All of the information in the Offering Memorandum dated July 8, 2005 is hereby supplemented, amended and replaced in its entirety by this Supplement and Amendment dated July 12, 2005 to Offering Memorandum dated July 8, 2005.

Iowa Student Loan Liquidity Corporation, an Iowa nonprofit corporation, is offering its Student Loan Asset-Backed Notes, Series 2005-1 in the classes and principal amounts set forth below:

<table>
<thead>
<tr>
<th>Class</th>
<th>Original Principal Amount</th>
<th>Interest Rate</th>
<th>Final Maturity Date</th>
<th>Price to Public</th>
<th>Underwriting Discount</th>
<th>Proceeds to Issuer(1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class A-1 Notes</td>
<td>$235,000,000</td>
<td>3-month LIBOR plus 0.03%</td>
<td>6/25/2014</td>
<td>100%</td>
<td>$587,500</td>
<td>$234,412,500</td>
</tr>
<tr>
<td>Class A-2 Notes</td>
<td>262,000,000</td>
<td>3-month LIBOR plus 0.10%</td>
<td>3/25/2022</td>
<td>100%</td>
<td>786,000</td>
<td>261,214,000</td>
</tr>
<tr>
<td>Class A-3 Notes</td>
<td>168,000,000</td>
<td>3-month LIBOR plus 0.17%</td>
<td>9/25/2037</td>
<td>100%</td>
<td>588,000</td>
<td>167,412,000</td>
</tr>
<tr>
<td>Class B Notes</td>
<td>35,000,000</td>
<td>3-month LIBOR plus 0.35%</td>
<td>9/25/2037</td>
<td>100%</td>
<td>157,500</td>
<td>34,842,500</td>
</tr>
<tr>
<td>Total</td>
<td>$700,000,000</td>
<td></td>
<td></td>
<td></td>
<td>$2,119,000</td>
<td>$697,881,000</td>
</tr>
</tbody>
</table>

(1) Before deducting expenses estimated to be approximately $1,356,500.

We will be issuing the series 2005-1 notes pursuant to an indenture of trust with Bankers Trust Company, N.A., Des Moines, Iowa, as trustee, and the series 2005-1 notes will be secured by a pool of student loans originated under the Federal Family Education Loan Program, rights under certain agreements we have with others, a cash reserve fund and the other moneys and investments pledged to the trustee.

The series 2005-1 notes are subject to principal payments and redemption as more fully described herein.

All of the class A notes will be rated “Aaa” by Moody’s Investors Service, Inc. and “AAA” by Fitch Ratings and Standard & Poor’s Rating Services, a division of the McGraw-Hill Companies, Inc. The class B notes will be rated at least “Aa2” by Moody’s Investors Service, Inc. and at least “AA” by Fitch Ratings and Standard & Poor’s Rating Services, a division of the McGraw-Hill Companies, Inc.

THE SERIES 2005-1 NOTES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON CERTAIN EXEMPTIONS SET FORTH IN SUCH ACTS. THE SERIES 2005-1 NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.


Application has been made for the series 2005-1 notes to be admitted to the official list of the Irish Stock Exchange listing rules and the prospectus rules of the Irish Financial Services Authority. There can be no assurance that the series 2005-1 notes will be admitted to trading on the Irish Stock Exchange.

You should consider carefully the “Risk Factors” beginning on page 1 of this offering memorandum before investing in the series 2005-1 notes.

The series 2005-1 notes are offered by the underwriter named below, subject to the underwriter's right to withdraw, cancel or modify the underwriter's offer in part. It is expected that delivery of the series 2005-1 notes will be made in May 2005.

UBS
July 12, 2005.
The underwriter has provided the following sentence for inclusion in this offering memorandum. The underwriter has reviewed the information in this offering memorandum in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the underwriter does not guarantee the accuracy or completeness of such information. This offering memorandum is submitted in connection with the sale of securities as referred to herein and may not be used, in whole or in part, for any other purpose. The delivery of this offering memorandum at any time does not imply that information herein is correct as of any time subsequent to its date.

No dealer, broker, salesman or other person has been authorized by us or the underwriter to give any information or make any representations, other than those contained in this offering memorandum, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This offering memorandum does not constitute an offer to sell or the solicitation of an offer to buy, nor there any sale of, the series 2005-1 notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. This offering memorandum is our offering memorandum, and the information set forth herein has been obtained from us and other sources which we believe to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this offering memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in our affairs.


NOTICE TO RESIDENTS OF BELGIUM

THE SERIES 2005-1 NOTES MAY NOT BE OFFERED, SOLD, TRANSFERRED OR DELIVERED IN OR FROM BELGIUM AS PART OF THEIR INITIAL DISTRIBUTION OR AT ANY TIME THEREAFTER, DIRECTLY OR INDIRECTLY, OTHER THAN TO PERSONS OR ENTITIES MENTIONED IN ARTICLE 3 OF THE ROYAL DECREE OF JANUARY 9, 1991 RELATING TO THE PUBLIC CHARACTERISTIC OF OPERATIONS CALLING FOR SAVINGS AND ON THE ASSIMILATION OF CERTAIN OPERATIONS TO A PUBLIC OFFER (BELGIAN OFFICIAL JOURNAL OF JANUARY 12, 1991). THEREFORE, THE SERIES 2005-1 NOTES ARE EXCLUSIVELY DESIGNED FOR CREDIT INSTITUTIONS, STOCK EXCHANGE COMPANIES, COLLECTIVE INVESTMENT FUNDS, COMPANIES OR INSTITUTIONS, INSURANCE COMPANIES AND/OR PENSION FUNDS ACTING FOR THEIR OWN ACCOUNT ONLY.

NOTICE TO RESIDENTS OF FRANCE

THE SERIES 2005-1 NOTES ARE ORGANISMES DE PLACEMENTS COLLECTIFS EN VALEURS MOBILIÈRES ISSUED BY A RESIDENT OF A NON-EC STATE.


NOTICE TO RESIDENTS OF GERMANY

THE SERIES 2005-1 NOTES MAY NOT BE OFFERED TO THE PUBLIC IN GERMANY, EXCEPT AS IN ACCORDANCE WITH ALL APPLICABLE PROVISIONS OF GERMAN LAW RELATING TO ANY SUCH OFFERINGS. NO GERMAN SELLING PROSPECTUS HAS BEEN PREPARED OR PUBLISHED IN CONNECTION WITH THE ISSUE AND OFFERING OF THE SERIES 2005-1 NOTES.

NOTICE TO RESIDENTS OF THE REPUBLIC OF IRELAND

THIS OFFERING MEMORANDUM IS NOT A PROSPECTUS AND DOES NOT CONSTITUTE AN INVITATION TO THE PUBLIC TO PURCHASE OR SUBSCRIBE FOR ANY OF THE SERIES 2005-1 NOTES AND NEITHER IT NOR ANY FORM OF APPLICATION WILL BE ISSUED, CIRCULATED OR DISTRIBUTED TO THE PUBLIC.

THIS OFFERING MEMORANDUM AND THE INFORMATION CONTAINED HEREIN IS CONFIDENTIAL AND IS FOR THE USE SOLELY OF THE RECIPIENT TO WHOM IT IS PROVIDED. ACCORDINGLY, IT MAY NOT BE REPRODUCED IN WHOLE OR IN PART, NOR MAY ITS CONTENTS BE DISTRIBUTED IN WRITING OR ORALLY TO ANY THIRD PARTY AND IT MAY BE READ SOLELY BY THE RECIPIENT TO WHOM IT IS ADDRESSED AND SUCH RECIPIENT'S PROFESSIONAL ADVISORS.

NOTICE TO RESIDENTS OF THE NETHERLANDS

THE SERIES 2005-1 NOTES MAY NOT BE OFFERED, SOLD, TRANSFERRED OR DELIVERED, WHETHER DIRECTLY OR INDIRECTLY, TO ANY INDIVIDUAL OR LEGAL ENTITY IN THE NETHERLANDS OTHER THAN TO INDIVIDUALS WHO, OR LEGAL ENTITIES WHICH, IN THE COURSE OF THEIR OCCUPATION OR BUSINESS, DEAL OR INVEST IN SECURITIES (AS SET OUT IN SECTION 1 OF THE REGULATION
OF 9 OCTOBER 1990 IN IMPLEMENTATION OF SECTION 14 OF THE ACT ON THE SUPERVISION OF INVESTMENT INSTITUTIONS).

NOTICE TO RESIDENTS OF THE UNITED KINGDOM

PRIOR TO THE DATE SIX (6) MONTHS AFTER THE ISSUE OF THE SERIES 2005-1 NOTES, THE SERIES 2005-1 NOTES MAY NOT BE OFFERED OR SOLD TO PERSONS IN THE UNITED KINGDOM OTHER THAN TO PERSONS WHOSE ORDINARY ACTIVITIES INVOLVE THEM IN ACQUISING, HOLDING, MANAGING OR DISPOSING OF INVESTMENTS (AS PRINCIPAL OR AGENT) FOR THE PURPOSES OF THEIR BUSINESS OR OTHERWISE IN CIRCUMSTANCES WHICH HAVE NOT RESULTED AND WILL NOT RESULT IN AN OFFER TO THE PUBLIC WITHIN THE MEANING OF THE PUBLIC OFFERS OF SECURITIES REGULATIONS 1995, AND ANY INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY (WITHIN THE MEANING OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (THE “FSMA”) RECEIVED IN CONNECTION WITH THE ISSUE OR SALE OF THE SERIES 2005-1 NOTES MAY ONLY BE COMMUNICATED OR CAUSED TO BE COMMUNICATED IN CIRCUMSTANCES IN WHICH SECTION 21(1) OF THE FSMA DOES NOT APPLY TO IOWA STUDENT LOAN LIQUIDITY CORPORATION.

THIS OFFERING MEMORANDUM AND THE SERIES 2005-1 NOTES (AND BENEFICIAL INTERESTS THEREIN) ARE NOT AVAILABLE TO OTHER CATEGORIES OF PERSON IN THE UNITED KINGDOM AND NO ONE FALLING OUTSIDE OF SUCH CATEGORIES IS ENTITLED TO RELY ON AND MUST NOT ACT ON ANY OF THE INFORMATION IN THIS OFFERING MEMORANDUM. THE TRANSMISSION OF THIS OFFERING MEMORANDUM TO ANY PERSON IN THE UNITED KINGDOM OTHER THAN THE CATEGORIES STATED ABOVE IS UNAUTHORIZED AND MAY CONTRAVENE FSMA.

CIRCULAR 230 NOTICE

TO ENSURE COMPLIANCE WITH INTERNAL REVENUE SERVICE CIRCULAR 230, TAXPAYERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS OFFERING MEMORANDUM IS NOT INTENDED OR WRITTEN BY US TO BE RELIED UPON, AND CANNOT BE RELIED UPON BY TAXPAYERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON TAXPAYERS UNDER THE CODE; (B) SUCH DISCUSSION IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREBIN; AND (C) TAXPAYERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.
IRISH STOCK EXCHANGE INFORMATION

The issuer accepts responsibility for the information contained in this offering memorandum. To the best of the knowledge and belief of the issuer the information contained in this offering memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

Reference in the offering memorandum to documents incorporated by reference and any website addresses set forth in the offering memorandum will not be deemed to constitute a part of the offering memorandum filed with the Irish Stock Exchange in connection with the listing of the series 2005-1 notes.

McCann FitzGerald Listing Services Limited will act as the listing agent, and Custom House Administration and Corporate Services Limited will act as the paying agent in Ireland for the series 2005-1 notes.

SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

Statements in this offering memorandum, including those concerning expectations as to our ability to purchase eligible student loans, to structure and to issue competitive securities, our ability to pay our series 2005-1 notes and certain other information presented in this offering memorandum, constitute “forward looking statements,” which represent our expectations and beliefs about future events. Actual results may vary materially from such expectations. For a discussion of the factors which could cause actual results to differ from expectations, see the caption “Risk Factors” herein.
SUMMARY OF TERMS

The following summary is a very general overview of the terms of the series 2005-1 notes and does not contain all of the information that you need to consider in making your investment decision.

Before deciding to purchase the series 2005-1 notes, you should consider the more detailed information appearing elsewhere in this offering memorandum.

This offering memorandum contains forward-looking statements that involve risks and uncertainties. See the caption “Special Note Regarding Forward Looking Statements” in this offering memorandum.

General

The series 2005-1 notes will be issued pursuant to an indenture of trust between the issuer and the trustee, and will have the rights described herein. The class A-1 notes, the class A-2 notes and the class A-3 notes will constitute senior notes under the indenture and the class B notes will constitute subordinate notes under the indenture. We sometimes refer to the class A-1 notes, the class A-2 notes and the class A-3 notes as the “class A notes.” The indenture does not permit the issuance of additional notes, but does allow for certain derivative product agreements to be secured by the indenture. See the captions “Source of Payment and Security for the Notes-Priorities” and “T-Bill/LIBOR Derivative Product Agreement and Interest Rate Cap Agreement” herein.

We will use the proceeds from the sale of the series 2005-1 notes to acquire student loans, to fund certain accounts and to pay the costs of issuing the series 2005-1 notes. The series 2005-1 notes will be issued as LIBOR rate notes.

The sole sources of funds for payment of the series 2005-1 notes are the student loans pledged under the indenture, including any payments received thereon, the moneys in the funds and accounts pledged under the indenture, including investment earnings thereon, and any payments received under the derivative product agreements. To the extent there are any moneys remaining in the Collection Fund after certain required transfers, on each quarterly distribution date the trustee may release funds to us from the indenture. See the caption “Source of Payment and Security for the Series 2005-1 Notes—Collection Fund” herein.

All of the student loans pledged under the indenture have been or will be originated under the Federal Family Education Loan Program. The composition of this common pool of collateral will change over time as student loans are repaid and for certain limited periods of time new student loans are added. See the caption “Risk Factors—The composition and characteristics of the student loan portfolio will continually change, and loans that bear a lower rate of return or have a greater risk of default may be acquired” herein.

Principal Parties and Dates

Issuer

- Iowa Student Loan Liquidity Corporation, an Iowa nonprofit corporation, has received an Internal Revenue Service determination that it is a tax exempt organization under
Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Our principal place of business is located at 6805 Vista Drive, West Des Moines, Iowa 50266-9307, our phone number is (515) 243-5626 and our web site is www.studentloan.org.

Servicer

- Iowa Student Loan Liquidity Corporation. We act as our own servicer and expect to service substantially all of the student loans held under the indenture. We may replace ourselves with one or more new servicers, or we may add one or more additional servicers, with rating agency confirmation. See the caption “The Issuer’s Student Loan Programs—Servicing of Student Loans and “Due Diligence”” herein.

Trustee

- Bankers Trust Company, N.A., Des Moines, Iowa.

Underwriter

- UBS Financial Services Inc.

Legal Advisors to the Issuer

- Ahlers & Cooney, P.C.
- Stroock & Stroock & Lavan LLP

Irish Stock Exchange Listing Agent

- McCann FitzGerald Listing Services Limited

Statistical Calculation Date

The information presented in this offering memorandum relating to the pool of student loans which are expected to constitute the trust estate on the closing date is as of May 31, 2005, which we refer to as the “statistical calculation date.” We believe that this information is representative of the characteristics of the student loans expected to be pledged under the indenture on the closing date, although certain characteristics of the student loans may vary.

Cut-off Dates

The cut-off date for a student loan will be the date on which that student loan is transferred to the trust estate. The trust estate will receive all payments made on a student loan on and after its cut-off date.

Closing Date

The closing date for this offering is expected to be on or about July 14, 2005.

Record Date

Interest and principal on the series 2005-1 notes will be payable to the record owners of the series 2005-1 notes as of the close of business on the regular record date, which is the business day immediately preceding the quarterly distribution date for the series 2005-1 notes.

Collection Periods

The collection periods will be the three full calendar months preceding each quarterly distribution date. However, the initial collection period will be the period beginning on the closing date and ending on August 31, 2005.

Distribution Dates

Distributions will be made on each class of series 2005-1 notes on the 25th day of each March, June, September and December. We sometimes refer to these distribution dates as “quarterly distribution dates.” If any
quarterly distribution date is not a business day, the quarterly distribution date will be the next business day. The first quarterly distribution date will be September 26, 2005.

**Interest Accrual Periods**

The initial interest accrual period for the series 2005-1 notes begins on the closing date and ends on September 25, 2005. For all other quarterly distribution dates, the interest accrual period will begin on the prior quarterly distribution date and end on the day before such quarterly distribution date.

**Acquisition Period**

On the closing date, we will deposit approximately $691,695,822 into the Acquisition Fund, approximately $685,276,419 of which will be used to acquire approximately $676,880,455 in aggregate principal amount of student loans on or about the closing date, including payment of a premium for the student loans and accrued interest thereon, and approximately $1,356,500 of which will be used to pay the costs of issuing the series 2005-1 notes.

Until August 11, 2005, we may continue to use the approximately $5,062,903 remaining in the Acquisition Fund to acquire student loans. Any amounts remaining in the Acquisition Fund on August 11, 2005 will be transferred on that date to the Collection Fund.

**Revolving Period**

The revolving period will terminate on December 26, 2006. During the revolving period, certain revenues that otherwise would be required to be used to redeem or make principal distributions with respect to the series 2005-1 notes may instead, at our direction, be transferred to the Acquisition Fund and used to acquire or originate additional eligible student loans.

**Collateralization Ratios**

On the closing date, after we issue the series 2005-1 notes, acquire the student loans that we expect to acquire on the closing date and pay the costs of issuing the series 2005-1 notes:

- the senior asset percentage will equal approximately 104.54%; and
- the subordinate asset percentage will equal approximately 99.31%.

**Description of the Series 2005-1 Notes**

**General**

Iowa Student Loan Liquidity Corporation is offering the following Student Loan Asset-Backed Notes, Series 2005-1:

- class A-1 notes in the aggregate principal amount of $235,000,000;
- class A-2 notes in the aggregate principal amount of $262,000,000;
- class A-3 notes in the aggregate principal amount of $168,000,000; and
- class B notes in the aggregate principal amount of $35,000,000.

The class A notes will be senior notes and the class B notes will be subordinate notes. Each class of series 2005-1 notes will be available for purchase in minimum denominations of $100,000 and multiples of $1,000 in excess thereof.
**Final Maturities**

- The class A-1 notes will be paid in full by the June 25, 2014 quarterly distribution date;
- the class A-2 notes will be paid in full by the March 25, 2022 quarterly distribution date;
- the class A-3 notes will be paid in full by the September 25, 2037 quarterly distribution date; and
- the class B notes will be paid in full by the September 25, 2037 quarterly distribution date.

**Interest Rates and Payments**

The series 2005-1 notes will bear interest at the following annual rates:

- the class A-1 notes will bear interest at an annual rate equal to three-month LIBOR, except for the initial interest accrual period, plus 0.03%;
- the class A-2 notes will bear interest at an annual rate equal to three-month LIBOR, except for the initial interest accrual period, plus 0.10%;
- the class A-3 notes will bear interest at an annual rate equal to three-month LIBOR, except for the initial interest accrual period, plus 0.17%; and
- the class B notes will bear interest at an annual rate equal to three-month LIBOR, except for the initial interest accrual period, plus 0.35%.

The trustee will determine the rate of interest on the series 2005-1 notes on the second business day prior to the start of the applicable interest accrual period. Interest on the series 2005-1 notes will be calculated on the basis of the actual number of days elapsed during the interest accrual period divided by 360.

For the initial interest accrual period, the trustee will determine the LIBOR rate on the second business day prior to the closing date by reference to straight-line interpolation between 2-month and 3-month LIBOR based on the actual number of days in the interest accrual period. See the caption “Description of the Series 2005-1 Notes—Interest Payments.”

Interest accrued on the outstanding principal balance of the series 2005-1 notes during each interest accrual period will be paid on the related quarterly distribution date.

**Principal Payments**

Principal payments will be made on the series 2005-1 notes on each quarterly distribution date (provided that during the revolving period the issuer may direct that some or all of such distribution amount be transferred to the Acquisition Fund) in the amount equal to the lesser of:

- the principal distribution amount for that quarterly distribution date; and
- funds available to pay principal as described below under “—Flow of Funds.”

Principal will be paid on the series 2005-1 notes in the order and priority described below under “Trust Estate—Flow of Funds” below.
**The Trust Estate**

**General**

The trust estate established pursuant to the indenture includes:

- the financed student loans pledged under the indenture;
- collections and other payments received on account of the financed student loans;
- our rights under certain agreements, including any servicing agreement, any guarantee agreement and any purchase and sale agreement related to the pledged student loans;
- money and investments held in funds and accounts created under the indenture, including the Acquisition Fund, the Collection Fund, the Reserve Fund and the Capitalized Interest Account; and
- amounts received from and our rights under the derivative product agreements.

**The Collection Fund**

An amount equal to $455,776 will initially be deposited in the Collection Fund from the proceeds of the sale of the series 2005-1 notes. The trustee will deposit into the Collection Fund all revenues derived from student loans and moneys or assets on deposit in the trust estate and any payments received from the counterparty to the derivative product agreements.

Money on deposit in the Collection Fund will be used to make the payments, allocations and transfers described under the caption “—Flow of Funds” below.

**The Acquisition Fund**

On the closing date, approximately $691,695,822 of the proceeds from the sale of the series 2005-1 notes will be deposited into the Acquisition Fund, of which approximately $685,276,419 will be used by us on or about the closing date to purchase student loans, including payment of a premium for the student loans and accrued interest thereon, and of which approximately $1,356,500 will be used to pay costs of issuance. After the closing date, we may use the remaining amounts deposited from the proceeds of the series 2005-1 notes in the amount of approximately $5,062,903 to purchase student loans until the end of the acquisition period (August 11, 2005), and to use additional amounts deposited therein to purchase student loans until the end of the revolving period (December 26, 2006).

**The Reserve Fund**

We will make a deposit to the Reserve Fund from the proceeds of the sale of the series 2005-1 notes in the amount of $3,384,402. Amounts in the Reserve Fund will be supplemented quarterly, if necessary, as described under the caption “—Flow of Funds” below to increase the amount therein to the required balance. The required balance in the Reserve Fund is equal to the greater of:

- 0.50% of the pool balance; or
- $1,014,938.

or such lesser amount if we receive written confirmation from each rating agency that such lesser amount will not cause the reduction or withdrawal of any rating or ratings then applicable to any outstanding series 2005-1 notes. See the caption “Description of the Indenture—Funds and Accounts—Reserve Fund” herein. Funds on
deposit in the Reserve Fund in excess of the required balance will be transferred to the Collection Fund.

**Capitalized Interest Account**

On the closing date, approximately $2,345,000 of the proceeds from the sale of the series 2005-1 notes will be deposited into the Capitalized Interest Account. Amounts on deposit in the Capitalized Interest Account will be available to make the monthly payments and the payments described below as first through fourth under the caption "—Flow Funds" prior to amounts being withdrawn from the Reserve Fund. However, any moneys remaining in the Capitalized Interest Account on the June 2006 quarterly distribution date will be transferred to the Collection Fund.

**Characteristics of the Student Loan Portfolio**

All the student loans that will be included in the trust estate will have been originated under the Federal Family Education Loan Program. The information in this offering memorandum relating to those student loans expected to be included in the trust estate on or about the closing date is presented as of the statistical calculation date. As of the statistical calculation date, such student loans had an aggregate outstanding principal balance of approximately $676,880,455 plus accrued interest of approximately $7,042,203. In addition, the weighted average annual borrower interest rate on the student loans was approximately 3.83% and their weighted average remaining term to scheduled maturity was approximately 176 months. The student loans are described more fully under the caption “Characteristics of the Student Loans” herein. The characteristics of the student loan portfolio included in the trust estate will change from time to time as new student loans are acquired during the acquisition period and the revolving period and as existing student loans are paid.

**Flow of Funds**

During each month, amounts will be withdrawn from the Collection Fund and applied to pay:

- amounts owed to the U.S. Department of Education and the guarantee agencies with respect to financed student loans;
- servicing and administration fees owed to the issuer for payment of servicing and administration fees and any unpaid servicing and administration fees from prior months;
- amounts due to the counterparties under derivative product agreements (other than for termination payments); and
- amounts necessary to finance any add-on consolidation loans to the extent no funds remain in the Acquisition Fund.

On each quarterly distribution date, the trustee will transfer or allocate the moneys received during the preceding quarter in the Collection Fund as follows:

- First, to make any payments due and payable by the issuer to the U.S. Department of Education related to the financed student loans or any other payment due and payable to a guarantee agency relating to its guarantee of financed student loans;
- Second, to the issuer and trustee for payment, pro rata, of the servicing and administration fee (to the extent remaining unpaid following the monthly payment date) and the trustee fee due on such quarterly distribution date, in each case together with such fees remaining
unpaid from prior distribution dates (and, in the case of servicing and administration fees, prior monthly payment dates);

- Third, to pay pro rata, (i) to the class A noteholders, the portion of the class A noteholders’ interest distribution amount payable to such class on such distribution date and (ii) to the counterparties, any issuer derivative payments arising from confirmations and any priority termination payments;

- Fourth, to pay pro rata to the class B noteholders, the portion of the class B interest distribution amount;

- Fifth, to the class A noteholders, the class A principal distribution amount in the following order; provided, that during the revolving period some or all of the class A principal distribution amount may, upon issuer order, be transferred to the Acquisition Fund:
  
  • to the class A-1 noteholders, until the class A-1 notes have been paid in full;
  
  • to the class A-2 noteholders, until the class A-2 notes have been paid in full; and
  
  • to the class A-3 noteholders, until the class A-3 notes have been paid in full;

- Sixth, on and after the stepdown date and provided that no trigger event is in effect on such quarterly distribution date, to pay to the class B noteholders, the class B principal distribution amount;

- Seventh, to the Reserve Fund, the amount, if any, necessary to restore the Reserve Fund to the reserve fund requirement;

- Eighth, to pay to the issuer for payment of the aggregate unpaid amount of the carryover servicing and administration fee, if any;

- Ninth, to the counterparties, any issuer derivative payments (including any termination payments other than priority termination payments) due to the counterparties under the terms of the derivative product agreements that remain unpaid;

- Tenth, during the revolving period, to the Acquisition Fund, any remaining amounts;

- Eleventh, if the student loans are not sold pursuant to the optional purchase date or the trust estate auction date, to pay as accelerated payment of principal to the holders of the series 2005-1 notes and in the order and priority described above, until they have been paid in full; and

- Twelfth, to the issuer, any remaining amounts.

The “stepdown date” will be the earlier of the December 2013 quarterly distribution date, or the first date on which no class A notes remain outstanding.

A “trigger event” will be in effect on any quarterly distribution date while any class A notes are outstanding if the outstanding principal balance of the notes, after giving effect to distributions to be made on that quarterly distribution date, exceeds the adjusted pool balance as of the end of the related collection period, or if there has not been an optional purchase or sale of the financed student loans through a mandatory
auction as described below after the earlier of:

- when the pool balance is 10% or less of the initial pool balance; or

- the December 2021 quarterly distribution date.

The term "Principal Distribution Amount" means, for each quarterly distribution date, the amount by which the aggregate outstanding principal amount of all the series 2005-1 notes immediately prior to that quarterly distribution date exceeds the quotient obtained by dividing the adjusted pool balance, as of the last day of the related collection period, by 100.50%.

The class A principal distribution amount is equal to the principal distribution amount times the class A percentage. The class B principal distribution amount is equal to the principal distribution amount times the class B percentage.

For each quarterly distribution date the class A percentage will equal 100% minus the class B percentage. The class B percentage will equal:

- 0%, prior to the stepdown date or on any other quarterly distribution date if a trigger event is in effect; or

- on all other quarterly distribution dates, the percentage equivalent of a fraction, the numerator of which is the aggregate principal balance of the class B notes and the denominator of which is the aggregate principal balance of all outstanding series 2005-1 notes, in each case determined on the calculation date for that quarterly distribution date.

"Adjusted Pool Balance" means, for any quarterly distribution date, the sum of that pool balance and the required minimum balance of the Reserve Fund for that distribution date.

"Pool Balance" for any date means the aggregate principal balance of the financed student loans on that date, including accrued interest that is expected to be capitalized, plus amounts on deposit in the Acquisition Fund, as reduced by the principal portion of the following:

- all payments received by the issuer through that date from borrowers, the guarantee agencies and the U.S. Department of Education;

- all amounts received by the issuer through that date from purchases of student loans;

- all liquidation proceeds and realized losses on the student loans through that date;

- the amount of any adjustment to balances of the student loans that a servicer makes under its servicing agreement through that date; and

- the amount by which the guarantee agency reimbursements of principal on defaulted student loans through that date are reduced from 100% to 98%, or other applicable percentage, as required by the risk sharing provisions of the Higher Education Act.

"Priority termination payment" means all termination payments due under the derivative product agreements scheduled resulting from:

- a regularly scheduled payment default by the issuer under the derivative product agreement;

- certain insolvency events relating to the issuer; and
the trustee taking any action under the indenture to liquidate all of the trust estate's assets following an event of default and an acceleration of the series 2005-1 notes; and

any portion of a termination payment that is due by us upon a termination of a derivative product agreement (regardless of the event of default or termination event giving rise to such early termination) and that is equal to the amount of any upfront payment made to us by a replacement counterparty entering into a replacement derivative product agreement with us.

See “Description of the Notes—Collection Fund” in this offering memorandum.

Priority and Timing of Payments

The subordination of the class B notes generally relates only to rights to direct remedies and to receive payments in the event that revenues from the trust estate are not sufficient to make all payments due on indenture obligations. Principal and interest payments on the class B notes will continue to be made on their payment dates as long as the conditions in the indenture to the payment of those amounts continue to be met. See also the captions “Source of Payment and Security for the Notes—Priorities” and “Description of the Indenture—Funds and Accounts” herein for a further description of the payment priorities on the series 2005-1 notes.

Optional Purchase

We may, but are not required to, repurchase all remaining student loans in the trust estate on the earlier of the December 2021 quarterly distribution date, or when the pool balance is 10% or less of the initial pool balance. If this purchase option is exercised, the student loans would be sold to us as of the last business day of the preceding collection period and the proceeds will be used on the corresponding quarterly distribution date to repay any outstanding series 2005-1 notes, which will result in early retirement of the remaining series 2005-1 notes. The purchase price will equal the difference between a prescribed minimum purchase price and the amount then on deposit in the funds and accounts held under the indenture. The prescribed minimum purchase price is the amount that would be sufficient to:

- reduce the outstanding principal amount of each series of series 2005-1 notes then outstanding on the related quarterly distribution date to zero;
- pay to the noteholders the interest payable on the related quarterly distribution date;
- pay any amount owing to a counterparty under a derivative product agreement, including any termination fee and assuming that all derivative product agreements have been terminated in accordance with their terms; and
- pay any unpaid carry-over servicing and administration fee.

Mandatory Auction

If any of the series 2005-1 notes are outstanding and we do not notify the trustee of our intention to exercise our right to repurchase the remaining student loans in the trust estate as of the earlier of the December 2021 quarterly distribution date, or when the pool balance is 10% or less of the initial pool balance as described above, all of the remaining student loans in the trust estate will be offered for sale by the trustee before the next succeeding distribution date.
We and unrelated third parties may offer to purchase the student loans in the auction.

If at least two bids are received, the trustee will solicit and resolicit new bids from all participating bidders until only one bid remains or the remaining bidders decline to resubmit bids. The trustee will accept the highest of the remaining bids if it equals or exceeds both the minimum purchase price described above and the fair market value of the student loans remaining in the trust estate at the end of the related collection period. The net proceeds of any auction sale will be used to retire any outstanding series 2005-1 notes on the next quarterly distribution date.

If the highest bid after the solicitation process does not equal or exceed both the minimum purchase price described above and the fair market value of the student loans remaining in the trust estate, the trustee will not complete the sale. If the sale is not completed, the trustee may, but will not be obligated to, solicit bids for the sale of the financed student loans at the end of future collection periods using procedures similar to those described above. The trustee will be obligated to make such solicitations if requested to do so by us.

If our student loans are not sold as described above, on each subsequent quarterly distribution date, all amounts on deposit in the Collection Fund after giving effect to all withdrawals, except releases to the issuer under priority twelfth described above under the caption "—Flow of Funds," will be distributed as accelerated payments of principal on the series 2005-1 notes, in the order and priority described above, until they have been paid in full. The trustee may or may not succeed in soliciting acceptable bids for our student loans either on the auction date or subsequently.

Derivative Product Agreements

T-Bill/LIBOR Derivative Product Agreement

On or prior to the closing date, we will enter into a T-Bill/LIBOR derivative product agreement with UBS AG. We sometimes refer to this agreement as the “T-Bill/LIBOR derivative product agreement” and we refer to UBS AG as the “counterparty” to the T-Bill/LIBOR derivative product agreement. The following is a brief description of the T-Bill/LIBOR derivative product agreement. For a more detailed description, see “T-Bill/LIBOR Derivative Product Agreement” in this offering memorandum.

Under the terms of the T-Bill/LIBOR derivative product agreement, the counterparty will pay us quarterly an amount (the “LIBOR floating amount”) equal to the product of:

- the Three-Month LIBOR rate for the relevant quarterly period;
- the notional amount for that period; and
- the quotient of the actual number of days in that period divided by 360.

In exchange for the LIBOR floating amounts due from the counterparty, and subject to the payment netting provisions of the T-Bill/LIBOR derivative product agreement, we will pay the counterparty quarterly an amount (the “T-Bill floating amount”) equal to the product of:

- the average of the bond equivalent yield of the 91-day treasury bills auctioned for the relevant quarterly period plus a spread to be agreed upon by the counterparties on the trade date;
- the notional amount for that period; and
• the quotient of the actual number of days in that period divided by the actual number of days in the relevant year.

The T-Bill floating amounts and LIBOR floating amounts will be netted, so that only the net difference between those amounts will be paid.

The notional amount for the T-Bill/LIBOR derivative product agreement will initially be $84,500,000 and will amortize down over time.

The T-Bill/LIBOR derivative product agreement will terminate on December 25, 2021 or, if earlier, the date on which the agreement terminates in accordance with its terms due to an early termination event.

