

Final Private Placement Memorandum

Confidential

\$80,000,000
SFC GRANTOR TRUST,
SERIES 2001-3
Student Loan Pass-Through Certificates

STUDENT LOAN SERVICING SFC ACCEPTANCE VIII, LLC WELLS FARGO BANK MINNESOTA,
LLC Settlor of the Trust NATIONAL ASSOCIATION
Servicer Trustee

<u>Certificates Offered</u>	<u>Rating</u> <u>Moody's Investors Services, Inc.</u>	<u>Rating</u> <u>Fitch, Inc.</u>
5.50% Senior Pass-Through Certificates due March 20, 2012	Aaa	AAA

SFC Grantor Trust, Series 2001-3, a trust formed under the laws of the State of Minnesota (the "Issuer" or the "Trust"), of which SFC Acceptance VIII, LLC (the "Company") is the settlor, hereby offers an aggregate of \$80,000,000 of 5.50% Senior Pass-Through Certificates (the "Senior Certificates") due March 20, 2012 (the "Final Distribution Date"). See "DESCRIPTION OF THE CERTIFICATES AND POOLING AGREEMENT." The Senior Certificates will be sold with a minimum principal amount of \$3,000,000.

The Senior Certificates are being issued pursuant to a Pooling and Servicing Agreement (the "Pooling Agreement"), dated as of November 15, 2001, among the Company, as settlor, Wells Fargo Bank Minnesota, National Association, as trustee (the "Trustee"), and Student Loan Servicing LLC, as servicer (the "Servicer"). In addition to the Senior Certificates offered hereby, the Issuer will simultaneously issue its 2.61% Interest-Only Pass-Through Certificates (the "Interest-Only Certificates," and together with the Senior Certificates, the "Certificates"). The Certificates represent in the aggregate the entire ownership interest in the Issuer (other than certain residual amounts distributable to the Company). The assets of the Issuer consist primarily of a pool of student loans and tuition installment payment agreements (the "Student Loans") originated by Student Finance Corporation. The principal of the Student Loans and 90 days of interest at the rate set forth in the Student Loans are insured under a credit risk insurance policy (the "Insurance Policy") issued by Royal Indemnity Company, a Delaware capital stock insurance company ("Royal"). In addition, monthly payments of interest on the Senior Certificates and payment of the unpaid principal balance of the Senior Certificates on the Final Distribution Date are guaranteed under certain circumstances by a financial guaranty insurance policy (the "MBIA Policy") that the Company has obtained from MBIA Insurance Corporation ("MBIA").

(cover continued on next page)



SEE "SPECIAL CONSIDERATIONS" COMMENCING ON PAGE 21 FOR A DISCUSSION OF CERTAIN RISK FACTORS THAT SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS.

PROCEEDS OF THE STUDENT LOANS AND PAYMENTS UNDER THE INSURANCE POLICY AND MBIA POLICY AND CERTAIN ESCROW AND RESERVE ACCOUNTS DESCRIBED HEREIN ARE THE SOLE SOURCES OF PAYMENT ON THE CERTIFICATES. THE CERTIFICATES REPRESENT NON-RECOURSE OBLIGATIONS OF THE ISSUER ONLY AND DO NOT REPRESENT INTERESTS IN OR OBLIGATIONS OF THE COMPANY, THE SERVICER, THE PLACEMENT AGENT, THE TRUSTEE, MBIA OR ANY OF THEIR AFFILIATES, EXCEPT AS DESCRIBED HEREIN. THE CERTIFICATES ARE NOT DEPOSITS OF A BANK. NEITHER THE CERTIFICATES NOR THE UNDERLYING LOANS ARE OR WILL BE INSURED OR GUARANTEED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR BY ANY OTHER GOVERNMENTAL AGENCY OR INSTRUMENTALITY.

The Senior Certificates are offered subject to the right of the Placement Agent to reject orders in whole or in part.



FLEET SECURITIES, INC.

NOVEMBER 14, 2001

(cover continued from front cover)

The holders of the Senior Certificates are entitled to receive all of the principal payments received from the obligors under the Student Loans during the related Collection Period or from the Insurance Policy or related Reserve Escrow Account, as described herein, together with monthly interest at the pass through rate of 5.50% per annum (the “Senior Pass Through Rate”), based upon a 360-day year consisting of twelve 30-day months, commencing with the month in which the Senior Certificates are issued. The Pooling Agreement establishes a record date (the “Record Date”) for distributions, which is the last day of the calendar month immediately preceding the Distribution Date. Distributions of principal and interest on the Senior Certificates for the period ended on each Record Date will be made on the following distribution date, which the Pooling Agreement establishes to be the 20th day of each month or, if such day is not a business day, the next succeeding business day (the “Distribution Date”), commencing December 20, 2001 and continuing through March 20, 2012. On the first Distribution Date for the Senior Certificates (i) interest will be paid for the entire month in which the Senior Certificates are issued at the Senior Pass-Through Rate (as defined below) and (ii) all of the principal payments received from the obligors under the Student Loans or from the Insurance Policy or related Reserve Escrow Account for Defaulted Student Loans after October 31, 2001 through the end of the month in which the Senior Certificates are issued.

The Senior Certificates are being offered and sold to a limited number of “qualified institutional buyers” (each a “QIB”) as defined in Rule 144A promulgated under the Securities Act of 1933, as amended (the “Securities Act”). The Senior Certificates may be transferred only in compliance with Rule 144A and the other conditions restricting transfer set forth in the Pooling Agreement. The Senior Certificates are subject to certain other restrictions on transfer as described herein. An investor may be required to hold and bear the economic risk of the Senior Certificates for their entire term. See “NOTICE TO INVESTORS”, “PRIVATE PLACEMENT” and “DESCRIPTION OF THE CERTIFICATES AND POOLING AGREEMENT – The Certificates - Transfer.”

This Private Placement Memorandum (this “Memorandum”) is highly confidential and has been prepared by the Issuer and the Company solely for the use of PNC Capital Markets, Inc. and Fleet Securities, Inc. (together referred herein as the “Placement Agent”) in connection with the proposed private placement of the Senior Certificates described herein. The Issuer, the Company and the Placement Agent each reserves the right to reject any offer to purchase the Senior Certificates in whole or in part, for any reason. This Memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire any of the Senior Certificates. Distribution of this Memorandum to any person other than the rating agencies, an offeree, the offeree’s counsel and auditors and those persons, if any, retained to advise such offeree with respect thereto is unauthorized, and any disclosure of any of its contents, without the prior written consent of the Issuer or the Placement Agent, is prohibited. Each prospective purchaser, by accepting delivery of this Memorandum, agrees to the foregoing and to make no photocopies of this Memorandum, or any documents referred to herein, and, if the offeree does not purchase the Senior Certificates or if the offering is terminated, to return this Memorandum (and all documents referred to herein) to: PNC Capital Markets, Inc., One PNC Plaza, 3rd Floor, 249 Fifth Avenue, Pittsburgh, Pennsylvania 15222-2707. A holder of the Senior Certificates may make photocopies of this Memorandum and any documents referred to herein; provided, however, such documents may only be distributed to the persons authorized herein or to whom the holder is required to deliver such documents by law or regulation.

The yields to maturity on the Senior Certificates will depend on, among other things, the rate of prepayments and the rate of defaults on the Student Loans. See “SPECIAL CONSIDERATIONS” and “CERTAIN YIELD AND PREPAYMENT CONSIDERATIONS.”

It is a condition to the issuance of the Senior Certificates that they be rated “AAA” by Fitch, Inc. (“Fitch”), and “Aaa” by Moody’s Investors Service, Inc. (“Moody’s” and, together with Fitch, the “Rating Agencies”).

THE SENIOR CERTIFICATES ARE BEING OFFERED PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR APPLICABLE STATE SECURITIES LAWS AND MAY ONLY BE OFFERED IN TRANSACTIONS EXEMPT FROM THE REGISTRATION REQUIREMENTS UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS. THIS MEMORANDUM HAS NOT BEEN FILED WITH OR REVIEWED BY THE SECURITIES AND EXCHANGE COMMISSION (THE "COMMISSION") OR ANY COMPARABLE AGENCY OF ANY STATE PRIOR TO ITS ISSUANCE AND USE. NEITHER THE COMMISSION NOR COMPARABLE AGENCY OF ANY STATE HAS PASSED ON OR ENDORSED THE MERITS OF THE OFFERING OR THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL AND IS A CRIMINAL OFFENSE ALSO, THERE IS NO PUBLIC OR OTHER MARKET FOR THE SENIOR CERTIFICATES AND THERE CAN BE NO ASSURANCE THAT SUCH A MARKET WILL DEVELOP OR, IF IT DOES DEVELOP, THAT IT WILL CONTINUE.

THIS MEMORANDUM SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY, NOR SHALL THERE BE ANY SALE OF THE SENIOR CERTIFICATES IN ANY STATE OR OTHER JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER, OR EXEMPTION FROM, THE SECURITIES LAWS OF ANY SUCH STATE OR OTHER JURISDICTION.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS MEMORANDUM AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON. THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OTHER THAN THE NOTES OFFERED HEREBY, NOR AN OFFER OF SUCH NOTES TO ANY PERSON IN ANY STATE OR OTHER JURISDICTION IN WHICH SUCH AN OFFER WOULD BE UNLAWFUL. THE DELIVERY OF THIS MEMORANDUM AT ANY TIME DOES NOT IMPLY THAT INFORMATION HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO ITS DATE.

THIS MEMORANDUM HAS BEEN PREPARED BY THE ISSUER AND THE COMPANY SOLELY FOR THE PURPOSE OF OFFERING THE SENIOR CERTIFICATES DESCRIBED HEREIN. THE PLACEMENT AGENT IS ACTING AS AGENT OF THE ISSUER AND THE COMPANY IN ARRANGING A PRIVATE SALE OF THE SENIOR CERTIFICATES. THIS MEMORANDUM IS FURNISHED TO YOU ON A CONFIDENTIAL BASIS SOLELY FOR THE PURPOSE OF EVALUATING THE INVESTMENT OFFERED HEREBY. THE INFORMATION CONTAINED HEREIN MAY NOT BE REPRODUCED OR USED IN WHOLE OR IN PART FOR ANY OTHER PURPOSE (EXCEPT SUCH INFORMATION MAY BE DISTRIBUTED TO RATING AGENCIES, AN OFFEREE, THE OFFEREE'S COUNSEL AND AUDITORS AND THOSE PERSONS, IF ANY, RETAINED TO ADVISE SUCH OFFEREE WITH RESPECT THERETO).

THE PLACEMENT AGENT HAS NOT CONDUCTED ANY INVESTIGATION WITH RESPECT TO THE INFORMATION CONTAINED IN THIS MEMORANDUM. THE PLACEMENT AGENT MAKES NO REPRESENTATIONS OR WARRANTIES AS TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED IN THIS MEMORANDUM; AND NOTHING HEREIN SHALL BE DEEMED TO CONSTITUTE SUCH A REPRESENTATION OR WARRANTY BY THE PLACEMENT AGENT NOR A PROMISE OR REPRESENTATION AS TO THE FUTURE PERFORMANCE OF THE POOL OF STUDENT LOANS.

THIS MEMORANDUM CONTAINS SUBSTANTIAL INFORMATION CONCERNING THE STUDENT LOANS AND THE OBLIGATIONS OF THE ISSUER, THE COMPANY, THE SERVICER, ROYAL, MBIA AND OTHERS WITH RESPECT THERETO. INVESTORS INTERESTED IN PURCHASING THE SENIOR CERTIFICATES ARE URGED TO REVIEW THIS MEMORANDUM. THE OBLIGATIONS OF THE PARTIES WITH RESPECT TO THE TRANSACTIONS CONTEMPLATED HEREIN ARE SET FORTH IN AND WILL BE GOVERNED BY CERTAIN DOCUMENTS DESCRIBED HEREIN, AND ALL OF THE STATEMENTS AND INFORMATION HEREIN ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO SUCH DOCUMENTS.

IT IS EXPECTED THAT POTENTIAL INVESTORS WILL CONDUCT AN INDEPENDENT INVESTIGATION OF THE RISKS POSED BY AN INVESTMENT IN THE SENIOR CERTIFICATES. OFFICERS OF THE MANAGER OF THE COMPANY WILL BE AVAILABLE TO ANSWER QUESTIONS CONCERNING THE ISSUER, THE COMPANY AND THE SERVICER AND WILL, UPON REQUEST, MAKE AVAILABLE SUCH OTHER INFORMATION AS QUALIFIED, POTENTIAL INVESTORS MAY REASONABLY REQUEST.

THIS OFFERING IS MADE SUBJECT TO WITHDRAWAL, CANCELLATION OR MODIFICATION BY THE ISSUER, THE COMPANY AND THE PLACEMENT AGENT WITHOUT NOTICE AND IS SPECIFICALLY MADE

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SUBJECT TO THE TERMS DESCRIBED IN THIS MEMORANDUM. THE ISSUER, THE COMPANY AND THE PLACEMENT AGENT RESERVE THE RIGHT TO REJECT ANY SUBSCRIPTION IN WHOLE OR IN PART OR TO ALLOT TO ANY PROSPECTIVE INVESTOR LESS THAN THE ORIGINAL AMOUNT OF SENIOR CERTIFICATES SUBSCRIBED FOR BY SUCH INVESTOR.

PROSPECTIVE INVESTORS SHOULD ALSO CONSULT THEIR OWN INVESTMENT, LEGAL, TAX AND ACCOUNTING ADVISORS TO DETERMINE WHETHER THE SENIOR CERTIFICATES CONSTITUTE APPROPRIATE INVESTMENTS FOR THEM AND THE APPLICABLE LEGAL, TAX, REGULATORY AND ACCOUNTING TREATMENT OF THE SENIOR CERTIFICATES. IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER, THE COMPANY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

EACH PURCHASER OF ANY OF THE SENIOR CERTIFICATES MUST COMPLY WITH ALL APPLICABLE LAWS AND REGULATIONS IN FORCE IN ANY JURISDICTION IN WHICH IT PURCHASES, OFFERS OR SELLS THE SENIOR CERTIFICATES OR POSSESSES OR DISTRIBUTES THIS MEMORANDUM AND MUST OBTAIN ANY CONSENT, APPROVAL OR PERMISSION REQUIRED BY IT FOR THE PURCHASE, OFFER OR SALE BY IT OF THE SENIOR CERTIFICATES UNDER THE LAWS AND REGULATIONS IN FORCE IN ANY JURISDICTION TO WHICH IT IS SUBJECT OR IN WHICH IT MAKES SUCH PURCHASES, OFFERS OR SALES, AND NEITHER THE ISSUER, THE COMPANY, NOR THE PLACEMENT AGENT SHALL HAVE ANY RESPONSIBILITY THEREFOR.

THE APPROPRIATE CHARACTERIZATION OF THE SENIOR CERTIFICATES UNDER VARIOUS LEGAL INVESTMENT RESTRICTIONS, AND THUS THE ABILITY OF INVESTORS SUBJECT TO THESE RESTRICTIONS TO PURCHASE THE SENIOR CERTIFICATES, IS SUBJECT TO SIGNIFICANT INTERPRETIVE UNCERTAINTIES. ACCORDINGLY, INVESTORS WHOSE INVESTMENT AUTHORITY IS SUBJECT TO LEGAL RESTRICTIONS SHOULD CONSULT THEIR OWN LEGAL ADVISORS TO DETERMINE WHETHER AND TO WHAT EXTENT THE SENIOR CERTIFICATES CONSTITUTE LEGAL REQUIREMENTS FOR THEM.

THE SENIOR CERTIFICATES MAY NOT BE PURCHASED BY OR TRANSFERRED TO ANY “EMPLOYEE BENEFIT PLAN” WITHIN THE MEANING OF SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”) (WHETHER OR NOT SUBJECT TO ERISA, AND INCLUDING, WITHOUT LIMITATION, FOREIGN OR GOVERNMENT PLANS), ANY “PLAN” DESCRIBED BY SECTION 4975(e)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, OR ANY ENTITY WHOSE UNDERLYING ASSETS ARE DEEMED TO INCLUDE “PLAN ASSETS” OF ANY OF THE FOREGOING BY REASON OF AN EMPLOYEE BENEFIT PLAN’S OR OTHER PLAN’S INVESTMENT IN SUCH ENTITY (EACH, A “BENEFIT PLAN INVESTOR”), EXCEPT FOR AN INSURANCE COMPANY USING THE ASSETS OF ITS GENERAL ACCOUNT THAT REPRESENTS, WARRANTS AND COVENANTS THAT, AT THE TIME OF ACQUISITION AND THROUGHOUT THE PERIOD IT HOLDS THE SENIOR CERTIFICATES, (I) IT IS ELIGIBLE FOR AND MEETS THE REQUIREMENTS OF DEPARTMENT OF LABOR PROHIBITED TRANSACTION CLASS EXEMPTION 95-60, (II) LESS THAN 25% OF THE ASSETS OF SUCH GENERAL ACCOUNT ARE (OR REPRESENT) ASSETS OF A BENEFIT PLAN INVESTOR AND (III) NEITHER IT NOR ANY AFFILIATE HAS DISCRETIONARY AUTHORITY OR CONTROL WITH RESPECT TO THE ASSETS OF THE ISSUER, OR PROVIDES INVESTMENT ADVICE FOR A FEE (WHETHER DIRECT OR INDIRECT) WITH RESPECT TO SUCH ASSETS.

IF AND WHEN INCLUDED IN THIS MEMORANDUM OR IN DOCUMENTS INCORPORATED HEREIN BY REFERENCE, THE WORDS “EXPECTS,” “INTENDS,” “ANTICIPATES,” “ESTIMATES” AND ANALOGOUS EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS AS DEFINED IN THE SECURITIES ACT. ANY SUCH STATEMENTS, WHICH MAY INCLUDE STATEMENTS CONTAINED IN “SPECIAL CONSIDERATIONS,” INHERENTLY ARE SUBJECT TO A VARIETY OF RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE PROJECTED. SUCH RISKS AND UNCERTAINTIES INCLUDE, AMONG OTHERS, GENERAL ECONOMIC AND BUSINESS CONDITIONS, COMPETITION, CHANGES IN FOREIGN POLITICAL, SOCIAL AND ECONOMIC CONDITIONS, REGULATORY INITIATIVES AND COMPLIANCE WITH GOVERNMENTAL REGULATIONS AND VARIOUS OTHER MATTERS, MANY OF WHICH ARE BEYOND THE ISSUER’S CONTROL. THESE FORWARD-LOOKING STATEMENTS SPEAK ONLY AS OF THE DATE OF THIS MEMORANDUM. THE ISSUER EXPRESSLY DISCLAIMS ANY OBLIGATION OR UNDERTAKING TO RELEASE PUBLICLY ANY UPDATES OR REVISIONS TO ANY FORWARD-LOOKING STATEMENT CONTAINED HEREIN TO REFLECT ANY CHANGE IN THE ISSUER’S EXPECTATIONS WITH REGARD THERETO OR ANY CHANGE IN EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH ANY SUCH STATEMENT IS BASED.

NOTICE TO NEW HAMPSHIRE RESIDENTS

FOR NEW HAMPSHIRE RESIDENTS: NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE UNIFORM SECURITIES ACT WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER CHAPTER 421-B IS TRUE, COMPLETE, AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT ANY EXEMPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

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NOTICE TO INVESTORS

Because of the following restrictions, investors are advised to consult legal counsel prior to making any purchase, offer, pledge or other transfer of the Senior Certificates.

Each purchaser of any of the Senior Certificates, by its acceptance thereof, will acknowledge, represent to and agreed with the Company, the Issuer, the Trustee and the Placement Agent as follows:

1. It understands and acknowledges that the Senior Certificates have not been registered under the Securities Act or any other applicable securities laws, and may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act or any other applicable securities law, pursuant to an exemption therefrom or in a transaction not subject thereto, and in compliance with the applicable requirements of the Pooling Agreement.

2. It acknowledges that none of the Company, the Issuer, the Trustee or the Placement Agent or any person representing the Company, the Issuer, the Trustee or the Placement Agent has made any representation to it with respect to the Company, the Issuer, any affiliate of the Company or Issuer, or the sale of any Senior Certificates, other than the information contained in this Memorandum, which Memorandum has been delivered to it and upon which it is relying in making its investment decision with respect to the Senior Certificates; accordingly, it acknowledges that no representation or warranty is made by the Company, the Issuer, any affiliate of the Company or the Issuer, the Trustee or the Placement Agent as to the accuracy or completeness of such materials; and it has had access to such financial and other information concerning the Company, the Issuer, any affiliate of the Company or the Issuer, and the Senior Certificates as it has deemed necessary in connection with its decision to purchase any of the Senior Certificates, including an opportunity to ask questions and request information from the Company, the Issuer, the Trustee and the Placement Agent. It acknowledges that the delivery of this Memorandum at any time does not imply that information herein is correct as of any time subsequent to this date.

3. It is a “qualified institutional buyer” within the meaning of Rule 144A under the Securities Act (“QIB”) and is purchasing for its own account (and not for the account of others) or as a fiduciary agent for others (which others are also QIBs and have executed a certificate substantially in the form attached as Exhibit C hereto or other agreement containing substantially the same representations contained in such certificate). It is aware that it (or any account for which it is purchasing) may be required to bear the economic risk of an investment in the Senior Certificates for an indefinite period, and it (or such account) is able to bear such risk for an indefinite period.

4. No sale, pledge or other transfer of any Senior Certificate may be made by any person unless either (i) so long as the Senior Certificates are eligible for resale pursuant to Rule 144A under the Securities Act, such sale, pledge or other transfer is made to the person whom the seller reasonably believes after due inquiry is a QIB acting for its own account (and not for the account of others) or as a fiduciary or agent for others (which are also QIBs) to whom notice

is given that the sale, pledge or transfer is being made in reliance on Rule 144A or (ii) such sale, pledge or other transfer is made in accordance with applicable securities laws of the United States.

5. The Senior Certificates will bear the following legends, unless the Issuer determines otherwise in accordance with applicable law:

THIS SENIOR CERTIFICATE HAS NOT BEEN AND WILL NOT BE REGISTERED OR QUALIFIED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR UNDER THE SECURITIES OR BLUE SKY LAWS OF ANY STATE IN THE UNITED STATES OR ANY FOREIGN SECURITIES LAWS. BY ITS ACCEPTANCE OF THIS SENIOR CERTIFICATE, THE HOLDER OF THIS SENIOR CERTIFICATE IS DEEMED TO REPRESENT THAT IT (I) IS EITHER (X) NOT AN "EMPLOYEE BENEFIT PLAN" WITHIN THE MEANING OF SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA") (WHETHER OR NOT SUBJECT TO ERISA, AND INCLUDING, WITHOUT LIMITATION, FOREIGN OR GOVERNMENT PLANS), ANY "PLAN" DESCRIBED BY SECTION 4975(E)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR ANY ENTITY WHOSE UNDERLYING ASSETS ARE DEEMED TO INCLUDE "PLAN ASSETS" OF ANY OF THE FOREGOING BY REASON OF AN EMPLOYEE BENEFIT PLAN'S OR OTHER PLAN'S INVESTMENT IN SUCH ENTITY (EACH, A "BENEFIT PLAN INVESTOR") OR (Y) AN INSURANCE COMPANY USING THE ASSETS OF ITS GENERAL ACCOUNT ("ELIGIBLE INSURANCE COMPANY") THAT REPRESENTS, WARRANTS AND COVENANTS THAT, AT THE TIME OF ACQUISITION AND THROUGHOUT THE PERIOD IT HOLDS THE SENIOR CERTIFICATES, (1) IT IS ELIGIBLE FOR AND MEETS THE REQUIREMENTS OF DEPARTMENT OF LABOR PROHIBITED TRANSACTION CLASS EXEMPTION 95-60, (2) LESS THAN 25% OF THE ASSETS OF SUCH GENERAL ACCOUNT ARE (OR REPRESENT) ASSETS OF A BENEFIT PLAN INVESTOR AND (3) NEITHER IT NOR ANY AFFILIATE HAS DISCRETIONARY AUTHORITY OR CONTROL WITH RESPECT TO THE ASSETS OF THE ISSUER OF THIS SENIOR CERTIFICATE, OR PROVIDES INVESTMENT ADVICE FOR A FEE (DIRECT OR INDIRECT) WITH RESPECT TO SUCH ASSETS AND (II) IS (A) A "QUALIFIED INSTITUTIONAL BUYER" WITHIN THE MEANING OF

RULE 144A UNDER THE SECURITIES ACT (A “QIB”) AND IS ACQUIRING SUCH SENIOR CERTIFICATE FOR ITS OWN ACCOUNT (AND NOT FOR THE ACCOUNT OF OTHERS) OR AS A FIDUCIARY OR AGENT FOR OTHERS (WHICH OTHERS ARE ALSO QIBS) TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A OR (B) OTHERWISE ACQUIRING THIS SENIOR CERTIFICATE IN COMPLIANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE UNITED STATES (INCLUDING ANY STATE IN THE UNITED STATES) OR ANY OTHER APPLICABLE JURISDICTION.

NO SALE, PLEDGE OR OTHER TRANSFER OF THIS SENIOR CERTIFICATE MAY BE MADE BY ANY PERSON UNLESS (I) SO LONG AS THIS SENIOR CERTIFICATE IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT, SUCH SALE, PLEDGE OR OTHER TRANSFER IS MADE TO A PERSON WHOM THE TRANSFEROR REASONABLY BELIEVES AFTER DUE INQUIRY IS A QIB ACTING FOR ITS OWN ACCOUNT (AND NOT FOR THE ACCOUNT OF OTHERS) OR AS A FIDUCIARY AGENT FOR OTHERS (WHICH OTHERS ARE ALSO QIBS) TO WHOM NOTICE IS GIVEN THAT THE SALE, PLEDGE OR TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A OR (II) SUCH SALE, PLEDGE OR OTHER TRANSFER IS OTHERWISE MADE IN COMPLIANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE UNITED STATES OR ANY OTHER APPLICABLE JURISDICTION. THIS SENIOR CERTIFICATE MAY NOT BE PURCHASED BY OR TRANSFERRED TO ANY “EMPLOYEE BENEFIT PLAN” WITHIN THE MEANING OF SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”) (WHETHER OR NOT SUBJECT TO ERISA, AND INCLUDING, WITHOUT LIMITATION, FOREIGN OR GOVERNMENT PLANS), ANY “PLAN” DESCRIBED BY SECTION 4975(e)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “CODE”), OR ANY ENTITY WHOSE UNDERLYING ASSETS ARE DEEMED TO INCLUDE “PLAN ASSETS” OF ANY OF THE FOREGOING BY REASON OF AN EMPLOYEE BENEFIT PLAN’S OR OTHER PLAN’S INVESTMENT IN SUCH ENTITY (EACH, A “BENEFIT PLAN INVESTOR”), EXCEPT FOR AN INSURANCE COMPANY USING THE ASSETS OF ITS GENERAL ACCOUNT THAT REPRESENTS, WARRANTS AND COVENANTS THAT, AT THE TIME OF ACQUISITION AND THROUGHOUT THE PERIOD IT HOLDS THIS SENIOR CERTIFICATE, (I) IT IS ELIGIBLE FOR AND

MEETS THE REQUIREMENTS OF DEPARTMENT OF LABOR PROHIBITED TRANSACTION CLASS EXEMPTION 95-60, (II) LESS THAN 25% OF THE ASSETS OF SUCH GENERAL ACCOUNT ARE (OR REPRESENT) ASSETS OF A BENEFIT PLAN INVESTOR AND (III) NEITHER IT NOR ANY AFFILIATE HAS DISCRETIONARY AUTHORITY OR CONTROL WITH RESPECT TO THE ASSETS OF THE ISSUER, OR PROVIDES INVESTMENT ADVICE FOR A FEE (DIRECT OR INDIRECT) WITH RESPECT TO SUCH ASSETS.

6. It represents and warrants that it is either (i) not a Benefit Plan Investor or (ii) an insurance company using the assets of its general account that represents, warrants and covenants that, at the time of acquisition and throughout the period it holds this Senior Certificate, (A) it is eligible for and meets the requirements of Department of Labor Prohibited Transaction Class Exemption 95-60, (B) less than 25% of the assets of such general account are (or represent) assets of a Benefit Plan Investor and (C) neither it nor any affiliate has discretionary authority or control with respect to the assets of the Issuer, or provides investment advice for a fee (whether direct or indirect) with respect to such assets.

7. It is not a bank as defined in §871(h) of the Internal Revenue Code of 1986, as amended (the “Code”) and that it will provide the appropriate executed Internal Revenue Service (“IRS”) forms and certificates, such as IRS form W-8BEN or IRS form W-8IMY with appropriate supporting documentation, as determined to be required by the Trustee, to preclude the withholding of United States tax on payments to be made on the Senior Certificates. If it cannot or does not provide the required forms on a timely basis, or if the forms depend on the interest qualifying as “portfolio interest” as defined in §871(h) of the Code and the Trustee determines that it does not so qualify, the Trustee may withhold United States tax of up to 30.5% on payments to be made under the Senior Certificate

8. It acknowledges that the Company, the Issuer, the Trustee, the Placement Agent and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations, warranties and agreements and agrees that, if any of the acknowledgments, representations, warranties and agreements deemed to have been made by its purchase of the Senior Certificates are no longer accurate, it shall promptly notify the Placement Agent. If it is acquiring any Senior Certificates as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such investor account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such investor account.

SUMMARY

The following summary is qualified in its entirety by reference to the detailed information appearing elsewhere in this Memorandum and the specific provisions contained in, or to be contained in, the documents referenced herein. Capitalized terms used in the following summary may be defined elsewhere in this Memorandum. Capitalized terms used and not otherwise defined in this Memorandum have the meanings given to them under the Pooling Agreement.

CERTIFICATES OFFERED:

The Senior Certificates will have a stated maturity of March 20, 2012 (the “Final Distribution Date”). However, the actual date on which payment in full may be made on the Senior Certificates may be earlier than the Final Distribution Date due to, among other factors, prepayments of principal and defaults on the Student Loans covered under the Insurance Policy or the Reserve Escrow Account, as described below, which payments are paid out to the Senior Certificateholders. No assurances can be given as to the actual maturity date of the Senior Certificates or the payment experience of the Student Loans or the Senior Certificates. See “DESCRIPTION OF THE CERTIFICATES AND POOLING AGREEMENT”; “CERTAIN YIELD AND PREPAYMENT CONSIDERATIONS”; and “SPECIAL CONSIDERATIONS – Average Life of Certificates; Prepayment; Yields.”

INTEREST-ONLY CERTIFICATES:

In addition to the Senior Certificates offered hereby, the Issuer will simultaneously issue its 2.61% Interest-Only Pass-Through Certificates (the “Interest-Only Certificates”). It is anticipated that Student Finance Corporation will purchase the Interest-Only Certificates. See “—Originator.”

The holders of the Interest-Only Certificates will be entitled to receive monthly distributions of interest (the “Interest-Only Distribution”) in an amount equal to one-twelfth (1/12) of 2.61% (the “Interest-Only Pass-Through Rate”) on the Interest-Only Notional Balance (defined as the Senior Certificateholder Balance, less the amount of the Senior Certificateholder Balance, if any, attributable to Defaulted Student Loans).

