Act which governs the Federal Family Education Loan Program (the "FFEL Program" or "FFELP"). In addition, the United States Department of Education (the "Department of Education") has recently completed the rulemaking process and has promulgated its new regulations of Education under the Higher Education Act. The Department of Education's authority to provide interest subsidies and federal insurance for loans originated under the Higher Education Act terminates on a date specified in the Higher Education Act. On October 31, 2007, the President signed into law Senate Bill 2258, which temporarily extends programs under the Higher Education Act through March 31, 2008.

During the continued reauthorization process of other provisions of the Higher Education Act, amendments are likely. Any changes could affect the student loans expected to be held by the Authority. It is not possible to predict whether or when any additional proposals may be introduced, in what form they may be adopted, or the final content of any such proposals and their effect upon the Authority's Loan Purchase Program.

On September 27, 2007, U.S. House Resolution 2669, the College Cost Reduction and Access Act (the "CCRA Act"), was signed into law with an effective date of October 1, 2007. The CCRA Act includes significant cuts in the FFELP within which the Authority operates. These cuts for eligible not-for-profit FFELP participants include a 40 basis point reduction in special allowance for Stafford and Consolidation loans, a 70 basis point reduction in special allowance for PLUS loans, an increase in lender fees at origination of 50 basis points, and the elimination of the exceptional performer designation for loan servicers like the Authority, which lowers insurance from 99% to 97% effective October 1, 2007 and from 97% to 95% for loans made on or after October 1, 2012.

The CCRA Act reduces interest rates for subsidized Stafford FFELP and Federal Direct Loan Program (FDLP) borrowers to undergraduate students from 6.8% as follows for loans first disbursed between: July 1, 2008

and June 30, 2009 to 6.0%, between July 1, 2009 and June 30, 2010 to 5.6%, between July 1, 2010 and June 30, 2011 to 4.5% and between July 1, 2011 to June 30, 2012 to 3.4%. Loans first disbursed after June 30, 2012, return to the 6.8% fixed rate. The CCRA Act also allows Stafford and Grad PLUS borrowers in FFELP and FDLP to elect for a period of up to 10 years to have payments limited to the monthly amount by which the borrower's (and his or her spouse's) annual adjusted gross income exceeds 150% of the poverty line for the borrower's family size. In addition, the CCRA Act permits reconsolidation of FFELP consolidation loans into FDLP consolidation loans to allow qualifying borrowers to utilize a new public service loan forgiveness program. The Authority is unable to predict the impact of the CCRA Act on any of the Authority's Bonds or its Loan Purchase Program.

***Federal Budgetary Legislation.*** The availability of various federal payments in connection with the FFEL Program is subject to federal budgetary appropriation. In recent years, federal budgetary legislation has been enacted which has provided, subject to certain conditions, for the mandatory curtailment of certain federal budget expenditures, including expenditures in connection with the FFEL Program and the recovery of certain advances previously made by the federal government to state guarantee agencies in order to achieve certain deficit reduction guidelines. The Authority cannot predict the final content of any such legislation or the effect of such legislation on its education loan finance program. No additional representation is made as to the effect, if any, of future federal budgetary appropriation or legislation upon expenditures by the Department of Education, or the effect, if any, of any future legislation or regulations upon the Authority's education loan finance program or other factors that could potentially affect timely payment of the Bonds.

***Recent Rulemaking by the Department of Education.*** The Department of Education published final rules on November 1, 2007, to be effective July 1, 2008, unless otherwise noted. These regulations, among other things, (i) prohibit certain activities characterized as improper inducements, such as payments or other benefits given or offered by lenders in exchange for FFEL loan applications, lenders' payments for travel and entertainment for employees of institutions, payment of referral fees or lenders providing staffing and other assistance to financial aid offices and (ii) impose requirements relative to preferred lender lists. The final rules provide that guaranty agencies will not be permitted to make claim payments against the federal fund or receive reinsurance by the Department of Education under the FFEL Program on a loan if the lender offered or provided an improper inducement. The Authority cannot predict the effect, if any, such rules will have on the Bonds or on its Loan Purchase Program.

### **Student Loan Industry Investigations**

Since January 2007, a number of state attorneys general have announced or are reportedly conducting broad investigations of possible abuses in the student loan industry by various lenders and higher education institutions ("institutions"). The primary issues under review appear to include revenue sharing arrangements between lenders and institutions, the limiting by institutions of a borrower's ability to borrow from the lender of their choice, lenders' undisclosed plans to sell student loans to other lenders, undisclosed agreements between lenders and institutions regarding "opportunity loans" to students with little or no credit history, potential conflicts of interest in connection with the placement of lenders on "preferred lender" lists at institutions, and other arrangements between lenders and institutions which could adversely affect student borrowers. "Preferred lender lists" are lists of lenders recommended by the institutions' financial aid departments or other organizations to students and parents seeking financial aid.

The Attorney General of New York was the first official to announce the conducting of such investigations. He has reported agreements with dozens of institutions and several lenders. Other states have followed quickly thereafter. Missouri's Attorney General announced several months ago that he has sent civil investigative demands to institutions in the State and lenders nationwide inquiring as to their practices with respect to the matters described above. He has also announced that at least twenty-seven Missouri institutions have entered into code of conduct agreements ("School Codes of Conduct") with the Attorney General regarding their student lending practices. Generally, these School Codes of Conduct prohibit institutions, as well as their employees, from receiving remuneration from lenders and the employees from participating on lender advisory boards in exchange for compensation. Further, the employees of a lender are not allowed to staff the financial aid office of an institution and lenders may not provide opportunity loans that might prejudice other student loan borrowers. The School Codes of Conduct go into great detail regarding the composition of preferred lender lists and required disclosure regarding

the institution's decision-making process with respect to the lists and any agreements of lenders on the preferred lender lists to sell student loans to another lender.

The Members of the Authority adopted a code of conduct describing the Authority's practices and affirming its commitment to be a responsible participant in the student loan industry in November 2007. The Authority has loans to students from across the country, so that it can be assumed that the Authority has been or will be contacted by one or more Attorneys General to respond to such investigations. Since such processes are typically confidential, the Authority will not necessarily be able to advise of any such contacts or its involvement in such matters.

Various U.S. Senate and House committees, including the U.S. Senate Committees on Health, Education, Labor and Pensions and Banking, Housing and Urban Affairs and the U.S. House Education and Labor Committee are also conducting hearings and/or investigations on this topic. The general focus of the hearings and investigations has primarily been on any improper financial arrangements that schools or financial aid administrators may have with lenders, in both the FFEL Program and the making of private student loans outside of the FFEL Program. Certain pending federal legislative proposals address this practice. Several states have introduced and/or adopted legislation on this subject as well. As discussed above, the Department of Education has published final rules that would impact the practices which are the subject of the foregoing investigations.