The T-Bill/LIBOR derivative product agreement requires that, upon termination, a termination payment may be required to be made by one party to the other. However, the T-Bill/LIBOR derivative product agreement provides that we may terminate all or a portion of the T-Bill/LIBOR derivative product agreement on any quarterly distribution date on or after December 25, 2013 and neither party will be required to make a termination payment.

**Interest Rate Cap Agreement**

On the closing date we will purchase the interest rate cap derivative agreement from UBS AG. The interest rate cap derivative agreement will be in a notional amount of $700,000,000. The interest rate cap derivative agreement will terminate on the June 2006 quarterly distribution date. During the term of the interest rate cap derivative agreement, UBS AG will pay to us, on each quarterly distribution date, for deposit by the trustee into the Collection Fund, an amount equal to the product of (a) the excess, if any, of Three-Month LIBOR over 5.0%, (b) $700,000,000 and (c) the actual number of days in the applicable calculation period divided by 360.

**Additional Derivative Product Agreements**

With rating agency confirmation, we may enter into additional derivative products.

**Book-Entry Registration**

The series 2005-1 notes will be delivered in book-entry form through the Same Day Settlement System of The Depository Trust Company. See the caption “Book Entry Registration” herein.

**Federal Income Tax Consequences**

Stroock & Stroock & Lavan LLP will deliver an opinion that, for federal income tax purposes, the series 2005-1 notes will be treated as debt, as described herein. You will be required to include in your income interest on the offered series 2005-1 notes as the interest accrues or is paid, in accordance with your method of tax accounting. See “Federal Income Tax Consequences” herein.

**ERISA Considerations**

Series 2005-1 notes that are treated as indebtedness without substantial equity features are eligible for purchase by or on behalf of employee benefit plans, retirement arrangements, individual retirement accounts and Keogh Plans, subject to the considerations discussed under “ERISA Considerations” herein.

**Ratings of the Series 2005-1 Notes**

All of the class A notes will be rated “Aaa” by Moody’s Investors Service, Inc. and “AAA” by Fitch Ratings and Standard & Poor’s Rating Services, a division of the McGraw-Hill Companies, Inc. The class B
notes will be rated at least "Aa2" by Moody's Investors Service, Inc. and at least "AA" by Fitch Ratings and Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc.

Listing Information

Application has been made for the series 2005-1 notes to be admitted to the official list of the Irish Stock Exchange subject to the Irish Stock Exchange listing rules and the prospectus rules of the Irish Financial Services Regulatory Authority and to be admitted to trading on the Irish Stock Exchange. There can be no assurance that such listing will be obtained. You may consult with the Irish listing agent to determine their status.

CUSIP Numbers

- Class A-1 Notes: 462592 AA4
- Class A-2 Notes: 462592 AB2
- Class A-3 Notes: 462592 AC0
- Class B Notes: 462592 AD8

International Securities Identification Numbers (ISIN)

- Class A-1 Notes: US 462592 AA46
- Class A-2 Notes: US 462592 AB29
- Class A-3 Notes: US 462592 AC02
- Class B Notes: US 462592 AD84
RISK FACTORS

You should consider the following risk factors in deciding whether to purchase the series 2005-1 notes.

Our assets may not be sufficient to pay our series 2005-1 notes

On the closing date, after we issue the series 2005-1 notes and acquire the student loans that we expect to acquire thereon, the aggregate principal balance of the student loans we own and the other assets pledged as collateral for our series 2005-1 notes will be approximately 99.31% of the aggregate principal balance of the series 2005-1 notes. As a result, if an event of default should occur under the indenture and we were required to redeem all of our series 2005-1 notes, our liabilities may exceed our assets. If this were to occur, we would be unable to repay in full all of the holders of our series 2005-1 notes and this would affect our class B notes before affecting our class A notes. We cannot predict the rate or timing of accelerated payments of principal or the occurrence of an event of default or when the aggregate principal amount of the series 2005-1 notes may be reduced to the aggregate principal amount of the student loans and other assets in the trust estate.

Payment of principal and interest on the series 2005-1 notes is dependent upon collections on the student loans within the trust estate. If the yield on those student loans does not generally exceed the interest rate on the series 2005-1 notes and expenses relating to the servicing of those student loans and administration of the indenture, we may have insufficient funds to repay the series 2005-1 notes.

The composition and characteristics of the student loan portfolio will continually change, and loans that bear a lower rate of return or have a greater risk of default may be acquired

Certain of the characteristics of the eligible loans we intend to acquire with the proceeds of the series 2005-1 notes on the closing date are described in this offering memorandum. Additional eligible loans will be acquired with proceeds of the series 2005-1 notes after the closing date, and certain other amounts received with respect to those and other student loans held under the indenture will be used to acquire additional student loans during a revolving period. The characteristics of the student loan portfolio included in the trust estate will change from time to time as new student loans are acquired or as existing student loans are paid.

Subordination of the class B notes and payment priorities

Payments of interest and principal on the class B notes are subordinated in priority of payment to payments of interest and principal due on the class A notes. Principal on the class B notes will not begin to be paid until the stepdown date. However, the class B notes will not receive any payments of principal on or after the stepdown date if a trigger event is in effect on any quarterly distribution date until the class A notes have been paid in full. Accordingly, holders of class B notes will bear a greater risk of loss than holders of the class A notes in the event of a shortfall in available funds or amounts in the Reserve Fund due to losses or for any other reason. If the actual rate and amount of losses on the student loans exceeds our
expectations, and if amounts in the Reserve Fund are insufficient to cover the resulting shortfalls, the yield to maturity on class B notes may be lower than anticipated and you could suffer a loss. The rights of the holders of the class B notes are also subordinated to rights of the holders of the class A notes as to the direction of remedies upon an event of default. In addition, as long as any class A notes are outstanding, the failure to make payments on class B notes will not constitute an event of default under the indenture. Consequently, holders of the class B notes may bear a greater risk of losses or delays in payment. See the captions “Source of Payment and Security for the Notes—Priorities” and “Description of the Indenture—Remedies” herein.

If the issuer cannot or does not purchase student loans, it will pay principal on or redeem notes

We expect to use the net proceeds of the series 2005-1 notes sold by us to acquire student loans during the acquisition period. Also, during the revolving period we have the option of acquiring additional student loans or paying principal on the series 2005-1 notes with principal and excess interest collected on the financed student loans. If the student loan purchases are not completed, or if we are not able to use note proceeds or student loan payments to purchase student loans that meet our requirements or if we choose not to acquire additional student loans during the revolving period, we will use those amounts to pay principal or to redeem your series 2005-1 notes as provided herein.

A secondary market for the series 2005-1 notes may not develop, which means you may have trouble selling them when you want

The underwriter may assist in resales of the series 2005-1 notes, but it is not required to do so. A secondary market for the series 2005-1 notes may not develop. If a secondary market does develop, it might not continue or it might not be sufficiently liquid to allow you to resell any of the series 2005-1 notes.

Limited assets will be available to pay principal and interest, which could result in delays in payment or losses on the series 2005-1 notes

The series 2005-1 notes are our limited obligations payable solely from the assets pledged under the indenture, and will not be insured or guaranteed by any lender which originated any student loans pledged under the indenture, any servicer, any guarantee agency, the trustee or any of their affiliates, or by the Department of Education. Moreover, we will have no obligation to make any of our assets available to pay principal or interest on the series 2005-1 notes, other than the student loans acquired with proceeds of the series 2005-1 notes and the other assets making up the trust estate. Holders of the series 2005-1 notes must rely for repayment upon revenues realized from the student loans and other assets in the trust estate. See the caption “Source of Payment and Security for the Notes” herein.
Failure by loan holders or servicers to comply with student loan origination and servicing procedures could cause delays in payment or losses on the series 2005-1 notes

The Higher Education Act requires loan holders and servicers to follow specified procedures to ensure that FFELP loans are properly originated and serviced. Failure to follow these procedures may result in:

- the Department of Education's refusal to make reinsurance payments to the guarantee agencies or to make interest subsidy payments and special allowance payments to us with respect to FFELP loans; and

- the guarantee agencies' inability or refusal to make guarantee payments with respect to FFELP loans.

Loss of any of these payments may adversely affect our ability to pay principal of and interest on the series 2005-1 notes. See the captions "Characteristics of the Student Loans—Servicing and Due Diligence" and "Description of the Federal Family Education Loan Program" herein.

The financial health of the guarantee agencies could decline, which could affect the timing and amounts available for payment of the series 2005-1 notes

The student loans are not secured by any collateral of the borrowers. Payments of principal and interest are guaranteed by guarantee agencies to the extent described herein. Excessive borrower defaults could impair a guarantee agency's ability to meet its guarantee obligations. The financial health of a guarantee agency could affect the timing and amount of available funds for any collection period and our ability to pay principal of and interest on the series 2005-1 notes. As of the closing date, it is expected that approximately 88% of the student loans will be guaranteed by the Iowa College Student Aid Commission.

Although a holder of FFELP loans could submit claims for payment directly to the Department of Education if the Department of Education determines that a guarantee agency is unable to meet its insurance obligations, there is no assurance that the Department of Education would make such a determination or that it would pay claims in a timely manner. See the captions "Description of the Federal Family Education Loan Program" and "Description of the Guarantee Agencies" herein.

Borrowers of student loans are subject to a variety of factors that may adversely affect their repayment ability

Collections on the student loans during a monthly collection period may vary greatly in both timing and amount from the payments actually due on the student loans for that monthly collection period for a variety of economic, social and other factors. Failures by borrowers to pay timely the principal and interest on their student loans or an increase in deferments or forbearances could affect the timing and amount of available funds for any monthly collection.
period and the ability to pay principal and interest on your series 2005-1 notes. The effect of these factors, including the effect on the timing and amount of available funds for any monthly collection period and the ability to pay principal and interest on your series 2005-1 notes is impossible to predict.

**Offset by guarantee agencies or the Department of Education could reduce the amounts available for payment of the series 2005-1 notes**

We will use a Department of Education lender identification number that also is used for other FFELP loans held by us. The billings submitted to the Department of Education will be consolidated with the billings for payments for all student loans held by us under the common lender identification number, and payments on the billings will be made by the Department of Education or the guarantee agency to us in lump sum form. These payments will be allocated among the various FFELP loans held under the same lender identification number.

If the Department of Education or a guarantee agency determines that we owe a liability to the Department of Education or the guarantee agency on any FFELP loan for which we are legal titleholder, the Department of Education or the guarantee agency might seek to collect that liability by offsetting against payments due to us under the indenture for the series 2005-1 notes. This offsetting or shortfall of payments due to us could adversely affect the amount of available funds and our ability to pay interest and principal on the series 2005-1 notes. See the caption “Description of the Federal Family Education Loan Program” herein.

**The Federal Family Education Loan Program could change, which could adversely affect the student loans and the timing and amounts available for payment of the series 2005-1 notes**

The Higher Education Act and other relevant federal or state laws may be amended or modified in the future. In particular, the level of guarantee payments may be adjusted from time to time. We cannot predict whether any changes will be adopted or, if so, what impact such changes may have on us or the series 2005-1 notes.

The Higher Education Act is currently subject to reauthorization. During that process, which is ongoing, proposed amendments to the Higher Education Act are more commonplace and a number of proposals have been introduced in Congress. As part of such process, Congress has passed, and the President has signed into law, the Higher Education Extension Act of 2004, which temporarily extended the programs under the Higher Education Act, including FFELP, through federal fiscal year 2005.

Bills have recently been introduced in the U.S. House of Representatives that, if enacted into law, would permit borrowers under most consolidation loans to refinance their student loans at lower interest rates. Any legislation that permits borrowers to refinance existing consolidation loans at lower interest rates could significantly increase the rate of prepayments on our student loans. A faster rate of prepayments would decrease the amount of excess interest available to redeem the series 2005-1 notes. In addition, if the legislation described above or any similar legislation is enacted into law, the length of time that the series 2005-1 notes are outstanding and
their weighted average lives may be shortened significantly. Noteholders will bear any reinvestment risk caused by such prepayments.

**Increased competition from other lenders and the Federal Direct Student Loan Program could adversely affect the availability of loans, the cost of servicing, the value of loans and prepayment expectations**

We face competition from other lenders that could decrease the volume of eligible loans that we can originate or acquire. Additionally, the Higher Education Act provides for a Federal Direct Student Loan Program. This program could result in reductions in the volume of loans made under the Federal Family Education Loan Program. Reduced volume in our program in particular and in the Federal Family Education Loan Program in general may cause us as a servicer to experience increased costs due to reduced economies of scale. These cost increases could reduce our ability to satisfy our obligations to service the student loans. This could also reduce revenues received by the guarantee agencies available to pay claims on defaulted student loans. See the caption “Description of the Federal Family Education Loan Program” herein.

**The interest rates on our investments may be insufficient to cover interest on the series 2005-1 notes**

Unspent proceeds of the series 2005-1 notes and moneys in the funds and accounts under the indenture will be invested at fluctuating interest rates. It is likely that the interest rates at which these proceeds and moneys are invested will be less than the interest rates on the series 2005-1 notes.

**Different rates of change in interest rate indexes may affect our cash flow**

The interest rates on the series 2005-1 notes issued pursuant to the indenture will fluctuate from one interest period to another in response to changes in LIBOR rates. The student loans pledged under the indenture bear interest at rates which are generally based upon the bond equivalent yield of the 91-day United States Treasury bill rate, and we may be entitled to receive special allowance payments on our student loans from the Department of Education based upon a three-month commercial paper rate or the 91-day United States Treasury bill rate. See the caption “Description of the Federal Family Education Loan Program” herein. If there is a decline in such rates payable on student loans pledged under the indenture, the amount of funds representing interest deposited into the Collection Fund may be reduced. If the interest rates payable on our series 2005-1 notes do not decline in a similar manner and time, we may not have sufficient funds to pay interest on our series 2005-1 notes when such interest becomes due. Even if there is a similar reduction in the rates applicable to the series 2005-1 notes, there may not necessarily be a reduction in the other amounts required to be paid out of the trust estate, such as servicing and administration fees, causing interest payments to be deferred to future periods. Sufficient funds may not be available in future periods to make up for any shortfalls in the current payments of interest on the series 2005-1 notes or expenses of the trust estate. We have entered into certain derivative product agreements in an effort to mitigate a portion of these risks.
If the trustee is forced to sell loans after an event of default under the indenture, there could be losses on the series 2005-1 notes.

Generally, during an event of default under the indenture, the trustee is authorized to sell the student loans within the trust estate. However, the trustee may not find a purchaser for those student loans. Also, the market value of those student loans plus other assets in the trust estate might not equal the principal amount of outstanding series 2005-1 notes and accrued interest thereon. The competition currently existing in the secondary market for loans made under the Federal Family Education Loan Program also could be reduced, resulting in fewer potential buyers of those student loans and lower prices available in the secondary market for those student loans. The holders of the series 2005-1 notes may suffer a loss if the trustee is unable to find purchasers willing to pay sufficient prices for the student loans.

Other parties may have or may obtain a superior interest in loans.

The servicer or a custodian generally will have custody of the original or a copy of the promissory notes related to the student loans, including where a student loan has been made under a master promissory note retained by the originating lender. The student loan note may not be physically segregated in the servicer's or other custodian's offices. The Higher Education Act provides that a security interest in a FFELP loan may be perfected through taking possession of an original or copy of a master promissory note or by filing a uniform commercial code financing statement. A possible effect of this provision is that a party who has perfected a security interest by possession of a copy of a master promissory note may take priority over the trustee's security interest, even though the servicer or custodian has possession of the original or a copy of the promissory note. Moreover, there is no way to determine conclusively whether such a perfected security interest exists.

Less than all of the holders can approve amendments to the indenture or waive defaults under the indenture.

Under the indenture, holders of specified percentages of the aggregate principal amount of the series 2005-1 notes may amend or supplement provisions of the indenture and the series 2005-1 notes and waive events of defaults and compliance provisions without the consent of the other holders. You have no recourse if the holders vote and you disagree with the vote on these matters. The holders may vote in a manner which impairs the ability to pay principal and interest on your series 2005-1 notes.

The holders of the class B notes, generally have no voting rights while any class A notes are outstanding. The holders of class B notes generally have no recourse if they disagree with the specified percentage of holders. See the captions "Description of the Indenture—Events of Default," "—Remedies" and "—Supplemental Indentures Requiring Consent of Noteholders" and the definition of "Acting Beneficiaries Upon Default" under the caption "Glossary of Certain Defined Terms" herein.
Rating agency confirmation for certain actions

The indenture provides that we, and the trustee, may undertake various actions based upon receipt by the trustee of confirmation from the rating agencies that the outstanding ratings assigned by such rating agencies to the series 2005-1 notes are not thereby impaired. Such actions include, but are not limited to, reducing the reserve fund requirement, adding new servicers, amending guarantee agreements and executing additional derivative product agreements. To the extent such actions are taken after issuance of the series 2005-1 notes, investors in the series 2005-1 notes will be subject to such actions and their impact on credit quality.

The series 2005-1 notes are not suitable investments for all investors

The series 2005-1 notes are not a suitable investment if you require a regular or predictable schedule of payments or payment on any specific date. The series 2005-1 notes are complex investments that should be considered only by investors who, either alone or with their financial, tax and legal advisors, have the expertise to analyze the prepayment, reinvestment, default and market risk, the tax consequences of an investment, and the interaction of these factors.

Book-entry registration may limit your ability to participate directly as a holder

The series 2005-1 notes will be represented by one or more certificates registered in the name of Cede & Co., the nominee for The Depository Trust Company, and will not be registered in your name. You will only be able to exercise the rights of holders of the series 2005-1 notes indirectly through The Depository Trust Company and its participating organizations. See the caption “Book-Entry Registration” herein.

Credit ratings only address a limited scope of your concerns

A rating agency will rate each series of the series 2005-1 notes. A rating is not a recommendation to buy or sell series 2005-1 notes or a comment concerning suitability for any investor. A rating only addresses the likelihood of the ultimate payment of principal and stated interest and does not address the likelihood of prepayments on the series 2005-1 notes or the market liquidity of the series 2005-1 notes. A rating may not remain in effect for the life of the series 2005-1 notes. See the caption “Ratings” herein.

Your securities may have greater basis risk and the issuer’s ability to pay principal and interest on your series 2005-1 notes may be compromised if the counterparty defaults under the derivative product agreements.

We will enter into a T-Bill/LIBOR derivative product agreement and an interest rate cap derivative agreement that are intended to mitigate the basis risk associated with the series 2005-1 notes. If a payment is due to us under the T-Bill/LIBOR derivative product agreement or the interest rate cap derivative agreement, a default by the counterparty may reduce the amount of funds available to us and thus our ability to pay your principal and interest on the series 2005-1 notes.
notes. Moreover, our ability to pay principal and interest on the series 2005-1 notes may be adversely affected if the shortfall exceeds the counterparty's obligation under the T-Bill/LIBOR derivative product agreement or the interest rate cap derivative agreement.

In addition, an early termination of the T-Bill/LIBOR derivative product agreement or the interest rate cap derivative agreement may occur in a number of circumstances. See the caption “T-Bill/LIBOR Derivative Product Agreement and Interest Rate Cap Agreement.”

If an early termination occurs, we may no longer have the benefit of the T-Bill/LIBOR derivative product agreement or interest rate cap derivative agreement. You cannot be certain that we will be able to enter into a substitute T-Bill/LIBOR derivative product agreement or interest rate cap derivative agreement, as applicable.

The United States military build-up may result in delayed payments from borrowers called to active military service.

The Servicemembers Civil Relief Act updates and replaces the Soldiers’ and Sailors’ Civil Relief Act of 1940. The Relief Act provides relief to borrowers who enter active military service and to borrowers in reserve status who are called to active duty after the origination of their student loan. The Servicemembers Civil Relief Act limits the ability of lenders of FFELP loans and guaranty agencies to take legal action against a borrower during the borrower's period of active duty and, in some cases, during an additional three month period thereafter. As a result, there may be delays in payment and increased losses on the financed student loans.

The Department has issued guidelines that extend the in-school status, in-school deferment status, grace period status or forbearance status of certain borrowers ordered to active duty. Further, if a borrower is in default on a FFELP loan, the applicable guaranty agency must, upon being notified that the borrower has been called to active duty and during certain time periods as from time to time designated by the Department of Education, cease all collection activities for the expected period of the borrower's military service.

We do not know how many student loans have been or may be affected by the application of the Servicemembers Civil Relief Act. Payments on student loans within the trust estate may be delayed as a result of these requirements, which may reduce the funds available to pay principal and interest on the series 2005-1 notes.

Higher Education Relief Opportunities for Students Act of 2003 may result in delayed payments from Borrowers.

The Higher Education Relief Opportunities for Students Act of 2003 (“HEROS Act of 2003”) authorizes the Secretary of Education, during the period ending September 30, 2005, to waive or modify any statutory or regulatory provisions applicable to student financial aid programs under Title IV of the Higher Education Act as the Secretary deems necessary for the benefit of “affected individuals” who:
• are serving on active military duty or performing qualifying national guard duty during a war or other military operation or national emergency;

• reside or are employed in an area that is declared by any federal, state or local office to be a disaster area in connection with a national emergency; or

• suffered direct economic hardship as a direct result of war or other military operation or national emergency, as determined by the Secretary.

The Secretary is authorized to waive or modify any provision of the Higher Education Act to ensure that:

• such recipients of student financial assistance are not placed in a worse financial position in relation to that assistance;

• administrative requirements in relation to that assistance are minimized;

• calculations used to determine need for such assistance accurately reflect the financial condition of such individuals;

• to provide for amended calculations of overpayment; and

• institutions of higher education, eligible lenders, guaranty agencies and other entities participating in such student financial aid programs that are located in, or whose operations are directly affected by, areas that are declared to be disaster areas by any federal, state or local official in connection with a national emergency may be temporarily relieved from requirements that are rendered infeasible or unreasonable.

The Secretary was given this same authority under the Higher Education Relief Opportunities for Students Act of 2001, but the Secretary has yet to use this authority to provide specific relief to servicemembers with loan obligations who are called to active duty. The number and aggregate principal balance of student loans that may be affected by the application of the HEROS Act of 2003 is not known at this time. Accordingly, payments we receive on student loans made to a borrower who qualifies for such relief may be subject to certain limitations. If a substantial number of borrowers become eligible for the relief provided under the HEROS Act of 2003, there could be an adverse effect on the total collections on our financed student loans and our ability to pay principal and interest on the series 2005-1 notes.

Bankruptcy could result in accelerated prepayment on the notes

We are a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, and are not a “moneyed, business or commercial corporation.” As such, we cannot be the subject of an involuntary bankruptcy proceeding under the United States Bankruptcy Code. We are, however, eligible to file a voluntary bankruptcy proceeding under the United States Bankruptcy Code. Also, if we were to convert to a taxable organization or lose our
tax-exempt status for any reason, we would become eligible to be the subject of an involuntary bankruptcy proceeding.

THE ISSUER

The Iowa Student Loan Liquidity Corporation is a nonprofit corporation registered in Iowa and established on August 15, 1979 at the request of the Governor of Iowa pursuant to Chapter 504A of the Iowa Code for the purpose of providing a statewide student loan program through which the issuer could finance student loan notes originated under the act, including loans directly insured by the federal government and loans insured by a guarantor and subject to reinsurance by the federal government. The issuer is the only state-designated entity in the State of Iowa that has the ability to finance student loan notes guaranteed and reinsured or directly insured in accordance with the Higher Education Act. Pursuant to Iowa legislation enacted in 1992, the issuer is also authorized to finance student loans other than those originated under the Higher Education Act.

The ISL Service Corp., a wholly-owned, taxable subsidiary of the issuer, was incorporated in 2001 to provide services not related to the issuer’s nonprofit purpose. The ISL Service Corp. has developed and is operating a communications system for the transmission of student loan program data.

The issuer’s articles of incorporation provide for a board of directors composed of 11 members appointed by the Governor of Iowa. Of these members, two represent Iowa banking institutions, two represent the general public and one director represents each of the following: Iowa savings and loan institutions, Iowa credit unions, Iowa Regents institutions, Iowa private colleges and universities, Iowa merged area schools, and ICSAC. The Superintendent of the State Department of Banking is an ex-officio member of the board of directors.

As of the date hereof, the members of the board of directors of the issuer, their principal occupations and the constituencies they represent are as follows (one membership position on the board of directors, representing the general public, is currently open):

**Norman Nielsen** serves as chairman of the board of directors. He retired as president of Kirkwood Community College in Cedar Rapids in December of 2004. He joined the Kirkwood staff in 1979 as a vice president. Prior to 1979, Dr. Nielsen served as a teacher, coach, principal, and superintendent of schools in the Iowa public school system. He received advanced degrees from both Iowa State University and the University of Iowa. Dr. Nielsen is a past president of the Iowa Association of Community College Presidents and the League for Innovation in the Community College. He recently was awarded the Outstanding Alumnus Award from Buena Vista University and the University of Iowa. He was also awarded the Distinguished Achievement Award, which is the highest award given by Iowa State University. The National Association of Community College Trustees awarded him the 2001 National CEO of the Year. Dr. Nielsen serves on several community, state and national boards. He was appointed to the board of directors in 1995, representing Iowa area merged schools.

**Victoria Payseur** serves as vice chair of the board of directors. She is treasurer and the vice president of Business and Finance at Drake University in Des Moines, Iowa. Prior to
her current position at Drake, she served for three years as the vice president of Business and
Finance at the University of Osteopathic Medicine and Health Sciences in Des Moines and for
nine years at Simpson College in Indianola, Iowa, primarily in the role of vice president. She
graduated from Luther College in 1973 with a B.A. in English and history, received her M.A. in
history from Washington State University in 1982 and obtained her MBA from Drake University
in 1982. Ms. Payseur received her CPA certificate and is a member of the Iowa Society of CPAs
and the National Association of College and University Business Officers. She was appointed to
the board of directors in 1999, representing Iowa private colleges.

John V. Hartung has served as president of the Iowa Association of Independent Colleges and Universities since 1984. Currently, he serves on the board of directors of several Iowa organizations, including the Iowa Higher Education Loan Authority, Iowa College Student Aid Commission, Iowa Public Television and the Science Center of Iowa. Mr. Hartung previously served in various capacities for Simpson College and Dakota Wesleyan University. He was appointed to the board of directors in 1998 to represent the state guarantor.

Greg Nichols is executive director of the Board of Regents, State of Iowa. He also currently serves on the Iowa College Student Aid Commission, the board of directors of Iowa Dollars for Scholars and is a member of the executive committee of the State Higher Education Executive Officers Association. Mr. Nichols served as a member of Governor Tom Vilsack’s policy staff from 1999-2002 and as a member of the staff of the Iowa Senate from 1981-1999. He is a former president, finance officer, and board chairman of State Employees (now known as Community Choice) Credit Union. He is also a former student member of the Student Loan Marketing Association Board of Directors. Mr. Nichols received his B.A. from Iowa State University, his M.A. from Rutgers University, and is currently completing his Ph.D. work in Education Leadership and Policy Studies at Iowa State University. He is a resident of West Des Moines and was appointed to the board of directors in 2003, representing Regents institutions.

Steve Ollenburg is president and CEO of MWA Bank in Rock Island, Illinois, and also serves on its board of directors. He has served on the boards of organizations such as America’s Community Bankers, Iowa’s Community Bankers, the Midwest Conference of Community Bankers, the advisory board of S1 Corporation, ChildServe (chairman) and the Iowa advisory board for Federal Reserve Bank of Chicago. Throughout his career, he has served numerous local service clubs, chamber of commerce committees, charitable organizations, legislative task forces and other similar activities. Mr. Ollenburg was appointed to the board of directors in 2000, representing Iowa savings and loan institutions.

Rudolph S. Leytz is chairman of BankIowa in Cedar Rapids, Iowa and president and chairman of Fidelity Bancorp, a one-bank holding company that owns BankIowa. He is a graduate of the University of Iowa. He is on the board of directors of People’s Memorial Hospital, Independence, Iowa; Iowa Student Aid Commission in Des Moines, Iowa and Oakview, an independent living community in Independence, Iowa. Mr. Leytz is a member of Rotary, Independence Ambassadors, and Emmanuel Lutheran Church of Independence. A resident of Independence, Iowa, he was appointed to the board of directors in 1999, representing Iowa banking institutions.
Robert Wilson “Bill” Sackett is an attorney in general practice with a long-time family law firm in Okoboji, Iowa. He is a graduate of Iowa State University and Drake University Law School. He is admitted to practice before all Iowa state and federal courts and the U.S. Tax Court. He has served as Clay County Attorney and city attorney for eight northwest Iowa communities and has been a long-time director of Farmers Savings Bank. Mr. Sackett is a member of the Iowa and Dickinson County Bar Associations. He serves as a board member for several Okoboji community organizations as well as alumni organizations of Drake University, the University of Iowa and Iowa State University. He was originally appointed to the board of directors in 1999, representing the Regents institutions, and in 2003 was appointed to represent the general public.

Catherine (Kay) E. Beyerink is CEO of TelcoTriad Community Credit Union in Sioux City, Iowa. She is a member of the Credit Union Executive Society, the Northwest Iowa Chapter of Credit Unions and the Iowa Credit Union League, serving on the Foundation Board and the Task Force Committee. Ms. Beyerink is a member of Noon Sertoma Club, T.T.T. Chapter AC, Children’s Miracle Network, Juvenile Diabetes Foundation, Sioux City Chamber of Commerce, Spencer Chamber of Commerce, and is a past president of the Better Business Bureau. She was appointed to the board of directors in 2002, representing Iowa credit unions.

Tom Gronstal is superintendent of banking for the State of Iowa and is employed by Carroll County State Bank in Carroll, Iowa. Mr. Gronstal is a graduate of Benedictine College in Atchison, Kansas. Prior to his current positions, Mr. Gronstal worked for Central National Bank in Des Moines and in the Iowa Division of Banking. Mr. Gronstal has served as a member of many organizations such as President and Treasurer of the Iowa Bankers Association, President of the Carroll Chamber of Commerce, Mayor of the City of Carroll, member of the Carroll Area Development Corporation and the Governor’s Strategic Planning Council. He was appointed to the board of directors in 2004, representing the State Department of Banking.

John O’Bryne recently retired after 21 years as president of Cresco Union Savings Bank, and presently is vice chairman of its board of directors. He is a graduate of Iowa State University. He served on the board of the Iowa Bankers Association, the Iowa Independent Bankers, the American Bankers Association, the Iowa Business Growth and on the Ag Committee Shazam Board. He is past-president of Cresco Chamber of Commerce, Cresco Industrial Development Corporation and the Howard County Extension Council, and is past chair of, and served 28 years on, the Howard County Regional Hospital board. Presently, Mr. O’Bryne is Treasurer of Cresco Industrial Development and Vice President of Howard County Economical Development. He was appointed to the board of directors in 2004, representing Iowa banking institutions.

As of May 31, 2005, the staff of the issuer consisted of 239 full-time employees and 13 part-time employees, and 19 full-time employees and three part-time employees for the ISL Service Corp.

The management team of the issuer includes the following:

Steven W. McCullough is the issuer’s President/CEO. As President/CEO, Mr. McCullough is the chief administrative officer for the issuer and has full responsibility for
the development and management of the issuer and the implementation of its education loan programs. Mr. McCullough has been President/CEO since April 1993. He is the former Chairman of the Board of Directors of the Education Finance Council, a trade association for student loan secondary markets. Prior to assuming his present position, he was the Director of Fiscal Operations for the issuer. Mr. McCullough received his CPA certificate in 1986 and graduated from the University of Iowa’s Executive MBA program in 1992. He is a member of the American Institute of CPAs. Previously, Mr. McCullough worked as an asset-backed investment analyst for the Principal Financial Group and as a CPA for Deloitte and Touche.

Ron Foresman, CPA, is the Vice President of Finance & Corporate Treasurer. Mr. Foresman joined the issuer in 1994. Formerly, he was the Director of Accounting at Iowa Lutheran Hospital and a CPA for Denman and Company. He received his B.B.A. from Iowa State University. Mr. Foresman is currently a member of the Iowa Society of Certified Public Accountants.

Walter Witthoff is the Vice President, Compliance & Government Relations. Mr. Witthoff currently serves on the membership education and training committee of the National Council of Higher Education Loan Programs and the compliance committee of the Iowa Bankers Association. He is also a founding member of the national alternative education loan study group. Mr. Witthoff began his career in finance with Household Finance Corporation in 1975, and has since worked for a federal savings bank, a national guarantor under Title IV of the Higher Education Act, and has served with the issuer for over 14 years. He completed his undergraduate studies at Nebraska Wesleyan University and received his graduate degree from Drake University.

Mary Kay DeBolt is the Vice President of Operations & Corporate Secretary. Ms. DeBolt has been with the company since 1984 and is the longest tenured employee on the management team. She received her B.A. degree from Grand View College in Des Moines, Iowa.

THE ISSUER’S STUDENT LOAN PROGRAMS

General

The issuer has established its student loan program in order to effectuate the general purposes of the issuer and the specific objective of providing funds to assist students in obtaining a post-secondary education. At present the issuer’s student loan program includes approximately 400 lenders. Eligible lenders under the Higher Education Act of 1965 (as amended) include commercial banks, thrifts, credit unions and certain educational institutions.

Servicing of Student Loans and “Due Diligence”

Since its inception, the issuer has serviced its portfolio of federally reinsured loans with the assistance of the electronic servicing programs created, maintained and utilized by the Pennsylvania Higher Education Assistance Agency (“PHEAA”) and/or American Education Services, a subsidiary of PHEAA. The issuer has entered into an agreement with PHEAA (under which PHEAA agrees to provide the equipment, software, training and related support necessary to enable the issuer to comply with the provisions of the Higher Education Act (the “Act”), and
other applicable federal and state laws. The servicing system of PHEAA is presently in operation in several other states.

The issuer was granted "Exceptional Performer" status by the United States Department of Education pursuant to the Higher Education Act. So long as the issuer's "Exceptional Performer" status remains in effect, all loans serviced by the issuer, including the student loans to be originated or acquired with the proceeds of the series 2005-1 notes and serviced by the issuer, will be eligible to receive 100% reimbursement on any claim submitted for payment. The Secretary of Education may revoke the issuer's "Exceptional Performer" status if, among other things, subsequent audits of its servicing operations fail to meet certain due diligence standards, the required audits are not provided to the Secretary or the Secretary determines that an overall level of regulatory compliance has not been maintained. There can be no assurance that the issuer will maintain its "Exceptional Performer" status in the future.