The Interest-Only Distribution will be made on each Distribution Date, commencing December 20, 2001, to the holders of record of the Interest-Only Certificates on the preceding Record Date. Interest will be paid on each Distribution Date for the period ended on the preceding Record Date. On the first Distribution Date for the Interest-Only Certificates, interest will be paid at the Interest-Only Pass-Through Rate for the entire month in which the Interest-Only Certificates are issued.

The Interest-Only Distribution will be made prior to payment of principal on the Senior Certificates. See “-- Collection Account” and “DESCRIPTION OF THE CERTIFICATES AND POOLING AGREEMENT -- The Certificates -- *The Lock Box Account and Collection Account.*”

The amount described in the prior sentences is, in effect, an “interest-only strip” of the interest collected on the Student Loans. Prepayments of the Student Loans and Student Loans becoming Defaulted Student Loans will affect the amounts due to the holders of the Interest-Only Certificates.

ISSUER: SFC Grantor Trust, Series 2001-3 (the “Issuer”) is a limited purpose trust organized under the laws of the State of Minnesota pursuant to the Pooling Agreement. The Certificates are limited obligations of the Issuer payable solely from the Assets of the Issuer (as described herein). None of the Company, the Servicer, the Trustee, the Placement Agent, or any other party will guarantee, or otherwise be obligated to repay, the Certificates. The Issuer will not have any significant assets or ownership interests other than the Assets. See “—Availability of Assets for Payments of the Senior and Interest-Only Certificates” and “THE ISSUER.”

COMPANY: SFC Acceptance VIII, LLC (the “Company”) is a limited liability company organized and existing under the laws of the State of Delaware. The Company was organized for the special and limited purpose of entering into this transaction. See “THE COMPANY.”

ORIGINATOR: Student Finance Corporation (“SFC” or the “Originator”) is a Pennsylvania corporation in the business of originating and/or acquiring student loans and tuition installment payment agreements that are not guaranteed by any federal or state government. SFC originated the Student Loans in the ordinary course of its business or directly or indirectly acquired the Student Loans from educational institutions.

SERVICER: Student Loan Servicing LLC (the “Servicer”) is a limited liability company organized and existing under the laws of the State of Delaware. The Servicer was organized for the purpose of servicing student loans originated or purchased by SFC. See “ORIGINATOR.” The Servicer will receive a monthly fee equal to one-twelfth of 2.0% of the then outstanding principal amount of each Outstanding Student Loan (as defined below) as of each Record Date (the “Servicing Fee”) and shall be entitled to retain (x) all delinquency, default, penalty and similar fees collected

with respect to and in accordance with the terms of the Student Loans and (y) any Simple Interest Excess to the extent the Servicer has made any advances of a Simple Interest Shortfall (as such terms are defined below).

“Simple Interest Shortfall” means, for each monthly Collection Period, an amount equal to the excess, if any, of (i) the amount of interest that was due during such Collection Period on all Student Loans (other than Defaulted Student Loans and Student Loans for which Delinquent Interest was owing on the last day of such Collection Period) assuming that the payment on each such Student Loan was received on its respective due date over (ii) all payments received during such Collection Period on all Student Loans to the extent such payments are allocable to interest other than Delinquent Interest.

“Simple Interest Excess” means, for each monthly Collection Period, an amount equal to the excess, if any, of (i) all payments received during such Collection Period on all Student Loans to the extent such payments are allocable to interest other than Delinquent Interest over (ii) the amount of interest that was due during such Collection Period on all Student Loans (other than Defaulted Student Loans and Student Loans for which Delinquent Interest was owing on the last day of such Collection Period) assuming that the payment on each such Student Loan was received on its respective due date.

“Delinquent Interest” means, with respect to any Distribution Date, the amount of interest due on the Student Loans during the monthly Collection Period covered by such Distribution Date but not received, exclusive of the interest portion of any Pay Ahead Amounts received during such Collection Period.

The “Outstanding Student Loans,” on which the Servicing Fee will be calculated, means those Student Loans that have not reached their maturity date, have not been paid in full, have not been repurchased by the Company as provided in the Pooling Agreement, and have not been the subject of a determination by the Servicer that liquidation proceeds or insurance proceeds under the Insurance Policy constitute the final amounts recoverable with respect thereto. The Servicing Fee is payable monthly. See “DESCRIPTION OF THE CERTIFICATES AND POOLING AGREEMENT – The Pooling Agreement – *Servicer’s Compensation.*” The Servicer will perform all of the collection and servicing functions for the Student Loans. See “DESCRIPTION OF THE CERTIFICATES AND POOLING AGREEMENT – The Pooling Agreement – *Servicing and*

Collection Processes and Procedures.” The Servicer shall serve for an initial 60 day term, and additional 60 day renewal terms thereafter, provided that the Servicer’s term will not be renewed if Royal or, in certain circumstances, MBIA does not deliver a notice of renewal by at least the 11th business day prior to the expiration of any such 60-day term. In addition, the Servicer may be terminated if an Event of Default occurs and is continuing, upon the written request of either MBIA or, if MBIA is in default under the MBIA Policy, the Majority Certificateholders (defined as the holders of 51% or more of the outstanding principal amount of the Senior Certificates, excluding Senior Certificates held by the Company, Royal, or any of their respective affiliates), effective immediately. Upon non-renewal or termination of the Servicer, the Trustee will become the servicer. See “DESCRIPTION OF THE CERTIFICATES AND POOLING AGREEMENT - The Pooling Agreement – *Servicing*” and “– *Servicer’s Compensation.*”

TRUSTEE:

Wells Fargo Bank Minnesota, National Association, a national banking association, serves as trustee under the Pooling Agreement (the “Trustee”). The Trustee may be changed if required by MBIA, or if required by Royal in connection with any failure by the Trustee to apply funds as required by the Pooling Agreement. The Assets will be held by the Trustee under the terms of the Pooling Agreement. In addition to its other responsibilities, the Trustee will actively monitor the servicing by the Servicer and will receive weekly information from the Servicer in order to enable the Trustee to take over the servicing in an expedited manner if required. The Trustee will receive a fee of eight basis points (0.08%) per year on the aggregate balance of the Senior Certificates, payable monthly and subject to a monthly minimum fee of \$2,000, plus transaction fees associated with the Trustee’s role as custodian of the Student Loan files as set forth in the Pooling Agreement; and will receive \$300 per transfer of data from the Servicer to the Trustee (such fees are referred to hereinafter as the “Trustee’s Fees”). In addition, the Trustee will receive certain initial set up fees, and reimbursement for reasonable expenses and costs, as set forth in the Pooling Agreement. Except if the Trustee is acting as successor Servicer, any expenses and costs must be recovered from the Expense Account, as described herein. During any time that the Trustee is acting as successor Servicer, the Trustee will be required to obtain approval of MBIA, Royal (provided the Maximum Reserve Amount has not been exceeded) and the Rating Agencies for transactions fees and other expenses and costs in excess of \$10,000 in the aggregate during the term of the Pooling Agreement, to the extent that such expenses and costs are not

covered by the Expense Account. In the event that the Trustee takes over as Servicer, it will be paid out-of-pocket expenses associated with the transfer of servicing, not to exceed \$50,000, and as Servicer will receive the Successor Servicing Fee, which fee shall be a rate determined by three bona fide servicing bids obtained from third-party servicers selected by the Trustee and acceptable to MBIA (the "Successor Servicer Fee"). See "DESCRIPTION OF THE CERTIFICATES AND POOLING AGREEMENT – The Pooling Agreement – *The Trustee*", " – *Servicing*" and " – *Servicer's Compensation*."

COLLECTION
ACCOUNT:

All amounts collected on the Student Loans, commencing with the date of the sale and issuance of the Certificates (the "Closing Date"), will be remitted directly to the account or accounts established by PNC Bank, National Association (the "Lock Box Bank") in the name of the Trustee on behalf of the Trust (the "Lock Box Account") held at the Lock Box Bank in the name of the Trustee and on a monthly basis remitted to another trust account or accounts held by the Trustee (collectively, the "Collection Account"), to be established by the Trustee for the benefit of the holders of the Certificates.

On or prior to each Distribution Date, amounts in the Collection Account that represent early payments of monthly Student Loan payments designated in writing by the related obligor under the Student Loan to be applied to monthly Student Loan payments due after the Record Date will be transferred to a Pay-Ahead Account established by the Trustee (the "Pay-Ahead Account"), and amounts previously remitted to the Pay-Ahead Account on account of scheduled payments due prior to the Record Date will be transferred from the Pay-Ahead Account into the Collection Account. Amounts in the Collection Account which represent recoveries of delinquent payments on Defaulted Student Loans will be paid into the Reserve Escrow Account (as defined herein). In addition, certain other amounts (including late fees and similar collections, Simple Interest Excess and payments on Student Loans no longer part of the Trust estate) will be paid to the party entitled thereto, as provided in the Pooling Agreement. For example, the Simple Interest Excess is payable to the Servicer to compensate it for making advances of Simple Interest Shortfall, with any amount not payable to the Servicer to be deposited into the Liquidity Reserve Account.

All remaining funds in the Collection Account on the Distribution Date will be available for application to the payment of principal, if applicable, and interest on the Certificates on the Distribution Date, as described below. The amount of Delinquent Interest

with respect to the Student Loans for such period and any Simple Interest Shortfall for such period may be withdrawn from the Liquidity Reserve Account (as defined herein) and deposited into the Collection Account to the extent there are funds available in the Liquidity Reserve Account for this purpose. Delinquent principal payments on the Student Loans that are delinquent but are not yet Defaulted Student Loans, and any shortfall in the amounts due for interest with respect to such Student Loans not covered by the Liquidity Reserve Account, may be withdrawn from the Reserve Escrow Account and deposited into the Collection Account to the extent there are funds available in the Reserve Escrow Account for this purpose (the "Reserve Escrow Draw Amount"). The entire principal balance of Defaulted Student Loans and interest thereon to the date of default may be recovered from the Reserve Escrow Account or the Insurance Policy, as described herein, and deposited into the Collection Account. The Servicer may, in its sole discretion, advance sums to make up any shortfall between amounts held in the Collection Account and amounts due on any Distribution Date which resulted from any late or delinquent payment due under the Student Loans instead of requiring the Trustee to access the Liquidity Reserve Account and/or Reserve Escrow Account or pending receipt of funds under the Insurance Policy. The Servicer is under no obligation to make any such advances and will not make any such advances unless the Servicer has a high probability of recovery of the sums advanced. However, the Servicer shall deposit in the Collection Account from its own funds any Simple Interest Shortfall not funded by the Liquidity Reserve Account. In the event that there are insufficient funds in the Collection Account, after deposits from the Liquidity Reserve Account, the Reserve Escrow Account, the Insurance Policy and the MBIA Reserve Account, to pay interest due on the Senior Certificates or, on the Final Distribution Date, the unpaid balance of the Senior Certificates, then such deficiency may be recovered under the MBIA Policy, as described herein. No assurances can be made that funds will be available to make payments due under the Certificates on any Distribution Date.

On each Distribution Date, the Trustee will apply the amount available in the Collection Account, in the following order of priority (the "Payment Waterfall"):

- (1) To the extent of available funds, commencing with the Distribution Date in February, 2002 to the payment of the monthly insurance premium due to MBIA;
- (2) To the extent of available funds, to the payment of the

monthly insurance premium due to Royal pursuant to the Insurance Policy;

(3) To the extent of available funds, to the payment of the Trustee Fees due the Trustee and to the payment of the Escrow Fees (as defined below "– The Reserve Escrow Account") due the Escrow Agent (as defined below "– The Reserve Escrow Account") for the respective Distribution Date and any previous Distribution Dates for which such fees have not been paid in whole or in part to the extent of such deficiency, which Trustee's Fees and Escrow Fees may not exceed \$8,500 per month unless consented to by MBIA, Royal, and the Rating Agencies;

(4) To the extent of available funds, to the payment of an amount of \$8,500 less the amounts paid to the Trustee and Escrow Agent pursuant to (3) above (the "Expense Account Set Aside") deposited to the Expense Account established by the Trustee under the Pooling Agreement (the "Expense Account") for such Distribution Date and any previous Distribution Dates for which such amount was not so deposited in whole or in part to the extent of such deficiency;

(5) To the extent of available funds, to the payment of additional expenses of the Trustee, during any time that Student Loan Servicing LLC is no longer the Servicer and the Trustee is acting as successor Servicer, to the extent that such additional expenses are not covered by the Expense Account; provided that if such additional expenses exceed \$10,000 in the aggregate during the term of the Pooling Agreement, any payment to the Trustee for such additional expenses which exceed such \$10,000 limit must be approved by MBIA, Royal (provided the Maximum Reserve Amount has not been exceeded) and the Rating Agencies;

(6) To the extent of available funds, to the payment of the Senior Interest Distribution including any overdue amounts on the Senior Certificates, as to which MBIA is subrogated to the extent of payment under the MBIA Policy;

(7) To the extent of available funds, to the payment of the Interest-Only Distribution (not including any overdue interest on the Interest-Only Certificates);

(8) To the extent of available funds, to the payment of the Principal Distribution;

(9) To the extent of available funds, to the payment of overdue Interest on the Interest-Only Certificates;

(10) To the extent of available funds, to replenish the Liquidity Reserve Account, to the extent of prior payments drawn from the Liquidity Reserve Account and not therefore repaid, up to the Original Liquidity Reserve Amount (as defined below);

(11) To the extent of available funds, to the payment of any advances made by the Servicer not otherwise repaid to the Servicer by its receipt of any Simple Interest Excess;

(12) To the extent of available funds, to payment of the Servicing Fee due to the Servicer pursuant to the Pooling Agreement; and

(13) To the extent of available funds, for deposit into the Reserve Escrow Account (the “Reserve Remittance Amount”); provided, however, that if there was a Reserve Draw Deficiency (as defined below) for such Distribution Date, then the Reserve Remittance Amount, up to the amount of such Reserve Draw Deficiency, shall be deemed to be received from the Reserve Escrow Account as a payment of principal with respect to the Student Loans (allocated pro rata to any delinquent principal payments under the Student Loans and to the entire principal balance of the Defaulted Student Loans for such Distribution Date, not recovered from the Reserve Escrow Account pursuant to the Reserve Escrow Draw Amount), and shall be applied to the payment of the Principal Distribution;

provided, however, in the event that Student Loan Servicing LLC no longer acts as Servicer and the Trustee or another party unrelated to Student Loan Servicing LLC, succeeds to the duties of Servicer under the Pooling Agreement, payments of amounts due to the Trustee or such successor Servicer as servicing fees shall be paid prior to any other payments listed above.

“Reserve Draw Deficiency” means the excess, if any, for any Distribution Date, of the amount set forth in clause (a) of the definition of Reserve Escrow Draw Amount over the amount set forth in clause (b) of such definition.

The Collection Account shall be invested as determined by the Trustee, pursuant to the restrictions imposed on such investments as provided in the Pooling Agreement.

Any amounts remaining in the Collection Account immediately following required payments 1 through 12 above will be paid to the Reserve Escrow Account and distributed in accordance with its terms. See “CREDIT ENHANCEMENT”; “DESCRIPTION OF THE CERTIFICATES AND POOLING AGREEMENT –

The Certificates – *Assets*” and “– The Pooling Agreement – *Servicing*”; and “SPECIAL CONSIDERATIONS.”

THE INSURANCE
POLICY:

The Company will be named as the insured under a Credit Risk Insurance Policy Number RST147536 (the “Insurance Policy”) issued by Royal Indemnity Company (“Royal”). The Insurance Policy requires an initial premium of \$100,000 and monthly payments of premiums thereafter. Such premiums for the Insurance Policy are required to be paid monthly from available funds in the Collection Account as described herein in an amount in accordance with the terms of the Insurance Policy. The Insurance Policy will name the Issuer as the beneficiary, and all claims paid thereunder will be paid directly to the Trustee. The Insurance Policy covers claims made for any Defaulted Student Loans (Student Loans that are more than 90 days delinquent from their respective due dates, applying any payment received after a delinquency to the earliest delinquency) in an amount equal to the principal balance of the Student Loan and 90 days of interest at the stated interest rate (exclusive of any penalty interest, late payment fees and prepaid financing charges) as set forth in the Student Loan (the “Student Loan Rate”), but in no event shall Royal’s aggregate liability exceed \$80,000,000 (as reduced by principal payments on the Student Loans paid by the related obligor after the Cut-off Date) plus 90 days of interest determined at the applicable Student Loan Rate (the “Policy Limit”). Student Loans will be removed from coverage under the Policy, and the Policy Limit will be reduced by an amount equal to the entire principal balance of the Student Loans, to the extent the Student Loans are paid in full or to the extent such Student Loans are paid for as a Defaulted Student Loan under the Insurance Policy.

An escrow account (the “Reserve Escrow Account”), as contemplated by the Insurance Policy, will be created, as further described below. See “— The Reserve Escrow Account.” Claims with respect to Defaulted Student Loans will be paid from funds in the Reserve Escrow Account, until the Reserve Escrow Account has been exhausted, after which claims will be paid by Royal under the Insurance Policy. Claims will be made by the Servicer and monitored by the Trustee. Payments under the Insurance Policy are required to be made 60 days after notice of the claim. The Servicer is required to make a claim within 10 days following the Distribution Date as of which the Student Loan is first a Defaulted Student Loan eligible for a claim under the Insurance Policy. Funds received from Royal under the Insurance Policy will be used to pay interest due on the Certificates and principal on the Senior Certificates (acting as a prepayment of the Senior Certificates). If there are insufficient

funds in the Reserve Escrow Account, the Liquidity Reserve Account and the Collection Account to make the interest and principal payments due under the Certificates pending receipt of proceeds under the Insurance Policy, and the Servicer does not make an advance and no payments are made under the MBIA Policy, a default may occur. See “DESCRIPTION OF THE CERTIFICATES AND POOLING AGREEMENT – The Certificates – *Assets*” and “– The Pooling Agreement – *Servicing*”; and “SPECIAL CONSIDERATIONS”; and “CREDIT ENHANCEMENT.”

THE RESERVE
ESCROW ACCOUNT:

The Issuer will enter into an escrow agreement with Wells Fargo Bank Minnesota, National Association, as the escrow agent (the “Escrow Agent”), pursuant to which an escrow account will be maintained for the benefit of the Issuer as a beneficiary thereunder and Royal as a third party beneficiary thereunder (the “Reserve Escrow Account”).

The Reserve Escrow Account will be established upon coverage of the Student Loans under the Insurance Policy and will initially have a balance of approximately \$7,978,000 as of the Closing Date and after giving effect to the transactions occurring on the Closing Date, which amount shall be paid into the Reserve Escrow Account by the Company. On each Distribution Date, the Trustee will contribute to the Reserve Escrow Account the Reserve Remittance Amount, consisting of all funds remaining in the Collection Account after payments of items (1) through (12) in the Payment Waterfall as described under “-- The Collection Account” above. In addition, recoveries on delinquent Student Loans that are not yet Defaulted Student Loans will be paid into the Reserve Escrow Account as described above. At any time that the funds in the Reserve Escrow Account have a fair market value equal to or greater than the Maximum Reserve Amount (defined as 45% of the outstanding principal balances of the Student Loans, exclusive of Defaulted Student Loans), amounts in excess thereof will be distributed to the MBIA Reserve Account, up to the Required MBIA Reserve Amount, and any amounts in excess of the foregoing to the Company; provided, that, starting 6 months after the Senior Certificateholder Balance is less than 10% of the initial Senior Certificateholder Balance, the Company has agreed that purchasers (including any transferee of the initial purchasers of which the Escrow Agent has been given notice by the transferring purchaser) of the Senior Certificates will receive such distributions up to an amount equal to 0.50% per annum on the Senior Certificate holder Balance.

Delinquent principal payments on the Student Loans that are

delinquent but are not yet Defaulted Student Loans, and any shortfall in the amounts due for interest with respect to such Student Loans not covered by the Liquidity Reserve Account, may be withdrawn from the Reserve Escrow Account to the extent there are funds available in the Reserve Escrow Account for this purpose. In addition, funds may be withdrawn from the Reserve Escrow Account, to the extent of available funds, for the full unpaid amount with respect to Defaulted Student Loans and interest thereon to the date of default. The amounts withdrawn from the Reserve Escrow Account will be deposited in the Collection Account and disbursed as set forth in the Pooling Agreement.

The Reserve Escrow Account will be invested as determined by the Escrow Agent, pursuant to the restrictions imposed for such investments as set forth in the Escrow Agreement. Amounts deposited into the Reserve Escrow Account after the payment of a claim on a Defaulted Student Loan under the Insurance Policy, will be paid to Royal to the extent of such payments. The Escrow Agent will receive a fee of \$2,000 per year (the "Escrow Fees"). In addition, the Escrow Agent is entitled to reimbursement of certain expenses and costs, which must be recovered from the Expense Account. See "CREDIT ENHANCEMENT"; "DESCRIPTION OF THE CERTIFICATES AND POOLING AGREEMENT – The Certificates – *Assets*" and "– *The Lock Box Account and Collection Account*"; and "SPECIAL CONSIDERATIONS."

THE LIQUIDITY
RESERVE ACCOUNT:

The Trustee will establish and maintain a reserve account for the benefit of the holders of the Certificates (the "Liquidity Reserve Account") in an initial amount equal to \$2,022,000 (the "Original Liquidity Reserve Amount"). On each Distribution Date, the amount of Delinquent Interest with respect to the Student Loans for such period and the Simple Interest Shortfall for such period may be withdrawn from the Liquidity Reserve Account to the extent there are funds available in the Liquidity Reserve Account (the "Liquidity Reserve Draw Amounts"). The amounts withdrawn from the Liquidity Reserve Account will be deposited in the Collection Account and disbursed as set forth in the Pooling Agreement. On each Distribution Date, the Trustee will repay to the Liquidity Reserve Account amounts to replenish the Liquidity Reserve Account, to the extent of prior payments drawn from the Liquidity Reserve Account and not theretofore repaid, up to the Original Liquidity Reserve Amount, to the extent that funds are available therefor in the Collection Account after payment of items (1) through (9) in the Payment Waterfall, as described under "-- Collection Account" above. The Liquidity

Reserve Account will be invested as determined by the Trustee, pursuant to the restrictions imposed for such investments as set forth in the Pooling Agreement. See “CREDIT ENHANCEMENT”; “DESCRIPTION OF THE CERTIFICATES AND POOLING AGREEMENT – The Certificates – *Assets*” and “– *The Lock Box Account and Collection Account*”; and “SPECIAL CONSIDERATIONS.”

THE MBIA POLICY; THE MBIA RESERVE ACCOUNT:

MBIA will issue a Certificate Guaranty Insurance Policy (the “MBIA Policy”), guaranteeing to the Senior Certificateholders that an amount equal to each Insured Payment (as defined below) will be received from MBIA by the Trustee on behalf of the Senior Certificateholders. The Insured Payment means (i) as of any Distribution Date, any shortfalls in amounts available in the Collection Account to pay the Senior Interest Distribution due on the Senior Certificates and, on the Final Distribution Date, any shortfall in amounts available in the Collection Account to pay the outstanding principal balance due on the Senior Certificates, and (ii) any amount previously distributed to a Senior Certificateholder on the Senior Certificates that is recoverable and sought to be recovered as a voidable preference by a trustee in bankruptcy pursuant to the United States Bankruptcy Code, in accordance with a final nonappealable order of a court having competent jurisdiction. In the event that any Deficiency Amount (as defined in the MBIA Policy) would otherwise exist at any Distribution Date, such amount will be withdrawn from the MBIA Reserve Account established pursuant to the Pooling Agreement up to the full balance of such MBIA Reserve Account. In addition, the MBIA Reserve Account may be drawn to cover certain obligations of SFC, the Servicer and the Company to MBIA. The MBIA Reserve Account will be funded out of distributions otherwise payable to the Company from the Reserve Escrow Account, up to the Required MBIA Reserve Amount. See “—The Reserve Escrow Account.”

AVAILABILITY OF ASSETS FOR PAYMENT OF THE SENIOR AND INTEREST-ONLY CERTIFICATES:

The Certificates represent in the aggregate the entire ownership interest in the Issuer other than amounts distributable to the Company. See “THE COMPANY” and “THE SERVICER.” The Assets of the Issuer consist primarily of a pool of student loans and tuition installment payment agreements (the “Student Loans”) originated and/or purchased by SFC. The Assets of the Issuer that will be available for payment of the Certificates consists of the proceeds from the Insurance Policy, the Student Loans, the Reserve Escrow Account and the Liquidity Reserve Account (collectively referred to as the “Assets”). See “CREDIT ENHANCEMENT.” Moreover, the Trustee on behalf of the Senior Certificateholders will be entitled to payment of the

Insured Payments pursuant to the MBIA Policy. See “DESCRIPTION OF THE MBIA POLICY.”

TERMINATION OF THE TRUST:

The Trust will terminate upon the later to occur of (i) the maturity or other liquidation of the last Student Loan (including a repurchase of the Student Loans by the Company as described below) and the disposition of any amounts received upon liquidation of any remaining Student Loans in the Trust, and (ii) payment of all amounts required to be paid to the Certificateholders, the Trustee, Royal and MBIA under the Pooling Agreement, the Insurance Policy and the MBIA Policy. At the time when the Senior Certificateholder Balance is less than 10% of the original Senior Certificateholder Balance, the Company may at its option purchase all of the Student Loans and terminate the Trust, provided all payments required in clause (ii) above are made in connection therewith. If the Company does not exercise its option to purchase the Student Loans after the Senior Certificateholder Balance has dropped to less than 10% of the original Senior Certificateholder Balance, then, starting 6 months after this time, the purchasers (including any transferee of the initial purchasers of which the Escrow Agent has been given notice by the transferring purchaser) of the Senior Certificates will receive such distributions up to an amount equal to 0.50% per annum on the Senior Certificateholder Balance.

STUDENT LOAN POOL:

The Student Loan pool will consist of a pool of student loans and tuition installment payment agreements (the “Student Loans”) with an aggregate principal balance outstanding as of the Cut-off Date of \$80,000,000. None of the Student Loans will be Defaulted Student Loans. However, the Student Loans may have delinquent payments due and owing.

As of the Cut-off Date of October 31, 2001, the Student Loans had individual principal balances at origination of at least \$803 but not more than \$14,995 with an average principal balance at origination of approximately \$7,665. Each of the Student Loans had a term to maturity from the date of origination or modification of 100 to 180 months, and the Student Loans had a calculated weighted average remaining term to maturity of approximately 118 months, as of the Cut-off Date. The Student Loans bear interest at a weighted average rate of approximately 19.31% per annum as of the Cut-off Date. See “THE STUDENT LOANS.”

USE OF PROCEEDS:

The net proceeds from the sale of the Senior Certificates will be used to acquire the Student Loans, establish the Liquidity Reserve Account and fund the expenses of the offering and the operations

of the Issuer. See “USE OF PROCEEDS.”

SUITABILITY:

Subscriptions for the Senior Certificates will be accepted only from investors meeting the definition of a “qualified institutional buyer” as set forth in Rule 144A as promulgated under the Securities Act of 1933, as amended (the “Securities Act”). Each holder of the Senior Certificates will be required to represent in writing that it meets the requirements of the definition of a “qualified institutional buyer” as set forth in Rule 144A. See “NOTICE TO INVESTORS” and “PRIVATE PLACEMENT.”

RESTRICTIONS ON TRANSFER:

The Senior Certificates are being offered pursuant to certain exemptions from the registration requirements of applicable federal and state securities laws. As such, the Senior Certificates may not be transferred without an applicable exemption from registration under such laws. The Certificates will bear a legend to the effect that resales can only be made if such transfer is not in violation of the Securities Act, and upon determination that such transfer would not cause the Company to become an “investment company” within the meaning of the Investment Company Act of 1940, as amended (the “Investment Company Act”) and that Senior Certificates may not be held by employee benefit plans or other retirement accounts or arrangements except for insurance company general accounts meeting specific requirements. See “CERTAIN ERISA CONSIDERATIONS.” See also “DESCRIPTION OF THE CERTIFICATES AND POOLING AGREEMENT – The Certificates – *Transfer*”; and “EXEMPT ORGANIZATIONS.”

LIQUIDITY:

There is currently no secondary market for the Senior Certificates, and there can be no assurance that one will develop. There are a limited number of sources, such as nationally recognized statistical rating organizations, which provide certain limited information about obligations similar to the Senior Certificates. There can be no assurance that any of these sources will provide information related to the Senior Certificates, or, if provided, that such information will be current or sufficient for the holders’ intended purpose. The limited information available for the Senior Certificates may adversely affect the ability of any holder to readily liquidate its investment in the Senior Certificates. See “SPECIAL CONSIDERATIONS—Limited Liquidity.”

LEGAL INVESTMENT;
ERISA:

The appropriate characterization of the Senior Certificates under various legal investment restrictions, and thus the ability of investors subject to these restrictions to purchase the Senior Certificates, may be subject to significant interpretive uncertainties.

In addition, institutions whose investment activities are subject to review by certain regulatory authorities may be or may become subject to restrictions, which may be retroactively imposed by such regulatory authorities, on the investment by such institutions in certain forms of asset-backed securities. Accordingly, investors should consult their own legal advisors to determine whether and to what extent the Senior Certificates constitute legal investments for them. See “LEGALITY OF THE SENIOR CERTIFICATES.”

The Senior Certificates may not be purchased or held by any “employee benefit plan” within the meaning of Section 3(3) of ERISA (whether or not subject to ERISA, including foreign and government plans), any “plan” described by Section 4975(e)(1) of the Code, or any entity deemed to hold “plan assets” of the foregoing, unless it is an insurance company general account meeting the specific requirements described under “CERTAIN ERISA CONSIDERATIONS”.

**FEDERAL INCOME TAX
CONSEQUENCES:**

In the opinion of counsel for the Company, the Issuer will be classified for federal income tax purposes as a grantor trust and not as a publicly traded partnership or an association taxable as a corporation. Certificateholders will be required to report their respective allocable shares of income earned on the assets of the Issuer and, subject to certain limitations applicable to individuals, estates and trusts, may deduct their respective allocable shares of reasonable servicing fees and other expenses. The prospective purchasers of the Senior Certificates are urged to consult with their own tax advisors regarding the income tax consequences of an investment in and the ownership of the Senior Certificates and should carefully review the tax matters discussed under “CERTAIN FEDERAL INCOME TAX CONSIDERATIONS” and “STATE AND LOCAL TAX CONSIDERATIONS.” Tax exempt purchasers are not intended to be purchasers of the Senior Certificates and the tax consequences to such purchasers are not described herein.