The issuer expects to service substantially all of the student loans held under the indenture. However, in addition to doing its own servicing, the issuer has signed a contract with USA Education, Inc. for the provision of loan disbursement services to the issuer under limited circumstances. The issuer has also entered into a contract with Great Lakes Higher Education Servicing Corporation. Under this contract, Great Lakes Higher Education Servicing Corporation provides full servicing on certain loans purchased by the issuer under certain circumstances.

The Higher Education Act requires the exercise of specific due diligence standards in the collection of Federal Family Education Loans made under the Federal Family Education Loan Program. We sometimes refer to the Federal Family Education Loan Program as "FFELP." The Higher Education Act also requires the exercise of reasonable care and diligence in the making of FFELP loans, and provides that the Secretary of the U.S. Department of Education ("Secretary") may disqualify an "eligible lender" (which could include the issuer or the trustee as a holder of FFELP 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 issuer's ability to realize the benefits of insurance may be adversely affected.

The Higher Education Act requires that a guaranty agency ensure that federally prescribed due diligence standards will be exercised by an eligible lender in making and collecting FFELP loans guaranteed by such guaranty agency. The Iowa College Student Aid Commission (our primary guaranty agency) adopted federal procedures and standards for due diligence to be exercised by eligible lenders which hold and service loans subject to such guarantors' loan insurance agreements with eligible lenders. If the issuer or any successor servicer does not comply with the federal due diligence standards, the issuer's ability to realize the benefits of any guaranty may be adversely affected. The servicer is obligated to exercise due diligence and to ensure that its subcontractors exercise due diligence within the meaning of the Higher Education Act and the applicable guarantor's policies in the servicing, administration and collection of FFELP loans.
Representations and Warranties with Respect to Student Loans

The issuer will covenant and agree pursuant to the indenture that at the time of acquisition by the issuer, all student loans to be acquired thereunder will meet the following:

(a) Each student loan will be evidenced by an executed promissory note (which may be a master promissory note or in electronic form), which note is a valid and binding obligation of the borrower, enforceable by or on behalf of the holder thereof in accordance with its terms, subject to bankruptcy, insolvency and other laws relating to or affecting creditors' rights.

(b) The amount of the unpaid principal balance of each student loan is due and owing, and no counterclaim, offset, defense or right to rescission exists with respect to any such student loan which can be asserted and maintained or which, with notice, lapse of time, or the occurrence or failure to occur of any act or event, could be asserted and maintained by the borrower against the issuer as assignee thereof. The issuer shall take all reasonable actions to assure that no maker of a student loan has or may acquire a defense to the payment thereof.

(c) No student loan has a payment that is more than 90 days overdue.

(d) The issuer has full right, title and interest in each student loan free and clear of all liens, pledges or encumbrances whatsoever, and other than the security interest granted to the trustee under the indenture, the issuer has not pledged, assigned, sold, granted a security interest in, or otherwise conveyed any of the student loans to any other person. The issuer has not authorized the filing of and is not aware of any financing statements against it that include a description of collateral covering the student loans, other than any financing statement relating to the security interest granted to the trustee under the indenture or any financing statement that has been terminated. The issuer is not aware of any judgment or tax lien filings against it.

(e) Each student loan was made in compliance with all applicable local, state and federal laws, rules and regulations, including, without limitation, all applicable nondiscrimination, truth in lending, consumer credit and usury laws.

(f) All loan documentation not retained by the issuer shall be delivered to a custodian (as custodian for the trustee) prior to payment of the purchase price of such student loan.

(g) Each student loan is accruing interest (whether or not such interest is being paid currently, either by the borrower or the Secretary of Education, or is being capitalized), except as otherwise expressly permitted by the indenture.

(h) Each student loan constitutes an “instrument” as defined in the Uniform Commercial Code as in effect in the State of Iowa.

(i) The issuer has received all consents and approvals required by the terms of each student loan to the pledge of such student loan under the indenture to the Trustee.
(j) The issuer has caused or will have caused, within ten days of the issuance of the series 2005-1 notes, the filing of all appropriate financing statements in the proper offices of all jurisdictions in which filing is necessary under applicable law in order to perfect the security interest of the trustee in the student loans.

(k) The original executed copy of each promissory note that constitutes or evidences a student loan for which the issuer is not the servicer will be delivered to a custodian on behalf of and for the benefit of the trustee.

(l) At the time each student loan for which the issuer is not the servicer is delivered to a custodian, the issuer will receive a written acknowledgment from such custodian that such custodian is holding each promissory note that constitutes or evidences a student loan solely on behalf of and for the benefit of the trustee (which evidence may be in the form of a loan roster, a bond or note identification report, or any other similar report routinely generated by the custodian).

(m) The promissory notes that constitute or evidence the student loans will not have any marks or notations indicating that they have been pledged, assigned or otherwise conveyed to any person other than the trustee. All financing statements filed or to be filed against the issuer in favor of the trustee in connection herewith describing the student loans contain the following statement: “A purchase of or security interest in any collateral described in this financing statement will violate the rights of the trustee.”

If as a result of any representation or warranty made by the issuer in the indenture as described above being materially incorrect, the Secretary of Education or a guarantee agency, as the case may be, refuses to honor all or part of any claim filed with respect to a student loan (including any claim for interest subsidy payments, special allowance payments or guarantee payments) on account of any circumstance or event that occurred prior to the transfer of such student loan to the trust estate, then the issuer shall, within nine months of such claim being denied (i) cause such claim to be honored, (ii) purchase such FFELP Loan or purported FFELP Loan by depositing into the Collection Fund (or during the Revolving Period, into the Acquisition Fund) an amount equal to 100% of the then outstanding Principal Balance of such Student Loan or purported student Loan, plus any unamortized premium paid as a part of the purchase price and all interest accrued and unpaid on such student loan, plus 100% of the accrued but unpaid applicable special allowance payments with respect to such student loan or purported student loan up to and including the date of repurchase, plus any amounts owed to the Secretary of Education with respect to the repurchased student loan or purported student loan or (iii) substitute for such student loan or purported student loan one or more eligible loans with an aggregate outstanding principal balance at least equal to the outstanding principal balance of the student loan or purported student loan being substituted; provided, however, the issuer may delay taking such actions by giving written notice to the trustee not less often than each 90 days that the issuer has reason to believe that the claim will be honored within time frames permitted by regulations.

In addition, if any representation or warranty described in (d) above shall prove to have been materially incorrect, then we shall, within nine months of notification of the breach of the
representation or warranty, either cure the breach, or take one of the actions described in (ii) or (iii) in the above paragraph.

**Recent Department of Education Position Regarding 9.5% Floor Rate of Return Loans**

On May 24, 2005, the Office of Inspector General ("OIG") of the United States Department of Education issued a Final Audit Report into certain billing practices of the New Mexico Educational Assistance Foundation ("NMEAF"), which questioned NMEAF's billing for what is referred to as a "9.5% floor rate of return" on certain of its student loans. In particular, the Report questioned NMEAF's ability to receive a 9.5% floor rate of return on student loans held in trust estates securing tax-exempt bonds which were issued on or after October 1, 1993 and on or before September 1, 2004 for the purpose of refunding tax-exempt bonds issued before October 1, 1993. The Report requested that the Department of Education require NMEAF to refund the amounts in question. NMEAF has stated publicly that the Report incorrectly analyzes applicable law and regulations, and that a series of Department of Education policy statements have supported NMEAF's floor loan billing practices in this regard. Certain members of Congress have recently urged the Secretary of the Department of Education to examine other entities that have received the benefit of the 9.5% floor rate of return in similar circumstances, and at least one such entity has publicly announced that it has recently become the subject of an OIG audit with respect to the 9.5% floor rate of return. On July 8, 2005 the Department of Education issued a final determination letter on this matter, generally concurring with NMEAF.

The financed student loans held under the indenture which secure the series 2005-1 notes do not qualify for, and will not receive, the 9.5% floor rate of return. However, we have billed for, and received, a 9.5% floor rate of return on certain other of our student loans under circumstances similar to those described in the preceding paragraph. Such treatment generally benefits our operations and helps us in being able to provide various benefits to our student borrowers. We believe that our billing practices regarding the 9.5% floor rate of return comply with the Higher Education Act and Department of Education guidance, and are consistent with industry practice.

**FEES AND EXPENSES OF THE ISSUER**

All fees and expenses, including servicing and administration fees, trustee fees and during the revolving period, any conversion fees incurred, but excluding carryover servicing and administration fees, are not expected to exceed 0.57% of the principal balance of the student loans held under the indenture. In addition, Federal Family Education Loan Program lenders must pay a monthly rebate fee to the Secretary of Education at an annualized rate generally equal to 1.05% on principal and interest on Federal Consolidation Loans disbursed on or after October 1, 1993. See "Description of the Federal Family Education Loan Program" herein.

The indenture provides that the aggregate amount of servicing and administration fees and trustee fees paid from the collection fund shall not, in any fiscal year, exceed the sum of such fees provided for in the cash flows provided to each rating agency on the closing date for the series 2005-1 notes, unless a rating agency condition is satisfied with respect to any such excess amount.
USE OF PROCEEDS

We estimate that the proceeds from the sale of the series 2005-1 notes, net of the underwriting discount, will be applied as follows:

| Deposit to Acquisition Fund (includes amounts for payment of costs of issuance) | $691,695,822 |
| Deposit to Reserve Fund | 3,384,402 |
| Deposit to Collection Fund | 455,776 |
| Deposit to the Capitalized Interest Account | 2,345,000 |
| **Total** | **$697,881,000** |

From the proceeds of the series 2005-1 notes deposited in the Acquisition Fund, we expect to use approximately $685,276,419 to acquire approximately $676,880,455 in aggregate principal amount of student loans on or about the closing date. We expect to acquire these student loans at a price equal to the par amount of such student loans plus a premium and accrued interest thereon. In addition, approximately $5,062,903 of such proceeds deposited to the Acquisition Fund are expected to be used to acquire additional student loans by August 11, 2005, and approximately $1,356,500 of such proceeds deposited in the Acquisition Fund are expected to be used to pay costs of issuance of the series 2005-1 notes, including payment for the interest rate cap derivative product agreement.

CHARACTERISTICS OF THE STUDENT LOANS

As of May 31, 2005, the statistical calculation date, the characteristics of the student loans that we expect to include in the trust estate on the closing date were as described below. All student loans which we intend to include in the trust estate will consist of FFELP loans. Since the dates for purchase of the student loans to be acquired with the net proceeds of the series 2005-1 notes are other than the statistical calculation date, the characteristics of those student loans will vary from the information presented below. As of the statistical calculation date such student loans had an aggregate outstanding principal balance of approximately $676,880,455, plus accrued interest of approximately $7,042,203. The percentages set forth in the tables below may not always add to 100% and the balances may not always add to $676,880,455 due to rounding.
### Composition of Our Student Loan Portfolio as of the Statistical Calculation Date

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aggregate Outstanding Principal Balance</td>
<td>$676,880,455</td>
</tr>
<tr>
<td>Aggregate Outstanding Accrued Interest</td>
<td>$7,042,203</td>
</tr>
<tr>
<td>Number of Borrowers</td>
<td>63,420</td>
</tr>
<tr>
<td>Average Outstanding Principal Balance Per Borrower</td>
<td>$10,673</td>
</tr>
<tr>
<td>ABI Stafford</td>
<td>$7,534</td>
</tr>
<tr>
<td>ABI PLUS</td>
<td>$3,776</td>
</tr>
<tr>
<td>ABI Consolidation</td>
<td>$22,832</td>
</tr>
<tr>
<td>Number of Loans</td>
<td>151,345</td>
</tr>
<tr>
<td>Average Outstanding Principal Balance Per Loan</td>
<td>$4,472</td>
</tr>
<tr>
<td>Weighted Average Remaining Term to Scheduled Maturity (^1)</td>
<td>176</td>
</tr>
<tr>
<td>Weighted Average Borrower Interest Rate</td>
<td>3.83%</td>
</tr>
</tbody>
</table>

\(^1\) Determined from the statistical calculation date to the stated maturity date of the applicable student loans, assuming repayment commences promptly upon expiration of the typical grace period following the expected graduation date and without giving effect to any deferral or forbearance periods that may be granted in the future.

See “Description of the Federal Family Education Loan Program” in this offering memorandum.
# Distribution of Our Student Loans by Borrower Payment Status

**as of the Statistical Calculation Date**

<table>
<thead>
<tr>
<th>Borrower Payment Status</th>
<th>Number of Loans</th>
<th>Aggregate Outstanding Principal Balance</th>
<th>Percent of Pool by Outstanding Principal Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>In School</td>
<td>29,255</td>
<td>$111,910,443</td>
<td>16.53%</td>
</tr>
<tr>
<td>In Grace</td>
<td>38,190</td>
<td>123,717,720</td>
<td>18.28%</td>
</tr>
<tr>
<td>Deferment</td>
<td>14,671</td>
<td>88,840,265</td>
<td>13.12%</td>
</tr>
<tr>
<td>Forbearance</td>
<td>8,786</td>
<td>45,206,197</td>
<td>6.68%</td>
</tr>
<tr>
<td>Repayment*</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>First Year Repayment</td>
<td>24,518</td>
<td>192,602,150</td>
<td>28.45%</td>
</tr>
<tr>
<td>Second Year Repayment</td>
<td>6,284</td>
<td>27,359,739</td>
<td>4.04%</td>
</tr>
<tr>
<td>Third Year Repayment</td>
<td>5,068</td>
<td>18,105,350</td>
<td>2.67%</td>
</tr>
<tr>
<td>More than Three Years</td>
<td>24,573</td>
<td>69,138,591</td>
<td>10.21%</td>
</tr>
<tr>
<td>Total</td>
<td><strong>151,345</strong></td>
<td><strong>$676,880,455</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>

*The weighted average number of payments made for all student loans currently in repayment is 28, calculated as the term to maturity at the commencement of repayment less the number of months remaining to scheduled maturity as of the statistical calculation date.

---

# Distribution of Our Student Loans by Loan Type

**as of the Statistical Calculation Date**

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>Number of Loans</th>
<th>Aggregate Outstanding Principal Balance</th>
<th>Percent of Pool by Outstanding Principal Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stafford-Subsidized</td>
<td>80,187</td>
<td>$206,959,342</td>
<td>30.58%</td>
</tr>
<tr>
<td>Stafford-Unsubsidized</td>
<td>45,946</td>
<td>150,373,859</td>
<td>22.22%</td>
</tr>
<tr>
<td>PLUS</td>
<td>3,574</td>
<td>10,145,484</td>
<td>1.50%</td>
</tr>
<tr>
<td>Consolidation-Subsidized</td>
<td>10,593</td>
<td>152,433,205</td>
<td>22.52%</td>
</tr>
<tr>
<td>Consolidation-Unsubsidized</td>
<td>11,045</td>
<td>156,968,565</td>
<td>23.19%</td>
</tr>
<tr>
<td>Total</td>
<td><strong>151,345</strong></td>
<td><strong>$676,880,455</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>
Distribution of Our Student Loans by Range of Outstanding Principal Balance
as of the Statistical Calculation Date

<table>
<thead>
<tr>
<th>Principal Balance</th>
<th>Number of Borrowers</th>
<th>Aggregate Outstanding Principal Balance</th>
<th>Percent of Pool by Outstanding Principal Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less Than $5000</td>
<td>28,236</td>
<td>$64,768,221</td>
<td>9.57%</td>
</tr>
<tr>
<td>$5,000 to $9,999</td>
<td>13,889</td>
<td>97,751,505</td>
<td>14.44%</td>
</tr>
<tr>
<td>$10,000 to $14,999</td>
<td>8,246</td>
<td>101,739,346</td>
<td>15.03%</td>
</tr>
<tr>
<td>$15,000 to $19,999</td>
<td>5,304</td>
<td>91,192,481</td>
<td>13.47%</td>
</tr>
<tr>
<td>$20,000 to $24,999</td>
<td>2,555</td>
<td>56,606,316</td>
<td>8.36%</td>
</tr>
<tr>
<td>$25,000 to $29,999</td>
<td>1,449</td>
<td>39,459,502</td>
<td>5.83%</td>
</tr>
<tr>
<td>$30,000 to $34,999</td>
<td>841</td>
<td>27,104,747</td>
<td>4.00%</td>
</tr>
<tr>
<td>$35,000 to $39,999</td>
<td>606</td>
<td>22,587,554</td>
<td>3.34%</td>
</tr>
<tr>
<td>$40,000 to $49,999</td>
<td>628</td>
<td>28,051,997</td>
<td>4.14%</td>
</tr>
<tr>
<td>$50,000 to $59,999</td>
<td>458</td>
<td>24,988,762</td>
<td>3.69%</td>
</tr>
<tr>
<td>$60,000 to $69,999</td>
<td>251</td>
<td>16,302,361</td>
<td>2.41%</td>
</tr>
<tr>
<td>$70,000 to $79,999</td>
<td>252</td>
<td>18,797,740</td>
<td>2.78%</td>
</tr>
<tr>
<td>$80,000 to $89,999</td>
<td>114</td>
<td>9,684,595</td>
<td>1.43%</td>
</tr>
<tr>
<td>$90,000 to $99,999</td>
<td>115</td>
<td>10,937,412</td>
<td>1.62%</td>
</tr>
<tr>
<td>$100,000 to $119,999</td>
<td>137</td>
<td>14,951,025</td>
<td>2.21%</td>
</tr>
<tr>
<td>$120,000 to $139,999</td>
<td>131</td>
<td>17,008,186</td>
<td>2.51%</td>
</tr>
<tr>
<td>More than $140,000</td>
<td>208</td>
<td>34,948,704</td>
<td>5.16%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>63,420</strong></td>
<td><strong>$676,880,455</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>
## Distribution of Our Student Loans by Borrower Interest Rate

as of the Statistical Calculation Date

<table>
<thead>
<tr>
<th>Interest Rate</th>
<th>Number of Loans</th>
<th>Aggregate Outstanding Principal Balance</th>
<th>Percent of Pool by Outstanding Principal Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less Than 2.00%</td>
<td>824</td>
<td>$1,106,309</td>
<td>0.16%</td>
</tr>
<tr>
<td>2.00% to 2.49%</td>
<td>37</td>
<td>$1,004,480</td>
<td>0.15%</td>
</tr>
<tr>
<td>2.50% to 2.99%</td>
<td>81,879</td>
<td>322,598,244</td>
<td>47.66%</td>
</tr>
<tr>
<td>3.00% to 3.49%</td>
<td>41,016</td>
<td>142,219,556</td>
<td>21.01%</td>
</tr>
<tr>
<td>3.50% to 3.99%</td>
<td>3,645</td>
<td>43,213,875</td>
<td>6.38%</td>
</tr>
<tr>
<td>4.00% to 4.49%</td>
<td>14,414</td>
<td>53,461,774</td>
<td>7.90%</td>
</tr>
<tr>
<td>4.50% to 4.99%</td>
<td>496</td>
<td>7,320,223</td>
<td>1.08%</td>
</tr>
<tr>
<td>5.00% to 5.49%</td>
<td>1,020</td>
<td>3,913,978</td>
<td>0.58%</td>
</tr>
<tr>
<td>5.50% to 5.99%</td>
<td>284</td>
<td>4,912,367</td>
<td>0.73%</td>
</tr>
<tr>
<td>6.00% to 6.49%</td>
<td>467</td>
<td>7,667,684</td>
<td>1.13%</td>
</tr>
<tr>
<td>6.50% to 6.99%</td>
<td>589</td>
<td>8,486,324</td>
<td>1.25%</td>
</tr>
<tr>
<td>7.00% to 7.49%</td>
<td>756</td>
<td>8,797,927</td>
<td>1.30%</td>
</tr>
<tr>
<td>7.50% to 7.99%</td>
<td>1,622</td>
<td>22,295,625</td>
<td>3.29%</td>
</tr>
<tr>
<td>8.00% to 8.99%</td>
<td>3,008</td>
<td>33,903,540</td>
<td>5.01%</td>
</tr>
<tr>
<td>9.00% or Greater</td>
<td>1,288</td>
<td>15,978,548</td>
<td>2.36%</td>
</tr>
<tr>
<td>Total</td>
<td>151,345</td>
<td>676,880,455</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

## Distributions of Our Student Loans by SAP Interest Rate Index

as of the Statistical Calculation Date

<table>
<thead>
<tr>
<th>SAP Interest Rate Index</th>
<th>Number of Loans</th>
<th>Aggregate Outstanding Principal Balance</th>
<th>Percent of Pool by Outstanding Principal Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>91 Day T-Bill</td>
<td>22,750</td>
<td>$84,462,781</td>
<td>12.48%</td>
</tr>
<tr>
<td>90 Day CP Index</td>
<td>128,595</td>
<td>592,417,673</td>
<td>87.52%</td>
</tr>
<tr>
<td>Total</td>
<td>151,345</td>
<td>$676,880,455</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

## Distribution of Our Student Loans by Date of Disbursement

as of the Statistical Calculation Date

<table>
<thead>
<tr>
<th>Disbursement Date</th>
<th>Number of Loans</th>
<th>Aggregate Outstanding Principal Balance</th>
<th>Percent of Pool by Outstanding Principal Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-10/1/1993</td>
<td>3,852</td>
<td>$6,491,223</td>
<td>0.96%</td>
</tr>
<tr>
<td>10/1/1993 and Thereafter</td>
<td>147,493</td>
<td>670,389,232</td>
<td>99.04%</td>
</tr>
<tr>
<td>Total</td>
<td>151,345</td>
<td>$676,880,455</td>
<td>100.00%</td>
</tr>
</tbody>
</table>
### Distribution of Our Student Loans by Guarantee Agency
as of the Statistical Calculation Date

<table>
<thead>
<tr>
<th>Guarantee Agency</th>
<th>Number of Loans</th>
<th>Aggregate Outstanding Principal Balance</th>
<th>Percent of Pool by Outstanding Principal Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education Assistance Corporation of South Dakota</td>
<td>2,271</td>
<td>$6,495,638</td>
<td>0.96%</td>
</tr>
<tr>
<td>Great Lakes Higher Education Corporation</td>
<td>290</td>
<td>301,402</td>
<td>0.04%</td>
</tr>
<tr>
<td>Iowa College Student Aid Commission</td>
<td>138,612</td>
<td>597,156,250</td>
<td>88.22%</td>
</tr>
<tr>
<td>Illinois Student Assistance Commission</td>
<td>56</td>
<td>168,826</td>
<td>0.02%</td>
</tr>
<tr>
<td>Nebraska Student Loan Program</td>
<td>5,268</td>
<td>14,838,329</td>
<td>2.19%</td>
</tr>
<tr>
<td>Pennsylvania Higher Education Assistance Agency</td>
<td>3,927</td>
<td>53,677,238</td>
<td>7.93%</td>
</tr>
<tr>
<td>United States Aid Funds, Inc.</td>
<td>921</td>
<td>4,242,772</td>
<td>0.63%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$151,345</td>
<td>$676,880,455</td>
<td>100.00%</td>
</tr>
<tr>
<td>Location</td>
<td>Number of Loans</td>
<td>Aggregate Outstanding Principal Balance</td>
<td>Percent of Pool by Outstanding Principal Balance</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>-----------------</td>
<td>----------------------------------------</td>
<td>-----------------------------------------------</td>
</tr>
<tr>
<td>Alabama</td>
<td>139</td>
<td>$710,560</td>
<td>0.10%</td>
</tr>
<tr>
<td>Alaska</td>
<td>125</td>
<td>642,185</td>
<td>0.09</td>
</tr>
<tr>
<td>American Samoa</td>
<td>2</td>
<td>27,708</td>
<td>0.00</td>
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<tr>
<td>Arizona</td>
<td>972</td>
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<tr>
<td>Arkansas</td>
<td>225</td>
<td>1,205,627</td>
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<tr>
<td>Armed Forces America</td>
<td>3</td>
<td>9,512</td>
<td>*</td>
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<tr>
<td>Armed Forces Europe</td>
<td>59</td>
<td>182,115</td>
<td>0.03</td>
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<tr>
<td>Armed Forces Pacific</td>
<td>23</td>
<td>51,379</td>
<td>0.01</td>
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<td>1,827</td>
<td>10,834,213</td>
<td>1.60</td>
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<td>1,297</td>
<td>8,321,825</td>
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<td>105</td>
<td>857,632</td>
<td>0.13</td>
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<tr>
<td>Delaware</td>
<td>13</td>
<td>196,088</td>
<td>0.03</td>
</tr>
<tr>
<td>District of Columbia</td>
<td>62</td>
<td>437,076</td>
<td>0.06</td>
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<tr>
<td>Florida</td>
<td>1,610</td>
<td>10,944,764</td>
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<tr>
<td>Georgia</td>
<td>419</td>
<td>2,837,835</td>
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<td>6</td>
<td>10,566</td>
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<td>Hawaii</td>
<td>146</td>
<td>757,261</td>
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<td>Idaho</td>
<td>141</td>
<td>1,255,970</td>
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<td>Illinois</td>
<td>7,734</td>
<td>38,329,074</td>
<td>5.66</td>
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<tr>
<td>Indiana</td>
<td>601</td>
<td>4,088,174</td>
<td>0.60</td>
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<td>Iowa</td>
<td>104,047</td>
<td>409,012,337</td>
<td>60.43</td>
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<td>1,312</td>
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<td>155</td>
<td>1,248,644</td>
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<td>1,586,805</td>
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<td>Minnesota</td>
<td>4,082</td>
<td>21,610,525</td>
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<td>69</td>
<td>465,247</td>
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<td>2,089</td>
<td>11,584,299</td>
<td>1.71</td>
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<tr>
<td>Montana</td>
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<td>30,397,460</td>
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<td>2,787,041</td>
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<tr>
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<td>580,081</td>
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<tr>
<td>New Mexico</td>
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<td>1,564,550</td>
<td>0.23</td>
</tr>
<tr>
<td>New York</td>
<td>403</td>
<td>4,016,551</td>
<td>0.59</td>
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<tr>
<td>North Carolina</td>
<td>442</td>
<td>3,573,359</td>
<td>0.53</td>
</tr>
<tr>
<td>North Dakota</td>
<td>203</td>
<td>1,467,717</td>
<td>0.22</td>
</tr>
<tr>
<td>Northern Mariana Islands</td>
<td>4</td>
<td>22,211</td>
<td>*</td>
</tr>
<tr>
<td>State</td>
<td>Code</td>
<td>Population</td>
<td>Percentage</td>
</tr>
<tr>
<td>------------------</td>
<td>------</td>
<td>------------</td>
<td>------------</td>
</tr>
<tr>
<td>Ohio</td>
<td>506</td>
<td>5,887,824</td>
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</tr>
<tr>
<td>Oklahoma</td>
<td>204</td>
<td>1,664,662</td>
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</tr>
<tr>
<td>Oregon</td>
<td>230</td>
<td>1,933,354</td>
<td>0.29</td>
</tr>
<tr>
<td>Other</td>
<td>155</td>
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<td>0.14</td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>425</td>
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<tr>
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</tr>
<tr>
<td>Rhode Island</td>
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<td>221,150</td>
<td>0.03</td>
</tr>
<tr>
<td>South Carolina</td>
<td>173</td>
<td>823,429</td>
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</tr>
<tr>
<td>South Dakota</td>
<td>2,695</td>
<td>10,891,573</td>
<td>1.61</td>
</tr>
<tr>
<td>Tennessee</td>
<td>311</td>
<td>2,665,234</td>
<td>0.39</td>
</tr>
<tr>
<td>Texas</td>
<td>1,366</td>
<td>9,151,876</td>
<td>1.35</td>
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<tr>
<td>Utah</td>
<td>207</td>
<td>2,114,360</td>
<td>0.31</td>
</tr>
<tr>
<td>Vermont</td>
<td>19</td>
<td>221,413</td>
<td>0.03</td>
</tr>
<tr>
<td>Virgin Islands</td>
<td>2</td>
<td>5,833</td>
<td>*</td>
</tr>
<tr>
<td>Virginia</td>
<td>340</td>
<td>2,709,023</td>
<td>0.40</td>
</tr>
<tr>
<td>Washington</td>
<td>673</td>
<td>4,978,086</td>
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<tr>
<td>West Virginia</td>
<td>66</td>
<td>496,436</td>
<td>0.07</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>4,732</td>
<td>23,519,223</td>
<td>3.47</td>
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<tr>
<td>Wyoming</td>
<td>144</td>
<td>584,526</td>
<td>0.09</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>151,345</td>
<td><strong>$676,880,455</strong></td>
<td>100.00%</td>
</tr>
</tbody>
</table>

*Represents a percentage greater than 0.00%, but less than 0.01%
### Distribution of Our Student Loans by Remaining Term to Scheduled Maturity as of the Statistical Cut-Off Date

<table>
<thead>
<tr>
<th>Remaining Months to Scheduled Maturity</th>
<th>Number of Loans</th>
<th>Aggregate Outstanding Principal Balance</th>
<th>Percent of Pool by Outstanding Principal Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 12</td>
<td>2,120</td>
<td>$ 487,162</td>
<td>0.07%</td>
</tr>
<tr>
<td>12 to 24</td>
<td>3,878</td>
<td>2,328,700</td>
<td>0.34%</td>
</tr>
<tr>
<td>25 to 36</td>
<td>4,212</td>
<td>4,363,683</td>
<td>0.64%</td>
</tr>
<tr>
<td>37 to 48</td>
<td>3,845</td>
<td>5,110,975</td>
<td>0.76%</td>
</tr>
<tr>
<td>49 to 60</td>
<td>4,741</td>
<td>8,825,064</td>
<td>1.30%</td>
</tr>
<tr>
<td>61 to 72</td>
<td>4,103</td>
<td>8,640,094</td>
<td>1.28%</td>
</tr>
<tr>
<td>73 to 84</td>
<td>5,307</td>
<td>12,116,648</td>
<td>1.79%</td>
</tr>
<tr>
<td>85 to 96</td>
<td>6,067</td>
<td>15,855,948</td>
<td>2.34%</td>
</tr>
<tr>
<td>97 to 108</td>
<td>7,642</td>
<td>22,241,423</td>
<td>3.29%</td>
</tr>
<tr>
<td>109 to 120</td>
<td>26,247</td>
<td>78,671,621</td>
<td>11.62%</td>
</tr>
<tr>
<td>121 to 132</td>
<td>44,928</td>
<td>170,653,713</td>
<td>25.21%</td>
</tr>
<tr>
<td>133 to 144</td>
<td>16,775</td>
<td>64,513,607</td>
<td>9.53%</td>
</tr>
<tr>
<td>145 to 156</td>
<td>3,210</td>
<td>13,568,518</td>
<td>2.00%</td>
</tr>
<tr>
<td>157 to 168</td>
<td>2,438</td>
<td>14,908,596</td>
<td>2.20%</td>
</tr>
<tr>
<td>169 to 180</td>
<td>3,968</td>
<td>31,931,668</td>
<td>4.72%</td>
</tr>
<tr>
<td>181 to 192</td>
<td>1,071</td>
<td>9,647,648</td>
<td>1.43%</td>
</tr>
<tr>
<td>193 to 204</td>
<td>985</td>
<td>9,097,500</td>
<td>1.34%</td>
</tr>
<tr>
<td>205 to 216</td>
<td>758</td>
<td>9,294,096</td>
<td>1.37%</td>
</tr>
<tr>
<td>217 to 228</td>
<td>1,045</td>
<td>12,485,268</td>
<td>1.84%</td>
</tr>
<tr>
<td>229 to 240</td>
<td>3,427</td>
<td>44,313,563</td>
<td>6.55%</td>
</tr>
<tr>
<td>241 to 252</td>
<td>454</td>
<td>6,570,310</td>
<td>0.97%</td>
</tr>
<tr>
<td>253 to 264</td>
<td>343</td>
<td>5,343,366</td>
<td>0.79%</td>
</tr>
<tr>
<td>265 to 276</td>
<td>209</td>
<td>3,737,042</td>
<td>0.55%</td>
</tr>
<tr>
<td>277 to 288</td>
<td>347</td>
<td>7,180,803</td>
<td>1.06%</td>
</tr>
<tr>
<td>289 to 300</td>
<td>1,074</td>
<td>20,883,341</td>
<td>3.09%</td>
</tr>
<tr>
<td>301 to 312</td>
<td>269</td>
<td>6,495,926</td>
<td>0.96%</td>
</tr>
<tr>
<td>313 to 324</td>
<td>194</td>
<td>4,497,305</td>
<td>0.66%</td>
</tr>
<tr>
<td>325 to 336</td>
<td>119</td>
<td>3,665,864</td>
<td>0.54%</td>
</tr>
<tr>
<td>337 to 348</td>
<td>187</td>
<td>7,260,265</td>
<td>1.07%</td>
</tr>
<tr>
<td>349 to 360</td>
<td>668</td>
<td>32,425,464</td>
<td>4.79%</td>
</tr>
<tr>
<td>361 and greater</td>
<td>714</td>
<td>39,765,275</td>
<td>5.87%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>151,345</td>
<td><strong>$676,880,455</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>

26
Scheduled Weighted Average Remaining Months in Status  
as of the Statistical Cut-Off Date

<table>
<thead>
<tr>
<th>Current Status</th>
<th>In School</th>
<th>In Grace</th>
<th>Deferment</th>
<th>Forbearance</th>
<th>Repayment</th>
</tr>
</thead>
<tbody>
<tr>
<td>In School</td>
<td>6.5</td>
<td>6.0</td>
<td></td>
<td></td>
<td>120.0</td>
</tr>
<tr>
<td>In Grace</td>
<td></td>
<td>3.1</td>
<td></td>
<td></td>
<td>117.3</td>
</tr>
<tr>
<td>Deferment</td>
<td></td>
<td></td>
<td>10.4</td>
<td></td>
<td>249.3</td>
</tr>
<tr>
<td>Forbearance</td>
<td></td>
<td></td>
<td></td>
<td>3.1</td>
<td>211.9</td>
</tr>
<tr>
<td>Repayment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>186.6</td>
</tr>
</tbody>
</table>

Distribution of Our Student Loans by Number of Days Delinquent for 
Borrowers in Repayment Status as of the Statistical Calculation Date

<table>
<thead>
<tr>
<th>Days Delinquent</th>
<th>Number of Loans</th>
<th>Aggregate Outstanding Principal Balance</th>
<th>Percent of Pool by Outstanding Principal Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-30</td>
<td>58,125</td>
<td>$297,707,671</td>
<td>96.91%</td>
</tr>
<tr>
<td>31-60</td>
<td>2,311</td>
<td>9,498,146</td>
<td>3.09</td>
</tr>
<tr>
<td>61-90</td>
<td>7</td>
<td>13</td>
<td>*</td>
</tr>
<tr>
<td>Total</td>
<td>60,443</td>
<td>$307,205,830</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

*Represents a percentage greater than 0.00%, but less than 0.01%

Distribution of Our Student Loans by School Type  
as of the Statistical Calculation Date

<table>
<thead>
<tr>
<th>School Type</th>
<th>Number of Loans</th>
<th>Aggregate Outstanding Principal Balance</th>
<th>Percent of Pool by Outstanding Principal Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>4 Year</td>
<td>92,524</td>
<td>$523,626,087</td>
<td>77.36%</td>
</tr>
<tr>
<td>2 Year</td>
<td>40,727</td>
<td>99,930,764</td>
<td>14.76</td>
</tr>
<tr>
<td>Proprietary</td>
<td>17,877</td>
<td>52,842,472</td>
<td>7.81</td>
</tr>
<tr>
<td>Other</td>
<td>217</td>
<td>481,132</td>
<td>0.07</td>
</tr>
<tr>
<td>Total</td>
<td>151,345</td>
<td>$676,880,455</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

Borrower Benefit Programs

We reduce the cost of financing education for our borrowers by providing certain 
payment reductions on student loans. For those Stafford student loans held under the indenture, 
we currently provide a 2.50% interest rate reduction after the borrower has made 48 consecutive 
on-time payments. For consolidation student loans held under the indenture, we currently 
provide a 0.25% interest rate reduction for borrowers that make their payments through an
automatic debit system, a 1.10% interest rate reduction after 36 consecutive on-time payments for borrowers who were neither Iowa residents nor attended school in Iowa and a 0.75% interest rate reduction after six consecutive on-time payments for borrowers who were Iowa residents or who were non-residents who attended school in Iowa.