RATINGS:

It is a condition of the issuance that the Senior Certificates be rated “Aaa” by Moody’s Investors Services, Inc. (“Moody’s”) and “AAA” by Fitch, Inc. (“Fitch” and collectively with Moody’s, the “Rating Agencies”). Ratings of “Aaa,” “Aa,” “A,” and “Baa” by Moody’s and “AAA,” “AA,” “A,” and “BBB” by Fitch are considered investment grade securities, with the rating of “Aaa” or “AAA” being the highest bond rating assigned by the Rating Agencies. A 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 organization. A rating does not address the frequency of prepayment of the Student Loans, or the corresponding effect on yield to investors. See “CERTIFICATE RATINGS.”

SPECIAL CONSIDERATIONS

Prospective investors should bear in mind, among other factors, the following considerations in connection with a purchase of the Senior Certificates:

Limited Liquidity. The Senior Certificates have not been registered under the Securities Act or under any state securities laws in reliance upon exemptions from registration provided under such laws. Any transfer of Senior Certificates may only be made pursuant to an applicable exemption under the Securities Act and in compliance with the requirements of the Pooling Agreement, including the requirements that such transfer may only be made to a “qualified institutional buyer” and that such transfer would not cause the Issuer to become an “investment company” under the Investment Company Act or a fiduciary of any employee benefit plan. Transferees generally will be required to execute a Transferee’s Certificate substantially in the form included as Exhibit C hereto. None of the Issuer, the Servicer, the Company, or the Trustee has agreed to provide registration rights to any purchaser of the Senior Certificates. There is currently no market for the Senior Certificates being offered hereby and it is highly unlikely that such a market will develop and, if it does develop, that it will provide Senior Certificateholders with liquidity of investment or will continue for the life of the Senior Certificates. As a result, an investor must be prepared to hold the Senior Certificates until their stated maturity. See “NOTICE TO INVESTORS” and “DESCRIPTION OF THE CERTIFICATES AND POOLING AGREEMENT -- The Certificates -- *Transfer.*”

Average Life of Certificates; Prepayment; Yields. Prepayments on the Student Loans and Student Loans becoming Defaulted Student Loans (more than 90 days delinquent from their respective due dates, applying any payment received after a delinquency to the earliest delinquency) will result in a faster rate of principal payments on the Senior Certificates. The unpaid balance with respect to Defaulted Student Loans will be recoverable from the Reserve Escrow Account or the Insurance Policy and will thereupon result in a prepayment of the Senior Certificates. There can be no assurances given as to the rates at which Student Loans may become Defaulted Student Loans or the corresponding effect on the yields or average life of the Certificates. In addition, the prepayment experience on the Student Loans may affect the average life and yield to maturity of the Certificates. The rate of principal payments on pools of student loans varies between pools and, from time to time, is influenced by a variety of economic, demographic, geographic, social, tax, legal and other factors. Also, since some of the Student Loans have delinquencies thereon of more than 60 days, although none are Defaulted Student Loans, the prepayment rate may be higher than if the Student Loans did not have delinquencies. As of the Cut-off Date of October 31, 2001, there were 88 Student Loans which were delinquent by 30 to 59 days, and there were 47 Student Loans which were delinquent by 60 to 89 days. There can be no assurance as to the rate of prepayment or default on the Student Loans or that the rate of payments will conform to any model described herein. If prevailing interest rates fall significantly below the applicable rates borne by the Student Loans, principal prepayments are likely to be higher than if prevailing rates remain at or above the rates borne by the Student Loans. Furthermore, there can be no assurance that increased funding and greater access to government student loan programs will not result in significant prepayment of the Student Loans and, consequently, the Certificates. Also, the Company’s option to terminate the Issuer and prepay the Certificates by purchasing the Student Loans will affect the Certificates’

yield to maturity. As a result, the retirement of the Certificates could occur significantly earlier than expected. See also “CERTAIN YIELD AND PREPAYMENT CONSIDERATIONS.”

Limited Nature of Rating. The rating assigned by the Rating Agencies to the Senior Certificates reflects only its assessment of the likelihood that holders of the Senior Certificates will receive payments to which such Certificateholders are entitled under the Pooling Agreement. Such rating does not constitute an assessment of the likelihood that principal prepayments on the related Student Loans will be made, the degree to which the rate of such prepayments might differ from that originally anticipated or the likelihood of early retirement of the Senior Certificates. Nor does such rating address the possibility that prepayment at higher or lower rates than anticipated by an investor may cause such investor to experience a lower than anticipated yield or that an investor that purchases Senior Certificates at a significant premium might fail to recoup its initial investment under certain prepayment scenarios. Such ratings are subject to revision or withdrawal at any time by the Rating Agencies. See “CERTIFICATE RATINGS.”

Failure to Comply With Loan Origination Procedures. SFC has certain rules and procedures applicable to originating the Student Loans. In addition, numerous federal and state consumer protection laws and related regulations impose substantial requirements upon the origination of the Student Loans. See “THE STUDENT LOANS – Certain Legal Aspects of Student Loans.” Failure to originate properly a Student Loan in accordance with such rules, procedures or laws could adversely affect the total collections on the Student Loans and the Issuer’s ability to pay principal and interest on the Certificates if insufficient funds are present in the Liquidity Reserve Account and the Reserve Escrow Account and if Royal does not satisfy claims made under the Insurance Policy. The failure to follow such rules, procedures and laws would not affect coverage under the Insurance Policy.

Failure to Comply With Loan Servicing Procedures and Servicer Default. The Servicer has certain rules and procedures applicable to servicing the Student Loans. See “DESCRIPTION OF THE CERTIFICATES AND POOLING AGREEMENT – The Pooling Agreement – *Servicing and Collection Process and Procedures.*” In addition, numerous federal and state consumer protection laws and related regulations impose substantial requirements upon the servicing of the Student Loans. See “THE STUDENT LOANS – Certain Legal Aspects of Student Loans.” Failure to service properly a Student Loan in accordance with the rules, procedures or laws could adversely affect the total collections and the Issuer’s ability to pay principal and interest on the Certificates if insufficient funds are present in the Liquidity Reserve Account and the Reserve Escrow Account and if Royal does not satisfy claims made under the Insurance Policy. The failure to comply under such rules, procedures and laws would not affect coverage under the Insurance Policy. The fraud or theft of monthly collections may delay payments on the Certificates if covered by insurance or, if not, will potentially cause a payment default on the Certificates if insufficient funds are present in the Liquidity Reserve Account and the Reserve Escrow Account. If the Servicer does not collect on the Student Loans in an efficient and timely manner, an increased number of Student Loans may become Defaulted Student Loans (more than 90 days delinquent from their respective due dates, applying any payment received after a delinquency to the earliest delinquency) and will result in faster than anticipated principal payments on the Senior Certificates as such Defaulted Student Loans are paid by Royal. The Servicer only provides servicing for Student Loans that are originated or

acquired by SFC and does not service loans for any other originators. The Servicer is a recently formed company which succeeded to servicing operations previously performed by SFC. There can be no assurances that the transfer of services from SFC to the Servicer, or the Servicer's limited history of servicing, will not have an adverse impact on the servicing of the Student Loans. In the event the Servicer is in default under the Pooling Agreement, MBIA or, if MBIA is in default under the MBIA Policy, the Majority Certificateholders may terminate the Servicer and replace it with another servicer. In such an event, there may be some disruption in the collection activities causing some of the Student Loans to become Defaulted Student Loans creating a more rapid rate of payment of principal on the Senior Certificates than anticipated. However, the bankruptcy, or failure to perform, of the Servicer will not affect Royal's or MBIA's requirement to pay under the Insurance Policy or under the MBIA Policy, respectively. See "CERTAIN YIELD AND PREPAYMENT CONSIDERATIONS." See "DESCRIPTION OF THE CERTIFICATES AND POOLING AGREEMENT – The Pooling Agreement – *Servicing*" and "THE SERVICER."

Actual Cash Flow Results May Be Materially and Adversely Different; Liability of Trustee to Liquidate Student Loans. The interest and principal payments received with respect to the Student Loans from one Record Date to the next succeeding Record Date (the "Payment Period") may vary greatly in both timing and amount from the payments actually due on the Student Loans as of such Payment Period for a variety of economic, social and other factors, including both individual factors, such as additional periods of deferral, customary servicer forbearance or forbearance required by applicable bankruptcy or insolvency laws prior to or after a borrower's commencement of repayment, and general factors, such as a general economic downturn which could increase the amount of defaulting Student Loans. Failure by borrowers to pay timely the principal and interest on the Student Loans will affect the total collections during the Payment Period, which may reduce the amount of principal and interest paid to the Certificateholders on a Distribution Date, potentially causing a payment default under the terms of the Certificates. Moreover, the delay in payments under the Insurance Policy for a Defaulted Student Loan of up to 70 days following the Distribution Date as of which such Student Loan was first a Defaulted Student Loan may also adversely impact cash flow and cause a reduction in payments due on the Certificates, should there be insufficient funds available in the Liquidity Reserve Account or the Reserve Escrow Account. The occurrence of one or more of these factors is impossible to predict, and no estimate can be given of the point at which the effect of such factors would impair the Issuer's ability to pay principal and interest on the Certificates. The Trustee may attempt to sell nonperforming or Defaulted Student Loans, but the market for such Student Loans is extremely limited and the likelihood of a sale is very remote. The Trustee will incur no liability for failure to liquidate the Student Loans or attempt to sell the Student Loans. See "– Sale of Assets on Default."

Interest Rate Limitations For Certain Persons on Active Duty in Military Service. Under the Soldiers' and Sailors' Civil Relief Act of 1940, loans entered into by persons on active duty in military service prior to their period of active duty may bear interest at no more than 6% per year for the period of such person's active service. Accordingly, payments received by the Issuer on Student Loans made to a borrower who qualifies for such relief may be subject to such limitation during the borrower's period of active military duty. If a substantial number of borrowers of the Student Loans become eligible for the relief under the Soldiers' and Sailors' Civil Relief Act of 1940, the interest rate limitations described above could adversely affect the

total collections on the Student Loans and the Issuer's ability to pay principal and interest on the Certificates if insufficient funds are present in the Liquidity Reserve Account or the Reserve Escrow Account. However, eligibility of borrowers under the Soldiers' and Sailors' Civil Relief Act of 1940 will not affect Royal's and MBIA's requirement to pay under the Insurance Policy or under the MBIA Policy, respectively.

Unsecured Nature of Student Loans. The Student Loans are not secured by any assets of the respective borrowers. If the Assets of the Trust are insufficient to make payments on the Certificates, no other assets will be available for payment of the deficiency. The Issuer will not have, nor will it be permitted or expected to have, any significant assets or sources of funds other than the Student Loans, the Reserve Escrow Account, the Liquidity Reserve Account and the Insurance Policy and all investment income thereon. The Certificates represent obligations solely of the Issuer and will be insured only under the MBIA Policy (in the case of the Senior Certificates) and will not be insured or guaranteed by any governmental agency or instrumentality, or by Royal, the Company, the Servicer, or any other person or entity related to those entities. Although the Trustee may attempt to sell the Student Loans following default under the Certificates (as discussed more fully below under “- Sale of Assets on Default”), there can be no assurance that the market value of the Student Loans will at any time be equal to or greater than the aggregate current principal amount of, and any accrued interest on, the outstanding Certificates or that there will be a market for the Student Loans. Therefore, upon an event of default with respect to the Certificates, there can be no assurances that sufficient funds will be available to repay the Certificateholders in full. In addition, although Royal insures the principal and 90 days of interest under the Student Loans, there is a delay in payment of up to 160 days from the Distribution Date as of which the first nonpayment under any Student Loan occurs to the time Royal pays under the Insurance Policy. If there are insufficient funds in the Reserve Escrow Account and the Liquidity Reserve Account to cover the lack of payments to be received under the Defaulted Student Loans until payment by Royal or MBIA under the Insurance Policy or MBIA Policy, respectively, holders of the Certificates will experience a delay in receiving the anticipated payments on their Certificates. Moreover, the insolvency of Royal or MBIA would impair the ability to collect on the Insurance Policy or the MBIA Policy, respectively, and may impair release of funds from the Reserve Escrow Account, potentially causing a default under the Certificates. Furthermore, any delay in payments by Royal or MBIA would adversely affect the yield under the Certificates and reduce the size of the Reserve Escrow Account, further impacting a Certificateholder's credit enhancement. See “CREDIT ENHANCEMENT;” “DESCRIPTION OF THE CERTIFICATES AND POOLING AGREEMENT – The Pooling Agreement”; “- Sale of Assets on Default.”

Bankruptcy Considerations. The bankruptcy or insolvency of the Issuer would adversely affect payments on the Certificates. The automatic stay imposed by Title 11 of the United States Code (the “Bankruptcy Code”) could prevent enforcement of obligations of the Issuer, including obligations under the Certificates and the Pooling Agreement, or actions against any of the Issuer's property, including the Assets, prior to modification of the stay. In addition, the trustee in bankruptcy for the Issuer may be able to accelerate payment of the Certificates and liquidate the Assets. The bankruptcy or insolvency of SFC could give rise to claims against the Assets if the transfer of the Assets to the Company were deemed a “secured loan” and not a “true sale” or if the Company were ordered consolidated with SFC. SFC is currently a party to certain litigation, as described under “THE ORIGINATOR – General,” which, if adversely resolved

could have an adverse effect on the financial condition or results of operations of SFC. Furthermore, SFC had a negative net worth as disclosed in its audited financial statement for the calendar year ending December 31, 1999, however, for the calendar year ending December 31, 2000, SFC had a positive net worth as disclosed in its audited financial statements. The bankruptcy of the Company could also adversely affect the Assets if the Issuer were ordered consolidated with the Company. In such event, the automatic stay provisions of the Bankruptcy Code could delay distributions on the Assets for an uncertain period of time. The bankruptcy trustee for SFC or the Company would have the power to sell the Assets if the proceeds of such sale could satisfy the debt deemed owed by SFC or the Company. The bankruptcy trustee could substitute other assets in lieu of the Assets to secure such debt, or such debt could be subject to adjustment by the bankruptcy court if SFC or the Company were to file for reorganization under Chapter 11 of the Bankruptcy Code. In the event of any impairment or avoidance of the rights of the Issuer or the Company in a Student Loan arising from a bankruptcy or similar event or proceedings with respect to SFC or the Company, the full amount of the affected Student Loan with 90 days of interest may be recovered under the Insurance Policy. The insolvency of Royal would significantly impair the ability to collect any amounts due under the Insurance Policy and the right to receive a return of the Reserve Escrow Account thereunder. Royal's insolvency would be significant in its adverse affect on the Issuer's ability to realize all of the payments due under the Student Loans.

Sale of Assets on Default. If a default occurs with respect to the Certificates, the Trustee will be authorized, and shall take such actions in accordance with the instructions of MBIA so long as MBIA has not defaulted under any obligation pursuant to the MBIA Policy and is not insolvent, to sell or otherwise liquidate the Student Loans. There can be no assurance, however, that the Trustee will be able to find a purchaser for the Student Loans in a timely manner or one who is willing to pay the aggregate outstanding principal and accrued interest due on such Certificates. The value of the Assets underlying the Certificates generally will fluctuate with changes in prevailing rates of interest. Consequently, the Assets may be liquidated at a discount, in which case the proceeds of liquidation might be less than the outstanding principal amount of and any accrued interest on the Certificates. In such event, the Issuer will be unable to pay in full the principal of and interest on the Certificates, and the Certificateholders may suffer a loss.

Limited Prior Operating History. Neither the Issuer nor the Company has any prior operating history, and the Servicer has only a twenty month operating history as a separate legal entity. The Servicer will be performing administrative, bookkeeping and certain other operational functions for the Issuer and the Company. See "THE COMPANY" and "THE SERVICER."

ERISA Considerations. The Senior Certificates may not be purchased or held by any "employee benefit plan" within the meaning of Section 3(3) of ERISA (whether or not subject to ERISA, including foreign and government plans), any "plan" described by Section 4975(e)(1) of the Code, or any entity deemed to hold "plan assets" of the foregoing, unless it is an insurance company general account meeting the specific requirements described under "CERTAIN ERISA CONSIDERATIONS".

No Registration as an Investment Company. The Issuer will not be required to register, and will not register, as an investment company under the Investment Company Act.

Registration under the Investment Company Act would subject the Issuer to numerous regulations and requirements regarding, among other things, independence of directors, diversification and conflicts of interest, which are intended to provide certain protections to investors in investment companies. The Issuer will not be subject to such regulations and requirements, and therefore investors will not have the benefit of such protection.

MBIA Has Controlling Rights. For so long as MBIA is not in default under the MBIA Policy, MBIA will be deemed to be treated as a 100% holder of the Senior Certificates. As a result, MBIA will have the right to exercise all of the rights of a Certificateholder, including the right to declare an event of default under the Pooling Agreement, direct the Trustee to liquidate the collateral, and for purposes of all approvals, consents, waivers, authorizations, directions, inspections and the institution of any action. See “DESCRIPTION OF THE CERTIFICATES AND POOLING AGREEMENT – The Pooling Agreement – *MBIA as Holder*”.

Economic Conditions. For the limited period of time during which loans in the nature of the Student Loans have been originated by the Originator, economic conditions nationally and in most regions of the country have been generally favorable. However, recent downward trends in the capital markets and reductions in economic activities may adversely affect economic conditions. A deterioration in economic conditions could be expected to adversely affect the ability or willingness of borrowers to repay the Student Loans.

Recent Origination of Student Loans. Each of the Student Loans will have been originated a minimum of 30 days prior to the Cut-off Date. Over ninety-nine percent of the Student Loans were originated within five months prior to the Cut-off Date. This short period of time is insufficient to provide reliable performance data regarding the Student Loans.

THE STUDENT LOANS

General

The Student Loans consist of education payment plan retail installment contracts (“Education Payment Plans”) or student loan agreements (“Student Loan Agreements”) with individual students of various educational institutions (the “Institutions”). The students reside in forty-nine states, the District of Columbia and the Commonwealth of Puerto Rico and the Institutions are located in thirty-one states across the country. The amount of each of the Student Loans is based upon the amount of the tuition or the cost of the education for a student at the particular Institution, less any amounts financed through other means. Student Loan applications or Education Payment Plan applications are forwarded to SFC by the Institutions. Once SFC approves a Student Loan Agreement or Education Payment Plan, the agreement is either purchased by SFC or the loan proceeds are funded directly to the Institution. The proceeds of the Student Loans and the Education Payment Plans are used to offset the cost of tuition, room, board, books and supplies and other direct expenses of the student incurred while attending classes at the Institution. The Student Loan’s interest rate is fixed over the entire life of the Student Loan or Education Payment Plan and is determined at or about the time of issuance or purchase. Payments on the Student Loans are required to be made monthly commencing the month following the commencement of classes. The portion of a payment under a Student Loan allocable to interest and the portion allocable to principal is determined in accordance with the

method of allocating a fixed level payment on a Student Loan between principal and interest, pursuant to which the portion of such payment that is allocable to interest is equal to the product of the Student Loan Rate and the unpaid balance of the Student Loan multiplied by a fraction, the numerator of which is the actual number of days elapsed since the preceding payment of interest was made and the denominator of which is the actual number of days in the calendar year, and the remainder of such payment is allocable to principal. A late payment charge of 5% of the amount due and not received by the due date will be assessed for each month a payment default occurs on the Student Loan. The Student Loans may be prepaid at any time. The terms of the Student Loans are generally 100 months to 180 months in length, and the principal is paid in full over such period of time. The Student Loans in the pool may have delinquencies of more than 60 days, but none of the Student Loans will be, as of the Cut-off Date, Defaulted Student Loans. As of the Cut-off Date, there were 88 Student Loans which were delinquent by 30 to 59 days, and there were 47 Student Loans which were delinquent by 60 to 89 days. Part of a student's loan application process for an approved student loan contains a request for two references. These references are contacted in the event of a default. See "DESCRIPTION OF THE CERTIFICATES AND POOLING AGREEMENT – The Pooling Agreement – *Servicing*" and "*– Servicing and Collection Processes and Procedures.*"

The Student Loan Credit Scoring Models and Credit

SFC internally rates each loan application pursuant to a proprietary credit method (the "Scoring Model") to develop a credit risk associated with each loan application. The Scoring Model was developed, in part, from a review of student files supplied by the Institutions across the country. The Scoring Model includes in its criteria frequency of delinquencies, the ratio of monthly payments to monthly income and projected monthly payments to projected monthly income, among other criteria and credit attributes. SFC reevaluates the Scoring Model periodically and makes changes to it based upon attributes of the student application mix. Currently, there are multiple risk credit categories into which a student may fall. The following is a statistical analysis of the pool of Student Loans as of the Cut-off Date.

**LOAN TERMS
SUMMARY**

Principal Amount **\$80,000,000.00**

Original Principal Amount

Minimum	\$	803
Maximum	\$	14,995
Average	\$	7,665

Original Term

Minimum	120
Maximum	180
Average	120
Weighted Average	
Remaining Term	118

APR

Minimum	14.00%
Maximum	21.99%
Average	19.33%
Weighted Average	19.31%

Seasoning

as of 10/31/01	
Average	1.706
Weighted Average	1.688

**SFC Grantor Trust, Series 2001-3
Portfolio Characteristics
Cut-off Date October 31, 2001**

LOANS BY COUPON

RANGE	NUMBER OF LOANS	PERCENT	REMAINING PRINCIPAL BALANCE	PERCENT
16.01% - 18.00%	2,696	25.30%	17,878,140.12	22.35%
18.01% - 20.00%	4,657	43.70%	39,446,729.32	49.31%
20.01% - 22.00%	3,304	31.00%	22,675,130.56	28.34%
22.01% - 24.00%	0	0.00%	0.00	0.00%
TOTAL	10,657	100.00%	\$ 80,000,000.00	100.00%

ORIGINAL PRINCIPAL BALANCE

RANGE	NUMBER OF LOANS	PERCENT	REMAINING PRINCIPAL BALANCE	PERCENT
0 - 2,000	67	0.63%	105,173.25	0.13%
2,000.01 - 4,000	312	2.93%	1,069,582.56	1.34%
4,000.01 - 6,000	1,843	17.29%	9,948,203.82	12.44%
6,000.01 - 8,000	3,425	32.14%	22,795,744.10	28.49%
8,000.01 - 10,000	4,063	38.13%	35,593,825.64	44.49%
10,000.01 - 12,000	635	5.96%	6,607,577.35	8.26%
12,000.01 - 14,000	274	2.57%	3,310,380.94	4.14%
14,000.01 - 16,000	38	0.36%	569,512.34	0.71%
16,000.01 - 18,000	0	0.00%	0.00	0.00%
TOTAL	10,657	100.00%	\$ 80,000,000.00	100.00%

REMAINING PRINCIPAL BALANCE

RANGE	NUMBER OF LOANS	PERCENT	REMAINING PRINCIPAL BALANCE	PERCENT
0 - 2,000	71	0.67%	112,128.89	0.14%
2,000.01 - 4,000	323	3.03%	1,115,564.49	1.39%
4,000.01 - 6,000	2,073	19.45%	11,341,355.56	14.18%
6,000.01 - 8,000	3,463	32.50%	23,588,202.08	29.49%
8,000.01 - 10,000	4,011	37.64%	35,603,143.24	44.50%
10,000.01 - 12,000	577	5.41%	6,419,528.88	8.02%
12,000.01 - 14,000	101	0.95%	1,250,564.52	1.56%
14,000.01 - 16,000	38	0.36%	569,512.34	0.71%
16,000.01 - 18,000	0	0.00%	0.00	0.00%
TOTAL	10,657	100.00%	\$ 80,000,000.00	100.00%

LOAN SEASONING (MONTHS)

RANGE	NUMBER OF LOANS	PERCENT	REMAINING PRINCIPAL BALANCE	PERCENT
0	78	0.73%	639,850.11	0.80%
1	4,150	38.94%	31,409,498.94	39.26%
2	5,465	51.28%	41,161,195.16	51.45%
3	917	8.60%	6,500,510.41	8.13%
4	37	0.35%	234,639.27	0.29%
5	3	0.03%	24,184.91	0.03%
6-10	3	0.03%	15,180.28	0.02%
11-15	0	0.00%	0.00	0.00%
16-20	0	0.00%	0.00	0.00%
21-25	0	0.00%	0.00	0.00%
26-30	0	0.00%	0.00	0.00%
31-35	0	0.00%	0.00	0.00%
36-40	2	0.02%	5,117.51	0.01%
41-45	1	0.01%	5,860.19	0.01%
46-50	1	0.01%	3,963.22	0.00%
51-75	0	0.00%	0.00	0.00%
>75	0	0.00%	0.00	0.00%
TOTAL	10,657	100.00%	\$ 80,000,000.00	100.00%

ORIGINAL TERM

RANGE	NUMBER OF LOANS	PERCENT	REMAINING PRINCIPAL BALANCE	PERCENT
21-40	0	0.00%	0.00	0.00%
41-60	0	0.00%	0.00	0.00%
61-80	0	0.00%	0.00	0.00%
81-100	0	0.00%	0.00	0.00%
100-170	10,653	99.96%	79,985,059.08	99.98%
171-180	4	0.04%	14,940.92	0.02%
TOTAL	10,657	100.00%	\$ 80,000,000.00	100.00%

DELINQUENCY REPORT

RANGE	NUMBER OF LOANS	PERCENT	REMAINING PRINCIPAL BALANCE	PERCENT
Current	10,522	98.73%	79,025,693.87	98.78%
30 to 59 Days Delinquent	88	0.83%	666,653.86	0.83%
60 to 89 Days Delinquent	47	0.44%	307,652.27	0.38%
90 Days Delinquent	0	0.00%	0.00	0.00%
TOTAL	10,657	100.00%	\$80,000,000.00	100.00%

NUMBER OF TIMES 30 DAYS DELINQUENT

NUMBER OF TIMES 30 OR MORE DAYS DELINQUENT	NUMBER OF LOANS	PERCENT	REMAINING PRINCIPAL BALANCE	PERCENT
0	10,496	98.49%	78,884,987.65	98.61%
1	156	1.46%	1,092,474.43	1.37%
2	1	0.01%	7,597.00	0.01%
3	0	0.00%	0.00	0.00%
4	0	0.00%	0.00	0.00%
5	0	0.00%	0.00	0.00%
6	0	0.00%	0.00	0.00%
7	1	0.01%	3,176.29	0.00%
8	0	0.00%	0.00	0.00%
9	0	0.00%	0.00	0.00%
10	1	0.01%	3,963.22	0.00%
11	0	0.00%	0.00	0.00%
12	0	0.00%	0.00	0.00%
13	1	0.01%	5,860.19	0.01%
14	1	0.01%	1,941.22	0.00%
15	0	0.00%	0.00	0.00%
16	0	0.00%	0.00	0.00%
17	0	0.00%	0.00	0.00%
18	0	0.00%	0.00	0.00%
19	0	0.00%	0.00	0.00%
20+	0	0.00%	0.00	0.00%
TOTAL	10,657	100.00%	\$ 80,000,000.00	100.00%

NUMBER OF TIMES 60 DAYS DELINQUENT

NUMBER OF TIMES 60 OR MORE DAYS DELINQUENT	NUMBER OF LOANS	PERCENT	REMAINING PRINCIPAL BALANCE	PERCENT
0	10,605	99.51%	79,673,311.77	99.59%
1	49	0.46%	315,710.53	0.39%
2	1	0.01%	3,176.29	0.00%
3	1	0.01%	1,941.22	0.00%
4	0	0.00%	0.00	0.00%
5	0	0.00%	0.00	0.00%
6	0	0.00%	0.00	0.00%
7	0	0.00%	0.00	0.00%
8	1	0.01%	5,860.19	0.01%
9	0	0.00%	0.00	0.00%
10	0	0.00%	0.00	0.00%
11	0	0.00%	0.00	0.00%
12+	0	0.00%	0.00	0.00%
TOTAL	10,657	100.00%	\$ 80,000,000.00	100.0%

BORROWERS BY STATE

STATE	NUMBER OF	PERCENT	REMAINING	PERCENT
TX	1,101	10.33%	7,920,180.35	9.90%
GA	1,055	9.90%	7,426,637.70	9.28%
NC	860	8.07%	6,558,222.90	8.20%
FL	1,013	9.51%	6,414,698.55	8.02%
AL	703	6.60%	5,654,059.14	7.07%
TN	603	5.66%	4,765,867.34	5.96%
KY	528	4.95%	4,311,937.49	5.39%
OH	518	4.86%	4,230,052.36	5.29%
MS	470	4.41%	3,562,953.65	4.45%
IL	397	3.73%	3,437,748.26	4.30%
SC	413	3.88%	3,033,255.00	3.79%
LA	365	3.42%	2,911,389.83	3.64%
IN	359	3.37%	2,588,255.35	3.24%
MI	337	3.16%	2,305,898.76	2.88%
MO	252	2.36%	2,060,831.98	2.58%
AR	207	1.94%	1,888,437.96	2.36%
NY	245	2.30%	1,836,964.99	2.30%
VA	240	2.25%	1,753,634.76	2.19%
PA	140	1.31%	943,778.94	1.18%
CA	114	1.07%	799,561.80	1.00%
WV	66	0.62%	529,211.26	0.66%
WI	52	0.49%	459,712.73	0.57%
OK	49	0.46%	420,364.69	0.53%
KS	51	0.48%	420,132.26	0.53%
MD	45	0.42%	366,336.16	0.46%
IA	39	0.37%	311,443.18	0.39%
AZ	43	0.40%	295,245.76	0.37%
NV	48	0.45%	270,740.24	0.34%
NM	40	0.38%	263,045.88	0.33%
NJ	32	0.30%	220,921.54	0.28%
CO	30	0.28%	220,309.48	0.28%
WA	38	0.36%	217,778.10	0.27%
PR	23	0.22%	201,423.02	0.25%
NE	22	0.21%	179,375.09	0.22%
ID	26	0.24%	178,707.85	0.22%
UT	18	0.17%	149,532.64	0.19%
MA	14	0.13%	115,479.89	0.14%
ME	12	0.11%	109,751.88	0.14%
MN	14	0.13%	90,362.71	0.11%
OR	11	0.10%	86,107.80	0.11%
DC	10	0.09%	84,717.55	0.11%
WY	10	0.09%	83,592.80	0.10%
CT	10	0.09%	80,729.19	0.10%
RI	12	0.11%	74,519.61	0.09%
DE	5	0.05%	42,059.09	0.05%
MT	5	0.05%	40,288.88	0.05%
AK	4	0.04%	30,705.00	0.04%
ND	4	0.04%	27,672.99	0.03%
SD	2	0.02%	13,489.85	0.02%
GU	1	0.01%	6,078.63	0.01%
VT	1	0.01%	5,797.14	0.01%
	10,657	100.00%	80,000,000.00	100.00%

LOANS BY SCHOOL

SCHOOL		NUMBER OF LOANS	PERCENT	REMAINING PRINCIPAL	
				BALANCE	PERCENT
299	PROFESSIONAL TDS - PADUCAH	350	3.28%	3,255,281.58	4.07%
296	FRANKLIN - MISS SOUTH	280	2.63%	2,947,170.11	3.68%
306	THOROUGHbred TRUCK DRIVING SCHOOL	302	2.83%	2,916,702.94	3.65%
358	COMMONWEALTH - GEORGETOWN	298	2.80%	2,834,491.48	3.54%
134	FRANKLIN - LEXINGTON	229	2.15%	2,260,717.50	2.83%
348	FRANKLIN - CDT	273	2.56%	2,189,799.06	2.74%
264	HOOK UP DRIVERS	213	2.00%	2,154,030.01	2.69%
335	FRANKLIN - INDIANAPOLIS	244	2.29%	1,978,970.64	2.47%
408	BEARCAT TRUCK DRIVING SCHOOL	217	2.04%	1,889,586.94	2.36%
355	FRANKLIN - FT WORTH	211	1.98%	1,690,399.36	2.11%
347	FRANKLIN - FRAZIERS	179	1.68%	1,614,404.48	2.02%
463	FRANKLIN - SKILLMASTERS	134	1.26%	1,602,034.20	2.00%
362	FRANKLIN - ELWOOD	196	1.84%	1,552,617.49	1.94%
236	TRUCK DRIVER INSTITUTE - III	262	2.46%	1,515,972.78	1.89%
382	TRUCK AMERICA TRAINING	175	1.64%	1,405,755.28	1.76%
229	COMMERCIAL DRIVER INSTITUTE - I	235	2.21%	1,391,901.06	1.74%
285	FRANKLIN - CROSSROADS	154	1.45%	1,294,287.99	1.62%
325	TRUCK DRIVER INSTITUTE - IX	201	1.89%	1,241,692.28	1.55%
429	MTA SCHOOLS - 150	134	1.26%	1,219,664.29	1.52%
267	FRANKLIN - ACDL	143	1.34%	1,215,824.48	1.52%
364	COMMERCIAL CONSULTANTS - INDIANAPOLIS	154	1.45%	1,170,058.34	1.46%
437	FRANKLIN - ALBANY	127	1.19%	1,130,589.54	1.41%
220	MTA SCHOOLS - 111	132	1.24%	1,119,348.65	1.40%
223	MTA SCHOOLS - 110	118	1.11%	1,077,648.98	1.35%
350	TTC - LEBANON	123	1.15%	1,030,760.13	1.29%
241	FRANKLIN - ST. LOUIS	128	1.20%	1,007,092.87	1.26%
109	FRANKLIN - PADUCAH	114	1.07%	1,006,331.70	1.26%
357	DELTA TRUCK - OWENSBORO	125	1.17%	979,921.12	1.22%
279	ROADMASTER DRIVER SCHOOL INC	167	1.57%	952,310.44	1.19%
139	TTT TRUCK SCHOOL	92	0.86%	925,287.39	1.16%
75	DALY'S TRUCK DRIVING SCHOOL	123	1.15%	918,754.55	1.15%
404	FRANKLIN - SLIDELL	103	0.97%	893,855.86	1.12%
346	CDTA - GRAND BAY	99	0.93%	866,866.64	1.08%
284	COMMERCIAL DRIVER TRAINING INC OF AUGUSTA	135	1.27%	849,090.33	1.06%
233	COMMERCIAL DRIVER INSTITUTE - V	141	1.32%	848,707.87	1.06%
307	MTA SCHOOLS - 140	85	0.80%	833,693.20	1.04%
251	TRUCK DRIVER INSTITUTE - VII	123	1.15%	797,183.13	1.00%
235	TRUCK DRIVER INSTITUTE - II	131	1.23%	792,981.92	0.99%
349	FRANKLIN - IDA	93	0.87%	791,031.29	0.99%
345	COMMERCIAL DRIVER INSTITUTE - VI	134	1.26%	790,841.31	0.99%
239	TRUCK DRIVER INSTITUTE - VI	128	1.20%	745,916.04	0.93%
79	U.S. TRUCK - DETROIT	128	1.20%	738,825.02	0.92%
238	TRUCK DRIVER INSTITUTE - V	123	1.15%	720,950.00	0.90%
316	FRANKLIN - FIVE STAR	86	0.81%	706,539.83	0.88%
320	ALABAMA DRIVERS	84	0.79%	700,432.18	0.88%

365	TRANSPORT TRAINING INC - SELMA	103	0.97%	627,582.65	0.78%
53	TRANSPORT TRAINING INC - 3	98	0.92%	600,371.87	0.75%
237	TRUCK DRIVER INSTITUTE - IV	96	0.90%	562,211.58	0.70%
297	TRUCK DRIVER INSTITUTE - VIII	91	0.85%	548,710.04	0.69%
221	MTA SCHOOLS - 121	55	0.52%	527,298.02	0.66%
343	NORTH ALABAMA DRIVING ACADEMY	59	0.55%	511,970.24	0.64%
324	FRANKLIN - LOUISVILLE	59	0.55%	508,740.70	0.64%
440	TRI-STATE SEMI DRIVER - HOUSTON	67	0.63%	483,266.39	0.60%
278	ROADMASTER DRIVER SCHOOL OF JACKSONVILLE	85	0.80%	476,055.96	0.60%
261	SHIPPERS CHOICE OF VIRGINIA	85	0.80%	446,329.82	0.56%
37	TRANSPORT TRAINING INC	71	0.67%	421,919.03	0.53%
277	ROADMASTER DRIVER SCHOOL OF OHIO	74	0.69%	409,830.96	0.51%
234	TRUCK DRIVER INSTITUTE - I	68	0.64%	406,731.82	0.51%
42	ALLIANCE 5 TRACTOR-TRAILER TRAINING CENTER	67	0.63%	400,575.65	0.50%
317	DIESEL INSTITUTE OF AMERICA	74	0.69%	387,323.29	0.48%
3	ALLIANCE TRACTOR-TRAILER TRAINING CENTER	62	0.58%	374,807.22	0.47%
311	MTA SCHOOLS - 139	38	0.36%	362,717.97	0.45%
337	AMERICA'S DRIVING FORCE	68	0.64%	348,276.91	0.44%
462	FRANKLIN - INTERSTATE	39	0.37%	335,758.49	0.42%
312	MTA SCHOOLS - 141	47	0.44%	327,884.07	0.41%
232	COMMERCIAL DRIVER INSTITUTE - IV	51	0.48%	311,034.32	0.39%
120	MTA SCHOOLS - 136	41	0.38%	306,902.40	0.38%
319	C.V.O.T.	48	0.45%	303,737.10	0.38%
446	TRI-STATE SEMI DRIVER - GARLAND	40	0.38%	292,973.59	0.37%
459	TRANSPORTATION SERVICES - MABLETON	47	0.44%	291,852.01	0.36%
318	QUALITY COLLEGE - FRESNO	34	0.32%	276,699.14	0.35%
231	COMMERCIAL DRIVER INSTITUTE - III	47	0.44%	273,012.67	0.34%
423	CDL - MIAMI	51	0.48%	272,727.06	0.34%
47	INTERNATIONAL SCHOOLS - NM	73	0.68%	266,985.79	0.33%
230	COMMERCIAL DRIVER INSTITUTE - II	44	0.41%	262,739.63	0.33%
286	KATLAW SCHOOL OF TRUCKING	38	0.36%	247,312.91	0.31%
323	COASTAL COLLEGE - BOSSIER CITY	30	0.28%	202,908.92	0.25%
321	INTERSTATE - EVANSVILLE	31	0.29%	200,234.13	0.25%
19	ALLIANCE 2 TRACTOR-TRAILER TRAINING CENTER	33	0.31%	199,316.23	0.25%
461	DSC TRAINING ACADEMY - GREENVILLE	33	0.31%	194,998.81	0.24%
420	CDL - BRONX	28	0.26%	187,844.62	0.23%
129	COASTAL COLLEGE - ALEXANDRIA	29	0.27%	187,436.59	0.23%
257	CAREER DRIVING AND LEARNING CENTER	29	0.27%	185,817.35	0.23%
344	MTA SCHOOLS - 146	26	0.24%	182,002.73	0.23%
132	COASTAL COLLEGE - HAMMOND	29	0.27%	179,496.98	0.22%
131	COASTAL COLLEGE - OPELOUSAS	29	0.27%	177,565.38	0.22%
20	ALLIANCE 3 TRACTOR-TRAILER TRAINING CENTER	27	0.25%	176,257.11	0.22%
342	ACROSS AMERICA INC.	26	0.24%	174,672.86	0.22%
445	TRI-STATE SEMI DRIVER - DALLAS	23	0.22%	168,748.77	0.21%
359	COASTAL COLLEGE - LAKE CHARLES	25	0.23%	159,298.29	0.20%
432	NATIONAL BUSINESS INSTITUTE OF FLORIDA	29	0.27%	153,616.28	0.19%
379	COMMERCIAL DRIVER SERVICES - WOODFORD	24	0.23%	150,612.94	0.19%
456	PROFESSIONAL TDS - TWIN FALLS	30	0.28%	148,980.94	0.19%
380	MTA SCHOOLS - 147	18	0.17%	142,180.35	0.18%
294	MTA SCHOOLS - 138	25	0.23%	141,840.96	0.18%

339	HEALTH CARE INSTITUTE OF JACKSON	50	0.47%	139,540.06	0.17%
419	CDL - ALBANY	21	0.20%	133,027.98	0.17%
464	FRANKLIN - SPARTENBURG	16	0.15%	125,804.61	0.16%
441	TRI-STATE SEMI DRIVER - SAN ANTONIO	17	0.16%	123,705.37	0.15%
425	NATIONAL TRACTOR TRAILER - LIVERPOOL	23	0.22%	122,209.42	0.15%
119	MTA SCHOOLS - 101	16	0.15%	121,865.23	0.15%
352	CDTA - GREENVILLE	14	0.13%	114,713.11	0.14%
121	CHARLOTTE TRUCK DRIVER TRAINING SCHOOL-NC	33	0.31%	113,553.84	0.14%
449	CONTINENTAL TRUCK - FORT WORTH	27	0.25%	113,365.80	0.14%
443	TRI-STATE SEMI DRIVER - ALAMO	15	0.14%	112,522.51	0.14%
415	ACTION CAREER - SAN BENITO	17	0.16%	107,524.13	0.13%
219	MTA SCHOOLS - 137	14	0.13%	105,474.86	0.13%
460	TRUCKING STREET INC	14	0.13%	97,726.20	0.12%
424	CDL - JACKSONVILLE	20	0.19%	93,978.65	0.12%
225	MTA SCHOOLS - 135	15	0.14%	91,713.91	0.11%
410	TRI-AREA DRIVING SCHOOL	13	0.12%	90,096.35	0.11%
418	COMMERCIAL TRAINING - BABYLON	20	0.19%	89,955.17	0.11%
413	ACTION CAREER - MERKEL	15	0.14%	83,245.10	0.10%
130	COASTAL COLLEGE - CALHOUN	13	0.12%	82,121.71	0.10%
271	NAPIER TRUCK DRIVER TRAINING	23	0.22%	81,782.47	0.10%
135	PACIFIC COAST TRUCK SCHOOL	19	0.18%	78,948.10	0.10%
351	MTA SCHOOLS - 145	17	0.16%	78,282.10	0.10%
383	USTDS - WHEAT RIDGE	14	0.13%	74,445.47	0.09%
442	TRI-STATE SEMI DRIVER - EL PASO	10	0.09%	72,104.31	0.09%
422	CDL - WPB	18	0.17%	69,850.92	0.09%
387	USTDS - LUMBERTON	13	0.12%	67,266.34	0.08%
439	TRI-STATE SEMI DRIVER - MIDDLETOWN	9	0.08%	67,066.80	0.08%
280	TRANSPORT TECH 1	14	0.13%	65,942.87	0.08%
431	AMERICAN INSTITUTE OF TECHNOLOGY	30	0.28%	62,690.98	0.08%
138	HICKORY TRUCK DRIVING SCHOOL - LUMBERTON	15	0.14%	60,645.12	0.08%
341	PITTSBURGH INSTITUTE OF AERONAUTICS	15	0.14%	59,615.92	0.07%
44	ALLIANCE 6 TRACTOR-TRAILER TRAINING CENTER	9	0.08%	55,285.77	0.07%
360	J & C - OPELIKA	7	0.07%	52,448.07	0.07%
428	NATIONAL TRACTOR TRAILER - BUFFALO	11	0.10%	51,652.75	0.06%
414	ACTION CAREER - ALAMO	8	0.08%	51,347.19	0.06%
137	HICKORY TRUCK DRIVING SCHOOL - FLORENCE	12	0.11%	51,181.95	0.06%
102	UNITED TDS	11	0.10%	48,566.11	0.06%
384	USTDS - PUEBLO	11	0.10%	47,979.44	0.06%
66	NETTTS	10	0.09%	47,773.37	0.06%
302	LUFKIN TRUCK DRIVING ACADEMY	14	0.13%	47,256.88	0.06%
48	INTERNATIONAL SCHOOLS - TX	9	0.08%	44,680.57	0.06%
438	D & L TRACTOR TRAILER - BRIDGEPORT	9	0.08%	41,370.29	0.05%
356	SHORE - FORKED RIVER	8	0.08%	39,027.32	0.05%
314	COMMERICAL CARRIER SERVICES, INC	9	0.08%	37,549.76	0.05%
444	TRI-STATE SEMI DRIVER - BROWNSVILLE	5	0.05%	36,609.76	0.05%
388	USTDS - RIALTO	5	0.05%	26,012.33	0.03%
372	HICKORY TRUCK DRIVING SCHOOL - CONOVER	6	0.06%	23,736.12	0.03%
385	USTDS - TULSA	4	0.04%	21,929.43	0.03%
389	USTDS - VICTORVILLE	4	0.04%	20,554.85	0.03%
391	USTDS - SANTE FE	4	0.04%	20,003.60	0.03%

136	HICKORY TRUCK DRIVING SCHOOL - TRYON	5	0.05%	19,735.88	0.02%
407	JOE CARNEY'S TRUCK DRIVING SCHOOL	3	0.03%	17,500.45	0.02%
381	MARCO & ASSOCIATES	2	0.02%	16,489.46	0.02%
430	CDL - ACADEMY	4	0.04%	15,667.59	0.02%
288	CROSSCOUNTRY TRUCK DRIVING SCHOOL	4	0.04%	13,223.72	0.02%
133	HDS TRUCK DRIVING INSTITUTE	4	0.04%	12,916.27	0.02%
300	AMERI-MEX TRAINING CENTER, INC.	2	0.02%	12,832.09	0.02%
122	CHARLOTTE TRUCK DRIVER TRAINING SCHOOL-SC	3	0.03%	12,668.19	0.02%
363	SUPERIOR TRACTOR TRAILER	4	0.04%	12,530.54	0.02%
327	NATIONAL TRAINING INSTITUTE - BAKERSFIELD	2	0.02%	12,441.89	0.02%
409	SOUTHWEST FLORIDA CAREER SCHOOL	3	0.03%	11,307.79	0.01%
457	FIRST CLASS CDL SERVICES	2	0.02%	10,313.81	0.01%
412	KNIGHTS OF THE ROAD	3	0.03%	9,592.59	0.01%
354	QUALITY COLLEGE - SAN JOSE	1	0.01%	8,476.10	0.01%
447	TRI COMPUTER LEARNING CENTER	1	0.01%	7,769.82	0.01%
374	BLUE CLIFF COLLEGE - MOBILE	1	0.01%	7,597.00	0.01%
405	INTERSTATE - PLYMOUTH	1	0.01%	6,390.00	0.01%
421	CDL - NEWBURGH	1	0.01%	6,178.56	0.01%
433	LANCASTER COUNTY CAREER & TECH CENTER - MOUNT JOY	1	0.01%	6,083.97	0.01%
453	CDL TRAINING - DECATUR	1	0.01%	5,758.86	0.01%
455	CDL TRAINING - DANVILLE	1	0.01%	5,758.86	0.01%
390	USTDS - INDIO	1	0.01%	5,504.18	0.01%
427	AVIATION & ELECTRONICS - SAN DIEGO	2	0.02%	5,467.08	0.01%
113	PROFESSIONAL TDI - BATAVIA	1	0.01%	4,946.34	0.01%
304	R & E INC.	1	0.01%	4,912.41	0.01%
386	USTDS - TROUTDALE	1	0.01%	4,674.85	0.01%
406	CAREER DEVELOPMENT CENTER	1	0.01%	4,642.86	0.01%
43	ITEC	1	0.01%	4,334.02	0.01%
336	MTA SCHOOLS - 144	1	0.01%	4,305.03	0.01%
104	PC/LAN SOLUTIONS, INC.	1	0.01%	3,963.22	0.00%
417	AMERICA TRAINING - OKLAHOMA	1	0.01%	3,832.56	0.00%
228	CONCORDE CAREER INSTITUTE - SAN DIEGO	<u>1</u>	<u>0.01%</u>	<u>1,941.22</u>	<u>0.00%</u>
	TOTAL	10,657	100.00%	80,000,000.00	100.00%

Underwriting Guidelines for Institutions

An institution must satisfy certain minimum guidelines before SFC, as the originator of the Student Loans, implements a loan program at an Institution or purchases Student Loans from the Institution (the “Institution Guidelines”). The guidelines are reviewed periodically and may be changed at any time by SFC. Generally, the Institution Guidelines require that an Institution must be either a post-secondary school or a four-year college that is licensed by the U.S. Department of Education, a state’s Department of Higher Education, or other federal, state or local accrediting bodies. Additionally, the Institutions when requested must demonstrate their ongoing compliance with the standards set forth by the U.S. Department of Education, the Department of Higher Education for the state, any accrediting councils, Title IV of the Higher Education Act of 1964, as amended, and their continuing compliance with all rules and regulations under any applicable governing authority.

Certain Legal Aspects of Student Loans

The following discussion contains general summaries of certain legal aspects of the Student Loans. Because such legal aspects are governed by applicable federal and state laws (which laws may differ substantially), the summaries do not purport to be complete or to reflect the laws of any particular state. Accordingly, the summaries are qualified in their entirety by reference to the applicable laws of those states.

Numerous federal and state consumer protection laws and related regulations impose substantial requirements upon lenders and servicers involved in consumer finance, including the making of the Student Loans. Also, some state laws impose finance charge ceilings and other restrictions on certain consumer transactions and require contract disclosures in addition to those required under federal law. These requirements impose specific statutory liabilities upon lenders who fail to comply with their provisions. In certain circumstances, the Company and the Trust may be liable for certain violations of consumer protection laws that apply to the Student Loans, either as assignee from SFC or as the party directly responsible for obligations arising after the transfer.

In addition to the consumer protection laws, numerous other statutory provisions, including federal bankruptcy laws and related state laws, may interfere with or affect the ability of the Servicer to collect payments on the Student Loans. For example, a bankruptcy court may reduce the monthly payments due under a contract or change the rate of finance charges and time for repayment of the indebtedness.

CREDIT ENHANCEMENT

Reserve Escrow Account and Liquidity Reserve Account.

Creation and Funding of Reserve Escrow Account. As contemplated by the Insurance Policy, the Issuer will enter into an escrow agreement with Wells Fargo Bank Minnesota, National Association, as Escrow Agent, pursuant to which the Reserve Escrow Account will be maintained for the benefit of the Issuer, as beneficiary thereunder, and Royal, as a third party beneficiary thereunder. The Reserve Escrow Account will be established upon coverage of the Student Loans under the Insurance Policy and will initially have a balance of approximately

\$7,978,000 on the Closing Date after giving effect to the transactions occurring on the Closing Date, which amount will be deposited into the Reserve Escrow Account by the Company. On each Distribution Date, the Trustee will contribute to the Reserve Escrow Account an amount (the "Reserve Remittance Amount") equal to the balance remaining in the Collection Account after payment of items (1) through (12) in the Payment Waterfall. In addition, recoveries on delinquent Student Loans that are not yet Defaulted Student Loans will be paid into the Reserve Escrow Account. At any time that the funds in the Reserve Escrow Account have a fair market value equal to or greater than the Maximum Reserve Amount (defined as 45% of the outstanding principal balances of the Student Loans, exclusive of Defaulted Student Loans), amounts in excess thereof will be distributed to the MBIA Reserve Account, up to the Required MBIA Reserve Amount, and any amounts in excess of the foregoing to the Company; provided, that, starting 6 months after the Senior Certificateholder Balance is less than 10% of the initial Senior Certificateholder Balance, the Company has agreed that purchasers of the Senior Certificates will receive such distributions up to an amount equal to .50% per annum on the Senior Certificateholder Balance. Amounts on deposit in the Reserve Escrow Account after the payment of a claim on a Defaulted Student Loan under the Insurance Policy, will be disbursed to Royal to the extent of such payments.

The Escrow Agent will receive a fee of \$2,000 per year (the "Escrow Fees"). In addition, the Escrow Agent is entitled to reimbursement of certain expenses and costs, which are limited to recovery from the Expense Account.

Creation and Funding of the Liquidity Reserve Account. As provided in the Pooling Agreement, the Trustee will establish and maintain a reserve fund (the "Liquidity Reserve Account") for the benefit of the holders of the Certificates. The Original Liquidity Reserve Amount, which will be deposited by the Company into the Liquidity Reserve Account on the Closing Date, will be \$2,022,000. On each Distribution Date, the Trustee will repay to the Liquidity Reserve Account amounts to replenish the Liquidity Reserve Account, to the extent of prior payments drawn from the Liquidity Reserve Account and not theretofore repaid, up to the Original Liquidity Reserve Amount, to the extent that funds are available therefor in the Collection Account as of any Distribution Date after payment of items (1) through (9) in the Payment Waterfall. The Trustee shall invest the Liquidity Reserve Account in investments permitted under the Pooling Agreement. Upon repayment of all the Certificates and payment of all amounts due and owing to MBIA, Royal, the Trustee, and the Servicer, any amounts remaining in the Liquidity Reserve Account will be remitted to the Company.

Availability of Funds from Reserve Escrow Account and Liquidity Reserve Account. On or prior to any Distribution Date, the amount of any Delinquent Interest with respect to the Student Loans for such period and any Simple Interest Shortfall for such period may be withdrawn by the Trustee from the Liquidity Reserve Account and deposited into the Collection Account, to the extent of available funds in the Liquidity Reserve Account.

Delinquent principal payments on the Student Loans that are delinquent but are not yet Defaulted Student Loans, and any Delinquent Interest with respect to such Student Loans not covered by the Liquidity Reserve Account, may be withdrawn from the Reserve Escrow Account and deposited into the Collection Account to the extent there are funds available in the Reserve Escrow Account. In addition, the full amount remaining unpaid with respect to principal on any

Defaulted Student Loans, and interest to the date of default, may be withdrawn from the Reserve Escrow Account, to the extent of available funds therein, and deposited in the Collection Account and disbursed as set forth in the Pooling Agreement.

If there is a Reserve Draw Deficiency, the amount remaining in the Reserve Escrow Account will be allocated first, pro rata to Delinquent Interest on the delinquent Student Loans, and second, pro rata to the delinquent principal on the delinquent Student Loans and to the entire principal balance of Defaulted Student Loans for such Distribution Date, and distributed as set forth in the Pooling Agreement.

Amounts deposited into the Reserve Escrow Account after the payment of a claim on a Defaulted Student Loan under the Insurance Policy will be paid to Royal to the extent of such payments.

The Insurance Policy

The form of the Insurance Policy is attached to this Memorandum as Exhibit A. Royal does not accept any responsibility for the accuracy or completeness of this Memorandum or any information or disclosure contained herein, or omitted here from, other than with respect to the accuracy of the information regarding the Insurance Policy and Royal set forth under the heading "DESCRIPTION OF ROYAL." Additionally, Royal makes no representations regarding the Certificates or the advisability of investing in the Certificates.

Under the terms of the Insurance Policy, Royal insures, subject to a Limit of Liability of \$80,000,000 in principal amount of the Student Loans (as adjusted for prepaid Loans), plus three months of interest at the stated interest rate contained in the Student Loans, amounts due under any Defaulted Student Loan at the time it became a Defaulted Student Loan or any impairment or avoidance of the rights of the Beneficiary or the Insured arising out of the bankruptcy or similar event or proceeding with respect to Student Finance Corporation or the Company).

Payments under the Insurance Policy are required to be made by Royal directly to the beneficiary within 60 days of the receipt of the Form of Claim Notice (the "Notice"). The principal portion of each payment made under the Insurance Policy reduces the Limit of Liability by a like amount. Upon payment of any claim under the Insurance Policy, Royal shall be subrogated to the extent of such payments to all of the beneficiary's and the insured's rights against the student(s) or other liable party to the extent of its obligations to pay. Any claim paid under the Insurance Policy will act as a prepayment for purposes of the Senior Certificates, and all the risks associated with a prepayment will be present, including, but not limited to, the potential loss of yield upon reinvestment of the principal proceeds.

The Insurance Policy requires payments of monthly premiums and Royal is required to be paid such monthly premium from available funds in the Collection Account in accordance with the terms of the Insurance Policy. Royal's obligation to pay any claim made under the Insurance Policy is absolute, continuing, irrevocable and unconditional irrespective of any failure on the part of the insured or the beneficiary to observe or perform any covenant or condition contained in the Insurance Policy, including a breach of any representation or warranty made by the insured, of the failure of the insured to comply with the Underwriting Policies.

Claims with respect to Defaulted Student Loans will be paid in the first instance from funds in the Reserve Escrow Account, until the Reserve Escrow Account is exhausted, after which a claim under the Insurance Policy will be paid by Royal pursuant to the terms of the Insurance Policy.

DESCRIPTION OF THE MBIA POLICY

The following information has been supplied by MBIA Insurance Corporation (“MBIA”) for inclusion in this Memorandum. The form of the MBIA Policy is attached to this Memorandum as Exhibit B. MBIA does not accept any responsibility for the accuracy or completeness of this Memorandum or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the MBIA Policy and MBIA set forth under the headings “DESCRIPTION OF THE MBIA POLICY” and “DESCRIPTION OF MBIA.” Additionally, MBIA makes no representations regarding the Certificates or the advisability of investing in the Certificates.

MBIA, in consideration of the payment of a premium and subject to the terms of the MBIA Policy, thereby unconditionally and irrevocably guarantees to any Senior Certificateholder that an amount equal to each full and complete Insured Payment will be received from MBIA by the Trustee or its successors, as Trustee for the Senior Certificateholders, on behalf of the Senior Certificateholders, for distribution by the Trustee to each Senior Certificateholder of that Senior Certificateholder’s proportionate share of the Insured Payment.

MBIA’s obligations under the MBIA Policy, with respect to a particular Insured Payment, will be discharged to the extent funds equal to the applicable Insured Payment are received by the Trustee, whether or not those funds are properly applied by the Trustee. Insured Payments will be made only at the time set forth in the MBIA Policy, and no accelerated Insured Payments will be made regardless of any acceleration of the Senior Certificates, unless the acceleration is at the sole option of MBIA.

Notwithstanding the foregoing paragraph, the MBIA Policy does not cover shortfalls, if any, attributable to the liability of the Trust or the Trustee for withholding taxes, if any (including interest and penalties in respect of any liability for withholding taxes).

MBIA will pay any Insured Payment that is a Preference Amount on the business day following receipt on a business day by MBIA’s fiscal agent of the following:

- a certified copy of the order requiring the return of a preference payment;
- an opinion of counsel satisfactory to MBIA that the order is final and not subject to appeal;
- an assignment in a form that is reasonably required by MBIA, irrevocably assigning to MBIA all rights and claims of the Senior Certificateholders relating

to or arising under the Senior Certificates against the debtor which made the preference payment or otherwise with respect to the preference payment; and

- appropriate instruments to effect the appointment of MBIA as agent for the Senior Certificateholders in any legal proceeding related to the preference payment, which instruments are in a form satisfactory to MBIA;

provided that if these documents are received after 12:00 p.m., New York time, on that business day, they will be deemed to be received on the following business day. Payments by MBIA will be disbursed to the receiver or the trustee in bankruptcy named in the final order of the court exercising jurisdiction on behalf of the Senior Certificateholders and not to any Senior Certificateholders directly unless the Senior Certificateholders have returned principal or interest paid on the Senior Certificates to the receiver or trustee in bankruptcy, in which case that payment will be disbursed to the Senior Certificateholders.

MBIA will pay any other amount payable under the MBIA Policy no later than 12:00 p.m., New York time, on the later of the Distribution Date on which the related Deficiency Amount is due or the third business day following receipt in New York, New York, on a business day by State Street Bank and Trust Company, National Association, as fiscal agent for MBIA or any successor fiscal agent appointed by MBIA, of a notice from the Trustee specifying the Insured Payment which is due and owing on the applicable Distribution Date, provided that if the notice is received after 12:00 p.m., New York time, on that business day, it will be deemed to be received on the following business day. If any notice received by MBIA's fiscal agent is not in proper form or is otherwise insufficient for the purpose of making a claim under the MBIA Policy, it will be deemed not to have been received by MBIA's fiscal agent for the purposes of this paragraph, and MBIA or the fiscal agent, as the case may be, will promptly so advise the Trustee and the Trustee may submit an amended notice.

Insured Payments due under the MBIA Policy, unless otherwise stated therein, will be disbursed by MBIA's fiscal agent to the Trustee, on behalf of the Senior Certificateholders, by wire transfer of immediately available funds in the amount of the Insured Payment less, in respect of Insured Payments related to Preference Amounts, any amount held by the Trustee for the payment of the Insured Payment and legally available therefor.

The fiscal agent is the agent of MBIA only, and the fiscal agent will in no event be liable to Senior Certificateholders for any acts of the fiscal agent or any failure of MBIA to deposit or cause to be deposited sufficient funds to make payments due under the MBIA Policy.

As used in the MBIA Policy, the following terms shall have the following meanings:

“Deficiency Amount” means (a) for any Distribution Date, any shortfalls in amounts available in the Collection Account to pay the Senior Interest Distribution with respect to the Senior Certificates and (b) on the Final Distribution Date, any shortfall in amounts available in the Collection Account to pay the outstanding principal on the Senior Certificates.

“Insured Payment” means (a) as of any Distribution Date, any Deficiency Amount and (b) any Preference Amount.

“*Preference Amount*” means any amount previously distributed to a Senior Certificateholder on the Senior Certificates that is recoverable and sought to be recovered as a voidable preference by a trustee in bankruptcy pursuant to the United States Bankruptcy Code (11 U.S.C.), as amended from time to time, in accordance with a final nonappealable order of a court having competent jurisdiction.

Capitalized terms used in the MBIA Policy and not otherwise defined in the MBIA Policy shall have the meanings set forth in the Pooling Agreement as of the date of execution of the MBIA Policy, without giving effect to any subsequent amendment or modification to the Pooling Agreement unless such amendment or modification has been approved in writing by MBIA.

The MBIA Policy is not cancelable for any reason. The premium on the MBIA Policy is not refundable for any reason including payment, or provision being made for payment, prior to the maturity of the Senior Certificates.

The MBIA Policy is being issued under and pursuant to, and will be construed under, the laws of the State of New York, without giving effect to the conflict of laws principles thereof.

A form of the insurance policy is attached to this Private Placement Memorandum as Exhibit B.

The insurance provided by the MBIA Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

CERTAIN YIELD AND PREPAYMENT CONSIDERATIONS

General

The yield on the Senior Certificates will depend on the price paid by the Senior Certificateholder for its interest in the Student Loans and other Assets of the Issuer as described in the Senior Certificates, the receipt and timing of the receipt of payments on the Senior Certificates and prepayment and default rates on the Student Loans.