DESCRIPTION OF THE GUARANTEE AGENCIES

General

As of the statistical calculation date, approximately 88% of the aggregate principal amount of the student loans that we expect to acquire on the closing date with the net proceeds of the series 2905-1 notes were guaranteed by the Iowa College Student Aid Commission, approximately 8% of such student loans were guaranteed by the Pennsylvania Higher Education Assistance Agency, and approximately 4% of such student loans were guaranteed by other agencies. We sometimes refer to the Iowa College Student Aid Commission as “ICSAC.” Under the indenture, eligible loans may be guaranteed by any guarantee agency, and therefore, any student loans we acquire in the future may be guaranteed by other guarantee agencies and such percentages are likely to change.

A guarantee agency guarantees loans made to students or parents of students by lending institutions such as banks, credit unions, savings and loan associations, certain schools, pension funds and insurance companies. A guarantee agency generally purchases defaulted student loans which it has guaranteed from its cash and reserves (generally referred to herein as its “guarantee fund”). A lender may submit a default claim to the guarantee agency after the student loan has been delinquent for at least 270 days. The default claim package must include all information and documentation required under the Federal Family Education Loan Program regulations and the guarantee agency’s policies and procedures. Under the guarantee agencies’ current procedures, assuming that the default claim package complies with the guarantee agency’s loan procedures manual or regulations, the guarantee agency pays the lender for a default claim within 90 days of the lender’s filing the claim with the guarantee agency. The guarantee agency will pay the lender interest accrued on the loan for up to 450 days after delinquency. The guarantee agency must file a reimbursement claim with the Department of Education within 45 days after the guarantee agency has paid the lender for the default claim.

In general, a guarantee agency’s guarantee fund has been funded principally by administrative cost allowances paid by the Secretary of Education, guarantee fees paid by lenders (the cost of which may be passed on to borrowers), investment income on moneys in the guarantee fund, and a portion of the moneys collected from borrowers on guaranteed loans that have been reimbursed by the Secretary of Education to cover the guarantee agency’s administrative expenses.

The adequacy of a guarantee agency’s guarantee fund to meet its guarantee obligations with respect to existing student loans depends, in significant part, on its ability to collect revenues generated by new loan guarantees. The Federal Direct Student Loan Program may adversely affect the volume of new loan guarantees. Future legislation may make additional changes to the Higher Education Act that would significantly affect the revenues received by guarantee agencies and the structure of the guarantee agency program. There can be no assurance that relevant federal laws, including the Higher Education Act, will not be further
changed in a manner that may adversely affect the ability of a guarantee agency to meet its guarantee obligations. For a more complete description of provisions of the Higher Education Act that relate to payments described in this paragraph or affect the funding of a guarantee fund, see the caption “Description of the Federal Family Education Loan Program” herein.

**Information Relating to the Guarantee Agencies**

The payment of principal and interest on all of our student loans will be guaranteed by designated guarantee agencies and will be reinsured by the United States Department of Education. The guarantee provided by each guarantee agency is an obligation solely of that guarantee agency and is not supported by the full faith and credit of the federal or any state government. However, the Higher Education Act provides that if the Secretary of Education determines that a guarantee agency is unable to meet its insurance obligations, the Secretary shall assume responsibility for all functions of the guarantee agency under its loan insurance program. For further information on the Secretary of Education’s authority in the event a guarantee agency is unable to meet its insurance obligations see the caption “Description of the Federal Family Education Loan Program” herein.

**ICSAC.** ICSAC is an agency of the State of Iowa and is authorized by the Code of Iowa, Chapter 261, to serve as the State’s designated guarantor. ICSAC was created in part to provide opportunities for a higher education for all persons domiciled in the State who, though wanting such education and being qualified for it, are deterred by financial considerations. Additionally, as part of its statutory duties, ICSAC provides insurance for student loans as a guarantee agency pursuant to Section 428(c) of the Higher Education Act.

ICSAC is governed by a 12-member Commission. Each house in the State legislature is represented by a non-voting member. The present members of the Commission are:

<table>
<thead>
<tr>
<th>Member</th>
<th>Affiliation</th>
</tr>
</thead>
<tbody>
<tr>
<td>James M. Crawford</td>
<td>General Public</td>
</tr>
<tr>
<td>Dr. John V. Hartung</td>
<td>Independent Colleges and Universities</td>
</tr>
<tr>
<td>Janet L. Adams</td>
<td>General Public</td>
</tr>
<tr>
<td>Gregory S. Nichols</td>
<td>Board of Regents, State of Iowa</td>
</tr>
<tr>
<td>Dr. Janice Friedel</td>
<td>Department of Education</td>
</tr>
<tr>
<td>Herman C. Quirmbach</td>
<td>Iowa State Senate</td>
</tr>
<tr>
<td>Cecil Dolecheck</td>
<td>Iowa House of Representatives</td>
</tr>
<tr>
<td>Linda M. Kennedy</td>
<td>General Public</td>
</tr>
<tr>
<td>Travis K. Knoop</td>
<td>Iowa Post-Secondary Students</td>
</tr>
<tr>
<td>Michelle Durand-Adams</td>
<td>Lending Institutions</td>
</tr>
<tr>
<td>Dr. Becki S. Lynch</td>
<td>Community Colleges</td>
</tr>
<tr>
<td>Rudolph Leytze</td>
<td>Iowa Student Loan Liquidity Corporation</td>
</tr>
</tbody>
</table>

The Executive Director of ICSAC is Karen Misjak. ICSAC employs a full-time staff of 45 persons who provide services to its scholarships and grant programs as well. ICSAC’s office is located at 4th Floor, 200 10th Street, Des Moines, Iowa 50309, and its telephone number is (515) 242-3344.
ICSAC has overall responsibility for the administration of the Iowa Guaranteed Student Loan Program, which was established in 1978 as an amendment to Chapter 261, Code of Iowa. The purpose of the Iowa Guaranteed Student Loan Program is to make low interest loans available to all eligible students through eligible lenders, in order to help these students meet their post-secondary educational expenses. The student loans secured through commercial lenders are guaranteed by ICSAC through the Iowa Guaranteed Student Loan Program and are reinsured by the Secretary, thus permitting lenders to make loans directly to students and allowing a broader access to post-secondary education.

The Iowa Guaranteed Student Loan Program began operation in May of 1979. As of June 30, 2004, approximately $4.19 billion in Federal Stafford Student Loans, $399.2 million in PLUS/SLS loans and $862.3 million in Consolidation Loans have been guaranteed under this program (net of cancellations of commitments issued by ICSAC). ICSAC estimates that 38% of these loans, based upon their original balances of loans guaranteed, remain outstanding. The program has a full-time equivalency of 38 staff members. Data processing is provided by Sallie Mae Servicing L.P. from its headquarters in Fishers, Indiana.

As part of the Iowa Guaranteed Student Loan Program, ICSAC has established a reserve account from which any default on a guaranteed student loan is paid. This account is held in cash or is invested by the Treasurer of the State in government securities. As of June 30, 2004, the reserve account balance was $20.4 million. As of June 30, 2004, ICSAC administered an operating fund balance of $19.6 million.

Federal statutes define “default” to mean the student’s failure to make an installment payment when due or to comply with other terms of a note or agreement under circumstances in which the holder of the loan may reasonably conclude that the student no longer intends to honor his or her repayment obligation, and which failure persists for the period defined at Section 435(1) of the Higher Education Act. When a loan is between 60 and 90 days past due, the holder is required to request default aversion assistance from the processing center in order to attempt to cure the delinquency. When an account reaches 270 days past due, the holder is required to make a final demand for payment of the loan by the student (and the endorser, if applicable). The holder is required to continue collection efforts, and thereafter may submit a claim for reimbursement to ICSAC during the period set forth in 34 C.F.R. Section 682.406(a)(5). At the time of payment of insurance benefits, the holder must assign to ICSAC all rights accruing to the holder under the note evidencing the loan. ICSAC will then be deemed fully subrogated to the rights of the holder of the note. ICSAC’s experience with default rates over the five most recent federal fiscal years is set forth below:

<table>
<thead>
<tr>
<th>Federal Fiscal Year Ending September 30</th>
<th>Default Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>1.69%</td>
</tr>
<tr>
<td>2003</td>
<td>1.62</td>
</tr>
<tr>
<td>2002</td>
<td>2.08</td>
</tr>
<tr>
<td>2001</td>
<td>2.53</td>
</tr>
<tr>
<td>2000</td>
<td>1.52</td>
</tr>
</tbody>
</table>
ICSAC’s reserve account is funded primarily from the investment income on such account as well as an insurance premium which may not exceed that permitted under the Higher Education Act. ICSAC has waived its insurance premium since the 1999-2000 academic year and will continue the waiver at least through the 2005-2006 academic year. The Corporation (or any other holder of a loan guaranteed by ICSAC) is required to exercise due care and diligence in the servicing of the loan and to use practices which are at least as extensive and forceful as those prescribed by the Secretary. If ICSAC has probable cause to believe that the holder has made misrepresentations or has failed to comply with the terms of its contract of insurance, ICSAC may take reasonable action, including withholding of payments or requiring reimbursement of funds.

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 the Pennsylvania Act of August 7, 1963, P.L. 549, as amended (the "Pennsylvania Act").

PHEAA has been guaranteeing student loans since 1964. As of March 31, 2005, PHEAA has guaranteed a total of approximately $33.0 billion principal amount of Stafford loans, approximately $4.3 billion principal amount of PLUS and SLS Loans and approximately $19.5 billion of consolidation loans under the Higher Education Act. Of the total amount of all loans guaranteed, PHEAA estimates that approximately $28.4 billion original principal amount of such loans are outstanding. PHEAA initially guaranteed loans only to residents of the Commonwealth of Pennsylvania (the “Commonwealth”) or persons who planned to attend or were attending eligible education institutions in the Commonwealth. In May, 1986, PHEAA began guaranteeing loans to borrowers that did not meet these residency requirements pursuant to its national guarantee program. Under the Pennsylvania Act, guarantee payments on loans under PHEAA’s national guarantee program may not be paid from funds appropriated by the Commonwealth.

PHEAA has adopted a default prevention program consisting of (i) informing new borrowers of the serious financial obligation incurred by them and stressing the financial and legal consequences of failure to meet all terms of the loan, (ii) working with institutions to make certain that student borrowers are enrolled in sound education programs and that proper individual enrollment records are being maintained, (iii) assisting lenders with operational programs to ensure sound lending policies and procedures, (iv) maintaining up-to-date student status and address records of all borrowers in the guaranty program, (v) initiating prompt collection actions with borrowers who become delinquent on their loans, do not establish repayment schedules or “skip,” (vi) taking prompt action, including legal action and garnishment of wages, to collect on all defaulted loans, and (vii) adopting a general policy that no loan will be automatically “written off.” Since the loan servicing program was initiated in 1974, PHEAA has never exceeded an annual default claims percentage of 5 percent and, as a result, federal reimbursement for default claims has thus far been at the maximum federal reimbursement level. For the last five years the annual default claims percentages have been as follows:
<table>
<thead>
<tr>
<th>Federal Fiscal Year</th>
<th>Annual Default Claims Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>1.11%</td>
</tr>
<tr>
<td>2001</td>
<td>1.70</td>
</tr>
<tr>
<td>2002</td>
<td>1.70</td>
</tr>
<tr>
<td>2003</td>
<td>1.45</td>
</tr>
<tr>
<td>2004</td>
<td>1.09</td>
</tr>
</tbody>
</table>

As of March 31, 2005, PHEAA held guarantee reserves of approximately $56 million. PHEAA’s headquarters is located at 1200 North Seventh Street, Harrisburg, Pennsylvania 17102-1444.

Under the Federal Balanced Budget Act, the Secretary is required to recall $1 billion in reserve funds held by guaranty agencies. On January 14, 1998, the Department informed PHEAA and PHEAA’s share of the recall is $116.1 million. The recall was paid to the Department of Education in August 2002. The Higher Education Amendments of 1998 contain a provision for an additional recall of funds totaling $250 million nationwide. $85 million of the recall occurred in the federal fiscal year ended September 30, 2002, $82.5 million is to occur in the year ending September 30, 2006, and $82.5 million is to occur in the year ending September 30, 2007. On July 11, 2002, the Department informed PHEAA that its share of the recall is $26.3 million, of which $8.9 million was due and paid by September 1, 2002. $17.4 million remains as an amount payable to the Department as of March 31, 2005 for the recalls due in 2006 and 2007.

**DESCRIPTION OF THE SERIES 2005-1 NOTES**

**General**

We will issue the series 2005-1 notes pursuant to the terms of an indenture of trust, dated as of June 1, 2005, with Bankers Trust Company, N.A., Des Moines, Iowa as trustee. The following summary describes some of the terms of the indenture and the series 2005-1 notes; however, it is not complete and is qualified in its entirety by the actual provisions of the indenture and the series 2005-1 notes.

**Interest Payments**

Interest will accrue on the series 2005-1 notes at their respective interest rates during each interest accrual period and will be payable to the holders of the series 2005-1 notes on each quarterly distribution date, commencing September 26, 2005. Subsequent quarterly distribution dates for the series 2005-1 notes will be on the 25th of each March, June, September and December, or if any such day is not a business day, the next business day. Interest accrued but not paid on any distribution date will be due on the next distribution date together with an amount equal to interest on the unpaid amount at the applicable rate per annum described below.

The interest rate on the class A-1 notes for each interest accrual period will be equal to three-month LIBOR, except for the initial interest accrual period, as determined on the second business day prior to such interest accrual period, plus 0.03%. The interest rate on the class A-2
notes for each interest accrual period will be equal to three-month LIBOR, except for the initial interest accrual period, as determined on the second business day prior to such interest accrual period, plus 0.10%. The interest rate on the class A-3 notes for each interest accrual period will be equal to three-month LIBOR except for the initial interest accrual period, as determined on the second business day prior to such interest accrual period, plus 0.17%. The interest rate on the class B notes for each interest accrual period will be equal to three-month LIBOR except for the initial interest accrual period, as determined on the second business day prior to such interest accrual period, plus 0.35%. LIBOR for the initial interest accrual period will be determined by the following formula:

\[ x + \left\lfloor \frac{1}{30} \times (y-x) \right\rfloor \]

where: \( x \) = 2-month LIBOR, and

\( y \) = 3-month LIBOR, in each case, as of the second business day before the start of the initial interest accrual period.

The resulting percentage figure will be rounded to the fifth decimal point.

Calculation of LIBOR for the Series 2005-1 notes

For each interest accrual period, LIBOR will be determined by the trustee by reference to the London interbank offered rate for deposits in U.S. dollars having a maturity of three months which appears on Telerate Page 3750 as of 11:00 a.m., London time, on the related LIBOR determination date. The LIBOR determination date will be the second business day before the beginning of each interest accrual period. If this rate does not appear on Telerate Page 3750, the rate for that day will be determined on the basis of the rates at which deposits in U.S. dollars, having the relevant maturity and in a principal amount of not less than U.S. $1,000,000, are offered at approximately 11:00 a.m., London time, on the LIBOR determination date, to prime banks in the London interbank market by four major banks selected by the trustee. The trustee will request the principal London office of each bank to provide a quotation of its rate. If the banks provide at least two quotations, the rate for that day will be the arithmetic mean of the quotations. If the banks provide fewer than two quotations, the rate for that day will be the arithmetic mean of the rates quoted by major banks in New York City, selected by us, at approximately 11:00 a.m., New York time, on that LIBOR determination date, for loans in U.S. Dollars to leading European banks having the relevant maturity and in a principal amount of not less than U.S. $1,000,000. If the banks selected as described above are not providing quotations, LIBOR in effect for the applicable interest accrual period will be LIBOR in effect for the previous accrual period.

Interest on the series 2005-1 notes will be calculated on the basis of the actual number of days elapsed during the interest accrual period divided by 360.

Principal Distributions

Principal payments will be made to the noteholders on each quarterly distribution date (provided that during the revolving period the issuer may direct that some or all of such distribution amount be transferred to the Acquisition Fund) in the amount equal to the lesser of:
(a) the principal distribution amount for that quarterly distribution date; and (b) funds available
to pay principal as described herein under "—Collection Fund."

Principal will be paid on the series 2005-1 notes in the order and priority described below
under "—Collection Fund."

The aggregate outstanding principal balance of the class A-1 notes will be due and
payable in full by the June 2014 quarterly distribution date, the aggregate outstanding principal
balance of the class A-2 notes will be due and payable in full by the March 2022 quarterly
distribution date, the aggregate outstanding principal balance of the class A-3 notes will be due
and payable in full by the September 2037 quarterly distribution date and the aggregate
outstanding principal balance of the class B notes will be due and payable in full by the
September 2037 quarterly distribution date. The actual date on which the final distribution on a
series of series 2005-1 notes will be made may be earlier than the maturity dates set forth above
as a result of a variety of factors.

SOURCE OF PAYMENT AND SECURITY FOR THE NOTES

General

The series 2005-1 notes are limited obligations of the issuer, secured by and payable
solely from the trust estate created in the indenture. The following assets will serve as security
for the series 2005-1 notes:

• the financed student loans pledged under the indenture;
• collections and other payments received on account of the financed student loans;
• our rights under certain agreements, including any servicing agreement, any guarantee
  agreement and any purchase and sale agreement related to the pledged student loans;
• money and investments held in funds and accounts created under the indenture, including
  the Acquisition Fund, the Collection Fund, the Reserve Fund and the Capitalized Interest
  Account; and
• amounts received from and our rights under the derivative product agreements.

Priorities

The class A notes are entitled to payment and certain other priorities over the class B
notes. This subordination is intended to enhance the likelihood of regular receipt of the interest
and principal by the holders of the class A notes. Current payments of interest and principal due
on class B notes on an interest payment date or principal payment date will be made only to the
extent that there are sufficient moneys available for such payment, after making all such
payments due on such date with respect to class A notes. So long as any class A notes remain
outstanding under the indenture, the failure to make interest or principal payments with respect
to class B notes will not constitute an event of default under the indenture. In the event of an
acceleration of the series 2005-1 notes, the principal of and accrued interest on the class B notes
will be paid only to the extent there are moneys available under the indenture after payment of the principal of, and accrued interest on, all class A notes. In addition, holders of class A notes are entitled to direct certain actions to be taken by the trustee prior to and upon the occurrence of an event of default under the indenture, including election of remedies. See the caption “Description of the Indenture—Remedies” herein.

**Acquisition Fund; Purchase of student loans**

On the closing date, approximately $691,695,822 of the proceeds from the sale of the series 2005-1 notes will be deposited into the Acquisition Fund, of which approximately $686,632,919 will be used by us to purchase student loans on or about the closing date and to pay costs of issuance. We may use the remaining approximately $5,062,903 deposited from the proceeds of the series 2005-1 notes to purchase student loans until the end of the acquisition period (August 11, 2005), and to use additional amounts deposited therein to purchase student loans until the end of the revolving period (December 26, 2006).

**Collection Fund**

An amount equal to $455,776 will initially be deposited in the Collection Fund from the proceeds of the sale of the series 2005-1 notes. The trustee will credit to the Collection Fund:

- all revenues derived from the student loans and moneys or assets on deposit in the trust estate;
- payments received from the counterparty to the T-Bill/LIBOR derivative product agreement or the interest rate cap derivative agreement;
- any amounts transferred from the Acquisition Fund, the Capitalized Interest Account and the Reserve Fund; and
- any earnings on investments of funds in the Acquisition Fund, the Reserve Fund, the Collection Fund and the Capitalized Interest Account.

During each month, amounts will be withdrawn from the Collection Fund and applied to pay:

- amounts owed to the U.S. Department of Education and the guarantee agencies with respect to the financed student loans;
- servicing and administration fees owed to the issuer for payment of servicing and administration fees and payment of any unpaid servicing and administration fees from prior months;
- amounts due to the counterparties under the T-Bill/LIBOR derivative product agreements (other than for termination payments); and
- amounts necessary to finance any add-on consolidation loans to the extent no funds remain in the Acquisition Fund.
On each quarterly distribution date, the trustee will transfer or allocate the moneys received during the preceding quarter in the Collection Fund as follows:

First, to make any payments due and payable by the issuer to the U.S. Department of Education related to the financed student loans or any other payment due and payable to a guarantee agency relating to its guarantee of financed student loans;

Second, to the issuer and trustee for payment, pro rata, of the servicing and administration fee (to the extent remaining unpaid following the monthly payment date) and the trustee fee due on such quarterly distribution date, in each case together with such fees remaining unpaid from prior distribution dates (and, in the case of servicing and administration fee, prior monthly payment dates);

Third, to pay pro rata, (i) to the class A noteholders, the portion of the class A noteholders’ interest distribution amount payable to such class on such distribution date and (ii) to the counterparties, any issuer derivative payments arising from confirmations and any priority termination payments;

Fourth, to pay pro rata the class B noteholders, the portion of the class B interest distribution amount;

Fifth, to the class A noteholders, the class A principal distribution amount in the following order; provided, that during the revolving period some or all of the class A principal distribution amount may, upon issuer order, be transferred to the Acquisition Fund:

• to the class A-1 noteholders, until the class A-1 notes have been paid in full;
• to the class A-2 noteholders, until the class A-2 notes have been paid in full; and
• to the class A-3 noteholders, until the class A-3 notes have been paid in full;

Sixth, on and after the stepdown date and provided that no trigger event is in effect on such quarterly distribution date, to pay to the class B noteholders, the class B principal distribution amount;

Seventh, to the Reserve Fund, the amount, if any, necessary to restore the Reserve Fund to the reserve fund requirement;

Eighth, to pay to the issuer for payment to the servicer, the aggregate unpaid amount of the carryover servicing and administration fee, if any;

Ninth, to the counterparties, any issuer derivative payments (including any termination payments other than priority termination payments) due to the counterparties under the terms of the derivative product agreements that remain unpaid;

Tenth, during the revolving period, to the Acquisition Fund, any remaining amounts;
Eleventh, if the student loans are not sold pursuant to the optional purchase date or the trust estate auction date, to pay as accelerated payment of principal to the holders of the series 2005-1 notes and in the order and priority described above, until they have been paid in full; and

Twelfth, to the issuer, any remaining amounts.

The “stepdown date” will be the earlier of the December 2013 quarterly distribution date, or the first date on which no class A notes remain outstanding.

A “trigger event” will be in effect on any quarterly distribution date while any series 2005-1 notes are outstanding if the outstanding principal balance of the series 2005-1 notes, after giving effect to distributions to be made on that quarterly distribution date, exceeds the adjusted pool balance as of the end of the related collection period, or if there has not been an optional purchase or sale of the financed student loans through a mandatory auction as described below after the earlier of:

- when the pool balance is 10% or less of the initial pool balance; or
- the December 2021 quarterly distribution date.

The term “Principal Distribution Amount” means, for each quarterly distribution date, the amount by which the aggregate outstanding principal amount of all the series 2005-1 notes immediately prior to that quarterly distribution date exceeds the quotient obtained by dividing the adjusted pool balance, as of the last day of the related collection period, by 100.50%.

The class A principal distribution amount is equal to the principal distribution amount times the class A percentage. The class B principal distribution amount is equal to the principal distribution amount times the class B percentage.

For each quarterly distribution date the class A percentage will equal 100% minus the class B percentage. The class B percentage will equal:

- 0%, prior to the stepdown date or on any other quarterly distribution date if a trigger event is in effect; or
- on all other quarterly distribution dates, the percentage equivalent of a fraction, the numerator of which is the aggregate principal balance of the class B notes and the denominator of which is the aggregate principal balance of all outstanding series 2005-1 notes, in each case determined on the calculation date for that quarterly distribution date.

“Adjusted Pool Balance” means, for any quarterly distribution date, the sum of that pool balance and the required minimum balance of the Reserve Fund for that distribution date.

“Pool Balance” for any date means the aggregate principal balance of the financed student loans on that date, including accrued interest that is expected to be capitalized, plus the amounts on deposit in the Acquisition Fund, as reduced by the principal portion of the following:
all payments received by the issuer through that date from borrowers, the guarantee agencies and the U.S. Department of Education;

all amounts received by the issuer through that date from purchases of student loans;

all liquidation proceeds and realized losses on the student loans through that date;

the amount of any adjustment to balances of the student loans that a servicer makes under its servicing agreement through that date; and

the amount by which the guarantee agency reimbursements of principal on defaulted student loans through that date are reduced from 100% to 98%, or other applicable percentage, as required by the risk sharing provisions of the Higher Education Act.

We will not sell any student loans for a price less than the principal balance of the student loans as of the sale date, plus any unamortized premium and borrower accrued interest.

If an event of default occurs under the Indenture, payments will not be made in the order described above. Instead, payments will be made as described herein under “Summary of the Indenture Provisions—Remedies on Default.”

Revolving Period

During the revolving period, certain revenues that otherwise would be required to be used to redeem or make principal distributions with respect to series 2005-1 notes may instead, at our direction be transferred to the Acquisition Fund and used to acquire or originate additional eligible Student Loans. The revolving period will terminate on December 26, 2006 or such other date as we may determine, upon confirmation from the rating agencies that the ratings of the series 2005-1 notes will not be reduced or withdrawn as a result.

Reserve Fund

On the closing date we will make a deposit to the Reserve Fund from the proceeds of the sale of the series 2005-1 notes in the amount of $3,384,402. Amounts in the Reserve Fund will be supplemented quarterly on each distribution date, if necessary, as described under the caption “Collection Fund” above to increase the amount therein to the required balance. The required balance in the Reserve Fund is equal to the greater of:

- 0.50% of the pool balance; or
- $1,014,938.

or such lesser amount permitted with a rating agency confirmation. Thus, the required balance in the Reserve Fund may be reduced in connection with the reduction of the outstanding principal amount of series 2005-1 notes or upon our receipt of a written confirmation from each rating agency that such reduction will not cause the reduction or withdrawal of any rating or ratings then applicable to any outstanding series 2005-1 notes. See the caption “Description of the
Indenture—Funds and Accounts—Reserve Fund” herein. Funds on deposit in the Reserve Fund in excess of the required balance will be transferred to the Collection Fund.

Capitalized Interest Account

On the closing date, approximately $2,345,000 of the proceeds from the sale of the series 2005-1 notes will be deposited into the Capitalized Interest Account. Amounts on deposit in the Capitalized Interest Account will be available to make the monthly payments and the payments described as first through fourth above under the caption “—Collection Fund” prior to amounts being withdrawn from the Reserve Fund. However, any moneys remaining in the Capitalized Interest Account on the June 2006 quarterly distribution date will be transferred to the Collection Fund.

Optional Purchase

We may, but are not required to, repurchase all remaining student loans in the trust estate on the earlier of the December 2021 quarterly distribution date, or when the pool balance is 10% or less of the initial pool balance. If this purchase option is exercised, the student loans would be sold to us as of the last business day of the preceding collection period and the proceeds will be used on the corresponding quarterly distribution date to repay any outstanding series 2005-1 notes, which will result in early retirement of the remaining series 2005-1 notes. The purchase price will equal the difference between a prescribed minimum purchase price and the amount then on deposit in the funds and accounts held under the indenture. The prescribed minimum purchase price is the amount that would be sufficient to:

- reduce the outstanding principal amount of each series of series 2005-1 notes then outstanding on the related quarterly distribution date to zero;
- pay to the noteholders the interest payable on the related quarterly distribution date;
- pay any amount owing to a counterparty under a derivative product agreement, including any termination fee and assuming that all derivative product agreements have been terminated in accordance with their terms; and
- pay any unpaid carry-over servicing and administration fee.

Mandatory Auction

If any of the series 2005-1 notes are outstanding and we do not notify the trustee of our intention to exercise our right to repurchase the remaining student loans in the trust estate as of the earlier of the December 2021 quarterly distribution date, or when the pool balance is 10% or less of the initial pool balance as described above, all of the remaining student loans in the trust estate will be offered for sale by the trustee before the next succeeding distribution date. We and unrelated third parties may offer to purchase the student loans in the auction.

If at least two bids are received, the trustee will solicit and resolicit new bids from all participating bidders until only one bid remains or the remaining bidders decline to resubmit bids. The trustee will accept the highest of the remaining bids if it equals or exceeds both the minimum purchase price described above and the fair market value of the student loans.
remaining in the trust estate at the end of the related collection period. The net proceeds of any auction sale will be used to retire any outstanding series 2005-1 notes on the next quarterly distribution date.

If the highest bid after the solicitation process does not equal or exceed both the minimum purchase price described above and the fair market value of the student loans remaining in the trust estate, the trustee will not complete the sale. If the sale is not completed, the trustee may, but will not be obligated to, solicit bids for the sale of the financed student loans at the end of future collection periods using procedures similar to those described above. The trustee will be obligated to make such solicitations if requested to do so by the issuer.

If our student loans are not sold as described above, on each subsequent quarterly distribution date, all amounts on deposit in the Collection Fund after giving effect to all withdrawals, except releases to the issuer under priority twelfth described above under the caption "—Collection Fund," will be distributed as accelerated payments of principal on the series 2005-1 notes, in the order and priority described above, until they have been paid in full. The trustee may or may not succeed in soliciting acceptable bids for our student loans either on the auction date or subsequently.

**T-BILL/LIBOR DERIVATIVE PRODUCT AGREEMENT AND INTEREST RATE CAP AGREEMENT**

**General**

On or prior to the closing date, we will enter into a T-Bill/LIBOR derivative product agreement with UBS AG. We sometimes refer to the agreement as the "T-Bill/LIBOR derivative product agreement" and we refer to UBS AG as the "counterparty" to the T-Bill/LIBOR derivative product agreement. The following is a description of the T-Bill/LIBOR derivative product agreement, the interest rate cap agreement and the counterparty.

**T-Bill/LIBOR Derivative Product Agreement**

On the closing date, we will enter into the T-Bill/LIBOR derivative product agreement with the counterparty. The agreement will be documented under a 1992 ISDA Master Agreement (Local-Currency-Single Jurisdiction) modified to reflect the terms of the series 2005-1 notes and the indenture. The T-Bill/LIBOR derivative product agreement will terminate on December 25, 2021 or, if earlier, the date on which the applicable agreement terminates in accordance with its terms due to an early termination event, including our limited right to terminate all or a portion of the T-Bill/LIBOR derivative product agreement beginning December 25, 2013, as further described herein.

Under the terms of the T-Bill/LIBOR derivative product agreement, the counterparty will pay to us quarterly an amount (the "LIBOR floating amount") equal to the product of:

- the LIBOR Swap Rate for each quarterly calculation period;
- the Swap Notional Amount for the relevant period; and
• the quotient of the actual number of days in that period divided by 360.

The "LIBOR Swap Rate" will be equal to the Three-Month LIBOR rate for the relevant quarterly period as determined by the counterparty.

• The "Swap Notional Amount" for the T-Bill/LIBOR derivative product agreement will initially equal $84,500,000 and will amortize thereafter.

In exchange for the LIBOR floating amounts due from the counterparty, and subject to the payment netting provisions of the T-Bill/LIBOR derivative product agreement, we will pay to the counterparty quarterly an amount (the "T-Bill floating amount") equal to the product of:

• the average of the bond equivalent yield of the 91-day treasury bills auctioned for the relevant quarterly period plus a spread to be agreed upon by the counterparties on the trade date;

• the Swap Notional Amount for that period; and

• the quotient of the actual number of days in that period divided by the actual number of days in the relevant year.

The T-Bill/LIBOR derivative product agreement will provide that payment of any T-Bill and LIBOR floating amounts will be netted, so that only the net difference between those amounts will be paid. Any such net difference payable by the counterparty is referred to as the "net issuer swap receipt," and any such net difference payable by us is referred to as the "net issuer swap payment." Net issuer swap receipts, if any, will be distributed as part of the available funds on each appropriate distribution date, and net issuer swap payments, if any, will be paid to the counterparty quarterly.

**Modifications and Amendment of the T-Bill/LIBOR Derivative Product Agreement.** No amendment, modification or waiver to the T-Bill/LIBOR derivative product agreement may be entered into or will be effective unless written confirmation is received from the rating agencies then rating the series 2005-1 notes that such amendment, modification or waiver will not cause a reduction, suspension or withdrawal of the then-current ratings of the series 2005-1 notes.

**Default under the T-Bill/LIBOR Derivative Product Agreement.** Events of default under the T-Bill/LIBOR derivative product agreement are limited to:

• our failure or failure of the counterparty to pay any amount when due under the T-Bill/LIBOR derivative product agreement after giving effect to the applicable grace period;

• our failure or the failure of the counterparty to comply with any agreement or obligation (other than an obligation to make a payment) under the derivative product agreement if such failure is not cured after 30 days' notice;

• the standard "Credit Support Default" event of default, as described in Section 5(a)(iii) of the 1992 ISDA Master Agreement, will apply to the counterparty and to us;
the standard "Misrepresentation" event of default, as described in Section 5(a)(iv) of the 1992 ISDA Master Agreement, will apply to the counterparty and to us;

the standard "Default Under Specified Transaction" event of default, as described in Section 5(a)(v) of the 1992 ISDA Master Agreement, will apply to the counterparty and to us;

the standard "Cross-Default" event of default, as described in Section 5(a)(vi) of the 1992 ISDA Master Agreement, as modified to exclude certain failures to pay caused by an error or omission of an administrative or operational nature, will apply to the counterparty and to us; and

the standard "Bankruptcy" event of default, as described in Section 5(a)(vii) of the 1992 ISDA Master Agreement, will apply to the counterparty and to us;

the standard "Merger Without Assumption" event of default, as described in Section 5(a)(viii) of the 1992 ISDA Master Agreement, will apply to the counterparty and to us;

certain other events contained in the schedule to the T-Bill/LIBOR derivative product agreement.

Termination Events under the T-Bill/LIBOR Derivative Product Agreement. Termination events under the T-Bill/LIBOR derivative product agreement include the following standard events under the 1992 ISDA Master Agreement: "Illegality," which generally relates to changes in law causing it to become unlawful for either party to perform its obligations under the T-Bill/LIBOR derivative product agreement; and the additional termination events described below. The standard "Credit Event Upon Merger" termination event also applies to us and the counterparty, but such provision has been amended to include the acquisition of voting control as an event that could trigger such termination event.

Additional Termination Events under the T-Bill/LIBOR Derivative Product Agreement. The T-Bill/LIBOR derivative product agreement will include additional termination events relating to withdrawal, suspension or downgrade of the counterparty's and our credit ratings. These additional termination events will occur if:

- the long-term unenhanced rating on the class B notes from Moody's Investor Service, Inc. ("Moody's") is withdrawn, suspended or falls to "Baa1";

- the long-term unenhanced rating on the class B notes by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. ("S&P") is withdrawn, suspended or falls to "BBB+" or below;

- the long-term unenhanced rating on the class B notes by Fitch Inc. ("Fitch") is withdrawn, suspended or falls to "BBB+" or below;

- the counterparty's long-term senior unsecured debt rating by Moody's is withdrawn, suspended or falls to "Baa1" or below and the counterparty has not, within 30 days of the
date on which the relevant rating was withdrawn, suspended or downgraded, obtained a replacement agreement;

- the counterparty’s long-term senior unsecured debt rating by S&P is withdrawn, suspended or falls to “BBB+” or below and the counterparty has, not within 30 days of the date on which the relevant rating was withdrawn, suspended or downgraded, obtained a replacement agreement; and

- the counterparty’s long-term senior unsecured debt rating by Fitch is withdrawn, suspended or falls to “BBB+” or below and the counterparty has not, within 30 days of the date on which the relevant rating was withdrawn, suspended or downgraded, obtained a replacement agreement.

For purposes of these additional termination events, a replacement agreement means an agreement with a replacement counterparty who assumes the counterparty’s position under the T-Bill/LIBOR derivative product agreement on substantially the same terms or with such other amendments to the terms of the T-Bill/LIBOR derivative product agreement as may be approved by the parties and each of the rating agencies.

**Early Termination of the T-Bill/LIBOR Derivative Product Agreement.** Upon the occurrence of any default under the T-Bill/LIBOR derivative product agreement or a termination event, the non-defaulting party or the non-affected party, as the case may be, will have the right to designate an early termination date upon the occurrence of that default or termination event.

Upon any early termination of the T-Bill/LIBOR derivative product agreement, either we or the counterparty may be liable to make a termination payment to the other, regardless of which party has caused that termination. The amount of that termination payment will be based on the value of the transaction under the T-Bill/LIBOR derivative product agreement computed in accordance with the procedures in, and limited by the terms of, the T-Bill/LIBOR derivative product agreement. If we are required to make a termination payment following a default resulting from our default in making any net issuer swap payment owed by us, the occurrence of certain insolvency events relating to us or the trustee taking any action under the indenture to liquidate all of the assets of the trust estate following an acceleration of the principal of the series 2005-1 notes following an event of default under the indenture, the payment will be payable in the same order of priority as any amount payable to the counterparty as scheduled payments under the T-Bill/LIBOR derivative product agreement and any amount payable as interest payments due on the class A notes. However, in the event that a termination payment is owed to the counterparty for any other reason, the termination payment will be subordinate to the right of the noteholders to receive full payment of principal of and interest on the series 2005-1 notes and to the replenishment of the Reserve Fund to the minimum required balance.

Notwithstanding the foregoing, the T-Bill/LIBOR derivative product agreement provides that we may terminate all or a portion of the T-Bill/LIBOR derivative product agreement on any quarterly distribution date on or after December 25, 2013 and neither party will be required to make a termination payment.
Interest Rate Cap Agreement

On the closing date, we will purchase the interest rate cap derivative agreement from UBS AG. The interest rate cap derivative agreement will be in a notional amount of $700,000,000. The interest rate cap derivative agreement will terminate on the June 2006 quarterly distribution date. During the term of the interest rate cap derivative agreement, UBS AG will pay to us on each quarterly distribution date for deposit by the trustee into the Collection Fund, an amount equal to the product of (a) the excess, if any, of the Three-Month LIBOR in effect at the beginning of the calculation period over 5.0%, (b) $700,000,000 and (c) the actual number of days in the applicable calculation period divided by 360.

Additional Derivative Product Agreements

With rating agency confirmation, we may enter additional derivative products.

Certain Information Concerning UBS AG.

UBS AG and subsidiaries ("UBS") comprise one of the world's leading financial firms, serving a global client base. UBS is a wealth management business, a global investment banking and securities firm with a strong institutional and corporate client franchise, an asset manager and a market leader in Swiss corporate and individual client banking.

On December 31, 2004, UBS employed more than 67,000 people. With headquarters in Zurich, Switzerland and Basel, Switzerland, UBS operates in over 50 countries and from most major international centers.

Further information about UBS, including more detailed descriptions of the UBS Business Groups and Corporate Center, is contained in UBS's Annual Report for the year ended December 31, 2004 and filed with the Securities and Exchange Commission on Form 20-F. The Report and additional financial information on UBS may also be found at www.ubs.com.

BOOK-ENTRY REGISTRATION

Investors acquiring beneficial ownership interests in the series 2005-1 notes issued in book-entry form will hold their series 2005-1 notes through The Depository Trust Company in the United States or through Clearstream Banking, société anonyme (known as Clearstream, Luxembourg), formerly known as Cedelbank société, or Euroclear System in Europe, or indirectly through organizations which are participants in The Depository Trust Company, Clearstream, Luxembourg or Euroclear. Cede & Co., as nominee of The Depository Trust Company, will hold one or more global notes and certificates and Clearstream, Luxembourg and Euroclear will hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream, Luxembourg's and Euroclear's names on the books of the respective depositories, which in turn will hold these positions in the depositories' names on the books of The Depository Trust Company. Transfers between The Depository Trust Company participants will occur in accordance with the rules of The Depository Trust Company, and transfers between Euroclear participants and Euroclear participants will occur in accordance with their applicable rules and operating procedures.
Investors acquiring beneficial ownership interests in the series 2005-1 notes issued in book-entry form will hold their series 2005-1 notes through The Depository Trust Company, or indirectly through organizations which are participants in The Depository Trust Company. The book-entry notes will be issued in one or more instruments which equal the aggregate principal balance of each series of the series 2005-1 notes and will initially be registered in the name of Cede & Co., the nominee of The Depository Trust Company. Except as described below, no person acquiring a book-entry note will be entitled to receive a physical certificate representing the series 2005-1 notes. Unless and until definitive certificates are issued, it is anticipated that the only holder of the series 2005-1 notes will be Cede & Co., as nominee of The Depository Trust Company.

Cross-market transfers between persons holding directly or indirectly through The Depository Trust Company, on the one hand, and directly or indirectly through European Clearing System’s participants, on the other, will be effected at The Depository Trust Company in accordance with the rules of The Depository Trust Company on behalf of the relevant European Clearing System by its depository; however, cross-market transactions will require delivery of instructions to the relevant European Clearing System by the counterparty in that system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European Clearing System will, if the transaction meets its settlement requirements, deliver instructions to its depository to take action to effect final settlement on its behalf by delivering or receiving notes in The Depository Trust Company, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to The Depository Trust Company. The European Clearing System’s participants may not deliver instructions directly to the depositaries for such European Clearing System.

Because of time-zone differences, credits of notes received in the European Clearing Systems as a result of a transaction with participants in The Depository Trust Company will be made during subsequent notes settlement processing and dated the business day following The Depository Trust Company settlement date. Credits for any transactions in the LIBOR rate notes settled during this processing will be reported to the relevant European Clearing System’s participant on that business day. Cash received in a European Clearing System as a result of sales of notes by or through a Clearstream, Luxembourg participant or a Euroclear participant to a participant in The Depository Trust Company will be received with value on The Depository Trust Company settlement date but will be available in the relevant European Clearing System’s cash account only as of the business day following settlement in The Depository Trust Company.

The Depository Trust Company. The Depository Trust Company is a New York-chartered limited-purpose trust company that performs services for its participants, some of which, and/or their representatives, own The Depository Trust Company. In accordance with its normal procedures, The Depository Trust Company is expected to record the positions held by each of its participants in notes issued in book-entry form, whether held for its own account or as nominee for another person. In general, beneficial ownership of book-entry notes will be subject to the rules, regulations and procedures governing The Depository Trust Company and its participants as in effect from time to time.
Purchases of the series 2005-1 notes under The Depository Trust Company system must
be made by or through direct participants, which are to receive a credit for the series 2005-1
notes on The Depository Trust Company’s records. The ownership interest of each actual
purchaser of each series of the series 2005-1 notes, or beneficial owner, is in turn to be recorded
on the direct and indirect participants’ records. Beneficial owners shall not receive written
confirmation from The Depository Trust Company of their purchase, but beneficial owners are
expected to receive written confirmations providing details of the transaction, as well as periodic
statements of their holdings, from the direct or indirect participant through which the beneficial
owner entered into the transaction. Transfers of ownership interests in the series 2005-1 notes
are to be accomplished by entries made on the books of participants acting on behalf of
beneficial owners. Beneficial owners shall not receive certificates representing their ownership
interests in the series 2005-1 notes, except in the event that use of the book-entry system for the
series of any series 2005-1 notes is discontinued.

To facilitate subsequent transfers, all series 2005-1 notes deposited by participants with
The Depository Trust Company are registered in the name of The Depository Trust Company’s
partnership nominee, Cede & Co. The deposit of such series 2005-1 notes with The Depository
Trust Company and their registration in the name of Cede & Co. effect no change in beneficial
ownership. The Depository Trust Company has no knowledge of the actual beneficial owners of
series 2005-1 notes; The Depository Trust Company’s records reflect only the identity of the
direct participants to whose accounts such series 2005-1 notes are credited, which may or may
not be the beneficial owners. The participants remain responsible for keeping account of their
holdings on behalf of their customers.

Conveyance of notices and other communications by The Depository Trust Company to
direct participants, by direct participants to indirect participants, and by direct participants and
indirect participants to beneficial owners are governed by arrangements among them, subject to
any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the series 2005-1 notes
of any series are being redeemed, The Depository Trust Company’s practice is to determine by
lot the amount of the interest of each direct participant in such series 2005-1 notes to be
redeemed.

Neither The Depository Trust Company nor Cede & Co. will consent or vote with respect
to the series 2005-1 notes of any series. Under its usual procedures, The Depository Trust
Company mails an omnibus proxy to us, or the trustee, as appropriate, as soon as possible after
the record date. The omnibus proxy assigns Cede & Co.’s consenting or voting rights to those
direct participants to whose accounts the series 2005-1 notes are credited on the record date.

Principal and interest payments on the series 2005-1 notes are to be made to The
Depository Trust Company. The Depository Trust Company’s practice is to credit direct
participant’s accounts on the due date in accordance with their respective holdings shown on The
Depository Trust Company’s records unless The Depository Trust Company has reason to
believe that it will not receive payment on the due date. Payments by participants to beneficial
owners are governed by standing instructions and customary practices, as is the case with
securities held for the accounts of customers in bearer form or registered in “street name,” and
shall be the responsibility of the participant and not our responsibility or the responsibility of The Depository Trust Company or the trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to The Depository Trust Company is our responsibility or the responsibility of the trustee. Disbursement of such payments to direct participants shall be the responsibility of The Depository Trust Company, and disbursement of such payments to the beneficial owners shall be the responsibility of direct and indirect participants.

Clearstream, Luxembourg. Clearstream, Luxembourg is a duly licensed bank organized as a limited liability company (a société anonyme) incorporated under the laws of the Grand Duchy of Luxembourg as a professional depository. Clearstream, Luxembourg holds securities for its participants and facilitates the clearance and settlement of securities transactions between Clearstream, Luxembourg participants through electronic book-entry changes in accounts of Clearstream, Luxembourg participants. Thus, the need for physical movement of certificates is eliminated. Transactions may be settled in Clearstream, Luxembourg in numerous currencies, including United States dollars. Clearstream, Luxembourg provides to its participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded notes and notes lending and borrowing. Clearstream, Luxembourg interfaces with domestic markets in several countries. As a professional depository, Clearstream, Luxembourg is subject to regulation by the Luxembourg Monetary Institute. Clearstream, Luxembourg participants are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Indirect access to Clearstream, Luxembourg is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream, Luxembourg participant, either directly or indirectly.

Euroclear. The Euroclear System was created in 1968 to hold securities for participants of Euroclear and to clear and settle transactions between Euroclear participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Transactions may be settled in numerous currencies, including United States dollars. Euroclear includes various other services, including securities lending and borrowing and interfaces with domestic markets in several countries generally similar to the arrangements for cross-market transfers with The Depository Trust Company described above. Euroclear is operated by Euroclear Bank, S.A./N.V.

All operations are conducted by the Euroclear operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear operator. Euroclear participants include banks, central banks, securities brokers and dealers and other professional financial intermediaries. Indirect access to the Euroclear System is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

Securities clearance accounts and cash accounts with the Euroclear operator are governed by the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of the Euroclear System, and applicable Belgian law. These govern transfers of securities and cash within the Euroclear System, withdrawals of securities and cash from the Euroclear System,
and receipts of payments with respect to securities in the Euroclear System. All securities in the
Euroclear System are held on a fungible basis without attribution of specific certificates to
specific securities clearance accounts. The Euroclear operator acts only on behalf of Euroclear
participants, and has no record of or relationship with persons holding through Euroclear
participants.

Distributions with respect to securities held through Clearstream, Luxembourg or
Euroclear will be credited to the cash accounts of Clearstream, Luxembourg participants or
Euroclear participants in accordance with the relevant system’s rules and procedures, to the
extent received by its depositary. These distributions will be subject to tax reporting in
accordance with relevant United States tax laws and regulations. See the caption “United States
Federal Income Tax Consequences” herein. Clearstream, Luxembourg or the Euroclear operator,
as the case may be, will take any other action permitted to be taken by a securityholder under the
agreement on behalf of a Clearstream, Luxembourg participant or Euroclear participant only in
accordance with its relevant rules and procedures and subject to its depositary’s ability to effect
these actions on its behalf through The Depository Trust Company.

Although The Depository Trust Company, Clearstream, Luxembourg and Euroclear have
agreed to the foregoing procedures in order to facilitate transfers of interests in the notes among
participants of The Depository Trust Company, Clearstream, Luxembourg and Euroclear, they
are under no obligation to perform or continue to perform such procedures. As a result, such
procedures may be discontinued at any time.

We may decide to discontinue use of the system of book-entry transfers through The
Depository Trust Company, Euroclear or Clearstream, Luxembourg or any successor securities
depository. In that event, note certificates are to be printed and delivered. The Depository Trust
Company, Euroclear or Clearstream, Luxembourg may discontinue providing its services as a
securities depository with respect to the series 2005-1 notes at any time by giving reasonable
notice to us and to the trustee. In the event that a successor securities depository is not obtained,
note certificates are required to be printed and delivered.

Neither we nor the sellers, the servicer, the trustee or the underwriter will have any
responsibility or obligation to The Depository Trust Company, Euroclear or Clearstream,
Luxembourg participants or the persons for whom they act as nominees with respect to:

- the accuracy of any records maintained by The Depository Trust Company,
  Euroclear or Clearstream, Luxembourg or any participant;

- the payment by The Depository Trust Company, Euroclear or Clearstream,
  Luxembourg or any participant of any amount due to any beneficial owner in
  respect of the principal amount or interest on the series 2005-1 notes;

- the delivery by The Depository Trust Company, Euroclear or Clearstream,
  Luxembourg participant of any notice to any beneficial owner which is required
  or permitted under the terms of the indenture to be given to holders of the
  series 2005-1 notes; or
any other action taken by The Depository Trust Company, Euroclear or Cleastream, Luxembourg.

DESCRIPTION OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM

The Higher Education Act provides for a program of direct federal insurance for student loans (the William D. Ford Federal Direct Loan Program) as well as reinsurance of student loans guaranteed or insured by state agencies or private non-profit corporations (the Federal Family Education Loan Program).

The Higher Education Act authorizes certain student loans to be made under the Federal Family Education Loan Program. The 1998 Amendments to the Higher Education Act extended the authorization for the Federal Family Education Loan Program through September 30, 2004. In October 2004, Congress passed legislation extending all provisions of the Higher Education Act through September 30, 2005. Congress has extended similar authorization dates in prior versions of the Higher Education Act. However, if the Higher Education Act is not reauthorized by September 30, 2005, it is possible that the current authorization dates will not be extended again and the other provisions of the Higher Education Act may not be continued in their present form.

Generally, a student is eligible for Stafford Loans made under the Federal Family Education Loan Program if he or she:

- has been accepted for enrollment or is enrolled in good standing at an eligible educational institution;
- is carrying or planning to carry at least one-half the normal full-time workload for the course of study the student is pursuing as determined by the educational institution;
- is not in default on any federal education loans; and
- meets the applicable financial need requirements.

However, lenders may impose more restrictive underwriting guidelines.

Eligible institutions include post-secondary schools that comply with specific federal regulations. Education loans are evidenced by an unsecured promissory note, which may take the form of a master promissory note. Although these master promissory notes are not secured by property, they are insured by guarantee agencies and reinsured by the Secretary.

The Higher Education Act also establishes maximum interest rates for each of the various types of loans. These rates vary not only among loan types, but also within loan types depending upon when the loan was made or when the borrower first obtained a loan under the Federal Family Education Loan Program. The Higher Education Act allows lesser rates of interest to be charged.
Student loans are specifically exempt from the provisions of Regulation Z. Regulation Z is issued by the Board of Governors of the Federal Reserve System to implement the federal Truth in Lending and Fair Credit Billing Acts, which are contained in the title I of the Consumer Credit Protection Act, as amended.

Student Loans must comply with federal Equal Credit Opportunity Act; the federal Fair Credit Reporting Act, particularly as this Act was revised by the Fair and Accurate Transactions Act of 2005; the USA PATRIOT Act; the privacy and safeguards provisions of the federal Gramm-Leach Bliley Act; and other federal and certain state consumer protection laws.

Types of Loans

Four types of loans are currently available under the Federal Family Education Loan Program:

- Subsidized Stafford Loans,
- Unsubsidized Stafford Loans,
- PLUS Loans, and
- Consolidation Loans.

These loan types vary as to eligibility requirements, interest rates, repayment periods, loan limits and eligibility for interest subsidies and Special Allowance Payments. Some of these loan types have had other names in the past. References to these various loan types include, where appropriate, their predecessors.

The primary loan under the Federal Family Education Loan Program is the Subsidized Federal Stafford Loan (the “Subsidized Stafford Loan”). Students who are not eligible for Subsidized Stafford Loans based on their economic circumstances may be able to obtain Unsubsidized Federal Stafford Loans. Parents of students may be able to obtain Federal PLUS Loans. Consolidation Loans are available to borrowers with existing loans made under the Federal Family Education Loan Program and other federal programs to consolidate repayment of the borrower’s existing loans. Prior to July 1, 1994, the Federal Family Education Loan Program also offered Federal Supplemental Loans for Students (“Federal SLS Loans”) to graduate and professional students and independent undergraduate students and, under certain circumstances, dependent undergraduate students, to supplement their Subsidized Stafford Loans. This program was replaced by the Unsubsidized Federal Stafford Loan Program.

Subsidized Federal Stafford Loans

**General.** Subsidized Stafford Loans made to eligible students are eligible for insurance and reinsurance under the Higher Education Act if the eligible student to whom the loan is made has been accepted or is enrolled in good standing at an eligible postsecondary institution and is carrying at least one-half the normal full-time workload at that institution. Subsidized Stafford Loans have limits as to the maximum amount which may be borrowed for an academic year and in the aggregate for both undergraduate and graduate/professional study. Both aggregate
limitations exclude loans made under the Federal SLS and Federal PLUS Programs. The Secretary of Education has discretion to raise these limits to accommodate students undertaking specialized training requiring exceptionally high costs of education.

Subsidized Stafford Loans are generally made only to student borrowers who meet the needs tests provided in the Higher Education Act. Provisions addressing the implementation of needs analysis and the relationship between unmet need for financing and the availability of Subsidized Federal Stafford Loan Program funding have been the subject of frequent and extensive amendment in previous reauthorizations of the Higher Education Act. Further amendment to such provisions may materially affect the availability of Subsidized Stafford Loan funding to borrowers or the availability of Subsidized Stafford Loans for secondary market acquisition.

Subsidized Stafford Loans are eligible for both interest subsidy payments and Special Allowance Payments as described below under “—Interest subsidy payments” and “—Special Allowance Payments.”

**Interest Rates for Subsidized Federal Stafford Loans.** For a Subsidized Stafford Loan made prior to July 1, 1994, the applicable interest rate for a borrower who, on the date the promissory note was signed, did not have an outstanding balance on a previous Federal Family Education Loan Program loan:

1. is 7% per annum for a loan covering a period of instruction beginning before January 1, 1981;

2. is 9% per annum for a loan covering a period of instruction beginning on or before January 1, 1981, but before September 13, 1983;

3. is 8% per annum for a loan covering a period of instruction beginning on or after September 13, 1983, but before July 1, 1988;

4. is 8% per annum for the period from the disbursement of the loan to the date which is four years after the loan enters repayment, for a loan made prior to October 1, 1992, covering a period of instruction beginning on or after July 1, 1988, and thereafter shall be adjusted annually, and for any 12-month period commencing on a July 1 shall be equal to the bond equivalent rate of 91-day U.S. Treasury bills auctioned at the final auction prior to the preceding June 1, plus 3.25% per annum (but not to exceed 10% per annum); or

5. for a loan made on or after October 1, 1992, but prior to July 1, 1994, shall be adjusted annually, and for any 12-month period commencing on a July 1 shall be equal to the bond equivalent rate of 91-day U.S. Treasury bills auctioned at the final auction prior to the preceding June 1, plus 3.1% per annum (but not to exceed 9% per annum).

For a Subsidized Stafford Loan made prior to July 1, 1994, the applicable interest rate for a borrower who, on the date the promissory note evidencing the loan was signed, had an outstanding balance on a previous loan made insured or guaranteed under the Federal Family Education Loan Program:

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6. for a loan made prior to July 23, 1992 is the applicable interest rate on the previous loan or, if the previous loan is not a Subsidized Stafford Loan 8% per annum or

7. for a loan made on or after July 23, 1992 shall be adjusted annually, and for any twelve month period commencing on a July 1 shall be equal to the bond equivalent rate of 91-day U.S. Treasury bills auctioned at the final auction prior to the preceding June 1, plus 3.1% per annum but not to exceed:

- 7% per annum in the case of a Subsidized Stafford Loan made to a borrower who has a loan described in clause (1) above;

- 8% per annum in the case of
  - a Subsidized Stafford Loan made to a borrower who has a loan described in clause (3) above,
  - a Subsidized Stafford Loan which has not been in repayment for four years and which was made to a borrower who has a loan described in clause (4) above,
  - a Subsidized Stafford Loan for which the first disbursement was made prior to December 20, 1993 to a borrower whose previous loans do not include a Subsidized Stafford Loan or an Unsubsidized Stafford Loan;

- 9% per annum in the case of a Subsidized Stafford Loan made to a borrower who has a loan described in clauses (2) or (5) above or a Subsidized Stafford Loan for which the first disbursement was made on or after December 20, 1993 to a borrower whose previous loans do not include a Subsidized Stafford Loan or an Unsubsidized Stafford Loan; and

- 10% per annum in the case of a Subsidized Stafford Loan which has been in repayment for four years or more and which was made to a borrower who has a loan described in clause (4) above.

The interest rate on all Subsidized Stafford Loans made on or after July 1, 1994 but prior to July 1, 1998, regardless of whether the borrower is a new borrower or a repeat borrower, is the rate described in clause (7) above, except that the interest rate shall not exceed 8.25% per annum. For any Subsidized Stafford Loan made on or after July 1, 1995, the interest rate is further reduced prior to the time the loan enters repayment and during any deferment periods. During deferment periods, the formula described in clause (7) above is applied, except that 2.5% is substituted for 3.1%, and the rate shall not exceed 8.25% per annum.

For Subsidized Stafford Loans made on or after July 1, 1998 but before July 1, 2006, the applicable interest rate shall be adjusted annually, and for any twelve month period commencing on a July 1 shall be equal to the bond equivalent rate of 91-day U.S. Treasury bills auctioned at the final auction prior to the proceeding June 1, plus 1.7% per annum prior to the time the loan
enters repayment and during any deferment periods, and 2.3% per annum during repayment, but not to exceed 8.25% per annum.

For loans the first disbursement of which is made on or after July 1, 2006, the applicable interest rate will be 6.8%. There can be no assurance that the interest rate provisions for these loans will not be further amended.

Unsubsidized Federal Stafford Loans

**General.** The Unsubsidized Federal Stafford Loan Program was created by Congress in 1992 for students who do not demonstrate sufficient financial need to qualify for Subsidized Stafford Loans or who qualify for only a portion of the annual subsidized loan amount. These students are entitled to borrow the difference between the Stafford Loan annual maximum and their Subsidized Stafford eligibility through the Unsubsidized Stafford Loan Program. The general requirements for Unsubsidized Federal Stafford Loans ("Unsubsidized Stafford Loans") are essentially the same as those for Subsidized Stafford Loans. The interest rate, the annual loan limits for dependant students and the Special Allowance Payments provisions of the Unsubsidized Stafford Loans are the same as the Subsidized Stafford Loans. However, the terms of the Unsubsidized Stafford Loans differ materially from Subsidized Stafford Loans in that the federal government will not make interest subsidy payments and the loan eligibility requirements are determined without respect to the expected family contribution. The borrower will be required to either pay interest from the time the loan is disbursed or capitalize the interest until repayment begins. Unsubsidized Stafford Loans were not available before October 1, 1992. A student meeting the general eligibility requirements for a loan under the Federal Family Education Loan Program is eligible for an Unsubsidized Stafford Loan without regard to need. Unsubsidized Stafford Loans are eligible for Special Allowance Payments, as described below under “—Special Allowance Payments.”

**Interest Rates for Unsubsidized Federal Stafford Loans.** Unsubsidized Stafford Loans are subject to the same interest rate provisions as Subsidized Stafford Loans.

Federal PLUS Loans

**General.** PLUS Loans are made only to borrowers who are parents and, under certain circumstances, spouses of remarried parents, or dependent undergraduate students. For PLUS Loans made on or after July 1, 1993, the parent borrower must not have an adverse credit history as determined pursuant to criteria established by the Department of Education. The basic provisions applicable to PLUS Loans are similar to those of Subsidized Stafford Loans with respect to the involvement of guarantee agencies and the Secretary of Education in providing federal reinsurance on the loans. However, PLUS Loans differ significantly from Subsidized Stafford Loans, particularly because federal interest subsidy payments are not available under the PLUS Loan program and Special Allowance Payments are more restricted.

**Interest Rates for Federal PLUS Loans.** The applicable interest rate depends upon the date of issuance of the loan and the period of enrollment for which the loan is to apply. The applicable interest rate on a PLUS Loan:
made on or after January 1, 1981, but before October 1, 1981, is 9% per annum;

made on or after October 1, 1981, but before November 1, 1982, is 14% per annum;

made on or after November 1, 1982, but before July 1, 1987, is 12% per annum;

made on or after July 1, 1987, but before October 1, 1992 shall be adjusted annually, and for any 12-month period beginning on July 1 shall be equal to the applicable index, plus 3.25% per annum (but not to exceed 12% per annum);

made on or after October 1, 1992, but before July 1, 1994, shall be adjusted annually, and for any 12-month period beginning on July 1 shall be equal to the applicable index, plus 3.1% per annum (but not to exceed 10% per annum).

made on or after July 1, 1994, but before July 1, 1998, is the same as that for a loan made on or after October 1, 1992, but before July 1, 1994, except that such rate shall not exceed 9% per annum; or

made on or after July 1, 1998, but before July 1, 2006, shall be adjusted annually, and for any 12-month period beginning on July 1 shall be equal to the bond equivalent rate of 91-day U.S. Treasury bills auctioned at the final auction prior to the preceding June 1, plus 3.1% per annum (but not to exceed 9% per annum).

the first disbursement of which is made on or after July 1, 2006, will be 7.9%;

there can be no assurance that the interest rate provisions for these loans will not be further amended.

Until July 1, 2001, the applicable index for PLUS Loans made on or after July 1, 1987, but before July 1, 1998, was the bond equivalent rate of 52 week U.S. Treasury bills auctioned at the final auction prior to the preceding June 1. Beginning July 1, 2001, the applicable index is the weekly average one-year constant maturity Treasury yield, as published by the Board of Governors of the Federal Reserve System, for the last calendar week ending on or before the June 26 immediately preceding the July reset date.

**Federal SLS Loans**

**General.** SLS Loans were limited to graduate or professional students, independent undergraduate students, and dependent undergraduate students, if the students’ parents were unable to obtain a PLUS Loan and were also unable to provide the students’ expected family contribution. Except for dependent undergraduate students, eligibility for SLS Loans was determined without regard to need. SLS Loans are similar to Subsidized Stafford Loans with respect to the involvement of guarantee agencies and the Secretary of Education in providing federal reinsurance on the loans. However, SLS Loans differ significantly from Subsidized Stafford Loans, particularly because federal interest subsidy payments are not available under the
SLS Loan program and Special Allowance Payments are more restricted. The SLS Loan program was replaced by the Unsubsidized Stafford Loan Program.

**Interest Rates for Federal SLS Loans.** The applicable interest rates on SLS Loans made prior to October 1, 1992 are identical to the applicable interest rates on PLUS Loans made at the same time. For SLS Loans made on or after October 1, 1992, the applicable interest rate is the same as the applicable interest rate on PLUS Loans, except that the ceiling is 11% per annum instead of 10% per annum.

**Federal Consolidation Loans**

**General.** The Higher Education Act authorizes a program under which certain borrowers may consolidate their various student loans into a single loan insured and reinsured on a basis similar to Stafford Loans. Federal Consolidation Loans may be obtained in an amount sufficient to pay outstanding principal, unpaid interest and late charges on federally insured or reinsured student loans incurred under the Federal Family Education Loan Program, as well as certain other educational loan programs. To be eligible for a Consolidation Loan, a borrower must:

- have outstanding indebtedness on student loans made under the Federal Family Education Loan Program and/or certain other federal student loan programs, and
- be in repayment status or in a grace period, or
- be a defaulted borrower who has made satisfactory repayment arrangements as defined by the Department of Education.

A married couple who agree to be jointly liable on a Consolidation Loan, for which the application is received on or after January 1, 1993, may be treated as an individual for purposes of obtaining a Consolidation Loan. For applications received on or after January 1, 1993, borrowers may add additional loans to a Federal Consolidation Loan during the 180-day period following the origination of the Federal Consolidation Loan.

**Interest Rates for Federal Consolidation Loans.** A Consolidation Loan made prior to July 1, 1994 bears interest at a rate equal to the weighted average of the interest rates on the loans retired, rounded to the nearest whole percent, but not less than 9% per annum. A Consolidation Loan made on or after July 1, 1994, for which the loan application was received by the lender before November 13, 1997, bears interest at a rate equal to the weighted average of the interest rates on the loans retired, rounded upward to the nearest whole percent, but with no minimum rate. For a Consolidation Loan for which the application is received by an eligible lender on or after November 13, 1997 and before October 1, 1998, the interest rate shall be adjusted annually, and for any twelve-month period commencing on a July 1 shall be equal to the bond equivalent rate of 91-day U.S. Treasury bills auctioned at the final auction prior to the preceding June 1, plus 3.1% per annum, but not to exceed 8.25% per annum. Consolidation Loans made on or after October 1, 1998 and before July 1, 2006 will bear interest at a per annum rate equal to the lesser of 8.25% or the weighted average of the interest rates on the loans being consolidated, rounded to the nearest higher 1/8th of 1%. Consolidation Loans for which the application is received on or after July 1, 2006, will bear interest also at a rate per annum equal
to the lesser of 8.25% or the weighted average of the interest rates on the loans being consolidated, rounded to the nearest higher 1/8th of 1%. For a discussion of required payments that reduce the return on Consolidation Loans, see "Fees – Rebate Fees on Consolidation Loans" in this offering memorandum.