Yield and Prepayment Considerations

All principal payments received from the student on the Student Loans will be applied to reduce the principal balance of the Senior Certificates. To the extent of funds available in the Reserve Escrow Account, delinquent monthly payments on Student Loans that are not yet Defaulted Student Loans (more than 90 days delinquent from their respective due dates, applying any payment received after a delinquency to the earliest delinquency) will be funded by the Reserve Escrow Account and also applied to reduce the principal balance of the Senior Certificates. In addition, prepayments received on the Student Loans, and payments equal to the entire principal balance of Defaulted Student Loans received pursuant to the Reserve Escrow Account or Insurance Policy, will be applied to reduce the principal balance of the Senior Certificates. Thus, the rate of payment on the Senior Certificates will be affected by the

scheduled amortization of the Student Loans, the rate of prepayments thereon, and the rate of defaults thereon.

Assuming the Senior Certificates are sold at par, a higher than anticipated rate of principal prepayments or defaults on the Student Loans will not affect the yield to maturity on the Senior Certificates, although it will affect the average life of the Senior Certificates, since the principal payments and Insurance Policy funds will be used to pay down principal on the Senior Certificates. Thus, although the Senior Certificates will be paid in full, they may be retired earlier than expected. The Senior Certificateholders may not be able to reinvest accelerated principal payments at the time of receipt at interest rates comparable to the Senior Certificates' interest rates, causing a potential loss of yield on the funds repaid. If the Senior Certificates are sold at a discount or at a premium, a higher or lower rate of prepayment or default under the Student Loans will increase or decrease, respectively, the yield to maturity on the Senior Certificates.

Because the rates of payment of principal on the Student Loans or the number of defaults on the Student Loans covered by the Insurance Policy will depend on future events and a variety of factors (as described more fully below), no assurance can be given as to such rates or the rate of principal prepayments or defaults in particular. In general, the earlier a prepayment of principal or default on the Student Loans covered by the Reserve Escrow Account or the Insurance Policy is distributed on the Senior Certificates, the greater will be the effect on the investor's yield to maturity. As a result, the effect on such investor's yield of principal payments occurring at a rate higher (or lower) than the rate anticipated by the investor during any particular period would not be fully offset by a subsequent like reduction (or increase) in the rate of principal payments.

The extent of prepayments of principal or defaults on the Student Loans varies from time to time and may be affected by a number of factors including, without limitation, economic, demographic, geographic, social, legal and tax. The rate of defaults on the Student Loans may be higher since a significant portion of the Student Loans have up to two delinquent payments. As of the Cut-off Date, there were 88 Student Loans which were delinquent by 30 to 59 days, and there were 47 Student Loans which were delinquent by 60 to 89 days. The existence of Student Loans with delinquencies in the pool could cause the default rate to be higher. In addition, the rate of prepayment on the Student Loans may be affected by prevailing market interest rates for student loans. When the prevailing market interest rate is below that on the Student Loans, a borrower may have an increased incentive to refinance his or her Student Loan. There can be no assurance as to the rate or frequency of prepayments or defaults on the Student Loans in the Trust. Furthermore, there can be no assurance that increased access to or availability of private or public student loan programs will not result in significant prepayments on the Student Loans. The Issuer will not and does not make any representation as to the particular factors that will affect the prepayments or defaults on the Student Loans, as to the relative importance of such factors, as to the percentage of the principal balance of the Student Loans that will be paid as of any date or as to the overall rate of prepayment on the Student Loans.

The rates at which principal payments are received on the Student Loans and the rate at which payments are made by Royal for Defaulted Student Loans may affect the ultimate

maturity and the weighted average life of the Senior Certificates. Weighted average life refers to the average amount of time that will elapse from the date of issue of an instrument until each dollar of principal of such instrument is repaid to the investor.

The weighted average life of the Senior Certificates will be influenced by the rate at which principal on the related Student Loans, whether in the form of scheduled amortization, prepayments or payments under the Insurance Policy, is paid on such series of Senior Certificates. Prepayment rates on loans are commonly measured relative to a prepayment standard or model. However, there is no standard or model generally available for pools of student loans. Moreover, if the Servicer does not collect on the Student Loans in an efficient and timely manner or there are interruptions of its activities for any reason, an increased number of Student Loans may become Defaulted Student Loans (more than 90 days delinquent from their respective due dates, applying any payment received after a delinquency to the earliest delinquency) and will result in faster than anticipated principal payments on the Senior Certificates as such Defaulted Student Loans are paid by Royal.

USE OF PROCEEDS

The Issuer anticipates that the net proceeds from the sale of the Certificates estimated at approximately \$84,684,732.24 (after deducting Placement Agent fees and commissions), will be used to acquire the Assets, pay the other expenses of the offering, including the Insurance Premium and the MBIA Premium, and fund the Liquidity Reserve Account, the Reserve Escrow Account and the operations of the Issuer.

THE ISSUER

The Issuer was created pursuant to the Pooling Agreement. Under the terms of the Pooling Agreement, the Company will transfer to the Issuer the Assets (including the pool of Student Loans, as well as rights under the Insurance Policy and the Reserve Escrow Account and funds for deposit into the Liquidity Reserve Account) in return for the Certificates. The Company will thereupon sell the Senior Certificates as provided herein.

The Trustee will hold the Assets for the purpose of paying the principal, if applicable, and interest due under the Certificates, inter alia, and holders of the Certificates will be entitled to an ownership interest in the Assets.

The Pooling Agreement provides that the Trustee, as Trustee on behalf of the Issuer, may not engage in any business, commercial or other activity for profit. The Pooling Agreement may be amended only with the prior written consent of the Trustee, the Company, the Servicer, MBIA, Royal and the Majority Certificateholders. The Company will not be liable for payment of principal or interest on the Certificates, and each of the holders of the Certificates will be deemed to have released the Company from any such claim, liability or obligation on or with respect to such Certificates.

The Pooling Agreement provides that the Trustee shall not be personally liable for any action taken, suffered or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Pooling Agreement.

THE COMPANY

General

The Company is a limited liability company organized and existing under the laws of the State of Delaware. The Company was organized on October 30, 2001, for the special and limited purpose of entering into this financing. No other property, projects or substantial assets are owned by the Company. The members of the Company are a special purpose Delaware corporation named SFC Acceptance VIII G.P., Inc. (the "Company Member") and SFC. The daily business operations will be conducted by the Company Member. The Member Manager and the Independent Directors of the Company Member will make all decisions on the filing of voluntary bankruptcy and certain other extraordinary events.

Executive Officers and Directors of Company Member

The directors and executive officers of the Company Member and their positions are as follows:

<u>Name</u>	<u>Position</u>
Andrew N. Yao	Director and President
Craig D. Grear	Director and Secretary
Frances E. McComb	Director
Gary J. Hawthorne	Executive Vice President and Secretary

The biographies of Andrew N. Yao and Gary J. Hawthorne are set forth below under "THE SERVICER."

Craig D. Grear is currently a partner at Young, Conaway, Stargatt & Taylor, a law firm located in Wilmington, Delaware. From 1992 until 1996, Mr. Grear was an associate in the law firm of Clark, Ladner, Fortenbaugh & Young located in Philadelphia, Pennsylvania. Prior to 1992, Mr. Grear was an associate at Richards, Layton & Finger, a law firm in Wilmington, Delaware.

Frances E. McComb is currently an associate general counsel at Talk.com, Inc., a publicly traded company with its headquarters in Reston, Virginia. From January of 1996 until December of 1999, Ms. McComb was deputy general counsel at E4L, Inc., with offices in Philadelphia, Pennsylvania. Prior to 1996, Ms. McComb was an associate at the law firm of Clark, Ladner Fortenbaugh & Young, a Philadelphia law firm.

THE ORIGINATOR

General

The Student Loans were originated or purchased by SFC, and are being sold by SFC to the Company pursuant to a Student Loan Purchase Agreement concurrent with the contribution of such Student Loans by the Company to the Issuer. SFC is in the business of lending to students of various post-secondary schools or purchasing installment tuition agreements made with the students of post-secondary schools. The schools from which SFC purchases student tuition installment agreements or lends to the schools' students for tuition payments range from two month programs for transportation, computer, paralegal education or other trade schools to four year colleges with the student receiving a Bachelor of Arts degree. The schools must satisfy the Institution Guidelines and the Student Loans must satisfy the Scoring Model.

The FDIC and SFC entered into a Settlement Agreement on July 1, 2001 which settled the case filed by the FDIC against SFC in the United States District Court for the District of Colorado at Case No. 98-D-2703SFC and SFC's counterclaim against the FDIC. The Settlement Agreement did not constitute an admission of liability on the part of either party. The terms of the settlement were disclosed in a footnote to SFC's financial statements for the year end December 31, 2000. The final Settlement Agreement was as set forth in the financial statements except that the FDIC did not release any funds to SFC, as previously disclosed. SFC is a defendant in one litigation proceeding. Nielson Electronics Institute, Inc. sued SFC in the United States District Court for the District of Delaware at Case No. 99-285-MNS in May of 1999. SFC is vigorously contesting the action and has asserted a significant counterclaim against the plaintiff. The litigation is continuing and no opinions can be given on the likely outcome of the litigation. SFC believes that even if the case was adversely decided against it, which SFC does not believe will occur, the damages awarded in the action will not cause SFC to file for bankruptcy. Nevertheless no assurance can be given that if the litigation were adversely decided that SFC would not be required to file for bankruptcy. In any event, the Student Loans should not be affected, and if they were, upon any impairment or avoidance of the rights of the Issuer or the Company in a Student Loan arising from a bankruptcy or similar event or proceeding with respect to SFC, the full amount of the principal of the affected Student Loan with 90 days of interest at the Student Loan Rate may be recovered under the Insurance Policy.

Executive Officers and Directors of SFC

The following is an identification and description of the business experience of the executive officers and directors of SFC:

Andrew N. Yao	Director, Chief Executive Officer and Treasurer
Gary J. Hawthorne	Director, President, Chief Operating Officer and Secretary
Perry R. Turnbull	Director, Vice Chairman and Chief Marketing Officer

The biographies of Andrew N. Yao, Gary J. Hawthorne and Perry R. Turnbull are set forth under “THE SERVICER.”

THE SERVICER

General

Pursuant to the Pooling Agreement, Student Loan Servicing LLC, is designated as Servicer. The Servicer was organized on March 1, 2000 to succeed to certain servicing functions previously performed by SFC with respect to student loans originated or acquired by SFC.

Executive Officers and Directors of Servicer

The following is an identification and description of the business experience of the executive officers and directors of the Servicer:

Andrew N. Yao	Chairman and Treasurer
Gary J. Hawthorne	President, Chief Executive Officer and Secretary
Frank Martinez	Vice President
Perry Turnbull	Director

Andrew N. Yao is the chairman and treasurer of the Servicer. He has general management responsibility for all areas of the Servicer’s operations and financing. Mr. Yao founded the Servicer in March of 2000. Mr. Yao is also the president and chief executive officer of SFC. Mr. Yao also owns the general partner of CEC Partnership, L.P., which was formed in 1991 to invest in post-secondary education. Additionally, Mr. Yao is president and founder of Electronic Cash Management, LLC, which was formed in 1998 to service automated teller machines.

Gary J. Hawthorne is president, chief executive officer and secretary for the Servicer. Mr. Hawthorne joined the Servicer upon its formation in March of 2000. Mr. Hawthorne has served as Senior Vice President of Operations for SFC since 1997. From October, 1983 until June of 1997, Mr. Hawthorne was Executive Vice President, Chief Operations Officer, and served on the board of directors with Service One International Corporation, a credit card servicing company. Prior to 1983, Mr. Hawthorne held positions of Director of Finance for a government manufacturing contractor, Senior Vice President and Controller, Executive Vice President and Managing Officer for two lending institutions in California, and a Savings Bank Examiner for the State of California.

Frank Martinez is vice president for the Servicer. Prior to joining the Servicer, Mr. Martinez was Vice President of Account Services for SFC. Prior to joining SFC, Mr. Martinez was the Chief Operating Officer of Solomon & Solomon P.C., a law firm in Albany, New York specializing in creditor rights and third party collections. He has held executive positions in the

credit and collections field at large and small financial institutions, most notably Citibank, Chase, and Key Federal Savings within their respective credit card and installment lending operations.

Perry R. Turnbull is a director of the Servicer. He is responsible for managing the Servicer's relationship with its client schools. This includes presenting the Servicer's programs to qualified institutions, training the personnel at approved institutions, and maintaining client relations. Mr. Turnbull has been affiliated with the Servicer since July 1993. Prior to joining SFC in 1996, Mr. Turnbull was president of Educational Methods, Inc., an educational products company, a position he held since 1984.

DESCRIPTION OF MBIA

General

MBIA is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company. MBIA Inc. is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and is subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA has three branches, one in the Republic of France, one in the Republic of Singapore and the other in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by MBIA, changes in control and transactions among affiliates. Additionally, MBIA is required to maintain contingency reserves on its liabilities in specified amounts and for specified periods of time.

Financial Information About MBIA

The following documents filed by MBIA Inc. with the Securities and Exchange Commission are incorporated by reference:

- MBIA Inc.'s Annual Report on Form 10-K for the year ended December 31, 2000;
- MBIA Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2001; and
- the report on Form 8-K filed by MBIA Inc. on January 30, 2001.

Any documents filed by MBIA Inc. pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, after the date of this Memorandum and prior to the termination of the offering of the securities offered hereby shall be deemed to be incorporated by reference in this Memorandum and to be a part hereof. Any statement contained in a document incorporated or deemed incorporated by reference herein, or contained in this Memorandum, shall be deemed to be modified or superseded for purposes of this Memorandum to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such

statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Memorandum.

The consolidated financial statements of MBIA, a wholly owned subsidiary of MBIA Inc., and its subsidiaries as of December 31, 2000 and December 31, 1999 and for each of the three years in the period ended December 31, 2000, prepared in accordance with generally accepted accounting principles, included in the Annual Report on Form 10-K of MBIA Inc. for the year ended December 31, 2000, and the consolidated financial statements of MBIA and its subsidiaries as of September 30, 2001 and for the nine month period ended September 30, 2001 and September 30, 2000 included in the Quarterly Report on Form 10-Q of MBIA Inc. for the period ended September 30, 2001, are hereby incorporated by reference into this Memorandum and shall be deemed to be a part hereof. Any statement contained in a document incorporated by reference herein shall be modified or superseded for purposes of this Memorandum to the extent that a statement contained herein or in any other subsequently filed document which also is incorporated by reference herein modifies or supersedes that statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Memorandum.

MBIA, Inc. files annual, quarterly and special reports, information statements and other information with the Securities and Exchange Commission under File No. 1-9583. Copies of the Securities and Exchange Commission filings including:

- MBIA Inc.'s Annual Report on Form 10-K for the year ended December 31, 2000;
- MBIA Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2001, and
- The report on Form 8-K filed by MBIA Inc. on January 30, 2001 are available:
- Over the Internet at the Securities and Exchange Commission's web site at <http://www.sec.gov>;
- At the Securities and Exchange Commission's public reference rooms in Washington, D.C.;
- Over the Internet at MBIA Inc.'s web site at <http://www.mbia.com>; and
- At no cost, upon request to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504. The telephone number of MBIA is (914) 273-4545.

The tables below present selected financial information of MBIA determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities and generally accepted accounting principles:

MBIA

	Statutory Accounting Practices	
	<u>December 31, 2000</u> (Audited)	<u>September 30, 2001</u> (Unaudited)
	(In millions)	
Admitted Assets.....	\$7,627	\$8,463
Liabilities.....	5,245	6,049
Capital and Surplus.....	2,382	2,414

	Generally Accepted Accounting Principles	
	<u>December 31, 2000</u> (Audited)	<u>September 30, 2001</u> (Unaudited)
	(In millions)	
Assets.....	\$8,450	\$9,505
Liabilities.....	3,642	4,252
Shareholder's Equity.....	4,808	5,253

Financial Strength Ratings of MBIA

Moody's Investors Service, Inc. rates the financial strength of MBIA as "Aaa."

Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., rates the financial strength of MBIA as "AAA."

Fitch, Inc. rates the financial strength of MBIA as "AAA."

Each rating of MBIA should be evaluated independently. The ratings reflect each respective rating agency's current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Senior Certificates, and the ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Senior Certificates. MBIA does not guarantee the market price of the Senior Certificates nor does it guarantee that the ratings on the Senior Certificates will not be revised or withdrawn.

DESCRIPTION OF ROYAL INDEMNITY COMPANY

General

The following description of Royal Indemnity Company and certain of its affiliates is based solely on the information provided by Royal and public research provided by Moody's

Rating Service, Inc., Standard & Poor’s Rating Services and A.M. Best Company, and has not been independently verified by the Issuer, the Company or the Placement Agent. The inclusion of this information is not, and should not be construed as, a representation by the Issuer, the Company or the Placement Agent as to its accuracy or completeness or otherwise.

Royal Indemnity Company (“Royal”) is a direct wholly-owned subsidiary of Royal Group, Inc., which is a wholly-owned subsidiary of Royal & Sun Alliance USA, Inc. (“Royal & Sun Alliance”), which in turn is a subsidiary of Royal & Sun Alliance Insurance Group plc (the “Royal Insurance Group”). Royal is a Delaware capital stock insurance company. The Royal is the administrator for The Royal Indemnity Pool, which underwrites almost all classes of fire, casualty and marine insurance. The Royal Indemnity Pool, effective as of October 1, 2001, consists of the following participations: Royal Insurance Company of America, 25%; Globe Indemnity Company, 5%; Royal , 25%; Safeguard Insurance Company, 5%; and American and Foreign Insurance Company, 5%; Guaranty National Insurance Company, 5%; Viking Insurance Company of Wisconsin, 4%; The Sea Insurance Company of America, 10%; Phoenix Assurance Company of New York, 2%; Security Insurance Company of Hartford, 10%; The Connecticut Indemnity Company 2%; The Fire and Casualty Insurance Company of Connecticut, 2%; Connecticut Specialty Insurance Company, 0%; Design Professionals Insurance Company, 0%; EBI Indemnity Company, 0%; and Employee Benefits Insurance Company; 0%. (the “Royal Indemnity Pool”). All underwriting commitments of each member of The Royal Indemnity Pool are 100% reinsured with the Royal Indemnity Company, which retrocedes to the affiliated companies specified percentage participations of the underlying commitments.

Where You Can Obtain Additional Information About Royal and Royal & Sun Alliance

Copies of Royal’s 1999 and 2000 year end audited financial statements and quarterly financial statements prepared in accordance with statutory accounting practices are available, without charge, from Royal at their web site www.royalsunalliance.com or upon request to Royal, 9300 Arrowpoint Boulevard, Charlotte, North Carolina 28273-8135. The telephone number is (704) 522-2000.

Financial Information About Royal and the Royal Indemnity Pool

As of December 31, 2000, Royal had admitted assets of \$1,139 million, total liabilities of \$778 million, and total capital and surplus of \$362 million, determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Statutory surplus of Royal Indemnity pool on a pro forma basis was \$2.21 billion as of December 31, 2000.

Fiscal Year	2000 Pro Forma
(ooo’s)	
Net Premiums Written	\$2,845,326
Statutory Income	(\$ 77,930)
Statutory Surplus	\$2,211,089
Loss Ratio	85.6%

Expense Ratio		33.7%
Policy Holder Dividend Ratios		1.6%
Combined Ratio		120.9%

Financial Strength Ratings of Royal

The Royal Insurance Group, and each of its core insurance subsidiaries, including Royal Indemnity Company, is rated “A+” (Superior) by A.M. Best Company. Royal is rated “A1” by Moody’s Investors Service, Inc. and “A+” by Standard & Poor’s Rating Services (Financial Strength Rating, Local Currency). These ratings reflect the respective rating agency’s current assessment of the insurance financial strength of Royal and its ability to pay claims on its policies of insurance. Any further explanations as to the significance of the above ratings may be obtained from A.M. Best Company, Moody’s Investors Service, Inc. and Standard & Poor’s Rating Services.

Information regarding the company’s reports to the Securities and Exchange Commission may be obtained as follows:

- Over the Internet at the Securities and Exchange Commission’s web site at <http://www.sec.gov>;
- At the Securities and Exchange Commission’s public reference room in Washington, D.C.;
- Over the Internet at Royal’s web site at www.royalsunalliance.com; and
- Upon request to Royal, 9300 Arrowpoint Boulevard, Charlotte, North Carolina 28273-8135. The telephone number is (704) 522-2000.

DESCRIPTION OF THE CERTIFICATES AND POOLING AGREEMENT

THE FOLLOWING SUMMARIES OF CERTAIN PROVISIONS OF THE CERTIFICATES, THE POOLING AGREEMENT AND OTHER AGREEMENTS DO NOT PURPORT TO BE COMPLETE AND ARE SUBJECT TO, AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO, ALL OF THE PROVISIONS OF THE CERTIFICATES, THE POOLING AGREEMENT AND SUCH OTHER AGREEMENTS, INCLUDING THE DEFINITIONS THEREIN OF CERTAIN TERMS AND THE EXHIBITS THERETO. WHEREVER NOT OTHERWISE DEFINED, SUCH DEFINITIONS ARE INCORPORATED HEREIN BY REFERENCE.

The Certificates

General. The Certificates will be issued under the Pooling Agreement between the Issuer and the Trustee. The Certificates will be non-recourse obligations of the Issuer with a Final Distribution Date of March 20, 2012. However, the actual date on which payment in full may be made on the Certificates may be earlier than the Final Distribution Date due to, among other

factors, prepayments of principal on Student Loans and payments received from the Reserve Escrow Account or the Insurance Policy on Defaulted Student Loans. No assurances can be given as to the actual maturity date of the Certificates or on the payment experience of the Student Loans or the Certificates. Interest will be distributed on the Senior Certificates at the Senior Pass Through Rate of 5.50% per annum. The Interest-Only Certificates will be entitled to receive interest on the notional principal balance of the Interest-Only Certificates at the rate of 2.61% per annum. See “-- *Principal and Interest*” below. The Senior Certificates will be sold in minimum denominations of \$3,000,000.

As of the Closing Date, the Trustee will establish and maintain the Collection Account to which will be deposited for distribution to the Certificateholders all amounts collected on the Student Loans, or from the Liquidity Reserve Account, the Reserve Escrow Account or the Insurance Policy, as set forth in the Pooling Agreement.

Distributions of principal and interest on the Certificates will be made on the Distribution Dates by check mailed to the Certificateholders registered at the address of such Certificateholders appearing on the Certificate register, unless wire instructions are provided, in which case the distributions will be wire transferred. Notice will be mailed to the registered holders of such Senior Certificates not less than five days prior to the Distribution Date on which the final payment of principal on any Senior Certificate is expected to be made.

Distributions of principal and interest on the Certificates will be made by the Trustee as the paying agent for the Issuer out of the Collection Account established under the Pooling Agreement.

The Lock Box Account and Collection Account. All amounts collected from the obligors on the Student Loans, commencing with the Cut-off Date, will be deposited directly into a lock box account established at PNC Bank, National Association (the “Lock Box Bank”) in the name of the Issuer (the “Lock Box Account”) and invested therein in investments permitted under the Pooling Agreement (U.S. treasury obligations, money market funds, certificates of deposit meeting the criteria set forth in the Pooling Agreement, provided that all investments mature not later than the Record Date, hereinafter referred to as the “Permitted Investments”). Any checks received by the Servicer will be deposited, within one business day, into the Lock Box Account. The cash balances in the Lock Box Account representing collections on the Student Loans during the preceding monthly Collection Period will be wire transferred prior to each Distribution Date directly to a trust account or accounts (collectively, the “Collection Account”) to be established by the Trustee for the benefit of the holders of the Certificates. Any funds disbursed from the Lock Box Account may only be transferred to the Collection Account.

In addition to funds transferred from the Lock Box Account, amounts withdrawn from the Liquidity Reserve Account or the Reserve Escrow Account, or received from the Insurance Policy for a Defaulted Student Loan, shall also be deposited into the Collection Account by the Trustee. In addition, the Servicer, may, but need not, advance funds to make up any shortfalls resulting from any delinquent payment due under the Student Loans. The Servicer is under no obligation to make any such advances and will only do so to maintain regular payments to the Certificateholders, assuming there is a high probability of repayment of such advances from the Assets. However, Servicer shall deposit in the Collection Account from its own funds any

Simple Interest Shortfall not funded by the Liquidity Reserve Account. Under no circumstances should any advance made by the Servicer be construed to be a guaranty or insurance against any loss under the Certificates or that the Servicer will make any further advances. No assurances can be made that sufficient funds will be available to meet all payments due under the Certificates.

The Trustee will invest the funds in the Collection Account in Permitted Investments.

On or prior to each Distribution Date, amounts in the Collection Account that represent advance payments designated in writing by the Obligor to be held and applied to monthly Student Loan payments due after the Record Date, instead of as an immediate prepayment of principal, will be transferred to a Pay-Ahead Account, and amounts in the Pay-Ahead Account on account of scheduled payments due prior to the Record Date will be transferred from the Pay-Ahead Account into the Collection Account. Amounts in the Collection Account which represent recoveries of delinquent payments funded by the Reserve Escrow Account or the Insurance Policy will be paid directly into the Reserve Escrow Account. In addition, certain other amounts (including late fees and similar collections, Simple Interest Excess and payments on Student Loans no longer part of the Trust estate) will be paid to the party entitled thereto, as provided in the Pooling Agreement. For example, the Simple Interest Excess is payable to the Servicer to compensate it for making advances of Simple Interest Shortfall, with any amount not payable to the Servicer to be deposited into Liquidity Reserve Account.

In the event that there are insufficient funds in the Collection Account to pay accrued and unpaid interest due on the Senior Certificates or, on the Final Distribution Date, the unpaid Senior Certificate Balance, then such deficiency may be recovered under the MBIA Policy, as described herein.

On each Distribution Date, the Trustee will apply amounts remaining in the Collection Account (including amounts drawn from the Liquidity Reserve Account and the Reserve Escrow Account) in accordance with the following Payment Waterfall:

- (1) To the extent of available funds, commencing with the Distribution Date in February, 2002, to the payment of the monthly insurance premium due MBIA;
- (2) To the extent of available funds, to the payment of the monthly insurance premium due to Royal pursuant to the Insurance Policy;
- (3) To the extent of available funds, to the payment of Trustee Fees due the Trustee and to the payment of the Escrow Fees due the Escrow Agent for the respective Distribution Date and any previous Distribution Date for which such fees have not been paid in whole or in part to the extent of such deficiency, which Trustee's Fees and Escrow Fees may not exceed \$8,500 per month unless consented to by MBIA, Royal, and the Rating Agencies;
- (4) To the extent of available funds, to the payment of an amount of \$8,500 less the amounts paid to the Trustee and Escrow Agent pursuant to (3)

above (the “Expense Account Set Aside”) deposited to the Expense Account established by the Trustee under the Pooling Agreement (the “Expense Account”) for such Distribution Date and any previous Distribution Dates for which such amount was not so deposited in whole or in part to the extent of such deficiency;

- (5) To the extent of available funds, to the payment of additional expenses of the Trustee, as applicable, during any time that Student Loan Servicing LLC is no longer the Servicer and the Trustee is acting as successor Servicer, to the extent that such additional expenses are not covered by the Expense Account; provided that if such additional expenses exceed \$10,000 in the aggregate during the term of the Pooling Agreement, any payment to the Trustee for such additional expenses which exceed such \$10,000 limit must be approved by MBIA, Royal (provided the Maximum Reserve Amount has not been exceeded) and the Rating Agencies;
- (6) To the extent of available funds, to the payment of the Senior Interest Distribution, including any overdue amounts on the Senior Certificates as to which MBIA is subrogated to the extent of payment under the MBIA Policy;
- (7) To the extent of available funds, to the payment of the Interest-Only Distribution (not including overdue interest on the Interest-Only Certificates);
- (8) To the extent of available funds, to the payment of the Principal Distribution;
- (9) To the extent of available Funds, to the payment of overdue interest on the Interest-Only Certificates;
- (10) To the extent of available funds, to replenish the Liquidity Reserve Account, to the extent of prior payments drawn from the Liquidity Reserve Account and not theretofore repaid, up to the Original Liquidity Reserve Amount;
- (11) To the extent of available funds, to the payment of any advances made by the Servicer not otherwise repaid to the Servicer by its receipt of any Simple Interest Excess;
- (12) To the extent of available funds, to the payment of the Servicing Fee due to the Servicer pursuant to the Pooling Agreement; and
- (13) To the extent of available funds, for deposit into the Reserve Escrow Account; provided, however, that if there was a Reserve Draw Deficiency for such Distribution Date, then the Reserve Remittance Amount, up to the amount of such Reserve Draw Deficiency, shall be deemed to be received from the Reserve Escrow Account as a payment of principal with respect

to the Student Loans (allocated pro rata to any delinquent principal payments under the Student Loans and to the entire principal balance of the Defaulted Student Loans for such Distribution Date, not recovered from the Reserve Escrow Account pursuant to the Reserve Escrow Draw Amount), and shall be applied to the payment of the Principal Distribution;

provided, however, in the event that Student Loan Servicing LLC, no longer acts as Servicer and the Trustee or another party unrelated to Student Loan Servicing LLC, succeeds to the duties of Servicer under the Pooling Agreement, payments of amounts due to such successor Servicer as servicing fees shall be paid prior to any other payments listed above.

To the extent any amounts contained in the Collection Account are insufficient to pay all parties in any category of payments listed above, the amounts paid shall be prorated amongst the parties entitled to payments due under such category.

Non-recourse. The Certificates will be non-recourse obligations of the Issuer payable solely from the Assets. No recourse may be had by the holders of the Certificates against the Issuer, the Trustee, the Servicer, Royal, the Company or any of the Company's affiliates, or against the stockholders, directors, officers or employees of the Company Members or the other Members of the Company or the Servicer or their affiliates for the payment of principal, interest or additional amounts in respect of the Certificates.

Assets. The Assets will consist of a static pool of the Student Loans insured by the Insurance Policy, the Liquidity Reserve Account and the Reserve Escrow Account to the extent available. See "CREDIT ENHANCEMENT".

Closing. Proceeds from the sale and issuance of the Senior Certificates will be deposited in the Collection Account maintained with the Trustee for the benefit of the holders of the Certificates and applied substantially to purchase the Student Loans, fund the Liquidity Reserve Account and pay certain expenses. See "USE OF PROCEEDS." The costs of issuance of the Certificates, including initial set up fees due to the Trustee, will also be paid out of the proceeds at closing.

Principal and Interest. The holders of the Senior Certificates are entitled to receive monthly Principal Distributions and monthly Senior Interest Distributions.

Each monthly Principal Distribution on the Senior Certificates will be in an amount equal to (w) principal payments and prepayments received on the Student Loans during the applicable Collection Period, (x) principal payments due but not collected on Student Loans that are delinquent but are not yet Defaulted Student Loans (defined as Student Loans more than 90 days delinquent from their respective due dates, applying any payment received after a delinquency to the earliest delinquency), to the extent funded from the Reserve Escrow Account described below, (y) the principal portion of payments received on account of Defaulted Student Loans from the Reserve Escrow Account or from any claims paid by Royal under the Insurance Policy described below, up to the Senior Certificateholder Balance with respect to each such Defaulted Student Loan, and (z) in the event of any repurchase of a Student Loan by SFC or the Company

during the applicable Collection Period, based on a breach of their representations and warranties with respect thereto, the Senior Certificateholder Balance with respect to such Student Loan.

The Senior Interest Distribution will be equal to the product of one-twelfth of 5.50% (the “Senior Pass-Through Rate”) multiplied by the Senior Certificateholder Balance as of the immediately preceding Record Date (as defined below) (or, if said Distribution Date is the first Distribution Date, it shall be the original Senior Certificateholder Balance) plus the amount of interest previously due but not paid to the Senior Certificateholders, if any (plus interest on such unpaid interest at the Senior Pass-Through Rate).

The term “Senior Certificateholder Balance” means, as to any Student Loan, the balance of the Student Loan as of the Cut-off Date, less the amount of any Principal Distributions paid to the Senior Certificateholders on account of such Student Loan. The term “Collection Period” means, with respect to any Distribution Date, the calendar month preceding the month in which such Distribution Date occurs; provided, however, that with respect to the first Distribution Date, the Collection Period shall be the period commencing the day after the Cut-off Date through and including the last day of the calendar month preceding such first Distribution Date.

Distributions of principal and interest will be made on the twentieth (20th) day of each month or, if such date is not a business day, the next succeeding business day (the “Distribution Date”), commencing December 20, 2001, to the holders of record of the Senior Certificates on the last day of the immediately preceding calendar month (the “Record Date”). Interest will be paid on each Distribution Date for the period ended on the preceding Record Date. On the first Distribution Date for the Senior Certificates, (i) interest will be paid for the entire month in which the Senior Certificates are issued at the Senior Pass-Through Rate and (ii) all of the principal payments received from the obligors under the Student Loans or from the Insurance Policy or related Reserve Escrow Account for Defaulted Student Loans after October 31, 2001 through the end of the month in which the Senior Certificates are issued.

The Senior Certificates will have a stated maturity of March 20, 2012 (the “Final Distribution Date”). However, the actual date on which payment in full may be made on the Senior Certificates may be earlier than the Final Distribution Date due to, among other factors, prepayments of principal and defaults on the Student Loans covered under the Insurance Policy or the Reserve Escrow Account, as described below, which payments are paid out to the Senior Certificateholders. No assurances can be given as to the actual maturity date of the Senior Certificates or the payment experience of the Student Loans or the Senior Certificates.

The holders of the Interest-Only Certificates will be entitled to receive monthly distributions of interest (the “Interest-Only Distribution”) in an amount equal to one-twelfth (1/12) of 2.61% (the “Interest-Only Pass-Through Rate”) on the Interest-Only Notional Balance (defined as the Senior Certificateholder Balance, less the amount of the Senior Certificateholder Balance, if any, attributable to Defaulted Student Loans).

The Interest-Only Distribution will be made on each Distribution Date, commencing December 20, 2001, to the holders of record of the Interest-Only Certificates on the preceding Record Date. Interest will be paid on each Distribution Date for the period ended on the preceding Record Date. On the first Distribution Date for the Interest-Only Certificates, interest

will be paid at the Interest-Only Pass-Through Rate for the entire month in which the Interest-Only Certificates are issued.

The amount described in the prior two paragraphs is, in effect, an “interest-only strip” of the interest collected on the Student Loans. Prepayments of the Student Loans and Student Loans becoming Defaulted Student Loans will affect the amounts due to the holders of the Interest-Only Certificates.

Transfer. Subject to the limitations on transferability described under “NOTICE TO INVESTORS,” the Senior Certificates will be transferable only upon surrender for registration of transfer of any Senior Certificates at the office or agency maintained by the Trustee, as Certificate Registrar. The Trustee shall execute, authenticate and deliver in the name of the designated transferee or transferees, one or more new Senior Certificates in authorized denominations of a like aggregate amount dated the date of authentication by the Trustee or any authenticating agent. At the option of a Senior Certificateholder, Senior Certificates may be exchanged for other Senior Certificates of authorized denominations of a like aggregate amount upon surrender of the Senior Certificates to be exchanged at the office or agency referred to above.

The Trustee shall keep or cause to be kept, at the office or agency maintained pursuant to this paragraph, a Certificate Register in which, subject to such reasonable regulations as it may prescribe, the Trustee shall provide for the registration of Senior Certificates and transfers and exchanges of Senior Certificates as herein provided. The Trustee shall maintain an office or offices or agency or agencies where Senior Certificates may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Trustee in respect of the Senior Certificates may be served. The Trustee initially designates Corporate Trust Office at 6th Street and Marquette Avenue, MAC N9311-161, Minneapolis, MN 55479, Attention: Asset Backed Securities Department as its offices for such purposes. The Trustee or its agent shall give prompt written notice to the Company, MBIA, Royal and the Senior Certificateholders of any change in the location of the Certificate Register or any such office or agency.

Notwithstanding the foregoing, no transfer of a Senior Certificate shall be made unless the Trustee shall have received an investment letter certifying that the proposed transferee is a QIB (in substantially the form attached hereto as Exhibit C).

Every Senior Certificate presented or surrendered for registration of transfer or exchange shall be accompanied by a written instrument of transfer in form satisfactory to the Trustee duly executed by the Senior Certificateholder or such Senior Certificateholder’s attorney duly authorized in writing. Each Senior Certificate surrendered for registration of transfer or exchange shall be canceled and subsequently disposed of by the Trustee in accordance with its customary practice.

No service charge shall be made for any registration of transfer or exchange of the Senior Certificates, but the Trustee may require payment of a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any transfer or exchange of the Senior Certificates.

See “NOTICE TO INVESTORS” for a further description of the restrictions and procedures applicable to transfers of Senior Certificates.

The Pooling Agreement

The Trustee. The Trustee of the Pooling Agreement will be Wells Fargo Bank Minnesota, National Association. The Trustee will receive fees of eight basis points (0.08%) per year on the aggregate balance of the Senior Certificates, payable monthly and subject to a monthly minimum fee of \$2,000, plus transaction fees associated with the Trustee’s role as custodian of the Student Loan Documents and certain other fees as described in “– Servicer’s Compensation” below (the “Trustee Fees”). The aggregate amount of Trustee Fees will not exceed \$8,500 in any month. The Trustee will also receive certain initial set up fees, and reimbursement for reasonable expenses and costs, as set forth in the Pooling Agreement. Unless the Trustee has taken over as successor Servicer, any costs or expenses must be recovered solely from the Expense Account described herein. During any time that the Trustee is acting as successor Servicer, the Trustee is required to obtain approval for expenses and costs in excess of \$10,000 in the aggregate during the term of the Pooling Agreement, to the extent such expenses and costs are not covered by the Expense Account. The Trustee may be terminated or may resign, and a successor Trustee appointed, as provided in the Pooling Agreement.

Limitation on Business Activities. The Trustee on behalf of the Issuer will agree that it will not engage in any business, commercial or other activity for profit.

Servicing. Pursuant to the Pooling Agreement, Student Loan Servicing LLC is designated as Servicer and is required to perform the servicing obligations as set forth in the Pooling Agreement. The Servicer will serve for an initial 60 day term, and additional 60 day renewal terms thereafter, provided that the Servicer’s term will not be renewed if Royal or, in certain circumstances, MBIA, does not deliver notice of renewal by not later than the 11th business day prior to the expiration of any such 60 day term. In addition, the Servicer may be terminated if an Event of Default occurs and is continuing, upon the written request of either MBIA or, if MBIA is in default under the MBIA Policy, the Majority Certificateholders, effective immediately.

The Trustee will actively monitor the servicing by the Servicer and will receive weekly information from the Servicer in order to enable the Trustee to take over the servicing in an expedited manner if required. Upon non-renewal or termination of the Servicer, the Trustee will act as Servicer or will designate a new Servicer. Until that time, the Servicer will continue to perform as Servicer. As used in the Pooling Agreement, the term “Servicer” refers to the Servicer or, if the Servicer has been terminated, the Trustee or replacement Servicer, as servicer of the Student Loan thereunder. The Servicer will follow all of the servicing procedures outlined hereinafter. See “– Servicing and Collection Processes and Procedures”. Currently, the Servicer has had no lawsuits filed against it. If the Trustee is appointed, certain modifications of what constitutes an Event of Default and other obligations of the Trustee as the successor Servicer will occur as set forth in Section 9.3 of the Pooling Agreement and the Trustee’s compensation as successor Servicer will receive a higher priority of payment.

Pursuant to the Pooling Agreement, the Servicer will agree to perform all services and duties customary to servicing of the Student Loans on behalf of the Issuer, including, without limitation, the following:

- (i) Prepare schedules of repayment for each Student Loan;
- (ii) Collect all payments due under the Student Loans, institute collection proceedings if it, in its sole discretion, deems it worthwhile, follow collection procedures with respect to all Student Loans, process claims for losses under the Insurance Policy and timely file the appropriate monthly notice and claims for losses under the Insurance Policy and maintain records of all payments on the Student Loans;
- (iii) Remit any payments received on each Student Loan to the Lock Box Account on a daily basis (although all payments are to be made to the Lock Box Account directly);
- (iv) Respond to the inquiries and communications from the students regarding their Student Loans;
- (v) Ensure the safekeeping of loan documents delivered to the Servicer relating to the Student Loans in accordance with the procedure that the Servicer has established for such purposes;
- (vi) Furnish the Issuer, Royal, MBIA and each Certificateholder with monthly and quarterly reports of collection, defaults, payments and other data in writing or computer readable form;
- (vii) Provide accounting and reports on the Reserve Escrow Account, the Liquidity Reserve Account and the Collection Account;
- (viii) Provide payment and Lock Box processing and procedures; and
- (ix) Provide all other reports, statements, data (both in physical form and computer readable form) and financial statements as set forth in the Pooling Agreement.

Pursuant to the Pooling Agreement, the Servicer agrees to indemnify the Trustee and the Issuer for any claim, loss, liability or expense, including reasonable attorneys' fees, that arise out of or relate to the Servicer's acts or omissions with respect to servicing of the Student Loans under the Pooling Agreement or a final determination of liability on the part of the Servicer is established by an arbitrator, court of law or by way of settlement agreed to by the Servicer.

Servicer's Compensation. The Servicer will be entitled to a monthly fee for its services in an amount equal to 2.0% per annum of the then outstanding principal amount of each Outstanding Student Loan (the "Servicing Fee") and all delinquency, default, penalty and similar fees, pursuant to the Student Loans, recovered during the Payment Period, and, to the extent servicing advances have been made for a Simple Interest Shortfall, any Simple Interest Excess in

an amount equal to any previously advanced Simple Interest Shortfall. The Servicing Fee is payable monthly. The Trustee will receive \$300 per transfer of data from the Servicer to the Trustee as part of the Trustee's Fees. In addition, the Trustee will receive an initial set up fee, and reimbursement of out-of-pocket expenses associated with its annual on site examination. Unless the Trustee is acting as successor Servicer, any expenses must be recovered from the Expense Account. In the event that the Trustee takes over as Servicer, it will be paid out-of-pocket expenses associated with the transfer of servicing, not to exceed \$50,000, and as Servicer will receive the Successor Servicer Fee, which fee shall be a rate determined by three bona fide servicing bids obtained from third-party servicers selected by the Trustee and acceptable to MBIA (the "Successor Servicer Fee"). In addition, the Servicer, may, but need not, advance funds to make up any shortfalls resulting from any delinquent payment due under the Student Loans. The Servicer shall deposit in the Collection Account from its own funds any Simple Interest Shortfall not funded by the Liquidity Reserve Account. As consideration for agreeing to make such advances the Servicer shall receive all late fees and similar charges as set forth in the Student Loans.

Servicing and Collection Processes and Procedures. Subject to applicable law and the terms of the Pooling Agreement and the Student Loans, the Servicer is required to service the Student Loans in accordance with the customary and usual standards and practice employed with respect to the servicing of consumer loans of a nature similar to the Student Loans, which are intended to maximize the timely recovery of principal and interest payments on the Student Loans. The Servicer will send monthly statements to each student each month in which the payments are due on the Student Loans. If a payment is not received by the due date under the Student Loan, the Servicer will contact the student. After the third business day, a written notice of delinquency will be sent to the student and any co-signor. Follow-up contact will be made until payment is received. Contact of references listed in the application may also be instituted. A monthly delinquency report will be sent each month to the Issuer, Royal, MBIA and the Trustee. Failure to meet the foregoing servicing standards will not result in any loss of coverage under the Insurance Policy.

Events of Default. The occurrence of any one or more of the following events shall constitute an event of default under the Pooling Agreement:

1. Any failure by the Servicer (i) to make any payment, transfer or deposit or (ii) to give instructions or notice to the Trustee or otherwise be directly responsible for the failure of the Trustee to make a required payment hereunder, in each case on or before the date occurring one business day after the date of such payment, transfer, deposit or drawing or such instruction or notice is required to be made or given, as the case may be, under the terms of the Pooling Agreement, the Insurance Policy or the MBIA Policy, as the case may be;
2. Any failure by the Servicer to deliver a Servicer report or other documents, tapes or electronic data as required by the Pooling Agreement, and such failure continues for two business days after the earlier of notice to the Servicer or any officer of the Servicer having actual knowledge of such failure;
3. Any failure on the part of the Servicer duly to observe or perform in any respect any other covenants or agreements of the Servicer set forth in the Pooling Agreement,

which failure materially and adversely affects the rights of the holders of the Certificates, the Company or the Trustee and which continues unremedied for a period of 30 days after the earlier of (i) the date on which any officer of the Servicer obtains actual knowledge, or reasonably should have known, of any such failure or (ii) the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Servicer by the Trustee, or to the Servicer and the Trustee by the Company, MBIA or any holders of the Certificates;

4. Any representation, warranty or certification made by the Servicer or the Company in the Pooling Agreement or in any certificate delivered pursuant to the Pooling Agreement shall prove to have been incorrect, which has a material adverse effect on the rights of the Company, or the holders of the Certificates or the Trustee and which continues unremedied for a period of 15 days after the earlier to occur of (i) the date on which written notice of such breach, requiring the same to be remedied, shall have been given to the Servicer by the Trustee, or to the Servicer and the Trustee by the Company, MBIA or any holders of the Certificates or (ii) the date on which any officer of the Servicer obtains actual knowledge, or reasonably should have known, of any such breach;

5. The Servicer shall consent to the appointment of a custodian, receiver, trustee or liquidator (or other similar official) of itself, or of a substantial part of its property, or shall admit in writing its inability to pay its debts generally as they come due, or a court of competent jurisdiction shall determine that the Servicer is generally not paying its debts as they come due, or the Servicer shall make a general assignment for the benefit of creditors;

6. The Servicer shall file a voluntary petition in bankruptcy or a voluntary petition or an answer seeking reorganization in a proceeding under any bankruptcy laws (as now or hereafter in effect) or an answer admitting the material allegation of a petition filed against the Servicer in any such proceeding, or the Servicer shall, by voluntary petition, answer or consent, seek relief under the provisions of any now existing or future bankruptcy or other similar law providing for the reorganization or winding up of debtors, or providing for an agreement, composition, extension or adjustment with its creditors;

7. An order, judgment or decree shall be entered in any proceeding by any court of competent jurisdiction appointing, without the consent (express or legally implied) of the Servicer, a custodian, receiver, trustee or liquidator (or other similar official) of the Servicer or any substantial part of its property, or sequestering any substantial part of its property, and any such order, judgment or decree or appointment or sequestration shall remain in force undismissed, unstayed or unvacated for a period of 60 days after the date of entry thereof;

8. A petition against the Servicer in a proceeding under applicable bankruptcy laws or other insolvency laws (as now or hereafter in effect) shall be filed and shall not be stayed, withdrawn or dismissed within 60 days thereafter, or if, under the provisions of any law providing for reorganization or winding-up of debtors which may apply to the Servicer, any court of competent jurisdiction shall assume jurisdiction, custody or control of the Servicer, or any substantial part of its property and such jurisdiction, custody or control shall remain in force unrelinquished, unstayed or unterminated for a period of 60 days;

9. The failure of the Servicer to make one or more payments due with respect to recourse debt or other recourse obligations, which debt or other obligations in the aggregate exceed \$250,000, or the occurrence of any condition, the effect of which event or condition is to cause (or permit one or more persons to cause) more than \$250,000 of aggregate recourse debt or other recourse obligations of the Servicer to become due before its (or their) stated maturity or before its (or their) regularly scheduled dates of payment so long as such failure, event or condition shall be continuing and shall not have been waived by the person or persons entitled to performance;

10. The rendering against the Servicer of a final judgment, decree or order for the payment of money in excess of \$1,000,000 and the continuance of such judgment, decree or order unsatisfied and in effect for any period of 60 days without a stay of execution;

11. Failure by the Servicer to deliver an annual accountants servicing report as required by the Pooling Agreement, which failure continues unremedied for a period of 30 days after the earlier of (i) the date on which any officer of the Servicer obtains actual knowledge, or reasonably should have known, of any such failure or (ii) the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Servicer by the Trustee, or to the Servicer and the Trustee by the Company, MBIA or any holders of the Certificates;

12. Any assignment by the Servicer to a delegate of its duties or rights under the Pooling Agreement, except as specifically permitted under the Pooling Agreement, or any attempt to make such an assignment;

13. Any change of control of Servicer in violation of the covenants set forth in the Pooling Agreement;

14. The Servicer shall have entered into any agreement, instrument, pledges, obligations or performed any act that results in the creation of Liens (other than leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business; liens securing indebtedness of the Servicer incurred to finance the acquisition of fixed or capital assets, provided that (i) such liens shall be created substantially simultaneously with the acquisition of such fixed or capital assets, (ii) such liens do not at any time encumber any property other than the property financed by such indebtedness, (iii) the amount of indebtedness secured thereby is not increased and (iv) the principal amount of indebtedness secured by any such lien shall at no time exceed 100% of the original purchase price of such property at the time it was acquired; or other liens created in the ordinary course of its business) or other liens created in the ordinary course of its business) or entered into any guarantees (whether resulting in the creation of a Lien or not) the aggregate liability of which exceeds 5% of the Adjusted Tangible Net Worth (defined as tangible net worth, less the sum of receivables and advances due from stockholders or any affiliate of such stockholders, and all investments in affiliates of such stockholders) of the Servicer;

15. Failure on the part of the Servicer to maintain an Adjusted Tangible Net Worth of at least \$2,000,000;

16. Failure of the Company to repurchase any Student Loans when required pursuant to the Pooling Agreement;

17. The existence, as of any Distribution Date, of a Deficiency Amount, as defined in the MBIA Policy;

18. The Servicer shall fail to obtain within 240 days after the closing date, or shall fail at a time thereafter to maintain, a Baker and Associates rating of at least A-; or

19. The Servicer shall fail to submit claims for Defaulted Student Loans under the Insurance Policy within the time frames required pursuant to the Pooling Agreement.

The foregoing apply if Student Loan Servicing LLC is the Servicer hereunder. If the Trustee becomes the Successor Servicer, then the modifications set forth in Section 9.3 of the Pooling Agreement will govern what constitutes an Event of Default and certain other obligations of the Trustee as Successor Servicer.

Remedies. If an Event of Default occurs and is continuing, the Trustee, upon the request of MBIA or, if MBIA is in default under the MBIA Policy, the Majority Certificateholders, will, by written notice to the Servicer, terminate all of the rights and obligations of the Servicer under the Pooling Agreement, and the same shall pass to and be vested in, and assumed by, the Trustee. MBIA or the Majority Certificateholders may, with the written consent of MBIA, waive any Event of Default.

No holder of any Certificate will have any right to institute any proceeding with respect to the Pooling Agreement or for any remedy thereunder, unless:

(a) There is a continuing Event of Default and such Certificateholder has previously given written notice to the Trustee of a continuing Event of Default;

(b) The Majority Certificateholders shall have made written request to the Trustee to institute proceedings in respect of such Event of Default as Trustee hereunder;

(c) Such Certificateholder or Certificateholders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and

(d) The Trustee has not instituted such proceeding within 30 days of the occurrence of each of (a), (b) and (c) above.

Servicer Reports. Five business days prior to each Distribution Date, the Servicer will be required to furnish a Servicer Report to the Trustee, the Rating Agencies, Royal, MBIA and each Certificateholder containing certain information with respect to the Student Loans. In addition, the Servicer will be required to furnish Quarterly and Annual Pool Reports to the Trustee, each Certificateholder, the Company, the Trustee, Royal, MBIA and the Rating Agencies containing such information on a cumulative basis for each quarter and year, as appropriate, accountings for the Reserve Escrow Account and Collection Account, as well as other reports as provided for in the Pooling Agreement. The reports will be provided to the Trustee in both computer readable form and physical form and to the other recipients in physical form of the reports requested.

Payments and Collection of Student Loans. The Trustee will direct the Obligors of the Student Loans to send all payments due under the Student Loans to the Lock Box Account from and after the first payment date under the Student Loans due after the Closing Date. The Lock-Box Account and the Collection Account will be maintained and administered as described in the Pooling Agreement, and on each Distribution Date, the Trustee will apply all amounts held in the Collection Account, in the priority set forth in the Pooling Agreement. See “–The Certificates – *The Lock Box Account and Collection Account.*”

Any prepayments of the Student Loans, or recoveries under the Insurance Policy or the Reserve Escrow Account for Defaulted Student Loans, will be treated as prepayments and remitted as principal payments acting as a redemption of the Senior Certificates, proportionately.

Reserve Escrow Account. As contemplated under the Insurance Policy, a Reserve Escrow Account has been established for the benefit of the Issuer and Royal. See “CREDIT ENHANCEMENT – Reserve Escrow Account and Liquidity Reserve Account.”

Liquidity Reserve Account. As provided in the Pooling Agreement, the Trustee will establish and maintain a reserve fund (the “Liquidity Reserve Account”) for the benefit of the holders of the Certificates, as described under “CREDIT ENHANCEMENT – Reserve Escrow Account and Liquidity Reserve Account.”

MBIA Reserve Account. As provided in the Pooling Agreement, the Trustee will establish and maintain a reserve fund (the “MBIA Reserve Account”) for the benefit of MBIA. The MBIA Reserve Account will be funded out of amounts that would otherwise be distributed to the Company from the Reserve Escrow Account, up to the Required MBIA Reserve Amount. In the event that any Deficiency Amount (as defined in the MBIA Policy) would otherwise exist as of any Distribution Date, such amount will be withdrawn by the Trustee from the MBIA Reserve Account and deposited to the Collection Account to the extent necessary to cure such deficiency, up to the full amount of the MBIA Reserve Account. In addition, the MBIA Reserve Account may be drawn on upon demand by MBIA to cover certain obligations of SFC, the Servicer and the Company to MBIA.

Modification and Waiver. Modifications of or amendments to the Pooling Agreement may be made by the Company, the Servicer and the Trustee, collectively, with the consent of the Majority Certificateholders, Royal and MBIA and notice to the Rating Agencies, to cure any ambiguity, to correct or supplement any provisions in the Pooling Agreement; provided, however, that no such amendment shall (i) increase or reduce in any manner the amount of, or accelerate or delay the timing of, collections of payment on the Student Loans or distributions that shall be required to be made on any Certificate; or (ii) reduce the aforesaid percentage required to consent to any such amendment, without the consent of the Certificateholders of all Certificates then outstanding.

Termination of Trust; Payment of Premium Under Certain Circumstances. The Trust and all obligations and responsibilities of the Company, the Servicer, and the Trustee shall terminate upon the later to occur of:

(i) the maturity or other liquidation of the last Student Loan (including a repurchase of the Student Loans by the Company as described below) and the disposition of any amounts received upon liquidation of any remaining Student Loans in the Trust, and

(ii) payment of all amounts required to be paid to the Certificateholders, the Trustee, Royal and MBIA under the Pooling Agreement, the Insurance Policy, the Insurance Agreement, Indemnification Agreement and the MBIA Policy.

At the time when the Senior Certificateholder Balance is less than 10% of the original Senior Certificateholder Balance, the Company may at its option purchase all of the Student Loans and terminate the Trust, provided all payments required to be made pursuant to clause (ii) above are made in connection therewith.

If the Company does not exercise its option to purchase the Student Loans after the Senior Certificateholder Balance has dropped to less than 10% of the original Senior Certificateholder Balance, then, starting 6 months after this time, the purchasers (including any transferee of the initial purchasers of which the Escrow Agent has been given notice by the transferring purchaser) of the Senior Certificates will receive such distributions up to an amount equal to .50% per annum on the Senior Certificateholder Balance.

Servicer Term; Termination of the Servicer. The Servicer shall serve for an initial 60 day term, and additional 60 day renewal terms for so long as Royal (prior to the occurrence of an MBIA Control Event, as described below) or MBIA (after the occurrence of an MBIA Control Event) shall have delivered, not later than eleven (11) business days prior to the expiration of the then current term, a notice of renewal (a "Servicer Renewal Notice"). An MBIA Control Event is any of the following events or circumstances: (i) the A.M. Best rating of Royal falls below A-; (ii) Royal fails to pay any claim under the Insurance Policy when due; (iii) the Servicer fails to timely submit any claim under the Insurance Policy with respect to any Defaulted Student Loan; (iv) the shadow rating of the Senior Certificates issued by the Rating Agencies falls below A3 or equivalent; or (v) the aggregate principal balance of all Student Loans which have become Defaulted Student Loans, calculated at the time such Student Loans became Defaulted Student Loans, exceeds 30% of the initial aggregate principal balance of all of the Student Loans.

In addition, the Servicer may be terminated if an Event of Default occurs and is continuing, upon the written request of MBIA or, if MBIA is in default under the MBIA Policy, the Majority Certificateholders, effective immediately.

Notices. When and as provided in the Pooling Agreement, notice to holders of Certificates will be given in writing and mailed, first-class postage prepaid, overnight courier or facsimile transmission to each affected holders of the Certificates at their addresses as they appear in the Certificate Register.

Applicable Law. The Certificates and the Pooling Agreement will be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania, except that the powers, obligations, duties and rights of the Trustee shall be governed by the laws of the State of Minnesota and the federal laws of the United States.

MBIA as Holder. So long as the MBIA Policy remains in effect with respect to the Senior Certificates and MBIA is not in default of its obligations to make payments thereunder, MBIA shall be deemed to be the owner of all Certificates then outstanding for all purposes, including approval of any amendments or waivers, except for the right to receive payments due under the Certificates. In addition, MBIA has the right to participate in, to direct the enforcement or defense of, and, at MBIA's sole option, to institute or assume the defense of any action, proceeding or investigation that could adversely affect the Issuer or the Assets of the Trust or the rights or obligations of MBIA under the Pooling Agreement or under the MBIA Policy or other agreements relating to the Student Loans, including (without limitation) any insolvency or bankruptcy proceeding in respect of the Servicer, the Originator, the Settlor, the Issuer or any affiliate thereof. Following notice to the Trustee, MBIA shall have exclusive right to determine, in its sole discretion, the actions necessary to preserve and protect the Issuer and the Assets of the Trust.

CERTAIN FEDERAL INCOME TAX CONSIDERATIONS

The following discussion is a summary of certain anticipated federal income tax consequences of the purchase, disposition and ownership of the Senior Certificates. This summary is based upon the existing provisions of the Internal Revenue Code of 1986, as amended (the "Code"), existing and proposed regulations thereunder, and the current administrative rulings and other courts decisions, all of which are subject to change. There can be no assurances that any changes in the Code, regulations or court cases will not retroactively change the statements made herein. Further, the discussions herein are of a general nature only and are not intended and do not exhaust all possible aspects of federal income taxation that may be relevant to a potential holder of the Certificates based on his or her particular circumstances (including potential application of the alternative minimum tax). Moreover, this summary does not take into account or anticipate any changes in the law, whether by judicial, government or legislative discussion or action, nor does it take into account any state, local or foreign income tax consequences or considerations for any potential investors. No rulings on the federal, state or local tax issues considered relevant to the organization or operation of the Issuer or an investment in the Senior Certificates have been sought or obtained by the Issuer or the Company. The discussion herein is directed solely to Senior Certificateholders that hold the Senior Certificates as capital assets under Code Section 1221 and does not deal with the tax consequences of investors that do not hold the Senior Certificates as capital assets or who are subject to special tax treatment under the federal income tax laws (including without limitation, banks, thrifts, insurance companies, dealers in securities, real estate investment trusts and certain tax exempt organizations). Accordingly, prospective Senior Certificateholders are advised to consult their own tax advisors concerning the federal, state, local, foreign or other tax consequences to them from the purchase, sale and ownership of the Senior Certificates.

Classification of the Issuer as a Grantor Trust

Counsel to the Issuer has advised that, in its opinion, the Issuer will be classified as a grantor trust for federal income tax purposes and not as an association taxable as a corporation or a publicly traded partnership. Classification as a grantor trust under Subpart E, Part I of Subchapter J of the Code will cause each Certificateholder to be treated for federal income tax purposes, generally, as the owner of an undivided fractional interest in the Assets of the Issuer

and the ordinary income derived therefrom. No regulations, published rulings or judicial decisions discuss the federal income tax treatment of securities with terms substantially similar to those of the Certificates. **Because many of the issues discussed herein are complex and their resolution is uncertain, potential investors are urged to consult their own tax advisors to determine the federal, state and local tax consequences of the purchase, ownership and disposition of the Certificate.**

Income of Senior Certificateholders

Each Senior Certificateholder will be considered to own either (a) an undivided fractional interest in a single debt obligation held by the Issuer and having a principal amount equal to the total stated principal amount of the Student Loans, or (b) an undivided fractional interest in each of the Student Loans and other Assets of the Issuer. In general (subject to the rules described below relating to stripped bonds and original issue discount, and assuming Certificateholders are considered to own an interest in the Student Loans and other Assets of the Issuer), a Certificateholder will be required to include for federal income tax purposes its share of the income of the Issuer in accordance with its usual method of accounting. Because of stripped interest, original issue discount or premium, the amount includible in the income on account of a Senior Certificate may differ significantly from the amount distributable thereon representing interest on the Student Loans.

In addition, the Senior Certificateholders will be considered to have incurred the expenses of the Issuer and accordingly will be entitled to deduct their proportionate share of any reasonable servicing fees and other expenses paid or incurred by the Issuer. An individual, estate or trust holding a Senior Certificate, directly or through certain pass-through entities, will be allowed a deduction for such reasonable servicing fees and expenses only to the extent that the sum of such reasonable servicing fees and expense and the aggregate of such holder's other miscellaneous itemized deductions exceeds 2% of such holder's adjusted gross income. Further, Certificateholders (other than corporations) subject to the alternative minimum tax may not deduct such reasonable servicing fees and expenses in determining such holder's alternative minimum taxable income. Although it is not entirely clear, it appears that in transactions in which multiple classes of certificates (including for example, the Interest-Only Certificates) are issued, such fees and expenses should be allocated among the classes of certificates using the method that recognizes that each class benefits from the related services. In the absence of statutory or administrative clarification as to the method to be used, it is currently intended to base information returns or reports submitted to the Internal Revenue Service (the "IRS") and Certificateholders on a method that allocates such expenses among classes of the Certificates with respect to each month based on the distributions made to each such class during that month.