Notwithstanding these general interest rates, the portion, if any, of a Consolidation Loan that repaid a loan made under title VII, Sections 700-721 of the Public Health Services Act, as amended, has a different variable interest rate. Such portion is adjusted on July 1 of each year, but is the sum of the average of the T-Bill Rates auctioned for the quarter ending on the preceding June 30, plus 3.0% without any cap on the interest rate.

**Maximum Loan Amounts**

Each type of loan is subject to limits on the maximum principal amount, both with respect to a given year and in the aggregate. Consolidation Loans are limited only by the amount of eligible loans to be consolidated. All of the loans are limited to the difference between the cost of attendance and the other aid available to the student. Subsidized Stafford Loans are also subject to limits based upon needs analysis. Additional limits are described below.

**Loan Limits for Stafford and Unsubsidized Stafford Loans.** Subsidized Stafford and Unsubsidized Stafford Loans ("Stafford Loans") are generally treated as one loan type for loan limit purposes. A dependant student who has not successfully completed the first year of a program of undergraduate education may borrow up to $2,625 in an academic year. A dependant student who has successfully completed the first year, but who has not successfully completed the second year may borrow up to $3,500 per academic year. A dependant undergraduate student who has successfully completed the first and second year, but who has not successfully completed the remainder of a program of undergraduate education, may borrow up to $5,500 per academic year. For students enrolled in programs of less than an academic year in length, the limits are generally reduced in proportion to the amount by which the programs are less than one year in length. A dependant graduate or professional student may borrow up to $8,500 in an academic year. Independent graduate and independent undergraduate students are also eligible for additional Unsubsidized Stafford Loan funds. Maximum additional Unsubsidized Stafford Loan funds are $4,000 for first and second year undergraduates, $5,000 for additional years of undergraduate education and $10,000 for graduate students. The maximum aggregate amount of Stafford and Unsubsidized Stafford Loans, including that portion of a Consolidation Loan used to repay such loans, which an undergraduate dependant student may have outstanding is $23,000 ($46,000 for independent students, of which only $23,000 may be Subsidized Stafford Loans). The maximum aggregate amount for a graduate and professional dependant student, including loans for undergraduate education, is $65,500 ($138,500 for independent students, of which only $65,500 may be Subsidized Stafford Loans). The Secretary of Education is authorized to increase the limits applicable to graduate and professional students who are pursuing programs which the Secretary of Education determines to be exceptionally expensive.

Prior to the enactment of the Higher Education Amendments of 1992, an undergraduate student who had not successfully completed the first and second year of a program of undergraduate education could borrow Stafford Loans in amounts up to $2,625 in an academic
year. An undergraduate student who had successfully completed the first and second year, but who had not successfully completed the remainder of a program of undergraduate education could borrow up to $4,000 per academic year. The maximum for graduate and professional students was $7,500 per academic year. The maximum aggregate amount of Stafford Loans which a borrower could have outstanding, including that portion of a Consolidation Loan used to repay such loans, was $17,250. The maximum aggregate amount for a graduate or professional student, including loans for undergraduate education, was $54,750. Prior to the 1986 changes, the annual limits were generally lower.

**Loan Limits for PLUS Loans.** For PLUS Loans made on or after July 1, 1993, the amounts of PLUS Loans are limited only by the student’s unmet need. Prior to that time PLUS Loans were subject to limits similar to those of SLS Loans applied with respect to each student on behalf of whom the parent borrowed.

**Loan Limits for SLS Loans.** A student who had not successfully completed the first and second year of a program of undergraduate education could borrow an SLS Loan in an amount of up to $4,000. A student who had successfully completed the first and second year, but who had not successfully completed the remainder of a program of undergraduate education could borrow up to $5,000 per year. Graduate and professional students could borrow up to $10,000 per year. SLS Loans were subject to an aggregate maximum of $23,000 ($73,000 for graduate and professional students). Prior to the 1992 changes, SLS Loans were available in amounts of $4,000 per academic year, up to a $20,000 aggregate maximum. Prior to the 1986 changes, a graduate or professional student could borrow $3,000 of SLS Loans per academic year, up to a $15,000 maximum, and an independent undergraduate student could borrow $2,500 of SLS Loans per academic year minus the amount of all other Federal Family Education Loan Program loans to such student for such academic year, up to the maximum amount of all Federal Family Education Loan Program loans to that student of $12,500. In 1989, the amount of SLS Loans for students enrolled in programs of less than an academic year in length were limited in a manner similar to the limits described above under “Subsidized Federal Stafford Loans.”

Disbursement Requirements

The Higher Education Act now requires that virtually all Stafford Loans and PLUS Loans be disbursed by eligible lenders in at least two separate installments. The proceeds of a loan made to any undergraduate first-year student borrowing for the first time under the program must be delivered to the student no earlier than thirty days after the enrollment period begins.

Repayment

**Repayment Periods.** Loans made under the Federal Family Education Loan Program, other than Consolidation Loans, must provide for repayment of principal in periodic installments over a period of not less than five nor more than ten years, excluding periods of deferment or forbearance. After the 1998 Amendments, lenders are required to offer extended repayment schedules to new borrowers who accumulate outstanding loans of more than $30,000, in which case the repayment period may extend up to 25 years subject to certain minimum repayment amounts. A Consolidation Loan must be repaid during a period agreed to by the borrower and lender, subject to maximum repayment periods which vary depending upon the principal amount.
of the borrower's outstanding student loans, but may not be longer than 30 years. For Consolidation Loans for which the application was received prior to January 1, 1993, the repayment period could not exceed 25 years. Repayment of principal on a Stafford Loan does not commence while a student remains a qualified student, but generally begins upon expiration of the applicable grace period. Grace periods may be waived by borrowers. For Stafford Loans for which the applicable rate of interest is 7% per annum, the repayment period commences not more than twelve months after the borrower ceases to pursue at least a half-time course of study. For other Subsidized Stafford Loans and Unsubsidized Stafford Loans, the repayment period commences not more than six months after the borrower ceases to pursue at least a half-time course of study. The six month or twelve month periods are the "grace periods."

In the case of SLS, PLUS and Consolidated Loans, the repayment period commences on the date of final disbursement of the loan, except that the borrower of an SLS Loan who also has a Stafford Loan may defer repayment of the SLS Loan to coincide with the commencement of repayment of the Subsidized Stafford or Unsubsidized Stafford Loan. During periods in which repayment of principal is required, payments of principal and interest must in general be made at a rate of not less than the greater of $600 per year or the interest that accrues during the year, except that a borrower and lender may agree to a lesser rate at any time before or during the repayment period. A borrower may agree, with concurrence of the lender, to repay the loan in less than five years with the right subsequently to extend his minimum repayment period to five years. Borrowers may accelerate, without penalty, the repayment of all or any part of the loan.

Income Sensitive Repayment Schedules. Since 1992, lenders of Consolidation Loans have been required to establish graduated and income-sensitive repayment schedules and lenders of Stafford and SLS Loans have been required to offer borrowers the option of repaying in accordance with graduated or income-sensitive repayment schedules. The issuer may implement graduated repayment schedules and income-sensitive repayment schedules. Use of income-sensitive repayment schedules may extend the ten-year maximum term for up to five years. In addition, if the repayment schedule on a loan that has been converted to a variable interest rate does not provide for adjustments to the amount of the monthly installment payments, the ten-year maximum term may be extended for up to three years.

Deferment Periods. No principal repayments need be made during certain periods of deferment prescribed by the Higher Education Act. For loans to a borrower who first obtained a loan which was disbursed before July 1, 1993, deferments are available:

- during a period not exceeding three years while the borrower is a member of the Armed Forces, an officer in the Commissioned Corps of the Public Health Service or, with respect to a borrower who first obtained a student loan disbursed on or after July 1, 1987, or a student loan to cover the cost of instruction for a period of enrollment beginning on or after July 1, 1987, an active duty member of the National Oceanic and Atmospheric Administration Corps;

- during a period not in excess of three years while the borrower is a volunteer under the Peace Corps Act;
• during a period not in excess of three years while the borrower is a full-time volunteer under the Domestic Volunteer Act of 1973;

• during a period not exceeding three years while the borrower is in service, comparable to the service described above as a full-time volunteer for an organization which is exempt from taxation under Section 501(c)(3) of the Code;

• during a period not exceeding two years while the borrower is serving an internship necessary to receive professional recognition required to begin professional practice or service, or a qualified internship or residency program;

• during a period not exceeding three years while the borrower is temporarily totally disabled, as established by sworn affidavit of a qualified physician, or while the borrower is unable to secure employment by reason of the care required by a dependent who is so disabled;

• during a period not to exceed twenty-four months while the borrower is seeking and unable to find full-time employment;

• during any period that the borrower is pursuing a full-time course of study at an eligible institution (or, with respect to a borrower who first obtained a student loan disbursed on or after July 1, 1987, or a student loan to cover the cost of instruction for a period of enrollment beginning on or after July 1, 1987, is pursuing at least a half-time course of study for which the borrower has obtained a loan under the Federal Family Education Loan Program), or is pursuing a course of study pursuant to a graduate fellowship program or a rehabilitation training program for disabled individuals approved by the Secretary of Education;

• during a period, not in excess of 6 months, while the borrower is on parental leave; and

• only with respect to a borrower who first obtained a student loan disbursed on or after July 1, 1987, or a student loan to cover the cost of instruction for a period of enrollment beginning on or after July 1, 1987, during a period not in excess of three years while the borrower is a full-time teacher in a public or nonprofit private elementary or secondary school in a “teacher shortage area” (as prescribed by the Secretary of Education), and during a period not in excess of 12 months for mothers, with preschool age children, who are entering or re-entering the work force and who are compensated at a rate not exceeding $1 per hour in excess of the federal minimum wage.

For loans to a borrower who first obtains a loan on or after July 1, 1993, deferments are available:

• during any period that the borrower is pursuing at least a half-time course of study at an eligible institution or a course of study pursuant to a graduate fellowship
program or rehabilitation training program approved by the Secretary of Education;

- during a period not exceeding three years while the borrower is seeking and unable to find full-time employment; and

- during a period not in excess of three years for any reason which the lender determines, in accordance with regulations under the Higher Education Act, has caused or will cause the borrower economic hardship. Economic hardship includes working full time and earning an amount not in excess of the greater of the minimum wage or the poverty line for a family of two. Additional categories of economic hardship are based on the relationship between a borrower’s educational debt burden and his or her income.

Prior to the 1992 changes, only certain of the deferment periods described above were available to PLUS Loan borrowers, and only certain deferment periods were available to Consolidation Loan borrowers. Prior to the 1986 changes, PLUS Loan borrowers were not entitled to certain deferment periods. Deferment periods extend the ten-year maximum term.

**Forbearance Period.** The Higher Education Act also provides for periods of forbearance during which the borrower, in case of temporary financial hardship, may defer any payments. A borrower is entitled to forbearance for a period not to exceed three years while the borrower’s debt burden under Title IV of the Higher Education Act (which includes the Federal Family Education Loan Program) equals or exceeds 20% of the borrower’s gross income, and also is entitled to forbearance while he or she is serving in a qualifying medical or dental internship program or in a “national service position” under the National and Community Service Trust Act of 1993. In addition, mandatory administrative forbearances are provided in exceptional circumstances such as a local or national emergency or military mobilization, or when the geographical area in which the borrower or endorser resides has been designated a disaster area by the President of the United States or Mexico, the Prime Minister of Canada, or by the governor of a state. In other circumstances, forbearance is at the lender’s option. Forbearance also extends the ten year maximum term.

**Interest Payments During Grace, Deferment and Forbearance Periods.** The Secretary of Education makes interest payments on behalf of the borrower of certain eligible loans while the borrower is in school and during grace and deferment periods. Interest that accrues during forbearance periods and, if the loan is not eligible for interest subsidy payments, while the borrower is in school and during the grace and deferment periods, may be paid monthly or quarterly or capitalized not more frequently than quarterly.

**Fees**

**Guarantee Fee.** A guarantee agency is authorized to charge borrowers a premium, or guarantee fee, of up to 1% of the principal amount of the loan, which must be deducted proportionately from each installment payment of the proceeds of the loan to the borrower.
**Origination Fee.** An eligible lender is authorized to charge the borrower of a Subsidized Stafford Loan and an Unsubsidized Stafford Loan an origination fee in an amount not to exceed 3% of the principal amount of the loan, and is required to charge the borrower of a PLUS Loan an origination fee in the amount of 3% of the principal amount of the loan. These fees must be deducted proportionately from each installment payment of the loan proceeds prior to payment to the borrower. These fees are not retained by the lender, but must be passed on to the Secretary of Education.

**Lender Origination Fee.** The leader of any loan under the Federal Family Education Loan Program made on or after October 1, 1993 is required to pay to the Secretary of Education a fee equal to 0.5% of the principal amount of such loan.

**Rebate Fee on Consolidation Loans.** The holder of any Consolidation Loan made on or after October 1, 1993 is required to pay to the Secretary of Education a monthly fee equal to .0875% (1.05% per annum) of the principal amount of, and accrued interest on the Consolidation Loan. For loans made pursuant to applications received on or after October 1, 1998, and on or before January 31, 1999 the fee on consolidation loans of 1.05% is reduced to .62%.

**Interest Subsidy Payments**

Interest subsidy payments are interest payments paid with respect to an eligible loan before the time that the loan enters repayment and during grace and deferment periods. The Secretary of Education and the guarantee agencies enter into interest subsidy agreements whereby the Secretary of Education agrees to pay interest subsidy payments to the holders of eligible guaranteed loans for the benefit of students meeting certain requirements, subject to the holders' compliance with all requirements of the Higher Education Act. Only Subsidized Stafford Loans and Consolidation Loans for which the application was received on or after January 1, 1993, are eligible for interest subsidy payments. Consolidation Loans made after August 10, 1993 but before November 13, 1997 are eligible for interest subsidy payments only if all loans consolidated thereby are Subsidized Stafford Loans. Consolidation Loans for which the application is received by an eligible lender on or after November 13, 1997 are eligible for interest subsidy payments on that portion of the Consolidation Loan that repays Subsidized Stafford Loans or similar subsidized loans made under the direct loan program. In addition, to be eligible for interest subsidy payments, guaranteed loans must be made by an eligible lender under the applicable guarantee agency's guarantee program, and must meet requirements prescribed by the rules and regulations promulgated under the Higher Education Act.

The Secretary of Education makes interest subsidy payments quarterly on behalf of the borrower to the holder of a guaranteed loan in a total amount equal to the interest which accrues on the unpaid principal amount prior to the commencement of the repayment period of the loan or during any deferment period. A borrower may elect to forego interest subsidy payments, in which case the borrower is required to make interest payments.

**Special Allowance Payments**

The Higher Education Act provides for Special Allowance Payments to be made by the Secretary of Education to eligible lenders. The rates for Special Allowance Payments are based
on formulas that differ according to the type of loan, the date the loan was originally made or insured and the type of funds used to finance the loan (taxable or tax-exempt).

Special Allowance Payments are generally payable, with respect to variable rate loans to which a maximum borrower interest rate applies, only when the maximum borrower interest rate is in effect. The Secretary of Education offsets Interest Subsidy Payments and Special Allowance Payments by the amount of origination fees and lender origination fees described above under “—Fees,” whether or not the lender collects these amounts.

**Federal Subsidized and Unsubsidized Stafford Loans.** The effective formulas for Special Allowance Payments rates for Subsidized Stafford and Unsubsidized Stafford Loans are summarized in the following chart. The T-Bill Rate mentioned in the chart refers to the average of the bond equivalent yield of the 91-day Treasury bills auctioned during the preceding quarter.

<table>
<thead>
<tr>
<th>Date of Loans</th>
<th>Annualized SAP Rate</th>
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<tbody>
<tr>
<td>On or after October 1, 1981</td>
<td>T-Bill Rate less Applicable Interest Rate + 3.5%</td>
</tr>
<tr>
<td>On or after November 16, 1986</td>
<td>T-Bill Rate less Applicable Interest Rate + 3.25%</td>
</tr>
<tr>
<td>On or after October 1, 1992</td>
<td>T-Bill Rate less Applicable Interest Rate + 3.1%</td>
</tr>
<tr>
<td>On or after July 1, 1995</td>
<td>T-Bill Rate less Applicable Interest Rate + 3.1%(1)</td>
</tr>
<tr>
<td>On or after July 1, 1998</td>
<td>T-Bill Rate less Applicable Interest Rate + 2.8%(2)</td>
</tr>
<tr>
<td>On or after January 1, 2000 and before July 1, 2005</td>
<td>3 Month Commercial Paper Rate less Applicable Interest Rate + 2.34%(3)</td>
</tr>
</tbody>
</table>

(1) Substitute 2.5% in this formula while such loans are in the in-school or grace period.
(2) Substitute 2.2% in this formula while such loans are in the in-school or grace period.
(3) Substitute 1.74% in this formula while such loans are in the in-school or grace period.

The effective formulas for Special Allowance Payments rates for Subsidized Stafford Loans and Unsubsidized Stafford Loans differ depending on whether loans to borrowers were acquired or originated with the proceeds of tax-exempt obligations. There are minimum Special Allowance Payments rates for Subsidized Stafford Loans and Unsubsidized Stafford Loans acquired with proceeds of certain tax-exempt obligations, which rates effectively ensure an overall minimum return of 9.5% on such loans. However, loans acquired with the proceeds of tax-exempt obligations originally issued after September 30, 1993 are not assured of a minimum Special Allowance Payments.

**PLUS, SLS and Consolidation Loans.** The formula for Special Allowance Payments rates for PLUS, SLS and Consolidation Loans are as follows:
<table>
<thead>
<tr>
<th>Date of Loans</th>
<th>Annualized SAP Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>On or after October 1, 1992</td>
<td>T-Bill Rate less Applicable Interest Rate +3.1%</td>
</tr>
<tr>
<td>On or after January 1, 2000</td>
<td>3 Month Commercial Paper Rate less Applicable Interest Rate +2.64%</td>
</tr>
</tbody>
</table>

Special Allowance Payments are available on variable rate PLUS Loans and SLS Loans made on or after July 1, 1987 and before July 1, 1994 and on any PLUS Loans made on or after July 1, 1998, only if the variable rate, which is reset annually, based on the weekly average one-year constant maturity Treasury yield for loans made before July 1, 1998 and based on the 91-day or 52-week Treasury bill, as applicable, for loans made on or after July 1, 1998, exceeds the applicable maximum borrower rate. The maximum borrower rate is between 9 percent and 12 percent.

The Higher Education Act provides that if Special Allowance Payments or interest subsidy payments have not been made within 30 days after the Secretary of Education receives an accurate, timely and complete request therefor, the special allowance payable to such holder shall be increased by an amount equal to the daily interest accruing on the special allowance and interest subsidy payments due the holder.

Special Allowance Payments and interest subsidy payments are reduced by the amount which the lender is authorized or required to charge as an origination fee. In addition, the amount of the lender origination fee is collected by offset to Special Allowance Payments and interest subsidy payments.

**DESCRIPTION OF THE INDENTURE**

**General**

We have entered into the indenture with the trustee which provides for the issuance of the series 2005-1 notes. See the caption “Description of the Series 2005-1 Notes” herein. The following is a summary of the material terms of the indenture providing for the issuance of the series 2005-1 notes. The summary does not purport to be complete and is qualified in its entirety by reference to the provisions of the indenture providing for the issuance of the series 2005-1 notes.

The indenture establishes the general provisions of series 2005-1 notes issued by us thereunder and sets forth our various covenants and agreements relating thereto, default and remedy provisions, and responsibilities and duties of the trustee and establishes the various funds into which our revenues related to the financed student loans and the series 2005-1 notes are deposited and transferred for various purposes.

**Funds and Accounts**

*Acquisition Fund.* The indenture establishes an Acquisition Fund. The trustee will, upon delivery to the initial purchasers of the series 2005-1 notes and from the proceeds thereof, credit to the Acquisition Fund the amount of $691,695,822.
Moneys on deposit in the Acquisition Fund shall be used, upon issuer order, solely for (a) the payment of the costs of issuance of the series 2005-1 notes; (b) upon receipt by the trustee of an eligible loan acquisition certificate, to acquire eligible loans at a price not in excess of, in respect of each eligible loan (i) acquired on the closing date or during the acquisition period with proceeds of the series 2005-1 notes, 100.20% of the aggregate principal balance of such eligible loan, and (ii) otherwise, 100.50% of the aggregate principal balance of such eligible loan; (c) the acquisition or origination of eligible loans including the payment of any related premium and origination and guarantee fees, if any, and any related add on consolidation loans; (d) the redemption or purchase of, or distribution of principal with respect to, series 2005-1 notes as provided herein; (e) the transfer to the Collection Fund for payment of amounts due on the series 2005-1 notes and any other obligations as set forth below in this section; (f) during the revolving period, at the option of the issuer, moneys may be transferred to the Collection Fund for use therein; (g) following the acquisition period, the deposit of the remaining acquisition amount into the Collection Fund; (h) following the revolving period, the deposit of any remaining amounts into the Collection Fund or (i) such other purposes related to the issuer’s loan programs as may be provided in an issuer order and regarding which a rating agency confirmation has been obtained.

Any such issuer order or eligible loan acquisition certificate shall state that such proposed use of moneys in the Acquisition Fund is in compliance with the provisions of the indenture. An authorized representative of the issuer may, by issuer order, direct the trustee to transfer any or all such moneys to the Collection Fund for use therein.

While the issuer will be the owner of the financed eligible loans, it is understood and agreed that the trustee will have a security interest in the financed eligible loans for and on behalf of the registered owners and the counterparties. In the case of a single financed eligible loan evidenced by a separate note, each such note will be held in the name of the issuer, for the benefit of the registered owners and the counterparties. In the case of a financed eligible loan evidenced by a promissory note, the issuer shall cause the holder of the original promissory note to indicate by book entry on its books and records that the issuer is the owner of the loan and that the trustee has a security interest in the financed eligible loan for the benefit of the registered owners and the counterparties.

Amounts in the Acquisition Fund (other than any portion of such amount consisting of financed student loans) shall be transferred to the credit of the Collection Fund on a quarterly distribution date to the extent required to provide for the payment of the amounts due under the indenture on the series 2005-1 notes and any other obligations. In connection with the transfer contemplated in the preceding sentence, to the extent that the trustee does not receive timely transfer instructions from the issuer, the trustee shall use its reasonable best efforts to effectuate such transfer without further authorization or direction.

On the first monthly payment date following the end of the revolving period, the trustee shall transfer from the Acquisition Fund to the Collection Fund, for the redemption of, or distribution of principal with respect to, series 2005-1 notes, an amount equal to the remaining acquisition amount.
Except as provided herein to fund add-on consolidation loans and as provided herein under the captions “Mandatory Auction” and “Optional Purchase of All Financed Eligible Loans,” financed eligible loans shall not be sold, transferred or otherwise disposed of (other than for consolidation, serialization or transfer to a guaranty agency) by the trustee free from the lien of the indenture.

**Collection Fund.** The indenture establishes a Collection Fund. The trustee will credit to the Collection Fund all Available Funds, and all other moneys and investments derived from assets on deposit in and transfers from the Acquisition Fund, the Capitalized Interest Account and the Reserve Fund, all counterparty payments and any other amounts deposited thereto upon receipt of an issuer order and not otherwise inconsistent with the indenture.

On each monthly calculation date and quarterly distribution date, the trustee will allocate or transfer the moneys received during the preceding month in the Collection Fund as provided under the caption “Source of Payment and Security for the Notes—Collection Fund” herein.

Pending transfers from the Collection Fund, the moneys therein will be invested in investment securities as described under the caption “Investments” below, and any income from said investments will be retained therein.

**Capitalized Interest Account.**

Amounts on deposit in the Capitalized Interest Account will be used to pay interest on the series 2005-1 notes and operating expenses prior to amounts being withdrawn from the Reserve Fund.

**Reserve Fund.** Upon the delivery of the series 2005-1 notes, and from the proceeds thereof or from any other available moneys we may have not otherwise credited to or payable into any fund or account under or otherwise subject to the pledge and security interest created by the indenture, the trustee will credit to the Reserve Fund the amount, if any, necessary to satisfy the reserve fund requirement.

If on any monthly payment date to the extent there are insufficient available funds in the Collection Fund to make transfers first through fourth under the caption “Collection Fund” herein, and after giving effect to any transfers from the Capitalized Interest Account to the Collection Fund on such monthly payment date or distribution date, the issuer shall instruct the trustee to withdraw an amount equal to such deficiency from the Reserve Fund for deposit in the Collection Fund.

If on any monthly calculation date the balance in the Reserve Fund exceeds the Reserve Fund requirement, such excess will, upon our order, be transferred to the Collection Fund.

Pending transfers from the Reserve Fund, the moneys therein will be invested in investment securities as described under the caption “Investments” below and any income from such investments will be deposited in the Collection Fund.
Series 2005-1 Notes and Other Indenture Obligations

The series 2005-1 notes will be issued pursuant to the terms of the indenture. The following summary describes the material terms of the series 2005-1 notes. The summary does not purport to be complete and is qualified in its entirety by reference to the provisions of the series 2005-1 notes and the indenture, which provisions are incorporated by reference herein. See the caption “Description of the Series 2005-1 Notes” herein for a more complete description of the terms of the series 2005-1 notes. The indenture does not permit the issuance of additional notes, but does allow for certain derivative product agreements to be secured by the indenture.

*The series 2005-1 notes, including the principal thereof, premium, if any, and interest thereon with respect thereto, and other indenture obligations are limited obligations, payable solely from the revenues and assets pledged therefor under the indenture.*

*Comparative Security of Holders of the Notes and Other Beneficiaries.* The class A notes will be equally and ratably secured under the indenture with any other senior obligations under the indenture. The class A notes will have payment and certain other priorities over the class B notes.

*Credit Enhancement Facilities and Derivative Product Agreements.* We may from time to time, pursuant to the indenture, enter into any credit enhancement facilities or derivative product agreements with respect to any series 2005-1 notes. Prior to entering into any such derivative product agreement or obtaining a credit enhancement facility the trustee shall have received written confirmation from each rating agency that such action will not cause the reduction or withdrawal of any rating or ratings then applicable to any outstanding series 2005-1 notes.

We have covenanted not to enter into any derivative product agreements unless we have received a rating confirmation with respect thereto.

Pledge; Encumbrances

The series 2005-1 notes constitute our limited obligations specifically secured by the pledge of the proceeds of the sale of series 2005-1 notes (until expended for the purpose for which the series 2005-1 notes were issued), the financed student loans and the revenues, moneys and securities in the various funds, in the manner and subject to the prior applications provided in the indenture. Financed student loans purchased with the proceeds of our bonds, notes or other evidence of indebtedness or sold to or exchanged with another party in accordance with the provisions of the indenture, will, contemporaneously with receipt by the trustee of the purchase price thereof, no longer be pledged to nor serve as security for the payment of the principal of, premium, if any, or interest on, with respect to the series 2005-1 notes.

We have agreed not to create, or permit the creation of, any pledge, lien, charge or encumbrance upon the financed student loans or the revenues and other assets pledged under the indenture, except only as to a lien that is subordinate to the lien of the indenture and that is created by any other indenture authorizing the issuance of our bonds, notes or other evidences of indebtedness, the proceeds of which have been or will be used to refund or otherwise retire all or a portion of our outstanding notes or as otherwise provided in or permitted by the indenture. We
have agreed not to issue any bonds or other evidences of indebtedness secured by a pledge of the revenues and other assets pledged under the indenture, other than the series 2005-1 notes as permitted by the indenture and other than derivative product agreements and credit enhancement facilities relating to series 2005-1 notes as permitted by the indenture, creating a lien or charge equal or superior to the lien of the indenture. Nothing in the indenture is intended to prevent us from issuing obligations secured by revenues and assets other than the revenues and other assets pledged in the indenture.

**Covenants**

Certain covenants with the holders of the series 2005-1 notes and other beneficiaries contained in the indenture are summarized as follows:

**Enforcement and Amendment of Guarantee Agreements.** So long as any series 2005-1 notes or any obligations are outstanding and financed eligible loans are guaranteed by a guarantee agency, we have agreed that we will (a) from and after the date on which we have entered into any guarantee agreement covering financed eligible loans maintain the same and diligently enforce our rights thereunder; (b) enter into such other similar or supplemental agreements as shall be required to maintain benefits for all financed eligible loans covered thereby; and (c) not voluntarily consent to or permit any rescission of or consent to any amendment to or otherwise take any action under or in connection with the same which in any manner will materially adversely affect the rights of the holders of the series 2005-1 notes or the counterparties. Notwithstanding the foregoing, we may otherwise amend any guarantee agreement in any respect if each rating agency confirms that such amendment will not cause the withdrawal or reduction of any rating or ratings then applicable to any outstanding series 2005-1 notes.

**Acquisition, Origination, Collection and Assignment of Student Loans.** We have agreed that we will acquire or originate only eligible loans with moneys in any of the funds and (subject to any adjustments referred to in the following paragraph) will diligently cause to be collected all principal and interest payments on all the financed student loans and other sums to which we are entitled with respect to such financed student loans, and all special allowance payments and all defaulted payments guaranteed by any guarantee agency which relate to such financed student loans.

**Enforcement of Financed Student Loans.** We have agreed to cause to be diligently enforced, and shall cause to be taken all steps, actions and proceedings reasonably necessary in our judgment for the enforcement of, all terms, covenants and conditions of all financed student loans and agreements in connection therewith, including the prompt payment of all principal and interest payments and all other amounts due to us thereunder. We shall not permit the release of the obligations of any borrower under any financed student loan, and shall at all times, to the extent permitted by law, cause to be defended, enforced, preserved and protected the rights and privileges of ourselves, the trustee, the noteholders and any counterparties under or with respect to each financed student loan and agreement in connection therewith. We shall not consent or agree to or permit any amendment or modification of any financed student loan or agreement in connection therewith which will in any manner materially adversely affect the rights or security of the noteholders and any counterparties, provided, that nothing in this paragraph or the next
paragraph under the heading “Administration and Collection of Financed Student Loans” shall be construed to prevent us from (i) settling a default or from curing a delinquency on any financed student loan on such terms as shall be required by law; (ii) amending the terms of a financed student loan to provide for a different rate of interest thereon to the extent required by law; (iii) amending the terms of any financed student loan or agreement in connection therewith in any manner if a rating agency confirmation is obtained with respect to such amendment; (iv) waiving amounts owing under a financed student loan up to and including $100; or (v) providing any borrower benefits with respect to financed student loans.

**Administration and Collection of Financed Student Loans.** We have agreed to service and collect, or enter into one or more servicing agreements pursuant to which the servicers agree to service or collect, all financed student loans in accordance with all requirements of the Higher Education Act, the Secretary of Education, the indenture and each guarantee agreement. We have agreed to cause to be diligently enforced, and take all steps, actions and proceedings reasonably necessary in our judgment for the enforcement of, all terms, covenants and conditions of any servicing agreement, any student loan purchase agreement, and all other administration agreements, including, in the case of the servicing agreements, the prompt payment of all principal and interest payments and all other amounts due to us or the trustee thereunder, including all special allowance payments and all defaulted payments guaranteed by any guarantee agency which relate to any financed student loans. We shall not permit the release of the obligations of any servicer under any servicing agreement or of the parties to any student loan purchase agreement, as applicable, except in accordance with the terms thereof, and shall at all times, to the extent permitted by law, cause to be defended, enforced, preserved and protected our rights and privileges and the rights and privileges of the trustee, the registered owners and the counterparties under or with respect to each servicing agreement.

**Tax-Exempt Status.** We have agreed that we will not take any action which would result in the loss of, and will take all reasonable actions necessary to maintain, our status as an organization described in Section 501(c)(3) of the Internal Revenue Code and exempt from federal income taxation under Section 501(a) of the Internal Revenue Code (or any successor provisions).

**Continuing Existence; Merger and Consolidation.** Subject to the preceding paragraph, we have agreed to maintain our existence as a nonprofit corporation and not to dispose of all or substantially all of our assets (by sale, lease or otherwise), except as otherwise specifically authorized in the indenture and in accordance with our Articles of Incorporation and By-Laws, or consolidate with or merge into another entity or permit any other entity to consolidate with or merge into us unless either we are the surviving corporation and the conditions set forth in our Articles of Incorporation and By-laws and each of the following conditions is satisfied:

(a) the surviving, resulting or transferee entity, as the case may be, will be a corporation, limited liability company or other legal entity organized under the laws of the United States or one of the states thereof;

(b) at least 30 days before any merger, consolidation or transfer of assets becomes effective, we will give the trustee written notice of the proposed transaction;
(c) immediately after giving effect to any merger, consolidation or transfer of assets, no event of default under the indenture has occurred and is continuing;

(d) each rating agency will have confirmed that such merger, consolidation or transfer of assets will not cause the withdrawal or reduction of any rating or ratings then applicable to any outstanding series 2005-1 notes; and

(e) prior to or concurrently with any merger, consolidation or transfer of assets, (i) any action as is necessary to maintain the lien and security interest created in favor of the trustee by this indenture will have been taken; (ii) the surviving, resulting or transferee entity, as the case may be, will deliver to the trustee an instrument assuming all of our obligations under the indenture and related agreements, together with any necessary consents; and (iii) we will deliver to the trustee and each rating agency a certificate and an opinion of counsel (which shall describe the actions taken as required by clause (i) of this paragraph or that no such action need be taken) each stating that all conditions precedent to such merger, consolidation or transfer of assets have been complied with.

Investments

Moneys from time to time on deposit in the funds and accounts may be invested in one or more of the following investment securities:

(a) direct general obligations of, or obligations fully and unconditionally guaranteed as to the timely payment of principal and interest by, the United States or any agency or instrumentality thereof, provided such obligations are backed by the full faith and credit of the United States, FHA debentures, Freddie Mac senior debt obligations, Federal Home Loan Bank consolidated senior debt obligations, and Fannie Mae senior debt obligations, but excluding any of such securities whose terms do not provide for payment of a fixed dollar amount upon maturity or call for redemption;

(b) federal funds, certificates of deposit, time deposits and banker’s acceptances (having original maturities of not more than 90 days) of any bank or trust company incorporated under the laws of the United States or any state thereof, provided that the short term debt obligations of such bank or trust company at the date of acquisition thereof have been rated “A-1+” or better by S&P, “P-1” or “A2” or better by Moody’s and “F-1+” by Fitch;

(c) deposits of any bank or savings and loan association which has combined capital, surplus and undivided profits of at least $3,000,000 which deposits are held only up to the limits insured by the Bank Insurance Fund or Savings Association Insurance Fund administered by the Federal Deposit Insurance Corporation, provided that the unsecured long term debt obligations of such bank or savings and loan association have been rated “BBB” or better by S&P, “P-1” or “A-2” or better by Moody’s and “BBB” or better by Fitch;

(d) commercial paper (having original maturities of not more than 90 days) rated “A-1+” or better by S&P, “P-1” or better by Moody’s and “F-1+” by Fitch;
(e) debt obligations rated “AAA” by S&P, “Aaa” by Moody’s and “AAA” by Fitch (other than any such obligations that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date);

(f) investments in money market funds (including those funds managed or advised by the Trustee or an affiliate thereof) rated “AAAm” by S&P, “Aaa” by Moody’s and “AA” by Fitch;

(g) guaranteed investment contracts or surety bonds regarding which a Rating Agency Confirmation has been obtained and providing for the investment of funds in an account or insuring a minimum rate of return on investments of such funds, which contract or surety bond shall:

(i) be an obligation of or guaranteed by an insurance company or other corporation or financial institution whose debt obligations or insurance financial strength or claims paying ability are rated “AAA” by S&P, “Aaa” by Moody’s and “AAA” by Fitch;

(ii) provide that the Trustee may exercise all of the rights of the Issuer under such contract or surety bond without the necessity of the taking of any action by the Issuer;

(h) a repurchase agreement that satisfies the following criteria:

(i) must be between the Trustee and a dealer, bank, securities firm, insurance company or other financial institution described in (A) or (B) below:

(A) primary dealers on the Federal Reserve reporting dealer list which (x) have a long term rating of “A” or better by S&P, “Aa2” or better by Moody’s and “A” or better by Fitch or (y) have a long term rating of “A” or better by S&P, “A” or better by Fitch and “Aa3” or better by Moody’s and a short term rating of “P-1” by Moody’s, or

(B) banks, insurance companies or other financial institutions which (x) have a long term rating of “A” or better by S&P, “Aa2” or better by Moody’s and “A” or better by Fitch or (y) have a long term rating of “A” or better by S&P, “A” or better by Fitch and “Aa3” or better by Moody’s and a short term rating of “P-1” by Moody’s;

(ii) the written repurchase agreement must include the following:

Securities which are acceptable for the transfer are:

(A) Direct U.S. governments, or

(B) Federal Agencies backed by the full faith and credit of the U.S. government (and Fannie Mae & Freddie Mac); and
(iii) the collateral must be delivered to the Trustee or third party custodian acting as agent for the Trustee by appropriate book entries and confirmation statements must have been delivered before or simultaneous with payment (perfection by possession of certificated securities); and

(i) any other investment regarding which a Rating Agency Confirmation has been obtained (provided, however, that if such other investment meets the rating criteria above for a particular Rating Agency but not all Rating Agencies, then a Rating Agency Confirmation need be satisfied only with respect to any other Rating Agency for which such rating criteria has not been met).

Events of Default

If any of the following events occur, it is an “event of default” under the indenture:

(a) default in the due and punctual payment of any interest on any class A note when the same becomes due and payable and such default shall continue for a period of five days or if no class A notes are outstanding, default in the due and punctual payment of any interest on any class B note when the same becomes due and payable and such default shall continue for a period of five days; or

(b) default in the due and punctual payment of the principal of any note when the same becomes due and payable on the related final maturity date; or

(c) default by us in the performance or observance of any other of the covenants, agreements or conditions contained in the indenture or in the series 2005-1 notes, and such default shall have continued for a period of 90 days after written notice thereof shall have been given to us by the trustee; provided, that if the default is such that it can be corrected but not within 90 days, it shall not constitute an event of default if corrective action is undertaken by us within such 90 day period and is diligently pursued until the default is corrected; and

(d) the occurrence of an event of bankruptcy.

Remedies

Possession of trust estate. Upon the happening of any event of default relating to the trust estate, the trustee may take possession of any portion of the trust estate that may be in the custody of others, and all property comprising the trust estate, and may hold, use and control those assets. The trustee may also, in our name or otherwise, conduct business and collect and receive all charges, income and revenues of the trust estate. After deducting all expenses incurred and all other proper outlays authorized in the indenture, and all payments which may be made as just and reasonable compensation for its own services, and for the services of its attorneys, agents, and assistants, the trustee will apply the rest and residue of the money received by the trustee as follows (however, if the event of default relates to a covenant default described in clause (d) under “—Events of Default” above, priorities fourth and fifth below will be reversed):
• first, to the trustee for fees and expenses due and owing to the trustee;

• second, to the issuer, for payment to the servicer any due and unpaid servicing and administration fees;

• third, pro rata, (i) to the derivative product counterparties relating to class A notes, in proportion to their respective entitlements under the applicable derivative products without preference or priority, except for certain termination payments, and (ii) to the class A noteholders for amounts due and unpaid on the class A notes for interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the class A notes for such interest;

• fourth, to class A noteholders for amounts due and unpaid on the class A notes for principal, ratably, without preference or priority of any kind, according to the amounts due and payable on the class A notes for principal;

• fifth, to the class B noteholders for amounts due and unpaid for interest, pro rata, without preference or priority of any kind, according to the amounts due and payable on each such class B notes for such interest;

• sixth, to the class B noteholders for amounts due and unpaid on the class B notes for principal, pro rata without preference or priority of any kind, according to the amounts due and payable on the class B notes for principal;

• seventh, to the issuer for payment to the servicer for any unpaid carryover servicing and administration fees;

• eighth, to the derivative product counterparties, in proportion to the respective entitlements under the respective derivative products, for any unpaid issuer derivative payments (including all termination payments); and

• ninth, to the issuer, for distribution in accordance with the terms of the indenture.

Sale of trust estate. Upon the happening of any event of default and if the principal of all of the outstanding series 2005-1 notes shall have been declared due and payable, then the trustee may sell the trust estate to the highest bidder in accordance with the requirements of applicable law. In addition, the trustee may proceed to protect and enforce the rights of the trustee or the registered owners in the manner as counsel for the trustee may advise, whether for the specific performance of any covenant, condition, agreement or undertaking contained in the indenture, or in aid of the execution of any power therein granted, or for the enforcement of such other appropriate legal or equitable remedies as may in the opinion of such counsel, be more effectual to protect and enforce the rights aforesaid. The trustee is required to take any of these actions if requested to do so in writing by the registered owners of a majority of the principal amount of the highest priority obligations outstanding under the defaulted indenture and certain counterparties. However, if the event of default does not relate to a payment default or an event of bankruptcy, the trustee may take these actions only if requested to do so in writing by the registered owners of all obligations outstanding under the defaulted indenture and all
counterparties unless the net proceeds received by the trustee from selling the trust estate are sufficient to pay all amounts owed to all the holders of obligations outstanding under the defaulted indenture and all counterparties.

Appointment of receiver. If an event of default occurs, and all of the outstanding obligations under an indenture have been declared due and payable, and if any judicial proceedings are commenced to enforce any right of the trustee, counterparties or of the registered owners under the indenture, then as a matter of right, the trustee shall be entitled to the appointment of a receiver for the trust estate.

Accelerated maturity. If an event of default occurs, the trustee may declare, or upon the written direction by the registered owners of a majority of the principal amount of the highest priority obligations then outstanding under the defaulted indenture shall declare, the principal of all series 2005-1 notes issued under the indenture, and then outstanding, and the interest thereon, immediately due and payable. A declaration of acceleration upon the occurrence of a default may be rescinded upon notice to the issuer by a majority of the registered owners of the obligations then outstanding if the issuer has paid or deposited with the trustee amounts sufficient to pay all principal and interest due on the series 2005-1 notes and any other event of default has been cured or waived.

Direction of indenture trustee. If an event of default occurs, the registered owners of a majority of the principal amount of the highest priority obligations then outstanding under the defaulted indenture shall have the right to direct and control the trustee with respect to any proceedings for any sale of any or all of the trust estate, or for the appointment of a receiver. The registered owners may not cause the trustee to take any proceedings which in the trustee’s opinion would be unjustly prejudicial to non-assenting registered owners of obligations outstanding under the indenture.

Right to enforce in indenture trustee. No registered owner of any obligation issued under the indenture shall have any right as a registered owner to institute any suit, action or proceedings for the enforcement of the provisions of the indenture or for the appointment of a receiver or for any other remedy under the indenture. All rights of action under the indenture are vested exclusively in the trustee, unless and until the trustee fails to institute an action or suit after the registered owners:

- have given to the trustee written notice of a default under the indenture, and of the continuance thereof;

- shall have made written request upon the trustee and the trustee shall have been afforded reasonable opportunity to institute an action, suit or proceeding in its own name; and

- the trustee shall have been offered indemnity and security satisfactory to it against the costs, expenses, and liabilities to be incurred on an action, suit or proceeding in its own name.

Waivers of events of default. The trustee may in its discretion waive any event of default under the indenture and rescind any declaration of acceleration of the obligations due under the
indenture. The trustee will waive an event of default upon the written request of the registered owners of at least a majority of the principal amount of the highest priority obligations then outstanding under the indenture. A waiver of any event of default in the payment of the principal or interest due on any obligation issued under the indenture may not be made unless prior to the waiver or rescission, provision shall have been made for payment of all arrears of interest or all arrears of payments of principal, and all expenses of the trustee in connection with such default. A waiver or rescission of one default will not affect any subsequent or other default, or impair any rights or remedies consequent to any subsequent or other default.

The trustee

Acceptance of trust. The trustee will accept the trusts imposed upon it by the indenture, and will perform those trusts, but only upon and subject to the following terms and conditions:

- The trustee undertakes to perform only those duties as are specifically set forth in the indenture.

- In the absence of bad faith on its part, the trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the trustee and conforming to the requirements of the indenture.

- In case an event of default has occurred and is continuing, the trustee, in exercising the rights and powers vested in it by the indenture, will use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

- Before taking any action under the indenture requested by registered owners, the trustee may require that it be furnished an indemnity bond or other indemnity and security satisfactory to it by the registered owners for the reimbursement of all expenses to which it may be put and to protect it against liability arising from any action taken by the trustee.

Trustee may act through agents. The trustee may execute any of the trusts or powers under the indenture and perform any duty thereunder either itself or by or through its attorneys, agents, or employees. The trustee will not be answerable or accountable for any default, neglect or misconduct of any such attorneys, agents or employees, if reasonable care has been exercised in the appointment, supervision, and monitoring of the work performed. The issuer will pay all reasonable costs incurred by the trustee and all reasonable compensation to all such persons as may reasonably be employed in connection with the trust estate.

Indemnification of trustee. The trustee is generally under no obligation or duty to perform any act at the request of registered owners or to institute or defend any suit to protect the rights of the registered owners under the indenture unless properly indemnified and provided with security to its satisfaction. The trustee is not required to take notice of any event under the indenture unless and until it shall have been specifically notified in writing of the event of default by the registered owners or the issuer’s authorized representative.
However, the trustee may begin suit, or appear in and defend suit, execute any of the trusts, enforce any of its rights or powers, or do anything else in its judgment proper, without assurance of reimbursement or indemnity. In that case the trustee will be reimbursed or indemnified by the registered owners requesting that action, for all fees, costs and expenses, liabilities, outlays and counsel fees and other reasonable disbursements properly incurred. If the issuer or the registered owners, as appropriate, fail to make such reimbursement or indemnification, the trustee may reimburse itself from any money in its possession under the provisions of the indenture, subject only to the prior lien of the series 2005-1 notes for the payment of the principal and interest thereon from the Collection Fund.

The issuer will agree to indemnify the trustee for, and to hold it harmless against, any loss, liability or expenses incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of the trust or trusts, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties in relation to the trust estate; provided, however, that any indemnification shall be payable solely out of the trust estate.

**Compensation of trustee.** The issuer will pay to the trustee compensation for all services rendered by it under the indenture, and also all of its reasonable expenses, charges, and other disbursements. The trustee may not change the amount of its annual compensation without giving the issuer at least 90 days’ written notice prior to the beginning of a fiscal year.

**Resignation of trustee.** The trustee may resign and be discharged from the trust created by the indenture by giving notice in writing specifying the date on which such resignation is to take effect. A resignation will only take effect on the day specified in such notice if a successor trustee shall have been appointed pursuant to the provisions of the indenture and is qualified to be the trustee under the requirements of the provisions of the indenture.

**Removal of trustee.** The trustee may be removed

- at any time by the registered owners of a majority of the principal amount of the highest priority obligations then outstanding under the indenture;

- by the issuer for cause or upon the sale or other disposition of the trustee or its trust functions; or

- by the issuer without cause so long as no event of default exists or has existed within the last 30 days.

In the event the trustee is removed, removal shall not become effective until

- a successor trustee shall have been appointed; and

- the successor trustee has accepted that appointment.

**Successor indenture trustee.** If the trustee resigns, is dissolved or otherwise is disqualified to act or is incapable of acting, or in case control of the trustee is taken over by any public officer or officers, the issuer may appoint a successor trustee. The issuer will cause notice
of the appointment of a successor indenture trustee to be mailed to the registered owners at the address of each registered owner appearing on the note registration books.

Every successor trustee

- will be a bank or trust company in good standing, organized and doing business under the laws of the United States or of a state therein;

- have a reported capital and surplus of not less than $50,000,000;

- will be authorized under the law to exercise corporate trust powers, be subject to supervision or examination by a federal or state authority; and

- will be an eligible lender under the Higher Education Act so long as such designation is necessary to maintain guarantees and federal benefits under the Act with respect to the student loans originated under the Act.

Merger of the trustee. Any corporation into which the trustee may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the trustee shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the trustee, shall be the successor of the trustee under the indenture; provided such corporation shall be otherwise qualified and eligible under the indenture, without the execution or filing of any paper of any further act on the part of any other parties thereto.

Supplemental indentures

Supplemental indentures not requiring consent of registered owners. The issuer can agree with the trustee to enter into any indentures supplemental to the indenture for any of the following purposes without notice to or the consent of noteholders:

- to cure any ambiguity or formal defect or omission in the indenture;

- to grant to or confer upon the trustee for the benefit of the registered owners any additional benefits, rights, remedies, powers or authorities;

- to subject to the indenture additional revenues, properties or collateral;

- to modify, amend or supplement the indenture or any indenture supplemental thereto in such manner as to permit the qualification under the Trust Indenture Act of 1939 or any similar federal statute or to permit the qualification of the series 2005-1 notes for sale under the securities laws of the United States of America or of any of the states of the United States of America, and, if they so determine, to add to the indenture or any indenture supplemental thereto such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute;

- to evidence the appointment of a separate or co-trustee or a co-registrar or transfer agent or the succession of a new trustee under the indenture;
• to add provisions to or to amend provisions of the indenture as may, in the opinion of counsel, be necessary or desirable to assure implementation of the student loan business in conformance with the Higher Education Act;

• to make any change as shall be necessary in order to obtain and maintain for any of the series 2005-1 notes an investment grade rating from a nationally recognized rating service, which changes, in the opinion of the indenture trustee are not to the prejudice of the registered owner of any of the obligations outstanding under the indenture;

• to make any changes necessary to comply with the Higher Education Act and the regulations thereunder or the Internal Revenue Code and the regulations promulgated thereunder;

• to make the terms and provisions of the indenture, including the lien and security interest granted therein, applicable to a derivative product;

• to create any additional funds or accounts under the indenture deemed by the indenture trustee to be necessary or desirable; or

• to make any other change which, in the judgment of the trustee is not to the material prejudice of the registered owners of any obligations outstanding under the indenture.

Supplemental indentures requiring consent of registered owners. Any amendment of an indenture other than those listed above must be approved by the registered owners of not less than a majority of the principal amount of the series 2005-1 notes then outstanding under the indenture. Also, certain amendments of an indenture that would have a material adverse effect on a counterparty require the consent of that counterparty.

The changes described below may be made in a supplemental indenture only with the consent of the registered owners of all series 2005-1 notes then outstanding,

• an extension of the maturity date of the principal of or the interest on any obligation; or

• a reduction in the principal amount of any obligation or the rate of interest thereon; or

• a privilege or priority of any obligation under the indenture over any other obligation; or

• a reduction in the aggregate principal amount of the obligations required for consent to such supplemental indenture; or

• the creation of any lien other than a lien ratably securing all of the obligations at any time outstanding under the indenture.

Any modification of the rights, duties or privileges of the trustee will require the prior written approval of the trustee.
Trusts irrevocable

The trust created by an indenture is irrevocable until the series 2005-1 notes and interest thereon and all company derivative payments are fully paid or provision is made for their payment as provided in the indenture.

Satisfaction of indenture

If the registered owners of the series 2005-1 notes issued under the indenture are paid all the principal of and interest due on their series 2005-1 notes, at the times and in the manner stipulated in the indenture, and if each counterparty on a derivative product is paid all of derivative payments then due, then the pledge of the trust estate will thereupon terminate and be discharged. The trustee will execute and deliver to the trust instruments to evidence the discharge and satisfaction, and the trustee will pay all money held by it under the indenture to the party entitled to receive it under the indenture.

Series 2005-1 notes will be considered to have been paid if money for their payment or redemption has been set aside and is being held in trust by the trustee. Any outstanding note will be considered to have been paid if the note is to be redeemed on any date prior to its stated maturity and notice of redemption has been given as provided in the indenture and on said date there shall have been deposited with the trustee either money or governmental obligations the principal of and the interest on which when due will provide money sufficient to pay the principal of and interest to become due on the note.

Any derivative payments will be considered to have been paid and the applicable derivative product terminated when payment of all derivative payments due and payable to each counterparty under derivative products have been made or duly provided for to the satisfaction of each counterparty and the respective derivative product has been terminated.

GLOSSARY OF CERTAIN DEFINED TERMS

Set forth below is a glossary of the principal defined terms used in this offering memorandum and not otherwise defined herein. Such definitions apply to the terms used in this offering memorandum whether or not the term used herein is capitalized.

"Account" means accounts established by the indenture.

"Acquisition Fund" means the Acquisition Fund created and established by the indenture.

"Act" means the Higher Education Act of 1965, as amended or supplemented from time to time, or any successor federal act and all regulations, directives, bulletins and guidelines promulgated from time to time thereunder.

"Adjusted Pool Balance" means, for any quarterly distribution date as determined by the issuer, the sum of (a) the pool balance as of the last day of the immediately preceding collection period and (b) the reserve fund requirement for such quarterly distribution date.
“Authorized Representative” means, when used with reference to the issuer, any person duly authorized to act on the issuer’s behalf and shall specifically include those individuals authorized to act for the issuer as set forth in a list delivered by the issuer to the trustee, as such list may be amended from time to time by the issuer.

“Available Funds” means, with respect to a distribution date or any related monthly payment date, the sum of the following amounts received to the extent not previously distributed: (a) all collections received by a servicer on the financed eligible loans (including payments from any guaranty agency received with respect to the financed eligible loans); (b) any interest benefit payments and special allowance payments received by the trustee with respect to financed eligible loans; (c) all liquidation proceeds from any financed eligible loans which have become liquidated financed eligible loans in accordance with a servicer’s customary servicing procedures, and all other moneys collected with respect to any liquidated financed eligible loan which has been written off, net of the sum of any amounts expended by a servicer in connection with such liquidation and any amounts required by law to be remitted to the obligor on such liquidated financed eligible loan; (d) the aggregate purchase amounts received for financed eligible loans sold by the issuer; (e) the aggregate amounts, if any, received from a seller or a servicer, as the case may be, as reimbursement of non-guaranteed amounts, or lost interest benefit payments and special allowance payments, with respect to the financed eligible loans pursuant to a student loan purchase agreement or a servicing agreement, respectively; (f) other amounts received by a servicer pursuant to its role as servicer under a servicing agreement and paid to the issuer; (g) all interest earned or gain realized from the investment of amounts in any fund or account; and (h) any payments received under a derivative product agreement from a counterparty in respect of such distribution date.

“Business Day” means, (i) for purposes of calculating LIBOR, any day on which banks in New York, New York and London, England are open for the transaction of international business and (ii) for all other purposes, any day other than a Saturday, Sunday, holiday or other day on which the New York Stock Exchange or banks located in New York, New York or the city in which the principal office of the Trustee is located, are authorized or permitted by law or executive order to close.

“Capitalized Interest Account” means the Account by that name created by the indenture.

“Carryover Servicing and Administration Fee” means fees, if any, designated by the issuer as “carryover servicing and administration fees” in a written direction.

“Class A Notes” shall mean, collectively, the class A-1 notes, the class A-2 notes and the class A-3 notes secured on a senior priority to the class B obligations.

“Class A Noteholders’ Interest Distribution Amount” shall mean, for any quarterly distribution date for a class of class A notes, the class A-1 noteholders’ interest distribution amount, the class A-2 noteholders’ interest distribution amount or the class A-3 noteholders’ interest distribution amount, as applicable, in each case to the extent payable on such quarterly distribution date.
“Class A Obligations” shall mean class A notes and the derivative product agreements, the priority of payment of which is equal with that of class A notes.

“Class A Percentage” shall mean, for any quarterly distribution date, 100% less the class B percentage.

“Class A Principal Distribution Amount” shall mean, for any quarterly distribution date, the product of the principal distribution amount and the class A percentage.

“Class A-1 Note Interest Shortfall” shall mean, with respect to any quarterly distribution date, the excess, if any, of (a) the class A-1 noteholders’ interest distribution amount on the immediately preceding quarterly distribution date over (b) the amount of interest actually distributed to the class A-1 noteholders on such preceding quarterly distribution date, plus interest on the amount of such excess interest due to the class A-1 noteholders, to the extent permitted by law, at the interest rate borne by the class A-1 notes from such immediately preceding quarterly distribution date to the current quarterly distribution date, as determined by the trustee.

“Class A-1 Noteholders’ Interest Distribution Amount” shall mean, with respect to any quarterly distribution date, the sum of (a) the amount of interest accrued at the class A-1 rate for the related interest accrual period on the aggregate outstanding principal balances of the class A-1 notes immediately prior to such quarterly distribution date; and (b) the class A-1 note interest shortfall for such quarterly distribution date, as based on the actual number of days in such interest accrual period divided by 360.

“Class A-1 Notes” shall mean the $235,000,000 Class A-1 Student Loan Asset-Backed Notes, Series 2005-1, issued by the issuer pursuant to the indenture.

“Class A-1 Rate” shall mean, for any interest accrual period, other than the first interest accrual period, the applicable three-month LIBOR, plus 0.03%, as determined by the trustee on each LIBOR determination date.

“Class A-2 Note Interest Shortfall” shall mean, with respect to any quarterly distribution date, the excess, if any, of (a) the class A-2 noteholders’ interest distribution amount on the immediately preceding quarterly distribution date over (b) the amount of interest actually distributed to the class A-2 noteholders on such preceding quarterly distribution date, plus interest on the amount of such excess interest due to the class A-2 noteholders, to the extent permitted by law, at the interest rate borne by the class A-2 notes from such immediately preceding quarterly distribution date to the current quarterly distribution date, as determined by the trustee.

“Class A-2 Noteholders’ Interest Distribution Amount” shall mean, with respect to any quarterly distribution date, the sum of (a) the amount of interest accrued at the class A-2 rate for the related interest accrual period on the aggregate outstanding principal balances of the class A-2 notes immediately prior to such quarterly distribution date; and (b) the class A-2 note interest shortfall for such quarterly distribution date, as based on the actual number of days in such interest accrual period divided by 360.
“Class A-2 Notes” shall mean the $262,000,000 class A-2 Student Loan Asset-Backed Notes, Series 2005-1, issued by the issuer pursuant to the indenture.

“Class A-2 Rate” shall mean, for any interest accrual period other than the first interest accrual period the three-month LIBOR for such interest accrual period plus 0.10%, as determined by the trustee.

“Class A-3 Note Interest Shortfall” shall mean, with respect to any quarterly distribution date, the excess, if any, of (a) the class A-3 noteholders' interest distribution amount on the immediately preceding quarterly distribution date over (b) the amount of interest actually distributed to the class A-3 noteholders on such preceding quarterly distribution date, plus interest on the amount of such excess interest due to the class A-3 noteholders, to the extent permitted by law, at the interest rate borne by the class A-3 notes from such immediately preceding quarterly distribution date to the current quarterly distribution date, as determined by the trustee.

“Class A-3 Noteholders' Interest Distribution Amount” shall mean, with respect to any quarterly distribution date, the sum of (a) the amount of interest accrued at the class A-3 rate for the related interest accrual period on the aggregate outstanding principal balances of the class A-3 notes immediately prior to such quarterly distribution date; and (b) the class A-3 note interest shortfall for such quarterly distribution date, as based on the actual number of days in such interest accrual period divided by 360.

“Class A-3 Notes” shall mean the $168,000,000 Class A-3 Student Loan Asset-Backed Notes, Series 2005-1, issued by the issuer pursuant to the indenture.

“Class A-3 Rate” shall mean, for any interest accrual period other than the first interest accrual period the three-month LIBOR for such interest accrual period plus 0.17%, as determined by the trustee.

“Class B Note Interest Shortfall” shall mean, with respect to any quarterly distribution date, the excess, if any, of (a) the class B Noteholders’ interest distribution amount on the immediately preceding quarterly distribution date over (b) the amount of interest actually distributed to the class B noteholders on such preceding quarterly distribution date, plus interest on the amount of such excess interest due to the class B noteholders, to the extent permitted by law, at the interest rate borne by the class B notes from such immediately preceding quarterly distribution date to the current quarterly distribution date, as determined by the trustee.

“Class B Noteholders’ Interest Distribution Amount” shall mean, with respect to any quarterly distribution date, the sum of (a) the amount of interest accrued at the class B rate for the related interest accrual period on the aggregate outstanding principal balances of the class B notes immediately prior to such quarterly distribution date; and (b) the class B note interest shortfall for such quarterly distribution date, as based on the actual number of days in such interest accrual period divided by 360.

“Class B Notes” shall mean the $35,000,000 Class B Student Loan Asset-Backed Notes, Series 2005-1, issued by the issuer pursuant to the indenture secured on a subordinate priority to the class A obligations.
“Class B Obligations” shall mean class B notes, the priority of payment of which is subordinate to that of class A notes.

“Class B Percentage” shall mean, for any quarterly distribution date, (a) prior to the stepdown date or with respect to any quarterly distribution date on which a trigger event is in effect, zero; or (b) on and after the stepdown date and provided that no trigger event is in effect, a fraction expressed as a percentage, the numerator of which is the aggregate outstanding amount of the class B notes and the denominator of which is the aggregate outstanding amount of all notes, in each case determined by the issuer on the determination date for that quarterly distribution date.

“Class B Principal Distribution Amount” shall mean, for any quarterly distribution date, the product of the principal distribution amount and the class B percentage.

“Class B Rate” shall mean, for any interest accrual period other than the first interest accrual period the three-month LIBOR for such interest accrual period plus 0.35%, as determined by the trustee.

“Closing Date” means July 14, 2005, the date of initial issuance and delivery of the series 2005-1 notes.

“Collection Fund” means the Collection Fund created and established by the indenture.

“Collection Period” means, with respect to the first quarterly distribution date, the period beginning on the date of issuance and ending on August 31, 2005, and with respect to each subsequent quarterly distribution date, the collection period means the three calendar months immediately following the end of the previous collection period, beginning September 1, 2005.

“Confirmation” (i) has the meaning set forth in the definition of the initial T-Bill/LIBOR derivative product agreement and the interest rate cap derivative agreement and (ii) any other confirmation entered into pursuant to a derivative product agreement entered into subsequent to the date of issuance.

“Counterparties” means, collectively, (i) the initial counterparty and its successors and assigns and (ii) the counterparties to any derivative product agreements entered into pursuant to the indenture.

“Counterparty Payments” means any payment to be made to, or for the benefit of, the issuer under the derivative product agreements.

“Custodian” means the issuer, the trustee, Wells Fargo Bank Iowa, N.A., and any other person entering into a custody agreement regarding which a rating agency confirmation has been obtained.

“Custodian Agreement” shall mean the Bailment Agreement, dated as of February 1, 1994, among Wells Fargo Bank Iowa, N.A., as successor custodian, the issuer and the trustee, as supplemented and amended.
“Cutoff Date” means (i) with respect to the initial pool of financed eligible loans, the date of issuance; and (ii) with respect to subsequently acquired eligible loans, the date on which such eligible loans are transferred to the issuer.

“Department” means the U.S. Department of Education.

“Derivative Product Agreements” means, collectively, (i) the initial T-Bill/LIBOR derivative product agreement and the interest rate cap derivative agreement and (ii) any other derivative product agreement entered into pursuant to the indenture.

“Derivative Value” means the value of a derivative product agreement, if any, to the counterparty, provided that such value is defined and calculated as provided in the applicable provisions of such derivative product agreement.

“Distribution Date” means for the series 2005-1 notes each quarterly distribution date.

“Eligible Loan” means any loan or add-on consolidation loan made to a borrower for or in connection with post-secondary education that is originated pursuant to the Act.


“Event of Bankruptcy” means (a) the issuer shall have commenced a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall have made a general assignment for the benefit of creditors, or shall have declared a moratorium with respect to its debts or shall have failed generally to pay its debts as they become due, or shall have taken any action to authorize any of the foregoing; or (b) an involuntary case or other proceeding shall have been commenced against the issuer seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property provided such action or proceeding is not dismissed within 90 days.

“Event of Default” means an event of default under the indenture, as described under the caption “Description of the Indenture—Events of Default” herein.

“Financed” when used with respect to student loans, eligible loans, means student loans, eligible loans, as the case may be, acquired or originated by us with moneys in the Acquisition Fund or otherwise deposited in or accounted for in the Acquisition Fund or otherwise constituting a part of the Trust Estate, any eligible loans received in exchange for financed student loans upon the sale thereof or substitution therefor in accordance with the indenture, but does not include student loans released from the lien of the indenture and sold to any purchaser, including a trustee for the holders of our bonds, notes or other evidences of indebtedness issued other than pursuant to the indenture.

“Funds” means any of the funds, accounts or subaccounts established by the indenture.
“Guarantee” or “Guaranteed” means, with respect to an eligible loan, the insurance or guarantee by the guaranty agency pursuant to such guaranty agency’s guarantee agreement of the maximum percentage of the principal of and accrued interest on such eligible loan allowed by the terms of the Act with respect to such eligible loan at the time it was originated and the coverage of such eligible loan by the federal reimbursement contracts, providing, among other things, for reimbursement to the guaranty agency for payments made by it on defaulted eligible loans insured or guaranteed by the guaranty agency of at least the minimum reimbursement allowed by the Act with respect to a particular eligible loan.

“Guarantee Agreements” means a guaranty or lender agreement between the issuer and any guaranty agency, and any amendments thereto.

“Guaranty Agency” or “Guarantor” means any entity authorized to guarantee student loans under the Act and with which the issuer maintains a guarantee agreement.

“Highest Priority Obligations” means at any time when class A notes and the derivative product agreements are outstanding, the class A notes and the derivative product agreement and at any time when no class A notes or derivative product agreements are outstanding, the class B notes.

“Indenture” means our indenture of trust, dated as of July 1, 2005, with the trustee.

“Initial Counterparty” means UBS AG, as counterparty pursuant to the initial T-Bill/LIBOR derivative product agreement and as counterparty to the interest rate cap derivative agreement.

“Initial T-Bill/LIBOR derivative product agreement” means the ISDA Master Agreement (including the schedule thereto), and the related Confirmation, effective July 14, 2005, between the issuer and the initial counterparty (the “Confirmation”).

“Initial Pool Balance” means the pool balance as of the initial cutoff date, which is approximately $676,880,455.

“Interest Accrual Period” means with respect to each series of series 2005-1 notes, initially, the period commencing on the date of issuance to but not including the first quarterly distribution date, and thereafter, with respect to each quarterly distribution date, the period beginning on the prior quarterly distribution date and ending on the day immediately preceding such quarterly distribution date.

“Interest Rate Cap Derivative Agreement” means the ISDA Master Agreement (including the schedule thereto) and the related confirmation effective July 14, 2005, between the issuer and the initial counterparty.

“ISDA Master Agreement” means the ISDA Master Agreement, copyright 1992, as amended from time to time, and as in effect with respect to any derivative product agreement.

“Issuer Derivative Payment” means a payment we owe to a counterparty pursuant to the respective derivative product agreement.
"Issuer Order" means a written order signed in the name of the issuer by an authorized representative.

"LIBOR" means Three-Month LIBOR.

"LIBOR Determination Date" means, for each interest accrual period, the second business day immediately preceding the first day of that interest accrual period.

"Liquidated Financed Eligible Loan" means any defaulted financed eligible loan liquidated by the servicer (which shall not include any financed eligible loan on which payments are received from a guaranty agency) or which the servicer has, after using all reasonable efforts to realize upon such financed eligible loan, determined to charge off.

"Liquidation Proceeds" means, with respect to any liquidated financed eligible loan which became a liquidated financed eligible loan during the current collection period in accordance with the servicer's customary servicing procedures, the moneys collected in respect of the liquidation thereof from whatever source, other than moneys collected with respect to any liquidated financed eligible loan which was written off in prior collection periods or during the current collection period, net of the sum of any amounts expended by the servicer in connection with such liquidation and any amounts required by law to be remitted to the obligor on such liquidated financed eligible loan.

"Monthly Payment Date" means the 25th day of each calendar month (or, if such 25th day is not a business day, the next succeeding business day).

"Optional Purchase Date" has the meaning set forth herein under the heading "Optional Purchase Date."