The federal income tax treatment of the Senior Certificates will depend on whether they are subject to the "stripped bond" rules of Code Section 1286. The "stripped bond" rules will apply if there is a retained ownership interest that constitutes a stripped coupon or where a stripped certificate is issued as part of the same series. The IRS has announced that an unreasonably high servicing fee retained by a seller or servicer will be treated as a retained ownership interest and constitutes a stripped coupon. Since the Interest-Only Certificates and the Senior Certificates will be issued as part of the same series of certificates, the Issuer believes and will file information returns or reports with the IRS under the assumption that the Senior

Certificates will be treated as stripped bonds and the rules of Section 1286 of the Code will apply.

Since the stripped bond rules apply, the Student Loans will be treated as having been issued with “original issue discount” within the meaning of Code Section 1273(a) (“OID”), subject, however, to the discussion below regarding *de minimis* OID. Under the stripped bond rules, unless the *de minimis* OID rules apply, the Senior Certificateholder (whether a cash or accrual method taxpayer) will be required to report OID in respect of the Student Loans calculated under a constant yield method, in accordance with the rules of the Code relating to OID.

Subject to the discussion below regarding *de minimis* OID, the OID on the Student Loans attributable to a Senior Certificate will be the excess of such Certificate’s stated redemption price over its issue price. Subject to the discussion below regarding certain Senior Certificateholders that may become entitled to receive distributions from the Reserve Escrow Account, the issue price of a Senior Certificate will be equal to the price paid by the purchaser thereof for the Senior Certificate. The stated redemption price of the Senior Certificate will be the sum of all payments to be made on such Certificate, other than “qualified stated interest,” if any, (which for this purpose would include the Senior Certificate’s share of reasonable servicing fees and other expenses). In general, the amount of such income that accrues in any month would equal the product of such Senior Certificateholder’s adjusted basis in such Certificate at the beginning of such month in the yield of such Senior Certificate to its Certificateholder. Such yield would be computed at the rate (assuming monthly compounding) that, if used to discount the Certificateholder’s share of future payments on the Student Loans, would cause the present value of those future payments to equal the price at which the holder purchased such Senior Certificate. In computing yield under the stripped bond rules, a Senior Certificateholder’s share of future payments on the Student Loans will not include any payments made in respect of any Interest-Only Certificate, but will include such Certificateholder’s share of any reasonable servicing fees and other expenses.

As described above in “CREDIT ENHANCEMENT – Reserve Escrow Account and Liquidity Reserve Account,” certain Senior Certificateholders may become entitled to receive distributions from the Reserve Escrow Account. Each Senior Certificateholder that is entitled to receive such distributions may be required to allocate a portion of the price paid for its Senior Certificates to the right to receive such distributions. Such Senior Certificateholders are advised to consult their own tax advisors concerning such allocation, its effect on the issue price of its Senior Certificates, as well as the U.S. federal income tax consequences of such Senior Certificateholder’s entitlement to receive such distributions.

Code Section 1272(a)(6) requires that (i) a reasonable prepayment rate assumption (the “Prepayment Assumption”) be used in computing the accrual of OID and (ii) adjustments be made in the amount and rate of accrual of such OID when the actual prepayment rate differs from the Prepayment Assumption. Section 1272(a)(6)(B)(iii) of the Code requires that the Prepayment Assumption used to calculate OID be determined in the manner prescribed in the Treasury Regulations. To date, no such regulations have been promulgated. The legislative history of the rules regulating OID indicate that the regulations will provide that the assumed prepayment rate must be the rate used by the parties in pricing the particular transaction. No

representations may be made with respect to the prepayment rate at which the Student Loans will in fact be prepaid nor whether they will prepay at a rate conforming to the Prepayment Assumption or at any other rate. Moreover, it is not known whether the Prepayment Assumptions will be inconsistent with that required in any future Treasury regulations. Thus, the Prepayment Assumption may have to be adjusted. If the Student Loans prepay at rates faster than those underlying a Prepayment Assumption used in calculating OID, use of such Prepayment Assumption could accelerate a Senior Certificateholder's recognition of income. If, however, the Student Loans prepay at a rate slower than such Prepayment Assumption, in some circumstances the use of the Prepayment Assumption may decelerate a Senior Certificateholder's recognition of income. Each prospective purchaser of the Senior Certificates must make its own decision as to the appropriate Prepayment Assumption to be used in deciding whether or not to purchase the Senior Certificates.

Senior Certificateholders are advised to consult their own tax advisors concerning reporting OID in general and, in particular, whether the Prepayment Assumption used in reporting any OID with respect to the Senior Certificateholder's interest is appropriate. In particular, neither the Issuer, the Company, nor the Servicer make any representations that the Student Loans will in fact prepay at a rate conforming to the Prepayment Assumption or any other rate and the Senior Certificateholders should bear in mind that, all information, returns or reports, even if otherwise accepted as accurate by the IRS, will in any event be accurate only as to the initial Senior Certificateholders, since the Prepayment Assumption will be determined as of the Closing Date.

If the accrued interest to be paid on the first interest Distribution Date is computed with respect to a period that is prior to the Closing Date, a portion of the purchase price paid for a Senior Certificate will reflect such accrued interest. In any such case, information returns to be filed with the IRS and the holder of the Senior Certificates will be based on the position that the portion of the purchase price paid for the interest accrued with respect to the periods prior to the Closing Date is treated as part of the overall cost of such Senior Certificate (and not as a separate asset the cost of which is recovered entirely out of interest received on the first interest Distribution Date) and that portion of the interest paid on the first interest Distribution Date in excess of interest accrued for a number of days corresponding to the number of days from the Closing Date to the first interest Distribution Date should be included in the stated redemption price of such Senior Certificate. However, the OID Regulations provide that such accrued interest may be treated as a separate asset, the cost of which is recovered entirely out of interest paid on the first interest Distribution Date. It is unclear how an election to do so would be made under the OID Regulations and whether such an election could be made unilaterally by a holder of the Senior Certificates. If the interval between the issue date and the first interest Distribution Date on a Senior Certificate is either longer or shorter than the interval between the subsequent interest Distribution Date, all or part of the interest foregone, in the case of the longer interval, and all of the additional interest, in the case of the shorter interval, will be included in the stated redemption price at maturity and tested under the *de minimis* rules described below. The OID Regulations suggest that all interest on a long first period obligation note that is issued with non-*de minimis* OID may be treated as OID. The holders of the Senior Certificates should consult their own tax advisor to determine the issue price and stated redemption price at maturity of a Senior Certificate.

Notwithstanding the general definition of OID, OID on the Student Loans will be considered to be zero if such discount is less than 0.25% of the stated redemption price at maturity of the Senior Certificate multiplied by its weighted average life. For this purpose, the weighted average life of the Senior Certificates is computed as the sum, for all payments of amounts included in the stated redemption price of such Senior Certificates, of each amount as determined by multiplying (i) the number of complete years (rounding down for partial years) from the issue date until each payment is expected to be made (presumably taking into account the Prepayment Assumption) by (ii) a fraction, the numerator of which is the amount of such payment and the denominator of which is the stated redemption price at maturity of such Senior Certificates. If OID is treated as zero under this rule, the actual amount of OID must be allocated to the principal distribution on the Senior Certificates and, when such distribution is received, a capital gain equal to the discount allocated to such distribution will be realized. The OID Regulations also would permit a holder of the Senior Certificates to elect to accrue *de minimis* OID into income on a current yield method.

If OID on the Student Loans is in excess of a *de minimis* amount, the holder of any Senior Certificate must include in ordinary gross income the sum of the “daily portions” of OID for each day during its taxable year on which it held such Senior Certificate, including the purchase date but excluding the disposition date. In the case of an original holder of a Senior Certificate, the daily portion of OID will be determined as follows. A calculation will first be made of the portion of the OID that accrued at each “accrual period.” An accrual period is the period that ends on a Distribution Date and begins on the date that immediately follows the preceding accrual period (or in the case of the first accrual period, beginning on the Closing Date). Because the period from the Closing Date to the first Distribution Date is shorter than the interval between Distribution Dates such a period will constitute a short first accrual period. The interest distributable to a holder of the Senior Certificates on the first Distribution Date in excess of the interest that accrued during the first short accrual period will not be treated as interest for tax purposes. Instead, as indicated above (and subject to the election stated above), such amount is included in the stated redemption price at maturity of the Senior Certificates and taken into account in determining the amount of OID (or premium) with respect to the Senior Certificates. The portion of OID treated as accruing for any accrual period will equal the excess, if any, of (i) the sum of (A) the present value, as of the end of the accrual period of all of the payments remaining to be made on the Senior Certificates as of the end of the future accrual periods and (B) the payments made on such Senior Certificates during the accrual period of amounts included in the stated redemption price at maturity, over (ii) the adjusted issue price of such Senior Certificates at the beginning of the accrual period. The present value of the remaining payments referred to in the preceding sentence will be calculated based on (i) using a discount rate equal to the original yield to maturity of the Senior Certificates, calculated as of the Closing Date, giving effect to the Prepayment Assumption, (ii) the events (including actual prepayments) that have occurred prior to the end of the accrual period, and (iii) the Prepayment Assumption. The adjusted issue price of the Senior Certificates at the beginning of any accrual period, will equal the issue price of the Senior Certificates, increased by the aggregate amount of OID with respect to the Senior Certificates that accrued in prior accrual periods and reduced by the amount of any payments made on the Senior Certificates in prior accrual periods that were included in the stated redemption price at maturity. The OID accruing during any accrual period will then be allocated ratably to each day during the period to determine the daily portion of the OID for each day. The adjusted issue price of the Senior Certificates on any given day is equal to the sum of

(x) the adjusted issue price of the Senior Certificates at the beginning of the accrual period during which such day occurs and (y) the daily portions of OID for all days during such accrual period prior to such day.

Premium

A purchaser of the Senior Certificates that purchases any Senior Certificate at a cost (not including accrued qualified stated interest) greater than its remaining stated redemption price at maturity will be considered to have purchased such Senior Certificate at a premium. Such a purchaser will not be required to include in income any remaining OID and may elect, under Section 171(c)(2) of the Code, to treat such premium as “amortizable bond premium.” If the holder of such a Senior Certificate makes such an election, the amount of any interest payment that must be included in such Senior Certificateholder’s income for each period ending on a Distribution Date will be reduced by the portion of the premium allocable to such period (with a corresponding reduction in such holder’s basis) based on such Senior Certificate’s yield to maturity. If such election is made by the holder of the Senior Certificates, the election will also apply to all bonds, the interest on which is not excludable from gross income (“fully taxable bonds”) held by the holder of the Senior Certificates at the beginning of the first taxable year to which the election applies and to all such fully taxable bonds thereafter acquired by it, and the election may not be revoked without the consent of the IRS. If such an election is not made, (i) such Senior Certificateholder must include the full amount of each interest payment in income as it accrues and (ii) the premium must be allocated to the principal payments on the Senior Certificates and, when each such payment is received, an ordinary loss equal to the premium allocated to such payment will be recognized. Any tax benefit from the premium not previously recognized will be taken into account in computing gain or loss upon the sale or disposition of the Senior Certificates. It is unclear whether a Prepayment Assumption should be used in computing amortization of premium allowable under the Code Section 171. If a premium is not subject to amortization using a Prepayment Assumption, the holder of a Senior Certificate acquired at a premium should recognize the loss, if a Student Loan prepays in full, equal to the difference between the portion of the prepaid principal amount of the Student Loan that is allocable to the Senior Certificate and a portion of the adjusted basis of the Senior Certificate that is allocable to the Student Loan. If a Prepayment Assumption is used to amortize such premium, it appears that such a loss would be unavailable. Instead, a prepayment should be treated as a partial payment of the stated redemption price of the Senior Certificate and accounted for under a method similar to that described for taking account of OID. It is also not clear whether any other adjustments would be required to reflect differences between the Prepayment Assumption and the actual rate of payments.

Sale or Exchange of Senior Certificates

A holder of the Senior Certificates will recognize gain or loss on the sale of his or her Senior Certificates equal to the difference between the amount realized on the sale and his or her adjusted basis in the Senior Certificates. A holder of the Senior Certificates’ adjusted basis generally will equal the cost of such Senior Certificates to the holder, increased by any OID and gain in respect of *de minimis* OID included in the Senior Certificateholders’ gross income with respect to such Senior Certificates and reduced, but not below zero, by the portion of the adjusted basis of such Senior Certificates allocable to the payments of the amount included in the stated

redemption price at maturity of such Senior Certificates previously received by the seller of such Senior Certificates and by any amortized premium. Except as provided in Section 582(c) of the Code, generally any such gain or loss will be capital gain or loss provided that such Senior Certificates are held as a “capital asset” (generally, property held for investment) within the meaning of Section 1221 of the Code.

Reporting and Backup Withholding

Reporting of interest income, including any OID, with respect to the Senior Certificates, will be required annually, and may be required more frequently under Treasury regulations. These information reports generally are required to be sent to individuals holders of the Senior Certificates and the IRS. Any holders of the Senior Certificates that are corporations, trusts, securities dealers and certain other non-individuals will be provided interest and OID income information and the information set forth in the following paragraphs upon request in accordance with the requirements of the applicable Treasury regulations.

Payments of interest and principal, as well as payment of proceeds from the sale of the Senior Certificates, to holders of the Senior Certificates who are not exempt recipients may be subject to the backup withholding tax under Section 3406 of the Code if the recipient of such payments fails to furnish to the payor certain information, including their taxpayer identification numbers, to the Trustee, its agent or the broker who effected the sale of the Senior Certificates or otherwise fails to establish an exemption from such tax. The backup withholding tax rate of 30.5%, in effect for payments made on or after August 7, 2001, will be reduced to 30% for payments made during the years 2002 and 2003, 29% for payments made during the years 2004 and 2005, and 28% for payments made during the years 2006 through 2010. For payments made after 2010, the backup withholding rate will be increased to 31%. The amounts deducted and withheld from a distribution to a holder of the Senior Certificates would be allowed as a credit against such recipient’s federal income tax. Furthermore, certain penalties may be imposed by the IRS on a holder of the Senior Certificates who is required to supply information but who does not do so in the proper manner.

Foreign Investors

The following is a general discussion of certain United States federal income tax consequences resulting from the beneficial ownership of notes by a person other than a United States Holder or a former United States citizen or resident (a “Foreign Investor”).

Subject to the discussions of backup withholding below, payments on the Senior Certificates to a Foreign Investor will not be subject to United States Federal withholding tax, provided, in the case of interest, that (1) the Foreign Investor is not a controlled foreign corporation for United States tax purposes that is related to the Company (directly or indirectly) through equity ownership and (2) either (A) the Foreign Investor certifies to the Trustee under penalties of perjury that it is not a United States person and provides its name and address or (B) a securities clearing organization, bank or other financial institution, that holds customers’ securities in the ordinary course of its trade or business and certifies to the Trustee under penalties of perjury that such statement has been received from a Foreign Investor by it or by another financial institution and furnishes the Trustee with a copy.

A Foreign Investor that does not qualify for exemption from withholding as described above must provide the Trustee with documentation as to his, her, or its identity in order to avoid the United States backup withholding tax on the amount allocable to a Foreign Investor and be subject to the 30% foreign withholding rate, or to further reduce the withholding tax under an applicable tax treaty. The documentation may require that the Foreign Investor provide a U.S. tax identification number.

Certificateholders that are foreign partnerships for United States tax purposes must be able to provide documentation from their partners in order to avoid the United States withholding tax on interest income from the Senior Certificates allocable to Foreign Investors under the exemption described above or to reduce the withholding tax under an applicable tax treaty.

If a Foreign Investor is engaged in a trade or business in the United States and interest on a Senior Certificate held by such Certificateholder is effectively connected with the conduct of such trade or business, the Foreign Investor, although exempt from the withholding tax discussed above (provided that such Certificateholder timely furnishes the required certification to claim such exemption), may be subject to United States federal income tax on such interest in the same manner as if it were a United States Certificateholder. In addition, if the Foreign Investor is a foreign corporation, it may be subject to a branch profits tax equal to 30% (or lower applicable treaty rate) of its effectively connected earnings and profits for the taxable year, subject to certain adjustments. For purposes of the branch profits tax, interest on a Senior Certificate will be included in the earnings and profits of the Certificateholder if the interest is effectively connected with the conduct by the Certificateholder of a trade or business in the United States. Such a Certificateholder must provide the Trustee with a properly executed IRS Form 4224 (or successor form) to claim an exemption from United States Federal withholding tax.

Any capital gain or market discount realized on the sale, exchange, retirement or other disposition of a Certificate by a Foreign Investor will not be subject to United States Federal income or withholding taxes if the gain is not effectively connected with a United States trade or business of the Foreign Investor.

Under current Treasury regulations, backup withholding and information reporting will not apply to payments due on the Senior Certificateholder to a Foreign Investor if such Certificateholder has provided the required certification that it is not a United States person as set forth in clause (2) in the second paragraph under "Foreign Investors" above, or has otherwise established an exemption (provided that the Trustee does not have actual knowledge that the Certificateholder is a United States person or that the conditions of an exemption are not in fact satisfied).

Purchasers of Certificates that are Foreign Investors should consult their own tax advisors with respect to the possible applicability of United States withholding and other taxes upon income realized in respect of the Senior Certificates.

THE FEDERAL INCOME TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT BE APPLICABLE DEPENDING UPON A CERTIFICATEHOLDER'S PARTICULAR SITUATION. CERTIFICATEHOLDERS

SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE CERTIFICATES, INCLUDING THE TAX CONSEQUENCES UNDER STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND THE POSSIBLE EFFECTS OF CHANGES IN FEDERAL OR OTHER TAX LAWS.

STATE AND LOCAL TAX CONSIDERATIONS

In addition to the federal income tax consequences described in “Certain Federal Income Tax Consequences,” potential investors should consider the state and local income tax consequences of the acquisition, ownership and disposition of the Senior Certificates. State and local income tax laws may differ substantially from the corresponding federal law, and this discussion does not purport to describe any aspect of the income tax laws of any state. Therefore, potential investors should consult their own tax advisors with respect to the various state and local and foreign tax consequences of an investment in the Senior Certificates.

EXEMPT ORGANIZATIONS

The Senior Certificates are not intended to be sold to, except as described in “CERTAIN ERISA CONSIDERATIONS” below, employee benefit plans or other retirement accounts or arrangements, whether or not subject to the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) (“Plans”) and other entities exempt from tax under the Code (“Exempt Organizations”). **EXEMPT ORGANIZATIONS ARE URGED TO CONSULT WITH THEIR OWN ADVISORS BEFORE INVESTING IN THE SENIOR CERTIFICATES.**

CERTAIN ERISA CONSIDERATIONS

Except as described below, the Senior Certificates may not be purchased by any “employee benefit plan” within the meaning of Section 3(3) of ERISA (whether or not subject to ERISA, and including, without limitation, foreign or government plans), by any “plan” described in Section 4975(e)(1) of the Code, or any entity whose underlying assets are deemed to include plan assets by reason of an employee benefit plan’s or other plan’s investment in such entity (each, a “Benefit Plan Investor”).

Section 406 of ERISA and Section 4975 of the Code prohibit plans subject to ERISA or Section 4975 of the Code (“Plans”) from engaging in certain transactions involving “plan assets” with persons that are “parties in interest” under ERISA or “disqualified persons” under the Code with respect to the Plan. A violation of these “prohibited transaction” rules may generate excise tax and other liabilities under ERISA and the Code for such person. Certain transactions involving the issuer of the Senior Certificates (the “Issuer”) might be deemed to constitute prohibited transactions under ERISA and the Code with respect to a Plan that purchased Senior Certificates if assets of the Issuer were deemed to be assets of the Plan. ERISA also imposes certain duties on persons who are fiduciaries of Plans subject to ERISA (“ERISA Plans”) and prohibits certain transactions between an ERISA Plan and “parties in interest” with respect to such ERISA Plans. Under ERISA, any Person who exercises any authority or control respecting

the management or disposition of the assets of an ERISA Plan is considered to be a fiduciary of such ERISA Plan (subject to certain exceptions not here relevant).

Under a regulation issued by the United States Department of Labor (the “Regulation”), 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 Regulation was applicable. An equity interest is defined under the Regulation as an interest other than an instrument which is treated as indebtedness under applicable local law and which has no substantial equity features.

The Senior Certificates are unlikely to be treated as indebtedness for purposes of the Regulation. Under one exception to the Regulation, however, the assets of the Issuer will not be treated as Plan assets if participation in the Issuer by Benefit Plan Investors is not “significant.” Benefit Plan Investor participation will not be “significant” for purposes of the Regulation if less than 25% of each class of equity interests is held by Benefit Plan Investors (excluding interests held by persons (other than Benefit Plan Investors) that have discretionary authority or control with respect to the assets of Issuer, or who provide investment advice for a fee (direct or indirect) with respect to such assets, or any affiliate of such a person (each, a “Controlling Person”). The Department of Labor has taken the position that for purposes of determining whether equity participation in an entity is “significant” for purposes of the Regulation, only the proportion of an insurance company general account’s investment that represents Benefit Plan Investor assets should be taken into account.

Accordingly, the Senior Certificates may not be purchased by or transferred to, on behalf of or using the assets of any Benefit Plan Investor (including an insurance company general account, except as provided below) and each purchaser of the Senior Certificates will be deemed to represent and warrant that, except as provided below, no portion of the assets it uses to acquire Senior Certificates constitutes assets of any Benefit Plan Investor.

However, an insurance company investor will be permitted to acquire an interest in the Senior Certificates with assets from its general account if it represents, warrants and covenants that at the time of acquisition and throughout its holding of the Senior Certificates, (A) it is not a Controlling Person and (B) each of the accounts to which the Senior Certificates are allocated by such insurance company investor is an insurance company general account (i) that is eligible for and meets the requirements of Department of Labor Prohibited Transaction Class Exemption 95-60 (ii) of which less than 25% of the assets are (or represent) assets of a Benefit Plan Investor and that neither it nor any affiliate has discretionary authority or control with respect to the assets of the Trust, or provides investment advice for a fee (whether direct or indirect) with respect to such assets. No Senior Certificates may be transferred to a Benefit Plan Investor or an entity using Benefit Plan Investor assets, except for insurance company general accounts meeting the requirements discussed above. Each investor in a Senior Certificate will be deemed to represent, warrant and covenant that it will not sell, pledge or otherwise transfer such Senior Certificate in violation of the foregoing.

CERTIFICATE RATINGS

It is a condition of issuance of the Senior Certificates that they be rated “Aaa” by Moody’s and “AAA” by Fitch. The Rating Agencies issue investment grade ratings ranging from “Aaa” to “Baa” (Moody’s) and “AAA” to “BBB” (Fitch) to designate the relative investment qualities of this type of security. “Aaa” or “AAA” is the highest rating that either of the Rating Agencies assigns to obligations similar to the Senior Certificates.

Each Rating Agency’s rating of the Senior Certificates addresses the likelihood of the receipt by the Senior Certificateholders of payments required under the Pooling Agreement. Each Rating Agency’s rating takes into consideration solely the credit quality of MBIA. An “Aaa” or “AAA” rating on the Senior Certificates does not, however, constitute a statement regarding frequency of prepayments on the Student Loans.

The rating of “Aaa” by Moody’s and “AAA” by Fitch assigned to the Senior Certificates also addresses the likelihood of the receipt by Senior Certificateholders of all distributions to which such Senior Certificateholders are entitled. The ratings assigned to collateralized student loan pools do not represent any assessment of the likelihood or rate of principal prepayments. The ratings do not address the possibility that Senior Certificateholders might suffer a lower than anticipated yield or that they may fail to recoup their initial investment. See “CERTAIN YIELD AND PREPAYMENT CONSIDERATIONS.”

A security 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 organization. Each security rating should be independently evaluated from any other security rating. The ratings on the Senior Certificates should be evaluated independently from similar ratings on other types of securities.

PRIVATE PLACEMENT

Subject to the terms and conditions set forth in the placement agreement to be dated on or about November 15, 2001 (the “Placement Agreement”), among the Company, SFC and PNC Capital Markets, Inc. (“PNC”) and Fleet Securities, Inc. (“Fleet”), collectively the Placement Agent, the Placement Agent will use its best efforts to place the Senior Certificates on an “all-or-nothing” basis. The Placement Agent has advised the Company that it proposes to privately place the Senior Certificates with a limited number of QIBs in transactions not required to be registered under the Securities Act. Such investors may be required to confirm in writing their eligibility as a QIB to purchase the Senior Certificates to be acquired by them. The Company and SFC have agreed to indemnify the Placement Agent against certain liabilities, including liabilities under the Securities Act, or to contribute payments that the Placement Agent may be required to make in respect thereof. The Senior Certificates have not been, and will not be, registered under the Securities Act and may not be offered or sold except as described under “DESCRIPTION OF THE CERTIFICATES AND POOLING AGREEMENT -- The Certificates — *Transfer*,” and “NOTICE TO INVESTORS.”

Prior to the offering contemplated hereby, there has been no active market for the Senior Certificates and the Placement Agent has no intent to make a market in the Senior Certificates.

Accordingly, no assurance can be given as to the liquidity or trading market for the Senior Certificates.

Each of PNC and Fleet (or affiliates thereof) have performed various investment banking, commercial banking, lending and other services for affiliates of the Issuer, the Company or SFC in the past, and may do so from time to time in the future. In addition, commercial paper issuers administered by affiliates of PNC and Fleet have extended warehouse loan facilities to an affiliate of the Issuer. A portion of the Student Loans purchased by the Company from SFC will be acquired from such Issuer affiliate, which will then use the proceeds from such purchase to pay some or all of the outstanding amount of such warehouse loan facilities. Accordingly, such commercial paper issuers that have those that warehouse loan facilities will receive a portion of the net proceeds of the offering of the Senior Certificates. See "USE OF PROCEEDS."

LEGALITY OF THE SENIOR CERTIFICATES

The legality of the Senior Certificates will be passed upon for the Issuer by the law firm of Pepper Hamilton LLP, 3000 Two Logan Square, Eighteenth and Arch Streets, Philadelphia, Pennsylvania 19103-2799, and by Minnesota counsel to the Trustee.

ADDITIONAL INFORMATION

Each person receiving this Memorandum acknowledges that such person has been afforded an opportunity to request from the Issuer and the Company, and has received and reviewed, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein.

The Company will allow qualified investors to which a copy of this Memorandum is delivered, upon reasonable advance notice, to inspect at the Company's principal office certain documents as hereinafter identified. Requests should be directed to the Company at its principal office, 5 Radnor Corporate Center, Suite 501, 100 Matsonford Road, Radnor, Pennsylvania 19087 (610) 964-9200). The following documents (or forms thereof) are included as those available.

1. Pooling Agreement; and
2. Organizational documents of the Company.

The Company will furnish, upon the request of any purchaser of the Senior Certificates, such information as is specified in paragraph (d)(4) of Rule 144A under the Securities Act (i) to such purchaser, (ii) to a prospective purchaser of such Senior Certificates or interest therein who is a QIB designated by such owner, or (iii) to the Trustee for delivery to such purchaser or prospective purchaser, in order to permit compliance by such purchaser with Rule 144A in connection with the resale of such Senior Certificates therein by such purchaser in reliance on Rule 144A unless, at the time of such request, the Issuer is subject to the reporting requirements of Section 13 or 15(d) of the United States Securities Exchange Act of 1934, as amended.

EXHIBIT A

FORM OF

ROYAL INDEMNITY COMPANY

(A Delaware Capital Stock Insurance Company)
P.O. Box 472488
Charlotte, North Carolina 28247-2488

Policy Number RST147536
CREDIT RISK INSURANCE POLICY

DECLARATIONS

- Item 1. Insured: SFC Acceptance VIII, LLC
- Address: 5 Radnor Corporate Center
 Suite 501
 100 Matsonford Road
 Radnor, PA 19087
 Telecopier: 610-995-2060
- Beneficiary: Wells Fargo Bank Minnesota, National Association, and its
 successors, as trustee of the SFC Grantor Trust, Series 2001-3
- Address: Wells Fargo Bank Minnesota, National Association
 Corporate Trust Services
 N-9311-161
 Sixth Street and Marquette Avenue
 Minneapolis, MN 55479
- Item 2. Policy Period: Policy Inception Date: November 15, 2001
- Policy Expiration Date: Shall be the earlier of (1) when all
 of the Obligations Insured have
 been repaid to the Insured or the
 Beneficiary in full, plus twelve
 months and one day and (2)
 commutation of the Policy in
 accordance with Article IV,
 Section B., Paragraph 2 hereof.

(in each case at 12:01 A.M. at the address of the Insured stated herein).

- Item 3: Limit of Liability: \$80,000,000 in principal amount of the Student Loans, plus three months of interest at the stated interest rate (exclusive of any penalty interest, late payment fees and prepaid financing charges) as set forth in the Student Loans, in the absolute aggregate for the Policy Period.
- Item 4: Student Loans: The student loan agreements listed on Schedule I attached hereto.
- Item 5: Principal State: Delaware
- Item 6: Endorsements: Endorsements attached at Policy Inception Date and at various times during the Policy Period as provided herein.
- Item 7: Premium: As provided in Article IV, Section A.
- Item 8: Exclusions: None

Countersigned by:

Royal Indemnity Company

CREDIT RISK INSURANCE POLICY

In consideration of the payment of the Premium and in accordance with this Policy, the Declarations, the Student Loans listed on Schedule I hereto and any endorsements(s) hereto, which together shall constitute the Credit Risk Insurance Policy (the “Policy”), Royal Indemnity Company (the “Insurer”) agrees as follows:

I. INSURING AGREEMENT

Subject to the Limit of Liability, the Insurer hereby irrevocably and unconditionally agrees to pay on behalf of the Insured to the Beneficiary, from the Insurer’s own funds, the amount of each Loss during the Policy Period regardless of whether the Premium due under Article IV, Section A is paid or not. The amount payable by the Insurer will be paid in accordance with Article III, Payment; Notice and Proof of Loss and Recoveries after Payment.