"Outstanding" means, when used with respect to any series 2005-1 note, all series 2005-1 notes other than (a) any series 2005-1 notes deemed no longer outstanding as a result of the purchase, payment or defeasance thereof; (b) any series 2005-1 notes surrendered for transfer or exchange for which another series 2005-1 note has been issued under the indenture; (c) series 2005-1 notes which we own; or (d) any series 2005-1 notes deemed tendered.

"Pool Balance" means as of any date the aggregate principal balance of the financed eligible loans on such date (including accrued interest thereon that is expected to be capitalized), plus amounts on deposit in the Acquisition Fund, as reduced by the principal portion of the following, without duplication: (a) all payments received by the issuer through such date from or on behalf of borrowers on such financed eligible loans, including payments by guaranty agencies and the department; (b) all purchase amounts on financed eligible loans received by the issuer through such date from a seller or the servicer; (c) all liquidation proceeds and realized losses on financed eligible loans liquidated through such date; (d) the aggregate amount of adjustments to balances of financed eligible loans permitted to be effected by a servicer under a servicing agreement, if any, recorded through such date; and (e) the aggregate amount by which reimbursements by guarantors of the unpaid principal balance of defaulted financed eligible loans through such date are reduced from 100% to 98% or other applicable percentage, as required by the risk sharing provisions of the act. The pool balance shall be calculated by the
issuer and certified to the trustee, upon which the trustee may conclusively rely with no duty to further examine or determine such information.

"Prepayment Date" when used with respect to any series 2005-1 note, all or any portion of the principal thereof which is to be prepaid prior to its final stated maturity, means the date fixed for such prepayment by or pursuant to the indenture.

"Prepayment Price" when used with respect to any series 2005-1 note to be prepaid, means the price at which it is to be redeemed pursuant to the indenture.

"Principal Balance" when used with respect to an eligible loan, means the unpaid principal amount thereof (including any unpaid capitalized interest thereon that is authorized to be capitalized under the act) as of a given date.

"Principal Distribution Amount" means, with respect to each quarterly distribution date, the amount by which the outstanding amount of the series 2005-1 notes immediately prior to such quarterly distribution date exceeds the quotient obtained by dividing the adjusted pool balance as of the last day of the related collection period by 100.50%. Further, on the final maturity date for a series of series 2005-1 notes, the "Principal Distribution Amount" on that date also shall include the amount needed to reduce the outstanding principal amount of such series of series 2005-1 notes to zero.

"Priority Termination Payment" means, with respect to a derivative product agreement, any termination payment payable by the issuer under such derivative product agreement relating to an early termination of such derivative product agreement by the swap counterparty, as the non-defaulting party, following (i) a regularly scheduled payment default by the issuer thereunder, (ii) the occurrence of an event of default resulting from certain insolvency events, (iii) the trustee’s taking any action under the indenture to liquidate the trust assets following an event of default and acceleration of the series 2005-1 notes and (iv) any receipt of a portion of a termination payment that is due to us upon a termination of a derivative product agreement (regardless of the event of default or termination event giving rise to such early termination) that is equal to the amount of any upfront payment made to us by a replacement counterparty entering into a replacement derivative product agreement with us.

"Quarterly Distribution Date" means the 25th day of each March, June, September and December, or if such day is not a Business Day, the next succeeding Business Day, commencing September 26, 2005.

"Rating Agency" means each of Fitch, Moody’s and S&P and their successors and assigns or any other rating agency requested by the issuer to maintain a Rating on any of the series 2005-1 notes.

"Rating Agency Confirmation" means a letter from each rating agency then providing a rating for any of the series 2005-1 notes at the request of the issuer, confirming that a proposed action, failure to act, or other event specified therein will not, in and of itself, result in a downgrade of any of the ratings then applicable to the series 2005-1 notes, or cause any rating agency to suspend, withdraw or qualify the ratings then applicable to the series 2005-1 notes.
"Reference Banks" means, with respect to a determination of LIBOR for any interest period by the trustee, four major banks in the London interbank market selected by us.

"Registered Owner" means any noteholder, except that, solely for the purpose of giving any consent pursuant to the indenture, any note registered in the name of the issuer or any affiliate of the issuer shall be deemed not to be outstanding and the outstanding amount evidenced thereby shall not be taken into account in determining whether the requisite principal amount of series 2005-1 notes necessary to effect such consent has been obtained unless at the time the issuer and its affiliates own all of the series 2005-1 notes that are outstanding.

"Regulations" means the Regulations promulgated from time to time by the Secretary or any guaranty agency guaranteeing financed eligible loans.

"Reserve Fund" means the Reserve Fund created and established by the indenture.

"Reserve Fund Requirement" means, at any time, an amount equal to the greater of (i) 0.50% of the pool balance, as of the close of business on the last day of the related collection period; and (ii) $1,014,938 provided that in no event will such balance exceed the aggregate outstanding amount of the series 2005-1 notes and provided further, that such reserve fund requirement may be reduced with a rating agency confirmation.

"SEC" means the Securities and Exchange Commission.

"Secretary" means the Secretary of the United States Department of Education or any successor to the pertinent functions thereof under the Act.

"Securities Depository" means The Depository Trust Company or, if (a) the then-existing securities depository resigns from its functions as depository of the series 2005-1 notes or (b) we discontinue use of the securities depository pursuant to the indenture, then any other securities depository which agrees to follow the procedures required to be followed by a securities depository in connection with the series 2005-1 notes and which we select with the consent of the trustee.

"Series 2005-1 Notes" means the series 2005-1 notes issued pursuant to the indenture and offered by this offering memorandum in the original principal amount of $700,000,000.

"Servicer" means the issuer and, subject to a rating agency condition, any other organization with which we have entered into a servicing agreement; in any case, so long as such party acts as servicer of any of the financed student loans pledged under the indenture.

"Servicing Agreement" means (i) the Servicing Agreement dated as of July 1, 2005 between the issuer and the trustee and (ii) any agreement we have with a servicer under which the servicer agrees to act as our agent in connection with the administration and collection of financed student loans in accordance with the indenture.

"Servicing and Administration Fee" means a monthly fee paid to the servicer on each monthly payment date equal to 1/12 of 0.52% of the ending principal balance of the financed student loans, plus accrued interest thereon, during the preceding month, or such greater or lesser
amount as may be provided by issuer order (provided that a rating agency confirmation is obtained with respect to any increase in such amount) which shall be released to the servicer each month to cover its expenses plus, during the revolving period, any conversion fees incurred during the preceding month.

"Special Allowance Payments" means special allowance payments authorized to be made by the Secretary of Education by Section 438 of the Higher Education Act, or similar allowances authorized from time to time by federal law or regulation.

"Stepdown Date" means the earlier to occur of (a) the quarterly distribution date in December 2013 or (b) the first date on which all of the class A notes are no longer outstanding.

"Student Loan" means a loan to a borrower for or in connection with post-secondary education, bar preparation expenses or medical residency expenses.

"Student Loan Purchase Agreement" means any agreement pursuant to which the issuer acquires eligible loans from an eligible lender.

"Supplemental Indenture" means any amendment of or supplement to the indenture made in accordance with the provisions thereof.

"Telerate Page 3750" means the display page so designated on the Telerate Service (or such other page as may replace that page on that service for the purpose of displaying comparable rates or prices).

"Termination Payment" means, with respect to a derivative product agreement, any termination payment payable by the issuer under such derivative product agreement relating to an early termination of such derivative product agreement, after the occurrence of a termination event or event of default specified in such derivative product agreement, including any priority termination payment.

"Three-Month LIBOR" means, with respect to any interest accrual period, the London interbank offered rate for deposits in U.S. dollars having the applicable index maturity as it appears on Telerate Page 3750 as of 11:00 a.m., London time, on the related LIBOR determination date as determined by the issuer. If this rate does not appear on Telerate Page 3750, the rate for that day will be determined on the basis of the rates at which deposits in U.S. dollars, having the index maturity and in a principal amount of not less than U.S. $1,000,000, are offered at approximately 11:00 a.m., London time, on that LIBOR determination date, to prime banks in the London interbank market by the reference banks. The issuer or the trustee, as applicable, will request the principal London office of each reference bank to provide a quotation of its rate. If the reference banks provide at least two quotations, the rate for that day will be the arithmetic mean of the quotations. If the reference banks provide fewer than two quotations, the rate for that day will be the arithmetic mean of the rates quoted by major banks in New York City, selected by the issuer or the trustee, as applicable, at approximately 11:00 a.m., New York time, on that LIBOR determination date, for loans in U.S. dollars to leading European banks having the index maturity and in a principal amount of not less than U.S. $1,000,000. If the banks selected as described above are not providing quotations, Three-Month LIBOR in
effect for the applicable interest accrual period will be Three-Month LIBOR in effect for the previous interest accrual period.

"Trigger Event" means, on any quarterly distribution date while any of the class A notes are outstanding, that (a) the outstanding amount of the series 2005-1 notes, after giving effect to distributions to be made on that quarterly distribution date, would exceed the adjusted pool balance as of the end of the related collection period; or (b) the student loans have not been sold pursuant to the indenture after the earlier of the December 2021 quarterly distribution date or when the pool balance is 10% or less of the initial pool balance.

"Trust Estate" means the property described as such herein.

"Trust Estate Auction Date" has the naming set forth under the heading "Mandatory Auction" herein.

"Trustee" means Bankers Trust Company, N.A., acting in its capacity as trustee under the indenture, or any successor trustee designated pursuant to the indenture.

"Trustee Fee" means an amount equal to the annual amount set forth in the indenture, payable as provided in the indenture. Such fee shall be in satisfaction of the trustee’s compensation as trustee under the indenture. Such fee shall not be increased unless the issuer obtains a rating agency confirmation.

"We" or "Issuer" means Iowa Student Loan Liquidity Corporation.

THE TRUSTEE

Bankers Trust Company, N.A., a national banking association organized under the laws of the United States, is the trustee under the indenture. The office of the trustee for purposes of administering the trust estate and its other obligations under the indenture is located at 665 Locust Street, Des Moines, Iowa 50309, Attention: Melissa A. Stover, Esq.

UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

The following is a summary of all material federal income tax consequences of the purchase, ownership and disposition of series 2005-1 notes for the investors described below and is based on the advice of Stroock & Stroock & Lavan LLP, as tax counsel to the issuer. This summary is based upon laws, regulations, rulings and decisions currently in effect, all of which are subject to change. The discussion does not deal with all federal tax consequences applicable to all categories of investors, some of which may be subject to special rules, including but not limited to, partnerships or entities treated as partnerships for federal income tax purposes, pension plans and foreign investors, except as otherwise indicated. In addition, this summary is generally limited to investors who will hold the series 2005-1 notes as “capital assets” (generally, property held for investment) within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the “Code”). Investors should consult their own tax advisers to determine the federal, state, local and other tax consequences of the purchase, ownership and disposition of the notes of any Series. To ensure compliance with Internal Revenue
Service Circular 230, taxpayers are hereby notified that: (A) any discussion of U.S. federal tax issues in this offering memorandum is not intended or written by us to be relied upon, and cannot be relied upon, by taxpayers for the purpose of avoiding penalties that may be imposed on taxpayers under the Code; (B) such discussion is written in connection with the promotion or marketing of the transactions or matters addressed herein; and (C) taxpayers should seek advice based on their particular circumstances from an independent tax advisor. Prospective investors should note that no rulings have been or will be sought from the Internal Revenue Service (the “Service”) with respect to any of the federal income tax consequences discussed below, and no assurance can be given that the Service will not take contrary positions.

Characterization of the trust estate

The holders will express in the indenture their intent that, for federal income tax purposes, the series 2005-1 notes will be indebtedness of the issuer secured by the student loans. The holders, by accepting the series 2005-1 notes, have agreed to treat the series 2005-1 notes as indebtedness of the issuer for federal income tax purposes. The issuer intends to treat the issuance of series 2005-1 notes pursuant to this offering memorandum as financings reflecting the series 2005-1 notes as its indebtedness for tax purposes.

Based upon certain assumptions and certain representations of the issuer, Stroock & Stroock & Lavan LLP will render, with respect to the series 2005-1 notes, its opinion to the effect that the series 2005-1 notes will be treated as debt, rather than as an interest in the student loans for federal income tax purposes. In addition, Stroock & Stroock & Lavan LLP has rendered its opinion to the effect that this discussion is a summary of all material federal income tax consequences as to the purchase, ownership and disposition of the series 2005-1 notes with respect to the investors described herein. Unlike a ruling from the Service, such opinion is not binding on the courts or the Service. Therefore, it is possible that the Service could assert that, for purposes of the Code, the transaction contemplated by this offering memorandum constitutes a sale of the student loans (or an interest therein) to the holders or that the relationship which will result from this transaction is that of a partnership or an association taxable as a corporation.

If, instead of treating the transaction as creating secured debt, the transaction were treated as creating a partnership among the holders, the servicers and the issuer which has purchased the underlying student loans, the resulting partnership would not be subject to federal income tax. Rather, the servicers, the issuer and each holder would be taxed individually on their respective distributive shares of the partnership’s income, gain, loss, deductions and credits. The amount and timing of items of income and deduction of the holder could differ if the series 2005-1 notes were held to constitute partnership interests, rather than indebtedness.

If, alternatively, it were determined that this transaction created an entity other than an issuer which was classified as a corporation or a publicly traded partnership taxable as a corporation and treated as having purchased the student loans, the issuer would be subject to federal income tax at corporate income tax rates on the income it derives from the student loans, which would reduce the amounts available for payment to the holders. Cash payments to the holders generally would be treated as dividends for tax purposes to the extent of such corporation’s accumulated and current earnings and profits. However, as noted above, the issuer
has been advised that the series 2005-1 notes would be treated as debt for federal income tax purposes.

**Taxation of interest income of holders**

Payments of interest with regard to the series 2005-1 notes will be includible as ordinary income when received or accrued by the holders in accordance with their respective methods of tax accounting and applicable provisions of the Code. In particular, Section 1272 of the Code requires the current ratable inclusion in income of original issue discount greater than a specified *de minimis* amount using a constant yield method of accounting. In general, original issue discount is calculated, with regard to any accrual period, by applying the instrument’s yield to its adjusted issue price at the beginning of the accrual period, reduced by any qualified stated interest allocable to the period. The aggregate original issue discount allocable to an accrual period is allocated to each day included in such period. The holder of a debt instrument must include in income the sum of the daily portions of original issue discount attributable to the number of days he owned the instrument as it accrues, without regard to the timing of the receipt of the cash attributable to such income or to the holder’s method of accounting. The legislative history of the original issue discount provisions indicates that the calculation and accrual of original issue discount should be based on the prepayment assumptions used by the parties in pricing the transaction.

Original issue discount is the stated redemption price at maturity of a debt instrument over its issue price. The stated redemption price at maturity includes all payments with respect to an instrument other than interest unconditionally payable at a fixed rate or a qualified variable rate at fixed intervals of one year or less. The issuer expects that the senior and subordinate series 2005-1 notes will not be issued with original issue discount. However, there can be no assurance that the Service would not assert that the interest payable with respect to the subordinate series 2005-1 notes may not be qualified stated interest because such payments are not unconditional and that the subordinate series 2005-1 notes are issued with original issue discount.

Payments of interest received with respect to the series 2005-1 notes may also constitute “investment income” for purposes of certain limitations of the Code concerning the deductibility of investment interest expense. Potential holders or the beneficial owners should consult their own tax advisors concerning the treatment of interest payments with regard to the series 2005-1 notes.

A purchaser who buys a note of any series at a discount from its principal amount (or its adjusted issue price if issued with original issue discount greater than a specified *de minimis* amount) will be subject to the market discount rules of the Code. In general, the market discount rules of the Code treat principal payments and gain on disposition of a debt instrument as ordinary income to the extent of accrued market discount. Although the accrued market discount on debt instruments such as the series 2005-1 notes which are subject to prepayment based on the prepayment of other debt instruments is to be determined under regulations yet to be issued, the legislative history of the market discount provisions of the Code indicate that the same prepayment assumption used to calculate original issue discount should be utilized. Each
potential investor should consult his tax advisor concerning the application of the market discount rules to the series 2005-1 notes.

In the event that the series 2005-1 notes are considered to be purchased by a holder at a price greater than their remaining stated redemption price at maturity, they will be considered to have been purchased at a premium. The noteholder may elect to amortize such premium (as an offset to interest income), using a constant yield method, over the remaining term of the series 2005-1 notes. Special rules apply to determine the amount of premium on a “variable rate debt instrument” and certain other debt instruments. Prospective holders should consult their tax advisors regarding the amortization of bond premium.

Sale or exchange of notes

If a holder sells a note, such person will recognize gain or loss equal to the difference between the amount realized on such sale and the holder’s basis in such note. Ordinarily, such gain or loss will be treated as a capital gain or loss. However, if a note was acquired subsequent to its initial issuance at more than a de minimis amount of discount, a portion of such gain will be recharacterized as accrued market discount and therefore ordinary income.

If the term of a note was materially modified, in certain circumstances, a new debt obligation would be deemed created and exchanged for the prior obligation in a taxable transaction. Among the modifications which may be treated as material are those which relate to redemption provisions and, in the case of a nonrecourse obligation, those which involve the substitution of collateral. Each potential holder of a note should consult its own tax advisor concerning the circumstances in which the series 2005-1 notes would be deemed reissued and the likely effects, if any, of such reissuance.

Backup withholding

Certain purchasers may be subject to backup withholding with respect to interest paid with respect to the series 2005-1 notes if the purchasers, upon issuance, fail to supply the trustee or their brokers with their taxpayer identification numbers, furnish incorrect taxpayer identification numbers, fail to report interest, dividends or other “reportable payments” (as defined in the Code) properly, or, under certain circumstances, fail to provide the trustee with a certified statement, under penalty of perjury, that they are not subject to backup withholding. Information returns will be sent annually to the Service and to each purchaser setting forth the amount of interest paid with respect to the series 2005-1 notes and the amount of tax withheld thereon.

State, local or foreign taxation

The issuer makes no representations regarding the tax consequences of purchase, ownership or disposition of the series 2005-1 notes under the tax laws of any state, locality or foreign jurisdiction. Investors considering an investment in the series 2005-1 notes should consult their own tax advisors regarding such tax consequences.
**Limitation on the deductibility of certain expenses**

Under Section 67 of the Code, an individual may deduct certain miscellaneous itemized deductions only to the extent that the sum of such deductions for the taxable year exceeds 2% of his or her adjusted gross income. If contrary to expectation, the entity created under the indenture were treated as the owner of the student loans (and not as an association taxable as a corporation) and some or all of the noteholders were treated as equity owners of such entity, then the issuer believes that a substantial portion of the expenses to be generated by the issuer could be subject to the foregoing limitations. As a result, each potential holder should consult his or her personal tax advisor concerning the application of these limitations to an investment in the series 2005-1 notes.

**Tax-exempt investors**

In general, an entity which is exempt from federal income tax under the provisions of Section 501 of the Code is subject to tax on its unrelated business taxable income. An unrelated trade or business is any trade or business which is not substantially related to the purpose which forms the basis for such entity’s exemption. However, under the provisions of Section 512 of the Code, interest may be excluded from the calculation of unrelated business taxable income unless the obligation which gave rise to such interest is subject to acquisition indebtedness. If, contrary to expectations, one or more of the series 2005-1 notes were considered equity for tax purposes and if one or more other series 2005-1 notes were considered debt for tax purposes, those series 2005-1 notes treated as equity likely would be subject to acquisition indebtedness and likely would generate unrelated business taxable income. However, as noted above, counsel has advised the issuer that the series 2005-1 notes should be characterized as debt for federal income tax purposes. Therefore, except to the extent any holder incurs acquisition indebtedness with respect to a note, interest paid or accrued with respect to such note may be excluded by each tax-exempt holder from the calculation of unrelated business taxable income. Each potential tax-exempt holder is urged to consult its own tax advisor regarding the application of these provisions.

**Foreign Investors**

A holder which is not a U.S. person ("foreign holder") will not be subject to U.S. federal income or withholding tax in respect of interest income or gain on the series 2005-1 notes if certain conditions are satisfied, including: (1) the foreign holder provides an appropriate statement, signed under penalties of perjury, identifying the foreign holder as the beneficial owner and stating, among other things, that the foreign holder is not a U.S. person, (2) the foreign holder is not a "10-percent shareholder" or "related controlled foreign corporation" with respect to the issuer, and (3) the interest income is not effectively connected with a United States trade or business of the holder. To the extent these conditions are not met, a 30% withholding tax will apply to interest income on the series 2005-1 notes, unless an income tax treaty reduces or eliminates such tax or the interest is effectively connected with the conduct of a trade or business within the United States by such foreign holder. In the latter case, such foreign holder will be subject to U.S. federal income tax with respect to all income from the series 2005-1 notes at regular rates applicable to U.S. taxpayers, and may be subject to the branch profits tax if it is a corporation. A "U.S. person" is: (i) a citizen or resident of the United States, (ii) a corporation.
(or other entity that is treated as a corporation for U.S. federal tax purposes) that is created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust, if a court within the United States is able to exercise primary supervision over its administration and one or more United States persons have the authority to control all of its substantial decisions.

Generally, a foreign holder will not be subject to federal income tax on any amount which constitutes capital gain upon the sale, exchange, retirement or other disposition of a note unless such foreign holder is an individual present in the United States for 183 days or more in the taxable year of the sale, exchange, retirement or other disposition and certain other conditions are met, or unless the gain is effectively connected with the conduct of a trade or business in the United States by such foreign holder. If the gain is effectively connected with the conduct of a trade or business in the United States by such foreign holder, such holder will generally be subject to U.S. federal income tax with respect to such gain in the same manner as U.S. holders, as described above, and a foreign holder that is a corporation could be subject to a branch profits tax on such income as well.

ERISA CONSIDERATIONS

Section 406 of the Employee Income Retirement Security Act of 1974, as amended ("ERISA") and/or Section 4975 of the Code prohibit pension, profit-sharing or other employee benefit plans, as well as individual retirement accounts and some types of Keogh plans (each a "Plan"), from engaging in some types of transactions with persons that are "parties in interest" under ERISA or "disqualified persons" under the Code with respect to a Plan. A violation of these "prohibited transaction" rules may result in an excise tax or other penalties and liabilities under ERISA and the Code for those persons. Some transactions involving the issuer might be deemed to constitute prohibited transactions under ERISA and the Code with respect to a Plan that purchased series 2005-1 notes if assets of the issuer were deemed to be assets of the Plan. Under regulations issued by the United States Department of Labor (the "Plan Asset Regulations"), the assets of the issuer would be treated as plan assets of a Plan for the purposes of ERISA and the Code only if the Plan acquired an "equity interest" in the issuer and none of the exceptions contained in the Plan Asset Regulations was applicable. An equity interest is defined under the Plan Asset Regulations as an interest other than an instrument which is treated as indebtedness under applicable local law and which has no substantial equity features. The issuer believes the series 2005-1 notes issued by the issuer would be treated as indebtedness without substantial equity features for purposes of the Plan Asset Regulations.

However, without regard to whether series 2005-1 notes are treated as an equity interest for those purposes, the acquisition or holding of series 2005-1 notes by or on behalf of a Plan could be considered to give rise to a prohibited transaction if the issuer, any servicer, an underwriter or any of their respective affiliates is or becomes a party in interest or a disqualified person with respect to a Plan. Some of the exemptions from the prohibited transaction rules could be applicable to the purchase and holding of series 2005-1 notes by a Plan depending on the type and circumstances of the plan fiduciary making the decision to acquire the series 2005-1 notes. Included among these exemptions are: Department of Labor Prohibited Transaction Class Exemption ("PTCE") 90-1, regarding investments by insurance company pooled separate
accounts; PTCE 91-38, regarding investments by bank collective investment funds; PTCE 84-14, regarding transactions effected by qualified professional asset managers; PTCE 95-60, regarding transactions by life insurance company general accounts; and PTCE 96-23, regarding transactions effected by in-house asset managers.

A plan fiduciary considering the purchase of series 2005-1 notes should consult its legal advisors regarding the fiduciary responsibility provisions of ERISA (including those of investment prudence, diversification and the requirement that an ERISA plan’s investment of its assets be made in accordance with the documents governing the Plan), whether the assets of the issuer would be considered plan assets, the possibility of exemptive relief from the prohibited transaction rules and their potential consequences.

Before purchasing series 2005-1 notes in reliance on the above exemptions, or any other exemption, a fiduciary of a Plan should itself confirm that requirements set forth in such exemption would be satisfied.

Governmental plans and church plans as defined in ERISA are not subject to ERISA or Code Section 4975, although they may elect to be qualified under Section 401(a) of the Code and exempt from taxation under Section 501(a) of the Code and would then be subject to the prohibited transaction rules set forth in Section 503 of the Code. In addition, governmental plans may be subject to federal, state and local laws which are to a material extent similar to the provisions of ERISA or Code Section 4975 (“Similar Law”). A fiduciary of a governmental plan should make its own determination as to the propriety of an investment in series 2005-1 notes under applicable fiduciary or other investment standards and the need for the availability of any exemptive relief under any Similar Law.

REPORTS TO NOTEHOLDERS

Periodic reports concerning us will be delivered to holders of the series 2005-1 notes. So long as Cede & Co., as nominee of The Depository Trust Company is registered holder of the series 2005-1 notes, you will receive reports through the participants in The Depository Trust Company. See the caption "Book-Entry Registration" herein.

UNDERWRITING

Subject to the terms and conditions set forth in a note purchase agreement with UBS Financial Services Inc., we have agreed to sell to the underwriter, and the underwriter has agreed to purchase from us, the aggregate principal amounts of the series 2005-1 notes.

The underwriter has agreed to purchase all of the series 2005-1 notes if any of the series 2005-1 notes are purchased for a purchase price of par less an aggregate underwriting discount of $2,119,000. The underwriter has advised us that it proposes to offer the series 2005-1 notes to the public initially at the respective offering prices set forth on the cover page of this offering memorandum. After the initial offering, these prices may change.

Until the distribution of the series 2005-1 notes is completed, the rules of the SEC may limit the ability of the underwriter to bid for and purchase the series 2005-1 notes. As an exception to these rules, the underwriter is permitted to engage in transactions that stabilize the
price of the series 2005-1 notes. These transactions consist of bids of purchase for the purpose of pegging, fixing or maintaining the price of the series 2005-1 notes.

Purchases of a security for the purpose of stabilization or to reduce a short position could cause the price of the security to be higher than it might be in the absence of those purchases.

In general, over-allotment transactions and open market purchases of the series 2005-1 notes for the purpose of stabilization or to reduce a short position could cause the price of a series 2005-1 note to be higher than it might be in the absence of such transactions.

Neither we nor the underwriter make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the prices of the series 2005-1 notes. In addition, neither we nor the underwriter make any representation that the underwriter will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

The underwriter has advised us that it presently intends to make a market in the series 2005-1 notes; however, it is not obligated to do so. In addition, any market-making may be discontinued at any time, and an active public market for the series 2005-1 notes may not develop.

**LEGAL MATTERS**

Certain legal matters relating to us and federal income tax matters will be passed upon by Ahlers & Cooney, P.C. and Stroock & Stroock & Lavan LLP. Certain legal matters will be passed upon for the underwriter by Kutak Rock LLP.

**CONTINUING DISCLOSURE AGREEMENT**

We have covenanted for the benefit of the owners of the series 2005-1 notes to provide our audited financial statements and certain financial information and operating data relating to us by not later than 180 days following the end of our fiscal year, commencing with the 2005 fiscal year in the case of audited financial statements and the 2006 fiscal year with respect to other financial information and operating data, and to provide notices of the occurrence of certain enumerated events, if material. The information described in the previous sentence will be filed by us with each Nationally Recognized Municipal Securities Information Repository. The notices of material events required to be filed will be filed by us with the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the described report or the notices of material events is contained in the continuing disclosure agreement that we will enter into on the closing date. These covenants have been made in order to assist the underwriter in complying with S.E.C. Rule 15c2-12(b)(5). We have never failed to comply in all material respects with any previous undertakings with regard to S.E.C. Rule 15c2-12(b)(5) to provide annual reports or notices of material events.

**FINANCIAL STATEMENTS**

Our June 30, 2004 audited financial statements are on file with the Nationally Recognized Municipal Securities Information Repositories and subsequent years' audited
financial statements will be filed from time to time with the Nationally Recognized Municipal Securities Information Repositories as and to the extent required by the above described continuing disclosure agreement. In addition, we have posted our June 30, 2004 audited financial statements on our website at www.studentloan.org, and similarly intend to post subsequent years’ audited financial statements on our website.

**FINANCIAL ADVISOR**

We have retained Springsted Incorporated, Public Sector Advisors, of Saint Paul, Minnesota and Des Moines, Iowa, as financial advisor in connection with the issuance of the series 2005-1 notes. We sometimes refer to Springsted Incorporated as the “financial advisor.” The financial advisor is not a public accounting firm and has not been engaged by us to compile, review, examine or audit any information in this offering memorandum in accordance with accounting standards. The financial advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities and therefore will not participate in the underwriting of the series 2005-1 notes.

**RELATED PARTIES**

UBS AG is acting as the initial counterparty with respect to the T-Bill/LIBOR derivative product agreement and the interest rate cap derivative agreement and UBS Financial Services Inc. is acting as the underwriter with respect to the series 2005-1 notes. UBS AG and UBS Financial Services Inc. are related parties.

**RATINGS**

It is a condition of issuance of the series 2005-1 notes that Moody’s Investors Service, Inc. rate the class A notes “Aaa” and the class B notes at least “Aa2,” that Standard & Poor’s Rating Services, a division of the McGraw-Hill Companies, Inc. rate the class A notes “AAA” and the class B notes at least “AA” and that Fitch Ratings rate the class A notes “AAA” and the class B notes at least “AA.” A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency. The ratings of the series 2005-1 notes address the likelihood of the ultimate payment of principal of and interest on the series 2005-1 notes pursuant to their terms.

**LISTING AND GENERAL INFORMATION**

Application has been made for the series 2005-1 notes to be admitted to the official list of the Irish Stock Exchange subject to the Irish Stock Exchange listing rules and the prospectus rules of the Irish Financial Services Regulatory Authority and to be admitted to trading on the Irish Stock Exchange. There can be no assurance that such a listing will be obtained. This document constitutes the prospectus (the “Prospectus”) in connection with application for the series 2005-1 notes to be admitted to the official list of the Irish Stock Exchange. Reference throughout this document to the “Offering Memorandum” shall be taken to read “Prospectus” for this purpose.

For so long as the series 2005-1 notes are listed on the Irish Stock Exchange, the material contracts referred to herein, including the indenture and the servicing agreement, will be made
available for inspection in electronic or physical format at our principal office at 6805 Vista Drive, West Des Moines, Iowa 50266-9307.

Each of the series 2005-1 notes and the indenture are governed by the laws of the State of Iowa.

Since our formation, we have not been involved in any governmental, litigation or arbitration proceedings relating to claims on amounts which are material in the context of the issue of the series 2005-1 notes. Nor, so far as we are aware, are any such proceedings pending or threatened.

The issuance of the series 2005-1 notes was authorized by a resolution of our board of directors on May 17, 2005.

We are not required by Iowa state law to publish any financial statements, nor do we intend to; we will, however, post our financial statements on our web site at www.studentloan.org. The indenture requires us to provide the trustee with written notification, on an annual basis, that to the best of our knowledge, following review of the activities of the prior year, no event of default or other matter which is required to be brought to the trustee’s attention has occurred.

IMPORTANT NOTICE ABOUT INFORMATION PRESENTED IN THIS OFFERING MEMORANDUM

You should rely only on the information provided in this offering memorandum. We have not authorized anyone to provide you with different information. The series 2005-1 notes are not offered in any jurisdiction where the offer is not permitted.

We have included cross-references in this offering memorandum to captions in this offering memorandum where you can find further related discussions. The following table of contents provides the pages on which the captions are located.

You can find the definitions of words and terms used herein under the caption “Glossary of Certain Defined Terms” herein.
SCHEDULE A

The following tables indicate our total indebtedness as of the closing date.

**Total Indebtedness of the Issuer Under the Indenture**

<table>
<thead>
<tr>
<th>Series</th>
<th>Type of Securities</th>
<th>Outstanding Principal Amount</th>
<th>Maturity Date</th>
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<td>LIBOR Rate</td>
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<td>Class B</td>
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<td>Total</td>
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<td>$700,000,000</td>
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</tr>
<tr>
<td>Series</td>
<td>Type of Securities</td>
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PRINCIPAL PARTIES

ISSUER

Iowa Student Loan Liquidity Corporation
6805 Vista Drive
West Des Moines, Iowa 50266-9307

SERVICER

Iowa Student Loan Liquidity Corporation
6805 Vista Drive
West Des Moines, Iowa 50266-9307

TRUSTEE AND REGISTRAR

Bankers Trust Company, N.A.
665 Locust Street
Des Moines, Iowa 50309

IRISH PAYING AGENT

Custom House Administration and Corporate Services Limited
25 Eden Quay
Dublin 1, Ireland

IRISH LISTING AGENT

McCann FitzGerald Listing Services Limited
2 Habourmaster Place
International Financial Services Centre
Dublin 1, Ireland

LEGAL ADVISORS TO THE ISSUER

Ahlers & Cooney, P.C.
100 Court Avenue, Suite 600
Des Moines, Iowa 50309

Stroock & Stroock & Lavan LLP
180 Maiden Lane
New York, New York 10038

UNDERWRITER

UBS Financial Services Inc.
Education Loan Group
1285 Avenue of the Americas, 15th Floor
New York, New York 10019

INITIAL COUNTERPARTY

UBS AG
677 Washington Boulevard
Stamford, Connecticut 06901
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$700,000,000

IOWA STUDENT LOAN LIQUIDITY CORPORATION

STUDENT LOAN
ASSET-BACKED NOTES
SERIES 2005-1

Class A-1 LIBOR Floating Rate Notes
Class A-2 LIBOR Floating Rate Notes
Class A-3 LIBOR Floating Rate Notes
Class B LIBOR Floating Rate Notes

SUPPLEMENT AND AMENDMENT
DATED JULY 12, 2005
TO OFFERING MEMORANDUM
DATED JULY 8, 2005

UBS

July 12, 2005