II. DEFINITIONS

- A. “Beneficiary” shall mean Wells Fargo Bank Minnesota, National Association and its successors, as trustee of the Trust.
- B. “Business Day” shall mean any day, other than a Saturday or a Sunday or a day on which banking institutions are authorized or required to be closed in the State of Delaware.
- C. “Claim” shall mean a written Claim by or on behalf of the Beneficiary submitted to the Insurer for payment of a Loss pursuant to delivery of a Notice.
- D. “Clean-up call” shall mean the Insured’s right to repurchase the Student Loans from the Beneficiary pursuant to Section 10.2 of the Pooling Agreement or such other corollary section of the Pooling Agreement permitting or requiring the Insured to purchase Student Loans.
- E. “Default” shall mean (i) a Student Loan becoming more than ninety (90) days delinquent (treating payments made by a Student but paid over to a bankruptcy court having jurisdiction over the Student as a preference item as not having been paid by the Student), with payments made after a delinquency applied to the earliest delinquency, or (ii) any impairment or avoidance of the rights of the Beneficiary or the Insured in a Student Loan arising out of the bankruptcy or similar event or proceedings with respect to Student Finance Corporation or the Insured, including without limitation pursuant to Section 362 of the United States Bankruptcy Code.
- F. “Default Date” shall mean the first date on which a Default occurs.
- G. “Escrow Agent” shall mean the escrow agent and its successors and assigns, all as set forth in the Escrow Agreement.
- H. “Escrow Agreement” shall have the meaning set forth in Article IV, Section C, below.
- I. “Excess Spread Reserve Account” shall mean the escrow fund established under the Escrow Agreement as amended from time to time and as more fully described in Article IV, Section C, below.
- J. “Initial Balance” shall mean, as to each Student Loan, the outstanding principal balance of such Student Loan on the date such Student Loan is added to the Policy.
- K. “Insurance Agreement” shall mean the Insurance Agreement entered into between SFC Acceptance VIII, LLC, Student Finance Corporation, Student Loan Servicing LLC and Royal Indemnity Corporation dated as of the date hereof as amended from time to time in accordance with the terms thereof.

- L. “Insured” shall mean SFC Acceptance VIII, LLC.
- M. “Insurer” shall mean Royal Indemnity Company, its successors and permitted assigns.
- N. “Late Payment Rate” shall mean a floating rate of interest equal to the “Prime Rate” as most recently published in the Wall Street Journal, plus 2%, computed on the basis of a year of 365 days, calculating the actual number of days elapsed. In no event shall the Late Payment Rate exceed the maximum rate permissible under any applicable law limiting interest rates.
- O. “Limit of Liability” shall mean the amount specified in Item 3 of the Declarations.
- P. “Loss” shall mean for any Student Loan as to which a Claim is made in accordance herewith the Value as of the Default Date with respect to such Student Loan. Loss shall not include penalties, taxes, or any other liability incurred by the Insured with respect to such Student Loan.
- Q. “MBIA” shall mean MBIA Insurance Corporation and its successors and assigns.
- R. “Notice” shall mean the notice to be provided by the Servicer or the Beneficiary to the Insurer directing payment of a Claim as described in Article III, Section B.
- S. “Obligations Insured” shall mean the full amount of the principal and interest due to the Insured pursuant to the Student Loans between the lender and each Student.
- T. “Policy” shall mean this Credit Risk Insurance Policy Number RST147536 issued by the Royal Indemnity Company on the Policy Inception Date.
- U. “Policy Expiration Date” shall be as set forth in Item 2 of the Declarations.
- V. “Policy Inception Date” shall be the first day of the Policy Period, as identified in Item 2 of the Declarations.
- W. “Policy Period” shall mean the period of time from the Policy Inception Date to the Policy Expiration Date.
- X. “Pooling Agreement” shall mean the Pooling and Servicing Agreement dated as of the Policy Inception Date between Servicer, Insured and the Beneficiary.
- Y. “Premium” shall mean the amount payable under Article IV, Section A.
- Z. “Recoveries” shall mean the account payable under Article V, Section B.
- AA. “Servicer” shall mean Student Loan Servicing LLC or its successor(s).
- BB. “Settlement Date” shall mean the twentieth (20th) day of each calendar month, or if such day is not a Business Day, the next Business Day.
- CC. “Settlement Period” means, with respect to any Settlement Date, the calendar month preceding the month in which such Settlement Date occurs.
- DD. “Student” shall mean each obligor under the Student Loans and any successor thereto or other party having or assuming obligations under the Student Loans which entity, successor or party is obligated to pay Obligations Insured under the Student Loans.
- EE. “Student Loans” shall mean each student loan agreement listed on Schedule I attached hereto as amended from time to time.

- FF. "Trust" shall mean the SFC Grantor Trust, Series 2001-3.
- GG. "Value" shall mean the principal balance outstanding under a Student Loan as of the Default Date plus accrued interest thereon (at the stated interest rate (exclusive of any penalty interest, late payment fees and prepaid financing charges) as set forth in such Student Loan) to the Default Date.

III. PAYMENT; NOTICE AND PROOF OF LOSS

A. PAYMENT

Payments of any Loss under this Policy shall be made by the Insurer to the Beneficiary as set forth in the Notice from the Servicer or the Beneficiary and shall be due and payable by the Insurer within sixty (60) days of the receipt of the Notice by wire transfer of immediately available funds to the Beneficiary's account designated in the Notice. Each payment made by the Insurer hereunder shall reduce the Limit of Liability by an amount equal to the payment.

B. NOTICE

The Notice shall be in the form attached hereto, setting forth the following information: (a) the amount of the Loss to be paid by the Insurer and (b) the amount to be paid to the Beneficiary. The Notice shall be sent by certified mail, return receipt requested, hand delivery, facsimile transmission or overnight courier, addressed to 11111 Carmel Commons Boulevard, Charlotte, North Carolina 28226, Attention: Tony McKenzie, fax number (704) 543-3566 or his or her representative. The Notice will be presumed to have been received on the date of the execution of receipt for certified mail, on the date of delivery if by hand delivery or facsimile transmission or the next business day if sent by overnight courier.

C. PROOF OF LOSS

1. The Insured or the Beneficiary agrees to deliver or cause to be delivered with each Notice a written proof of loss form setting forth (a) a schedule detailing the Claims incurred under this Policy due to a Default during the current monthly period by identifying the applicable Student Loans and setting forth the outstanding principal balance and accrued and unpaid interest with respect thereto; and (b) a copy of the notice from the Escrow Agent in accordance with Section 4(e) of the Escrow Agreement to the effect that no funds remain in the Excess Spread Reserve Account or of notice from the Escrow Agent of its refusal to disburse funds from the Excess Spread Reserve Account on account of a bankruptcy of Servicer or an Insured.
2. No failure to comply with the provisions of this Article III shall in any way impair, delay or limit (a) the right of the Beneficiary to make a Claim for or receive payment of any Loss under this Policy or (b) the unconditional and irrevocable obligations of the Insurer to pay any Claim for a Loss under the Policy.

IV. GENERAL CONDITIONS

A. PAYMENT OF PREMIUM

The premium for the Policy shall be an amount equal to the following: (a) an initial payment of \$100,000 payable on the Policy Inception Date, and (b) on each Settlement Date after the Policy Inception Date, the premium shall be payable on each Settlement Date, subject to and in accordance with the priorities set forth in the Pooling Agreement, in an amount equal to one-twelfth (1/12) of one and one half percent (1.5%) multiplied by the daily average outstanding principal balance of the Student Loans for the Settlement Period preceding a particular Settlement

Date (the amount payable hereunder shall be referred to as the "Premium"). In the event that any amount of the Premium is not paid when due hereunder, additional premium shall be due thereon from the date when due to the date of payment in full at the Late Payment Rate. Nothing contained herein including, but not limited to, the Insurer's failure to receive any Premium, shall in any way impair, delay or limit (a) the right of the Beneficiary to make a Claim for or receive payment of any Loss under this Policy or (b) the unconditional and irrevocable obligations of the Insurer to pay any Claim for a Loss under the Policy.

B. TERMINATION AND COMMUTATION

1. TERMINATION. The Policy will be terminated twelve (12) months and one (1) day after all Obligations Insured under this Policy have been repaid in full to the Beneficiary.
2. COMMUTATION. This Policy may also be commuted by the Insured on sixty (60) days prior written notice at any time provided that (a) the Beneficiary, Insured, MBIA and all other parties to this Policy have consented to such commutation, (b) another policy is issued on the Student Loans from an insurer with a Moody's A1 rating or better and (c) notice is given to each rating agency rating any notes or certificates collateralized by the Student Loans.

C. EXCESS SPREAD RESERVE ACCOUNT

The Insured upon the Policy Inception Date shall pay to the Escrow Agent an amount equal to Seven Million Nine Hundred and Seventy Eight Thousand Dollars (\$7,978,000). Thereafter, the Beneficiary shall pay the Monthly Reserve Amount as that term is defined in the Excess Spread Reserve Escrow Account Agreement (the "Escrow Agreement") between the Insured, Insurer and the Beneficiary and others, as amended from time to time, in accordance with the terms of the Escrow Agreement. The Escrow Agent will pay the sums held in the Excess Spread Reserve Account in accordance with the terms of the Escrow Agreement.

V. SUBROGATION AND RECOVERIES AFTER PAYMENT

- A. Upon payment of any Claim under this Policy, the Insurer shall be subrogated to the extent of such payments to all of the Beneficiary's and the Insured's rights against the Students or other liable party to the extent of its obligations to pay Obligations Insured. In addition to and without limiting any rights under the preceding sentence, upon payment of a Claim on account of the Escrow Agent's refusal to distribute any funds under the Excess Spread Reserve Account, the Insurer shall be subrogated to all rights of the Beneficiary to which such Claim was paid to any amounts payable directly or indirectly to the Beneficiary from funds from the Excess Spread Reserve Account on account of the Obligations Insured which were the subject of such Claim. The Insured and the Beneficiary shall also execute and deliver, during regular business hours and upon reasonable request by the Insurer, all instruments and papers and do whatever else is necessary to transfer, assign, secure and enforce such rights. The Insured and the Beneficiary shall do nothing to prejudice such rights. The Insured will supply the Insurer with any information reasonably requested by the Insurer relating to the subject of this insurance. The execution by the Beneficiary of a release, satisfaction or waiver of the right to collect the unpaid balance of any amounts due under the Student Loans shall equally release the Insurer from any obligation under this Policy. The Insured's duties with respect to cooperation hereunder shall be performed at the request of the Insurer whether or not Notice has been given in accordance with Article III, Section B hereof.
- B. Without limiting the foregoing, after payment of a Claim under this Policy, the Insurer shall be entitled to reimbursement from the Insured for the full amount of such paid Loss plus interest thereon at the Late Payment Rate, and shall be subrogated to the extent of

such payments to the rights of the Beneficiary with respect to the Insured and any Student Loan on which the Insurer has paid a Claim; provided, that, except for the right to reimbursement on account of payments for Losses and interest thereon at the Late Payment Rate as provided in the Pooling Agreement and the Escrow Agreement, the Insurer shall not exercise or seek to exercise any such rights until all obligations under the Pooling Agreement payable to the Beneficiary have been indefeasibly paid in full. In furtherance of the foregoing, all funds or salvage (“Recoveries”) received by the Insurer, the Insured or the Beneficiary from the Student or from any other source whatsoever as or toward payment of the Student’s obligations under the Student Loan on which the Insurer has paid a Claim, shall be deposited to the Excess Spread Reserve Account, and the Insurer shall have the right to receive distributions from the Excess Spread Reserve Account on account of Losses it has paid, as set forth in the Escrow Agreement.

VI. CANCELLATION

THIS POLICY IS IRREVOCABLE AND MAY NOT BE CANCELED BY EITHER THE INSURED OR THE INSURER, EXCEPT AS PROVIDED IN ARTICLE IV, SECTION B HEREOF.

VII. ASSIGNMENT

This Policy and any rights and obligations hereunder may not be assigned without the prior written consent of the Insurer.

VIII. CHANGES

Notice to any representative of the Insurer or knowledge possessed by any representative or by any person shall not effect a waiver or change in any part of this Policy, including the Student Loans; nor shall the terms of this Policy be waived, changed, modified or amended, or any endorsement(s) attached hereto, unless agreed to in writing by an authorized representative of the Insurer, the Insured and consented to in writing by the Beneficiary in its sole discretion and MBIA. Insurer understands and acknowledges that there may be changes required to be made to the Policy in the future for the addition or deletion of Insureds, changes of Beneficiaries and such other changes as may be required by a rating agency rating an instrument for which the Student Loans are collateral or which represents a participation in the Student Loans. Notice shall be given to any rating agencies rating any loan, notes or certificates collateralized by the Student Loans and all Beneficiaries and Insureds of any change.

IX. NOTICES

Any notice or communication required hereunder shall be sent by registered or certified mail, express courier, or by telecopier with an original to follow by mail or express courier, (i) in the case of the Insured or the Beneficiary, to the address set forth in Item 1 of the Declaration, or (ii) in the case of the Insurer, to the address set forth in Article III, Section B; or, in either case, to such other address as a party hereto may designate by notice to the other parties in accordance herewith. Any notice or communication shall be deemed received on the date of confirmed delivery by registered or certified mail, express mail, or telecopier.

X. CHOICE OF LAW

The construction, validity and performance of this Policy shall be governed by the internal laws of the State of Delaware. This Policy shall be deemed to be executed and delivered in the State of Delaware and all parties hereto acknowledge and agree that it is so executed and delivered. In the event that any party commences a lawsuit or other proceeding relating to or arising from this Policy, the parties hereto agree that the United States District Court for the District of Delaware shall have the sole and exclusive jurisdiction over any such proceeding. If such court lacks federal subject matter jurisdiction, the parties agree that the appropriate court in the State of Delaware shall have sole and exclusive jurisdiction. Any of

these courts shall be proper venue for any such lawsuit or judicial proceeding and the parties hereto waive any objection to such venue. The parties hereto consent to and agree to submit to the jurisdiction of any of the courts specified herein and agree to accept service of process to vest personal jurisdiction over them in any of these courts.

XI. RIGHT TO RECEIVE PAYMENT SUBJECT ONLY TO LIMIT OF LIABILITY

NOTWITHSTANDING ANY OTHER PROVISION OF THIS POLICY TO THE CONTRARY, THE RIGHT OF THE BENEFICIARY TO RECEIVE PAYMENT FOR LOSSES UNDER THIS POLICY SHALL BE ABSOLUTE, CONTINUING, IRREVOCABLE AND UNCONDITIONAL IRRESPECTIVE OF (A) ANY FRAUD WITH RESPECT TO THE STUDENT LOANS, (B) THE GENUINENESS, VALIDITY OR ENFORCEABILITY OF ANY INSURANCE AGREEMENT, POOLING AGREEMENT OR STUDENT LOAN OR THE BREACH OF ANY SUCH CONTRACT OR ANY COVENANT OR REPRESENTATION OR WARRANTY MADE THEREIN, OR (C) ANY OTHER RIGHTS OR DEFENSES THAT MAY BE AVAILABLE TO THE INSURER TO AVOID PAYMENT OF ITS OBLIGATION UNDER THIS POLICY (ALL OF WHICH RIGHTS AND DEFENSES ARE HEREBY EXPRESSLY WAIVED BY THE INSURER), AND NO FAILURE ON THE PART OF THE INSURED, THE SERVICER OR THE BENEFICIARY TO OBSERVE OR PERFORM ANY COVENANT OR CONDITION OR ANY BREACH OF ANY REPRESENTATION OR WARRANTY MADE BY THEM CONTAINED IN THIS POLICY (INCLUDING WITHOUT LIMITATION THOSE CONTAINED IN ARTICLE III, ARTICLE IV AND ARTICLE V) OR THE INSURANCE AGREEMENT SHALL ENTITLE THE INSURER TO ANY RIGHT OF SET-OFF, COUNTERCLAIM OR DEFENSE AGAINST THE BENEFICIARY OR ANY OTHER PARTIES (ALL OF WHICH RIGHTS AND DEFENSES ARE HEREBY EXPRESSLY WAIVED BY THE INSURER) OR OTHERWISE RELIEVE THE INSURER OF ANY LIABILITY TO MAKE ANY PAYMENT FOR LOSSES TO THE BENEFICIARY UNDER THIS POLICY, SUBJECT ONLY TO THE LIMIT OF LIABILITY.

THE INSURER HEREBY IRREVOCABLY WAIVES ALL RIGHTS TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS POLICY, THE LOAN DOCUMENTS OR ANY TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY AND FOR ANY COUNTERCLAIM THEREIN.

Notwithstanding the foregoing, nothing herein shall constitute a waiver or release of any claims or rights which the Insurer may have pursuant to the Pooling Agreement, Escrow Agreement, the Insurance Agreement or Article V hereof; provided, that, no such claims or rights shall constitute or be asserted as a defense, counterclaim or set-off with respect to, or otherwise as a basis for impairing, limiting, withholding, or delaying, the payment to the Beneficiary of any Claim hereunder.

Schedule I

Student Loans

See attached Schedule.

FORM OF NOTICE OF CLAIM

To: Royal Indemnity Company
11111 Carmel Commons Boulevard
Charlotte, North Carolina 28226
Attention: Tony McKenzie
Fax Number: (704) 543-3566

Re: Credit Risk Insurance Policy, Policy Number RST147536

The undersigned, being a duly appointed officer of [specify Servicer/Beneficiary] hereby provides the Notice of Claim pursuant to the above referenced Policy, and in connection therewith certifies the information set forth herein. Capitalized terms used and not otherwise defined herein shall have the meanings ascribed thereto in the Policy.

1. A Default has occurred with respect to the Student Loans listed on Annex A attached hereto.
2. The amount of the Claim hereunder was requested from the Escrow Agent, and the Escrow Agent has delivered a notice that no funds remain in the Excess Spread Reserve Account, or notice of refusal to disburse funds from the Excess Spread Reserve Account on account of the bankruptcy of Servicer or an Insured.
3. Either (check as applicable):

_____ [To the knowledge of the Beneficiary,] after application of available funds in accordance with the Pooling Agreement, the outstanding principal balance of the Student Loans listed on Annex A has not been paid to the Beneficiary; or

_____ The Default results from an impairment or avoidance of the rights of the undersigned Beneficiary or of the Insured in such Student Loans arising out of the bankruptcy or similar event or proceedings with respect to Student Finance Corporation or the Insured, including without limitation pursuant to Section 362 of the United States Bankruptcy Code.

In accordance with the Policy, you are hereby given notice that a Loss has occurred on account of the Student Loans listed on Annex A as described above, and instructed to make payment in accordance with the Policy as follows:

Aggregate amount of Loss (aggregate principal amount of Student Loans, and accrued and unpaid interest to the Default Date): \$ _____

Amount to be paid to the Beneficiary: \$ _____
Wire instructions for the Beneficiary

Amount to be paid to Escrow Agent: \$ _____
(Wire instructions set forth in Escrow Agreement)

IN WITNESS WHEREOF, the undersigned has executed this Notice of Claim as of the date indicated below.

_____, as [Servicer/Beneficiary]

By: _____

Name:

Title:

Date: _____

Business Day by State Street Bank and Trust Company, N.A., as Fiscal Agent for the Insurer, or any successor fiscal agent appointed by the Insurer (the “Fiscal Agent”), of a Notice (as described below), provided that if such Notice is received after 12:00 noon, New York City time, on such Business Day, it will be deemed to be received on the following Business Day. If any such Notice received by the Fiscal Agent is not in proper form or is otherwise insufficient for the purpose of making claim hereunder, it shall be deemed not to have been received by the Fiscal Agent for purposes of this paragraph, and the Insurer or the Fiscal Agent, as the case may be, shall promptly so advise the Trustee and the Trustee may submit an amended Notice.

Insured Payments due hereunder unless otherwise stated herein will be disbursed by the Fiscal Agent to the Trustee on behalf of the Owners by wire transfer of immediately available funds in the amount of the Insured Payment less, in respect of Insured Payments related to Preference Amounts, any amount held by the Trustee for the payment of such Insured Payment and legally available therefor.

The Fiscal Agent is the agent of the Insurer only, and the Fiscal Agent shall in no event be liable to Owners for any acts of the Fiscal Agent or any failure of the Insurer to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

As used herein, the following terms shall have the following meanings:

“*Agreement*” means the Pooling and Servicing Agreement dated as of November 15, 2001 among SFC Acceptance VIII, LLC, as Settlor, Student Loan Servicing LLC, as Servicer, and the Trustee, as trustee, without regard to any amendment or supplement thereto, unless such amendment or supplement has been approved in writing by the Insurer.

“*Business Day*” means any day other than (a) a Saturday or a Sunday (b) a day on which the Insurer is closed or (c) a day on which banking institutions in New York City or in the city in which the corporate trust office of the Trustee under the Agreement is located are authorized or obligated by law or executive order to close.

“*Deficiency Amount*” means (a) for any Distribution Date, any shortfalls in amounts available in the Collection Account to pay the Senior Interest Distribution with respect to the Obligations and (b) on the Final Distribution Date, any shortfall in amounts available in the Collection Account to pay the outstanding principal on the Obligations.

“*Insured Payment*” means (a) as of any Distribution Date, any Deficiency Amount and (b) any Preference Amount.

“*Notice*” means the telephonic or telegraphic notice, promptly confirmed in writing by facsimile substantially in the form of Exhibit A attached hereto, the original of which is subsequently delivered by registered or certified mail, from the Trustee specifying the Insured Payment which shall be due and owing on the applicable Distribution Date.

“*Owner*” means each Holder (as defined in the Agreement) (other than the Trustee, the Settlor, Student Finance Corporation or the Servicer) who, on the applicable Distribution Date, is entitled under the terms of the applicable Certificates to payment thereunder.

“*Preference Amount*” means any amount previously distributed to an Owner on the Obligations that is recoverable and sought to be recovered as a voidable preference by a trustee in bankruptcy pursuant to the United States Bankruptcy Code (11 U.S.C.), as amended from time to time in accordance with a final nonappealable order of a court having competent jurisdiction.

Capitalized terms used herein and not otherwise defined herein shall have the respective meanings set forth in the Agreement as of the date of execution of this Policy, without giving effect to any subsequent amendment to or modification of the Agreement unless such amendment or modification has been approved in writing by the Insurer.

Any notice hereunder or service of process on the Fiscal Agent may be made at the address listed below for the Fiscal Agent or such other address as the Insurer shall specify in writing to the Trustee.

The notice address of the Fiscal Agent is 61 Broadway, 15th Floor, New York, New York 10006, Attention: Municipal Registrar and Paying Agency, or such other address as the Fiscal Agent shall specify to the Trustee in writing.

THIS POLICY IS BEING ISSUED UNDER AND PURSUANT TO, AND SHALL BE CONSTRUED UNDER, THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO THE CONFLICT OF LAWS PRINCIPLES THEREOF.

The insurance provided by this Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

This Policy is not cancelable for any reason. The premium on this Policy is not refundable for any reason, including payment, or provision being made for payment, prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this Policy to be executed and attested this 15th day of November, 2001.

MBIA INSURANCE CORPORATION

By _____
President

Attest:

By _____
Assistant Secretary

EXHIBIT A

**TO CERTIFICATE GUARANTY INSURANCE
POLICY NUMBER: 3719
NOTICE UNDER CERTIFICATE GUARANTY
INSURANCE POLICY NUMBER: 3719**

State Street Bank and Trust Company, N.A., as Fiscal Agent
for MBIA Insurance Corporation
61 Broadway, 15th Floor
New York, NY 10006
Attention: Municipal Registrar and
Paying Agency

MBIA Insurance Corporation
113 King Street
Armonk, NY 10504

The undersigned, a duly authorized officer of Wells Fargo Bank Minnesota, National Association, as trustee (the "Trustee"), hereby certifies to State Street Bank and Trust Company, N.A. (the "Fiscal Agent") and MBIA Insurance Corporation (the "Insurer"), with reference to Certificate Guaranty Insurance Policy Number: 3719 (the "Policy") issued by the Insurer in respect of the \$80,000,000 SFC Grantor Trust, Series 2001-3 Student Loan Pass-Through Certificates, 5.50% Senior Certificates (the "Obligations"), that:

(a) the Trustee is the Trustee under the Pooling and Servicing Agreement dated as of November 15, 2001 among Student Loan Servicing LLC, as Servicer, SFC Acceptance VIII, LLC, as Settlor, and the Trustee, as Trustee;

(b) the amount due under clause (a) of the definition of Deficiency Amount for the Distribution Date occurring on [] (the "Applicable Distribution Date") is \$[];

(c) the amount due under clause (b) of the definition of Deficiency Amount for the Applicable Distribution Date is \$[];

(d) the sum of the amounts listed in paragraphs (b) and (c) above is \$[] and shall be the total Deficiency Amount due under this Notice;

(e) the amount of previously distributed payments on the Obligations that is recoverable and sought to be recovered as a voidable preference by a trustee in bankruptcy pursuant to the Bankruptcy Code in accordance with a final nonappealable order of a court having competent jurisdiction is \$[] (the "Preference Amount");

(f) the total Insured Payment due is \$[], which amount equals the sum of the Deficiency Amount and the Preference Amount;

(g) the Trustee is making a claim under and pursuant to the terms of the Policy for the dollar amount of the Insured Payment set forth in (d) above to be applied to the payment of the Deficiency Amount for the Applicable Distribution Date in accordance with the Agreement and for the dollar amount of the Insured Payment set forth in (e) above to be applied to the payment of any Preference Amount; and

(h) the Trustee directs that payment of the Insured Payment be made to the following account by bank wire transfer of federal or other immediately available funds in accordance with the terms of the Policy: [TRUSTEE'S ACCOUNT NUMBER].

Any capitalized term used in this Notice and not otherwise defined herein shall have the meaning assigned thereto in the Policy.

Any Person Who Knowingly And With Intent To Defraud Any Insurance Company Or Other Person Files An Application For Insurance Or Statement Of Claim Containing Any Materially False Information, Or Conceals, For The Purpose Of Misleading, Information Concerning Any Fact Material Thereto, Commits A Fraudulent Insurance Act, Which Is A Crime, And Shall Also Be Subject To A Civil Penalty Not To Exceed Five Thousand Dollars And The Stated Value Of The Claim For Each Such Violation.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Notice under the Policy as of the [] day of [], [].

WELLS FARGO BANK MINNESOTA,
NATIONAL ASSOCIATION, as Trustee

By _____
Title _____

EXHIBIT C

FORM OF QIB INVESTOR LETTER (FOR TRANSFER OF SENIOR CERTIFICATES)

_____, 200__

SFC Grantor Trust, Series 2001-3
c/o Wells Fargo Bank Minnesota, National Association, as Trustee
Sixth Street and Marquette Avenue
Minneapolis, Minnesota 55479

Re: SFC Grantor Trust, Series 2001-3 (the “Issuer”) of 5.50% Senior
Pass-Through Certificates and/or 2.61% Interest-Only Certificates

Dear Sirs:

In connection with our proposed purchase of the Senior Certificate[s] referred to above (the “Certificates”), we confirm that:

(1) We have received a copy of the Private Placement Memorandum dated November 14, 2001 (the “Memorandum”) relating to the Certificates and such other information and documents as we deem necessary in order to make our investment decision, including, without limitation, a copy of the audited financial statement of Student Finance Corporation for the years ended December 31, 1999 and December 31, 2000. We acknowledge that we have read and agree to the matters stated in the section entitled “Notice to Investors”, and the restrictions on duplication of the Memorandum.

(2) We understand that any subsequent transfer of the Certificates is subject to certain restrictions and conditions set forth in the Pooling and Servicing Agreement dated as of November 15, 2001 (the “Pooling and Servicing Agreement”) and we agree to be bound by, and not to resell, pledge or otherwise transfer the Certificates except in compliance with such restrictions and conditions and the Securities Act of 1933, as amended (the “Securities Act”) and our failure to comply with the foregoing agreement shall render any purported transfer to be null and void.

(3) We understand that the offer and sale of the Certificates has not been registered under the Securities Act and that the Certificates may not be offered, sold or otherwise transferred in the absence of such registration or an applicable exemption therefrom. We agree, on our own behalf and on behalf of any accounts for which we are acting as hereinafter stated, that we will not offer, sell, pledge or otherwise transfer any Certificate, or any interest therein, except (A) in accordance with Rule 144A under the Securities Act to a “qualified institutional

buyer” (as defined therein) or (B) pursuant to an effective registration statement under the Securities Act, and we further agree to provide to any person purchasing any of the Certificates from us a notice advising such person that resales of the Certificates are restricted as stated herein.

(4) We understand that, on any proposed resale of any Certificates, we will be required to furnish to the Trustee on behalf of the Issuer such certificates, legal opinions and other information as the Trustee may reasonably require to confirm that the proposed sale complies with the foregoing restrictions. We further understand that the Certificates purchased by us will bear a legend to the foregoing effect.

(5) We are a “qualified institutional buyer” (as that term is defined in Rule 144A under the Securities Act). We are aware that the sale of the Certificates to us is being made in reliance on Rule 144A under the Securities Act. We are acquiring the Certificates for our own account or for the account of a qualified institutional buyer.

(6) We are acquiring at least the Required Minimum principal amount of Certificates for each account for which we are purchasing such Certificates and will not offer, sell, pledge or otherwise transfer any such Certificates or any interest therein at any time except in the Required Minimum denomination. The “Required Minimum” means, with respect to the Certificates, \$3,000,000 original principal amount.

(7) We acknowledge that neither the Issuer, SFC Acceptance VIII, LLC (the “Company”), Student Loan Servicing LLC (the “Servicer”), PNC Capital Markets, Inc. (“PNC”) and Fleet Securities, Inc. (collectively with PNC, the “Placement Agent”), nor the Trustee nor any person acting on behalf of the Issuer, the Company, the Servicer, the Placement Agent or the Trustee has made any representations concerning the Issuer or the offer and sale of the Certificates, except as set forth in the Memorandum.

(8) We acknowledge that the Issuer, the Company, the Placement Agent, the Trustee and others will rely on the truth and accuracy of the foregoing acknowledgments, representations and agreements, and agree that if any of the foregoing acknowledgments, representations and agreements are no longer accurate we shall promptly notify the Issuer, the Company, the Placement Agent and the Trustee.

(9) We represent and warrant that we are either (i) not an “employee benefit plan” within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) (whether or not subject to ERISA, and including, without limitation, foreign or government plans), any “plan” described by section 4975(e)(1) of the Internal Revenue Code of 1986, as amended, or any entity whose underlying assets are deemed to include “plan assets” of any of the foregoing by reason of an employee benefit plan’s or other plan’s investment in such entity (each, a “Benefit Plan Investor”) and, except as provided in (ii) below, no portion of the assets that we use to acquire the Certificates constitute assets of any Benefit Pan Investor, or (ii) an insurance company using the assets of our general account, and we represent, warrant and covenant that, at the time of acquisition and throughout the period we hold our Senior Certificates, (A) we are eligible for and meet the requirements of Department of Labor Prohibited Transaction Class Exemption 95-60, (B) less than 25% of the assets of such

general account are (or represent) assets of a Benefit Plan Investor and (C) neither we nor any affiliate has discretionary authority or control with respect to the assets of the Issuer, or provides investment advice for a fee (whether direct or indirect) with respect to such assets.

The Transferee hereby agrees to indemnify and hold harmless the Issuer, the Company, the Placement Agent and the Trustee from and against any and all loss, damage or liability (including attorney's fees) due to or arising out of a breach of any representation or warranty, confirmation or statement contained in this letter, including if the transfer to the transferee is not exempt from registration within the Securities Act or is not made in accordance with applicable federal or state securities laws.

The Issuer, the Company and the Placement Agent are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered hereby.

Sincerely,

[Name of Transferee]

By: _____

Name:

Title: