

The Purpose of Loan Securitization



AFC TODAY:

- **LOANS STUDENT
\$5000**

AFC RETAINS RISK

- *Student owes \$5000
plus \$1500 interest*
- *Student pays AFC
\$108.33 every month
for 5 years*



AFC IN 5 YEARS:

- *Receives \$6500 in
student payments*
- *Repays \$5000 to Bank*
- **RETAINS \$1500 PROFIT**

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AFC IN 5 YEARS:

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AFC TODAY:

- LOANS STUDENT \$5000
AND SELLS LOAN TO INVESTORS FOR \$5500

AFC ELIMINATES RISK

- Repays \$5000 to Bank
- **RETAINS \$500 PROFIT**
- AFC no longer entitled to monthly student payment of \$108.33



AFC IN 5 YEARS:

AFC's Student Loan Securitizations

SECURITIZATION:
GT 2000-2

DATE OF PPM:
AUG 15, 2000

CLOSING DATE:
AUG 16, 2000

AMOUNT:



• \$53,053,642.08

SERVICER:



• American Loan Servicing, LLC
(ALS)

WAREHOUSE
LENDER:



• BANK ONE

COUNSEL:



• **Rodney Harrison**
Steeler Roethlisberger LLP

RATING
AGENCY:



• Moody's: *Aaa Rating*
• Fitch: *AAA Rating*

UNDERWRITER:



• Capital Markets Inc.

TRUSTEE:



• Trust Co.

CREDIT
ENHANCEMENT
INSURANCE:



• InsCo

SURETY:



• MBI

The AFC Transaction

STUDENTS need to borrow money to pay for trucking school tuition.

Students look to **AFC** for student loans.

AFC borrows money from a **BANK** so it can make loans to students.

STEP ONE: WAREHOUSE FINANCING



The AFC Transaction

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AFC borrows money from a **BANK** so it can make loans to students.

Banks are called **"WAREHOUSE FACILITIES"** because that is where AFC stores its inventory of student loans.

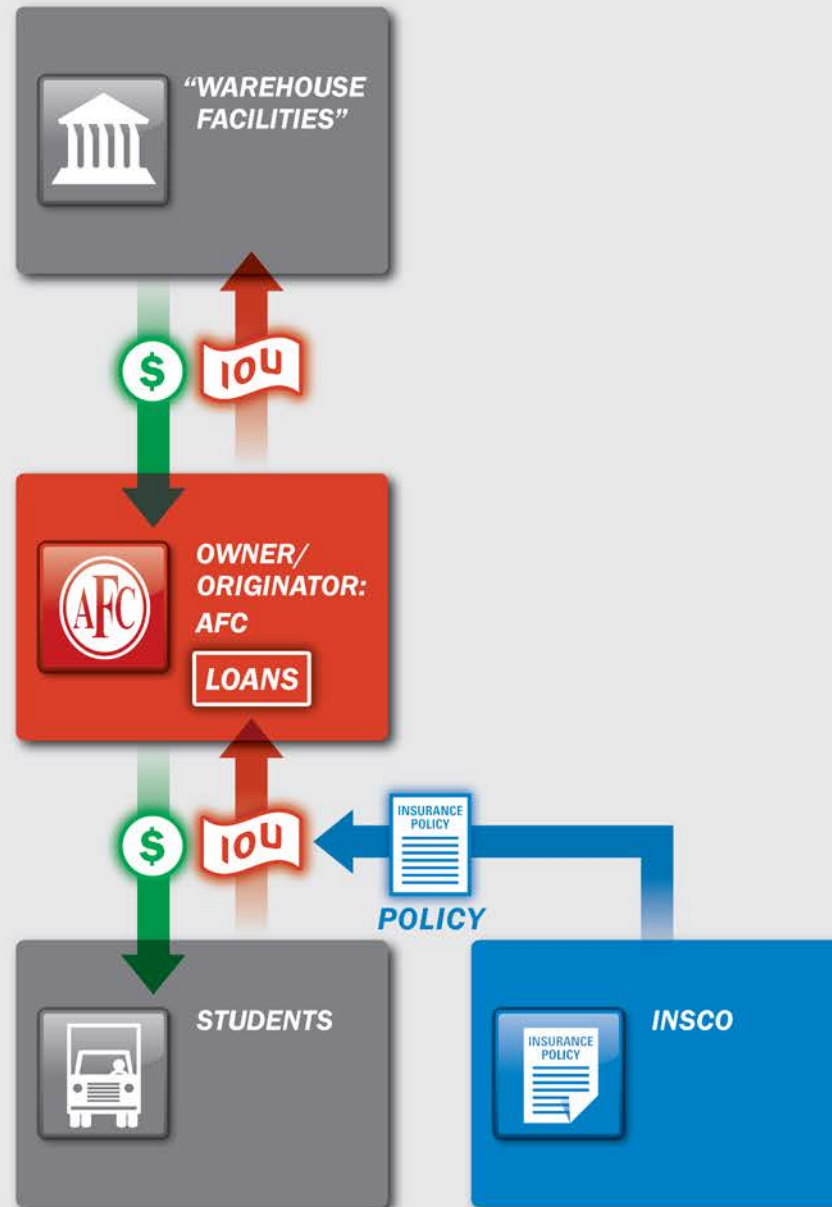
STEP ONE: WAREHOUSE FINANCING



The AFC Transaction

INSCO issues an insurance policy that says InsCo will pay the entire outstanding amount of the loan on behalf of a student if the student fails to make a payment for 90 days (default).

STEP ONE: WAREHOUSE FINANCING



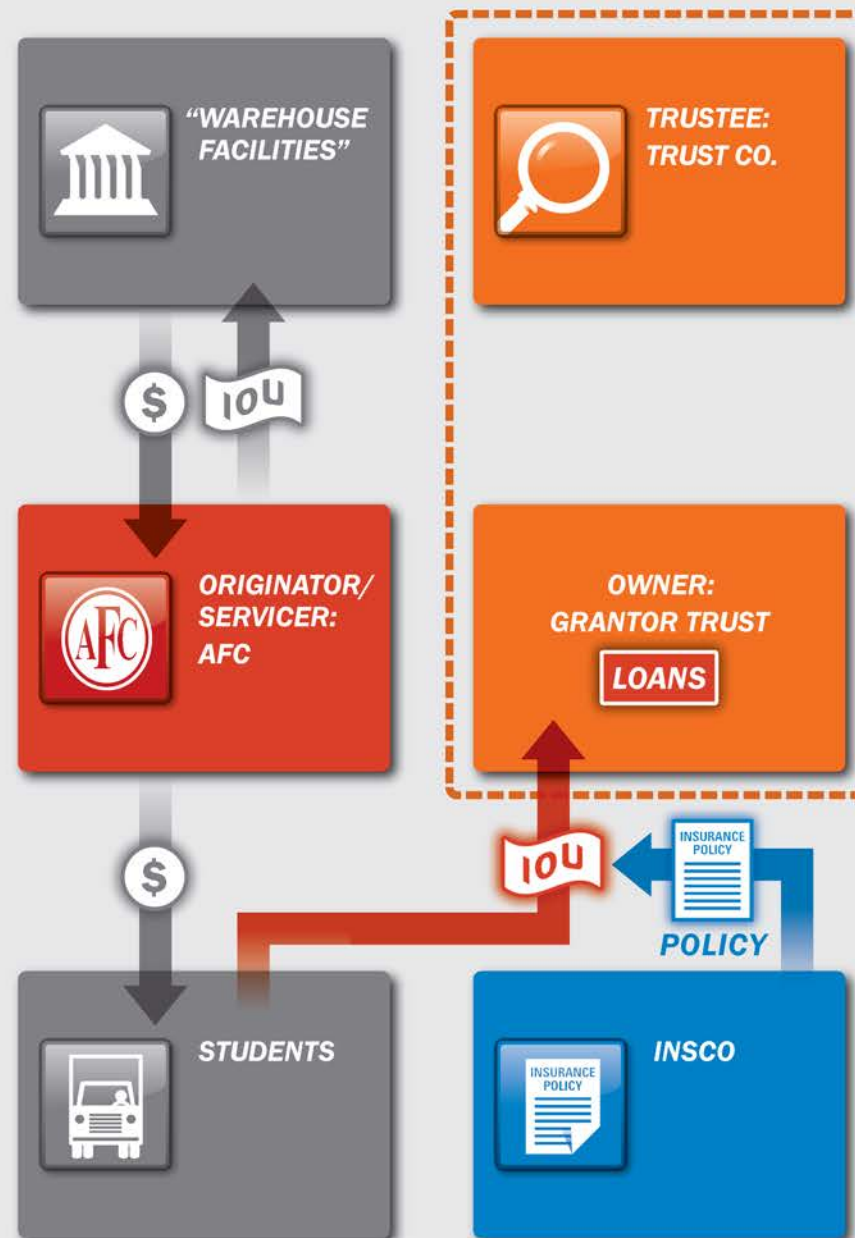
The AFC Transaction

The designated assets are sold to a **TRUST** which is designed to be bankruptcy remote.

The InsCo insurance policy follows the student loans.

The **TRUSTEE** holds the assets underlying the transaction in trust for the **INVESTORS**.

STEP TWO: SECURITIZATION OF THE STUDENT LOANS



The AFC Transaction

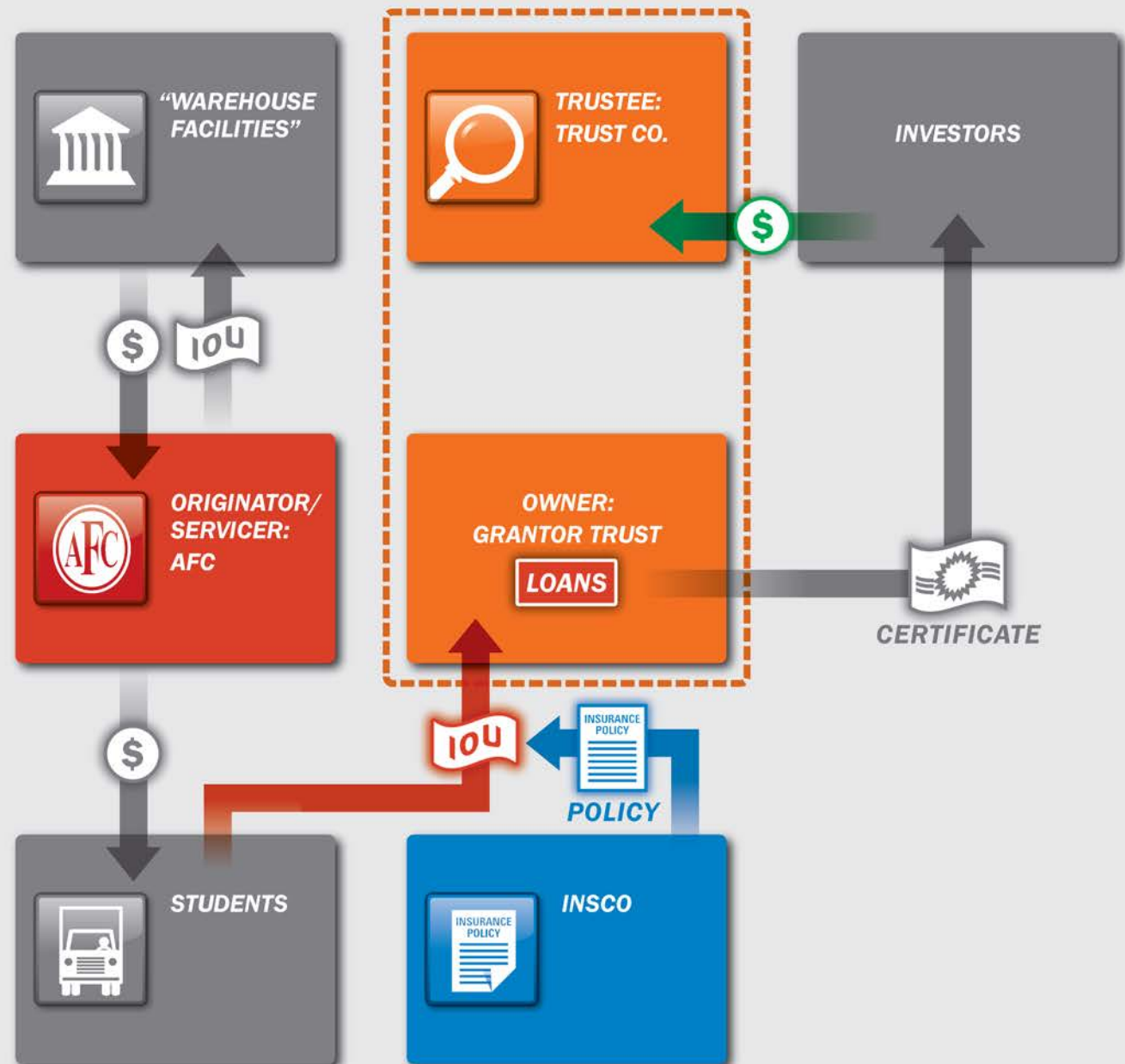
The designated assets are sold to a **TRUST** which is designed to be bankruptcy remote.

The InsCo insurance policy follows the student loans.

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The **INVESTORS** purchase the pool of assets at a fixed rate of interest.

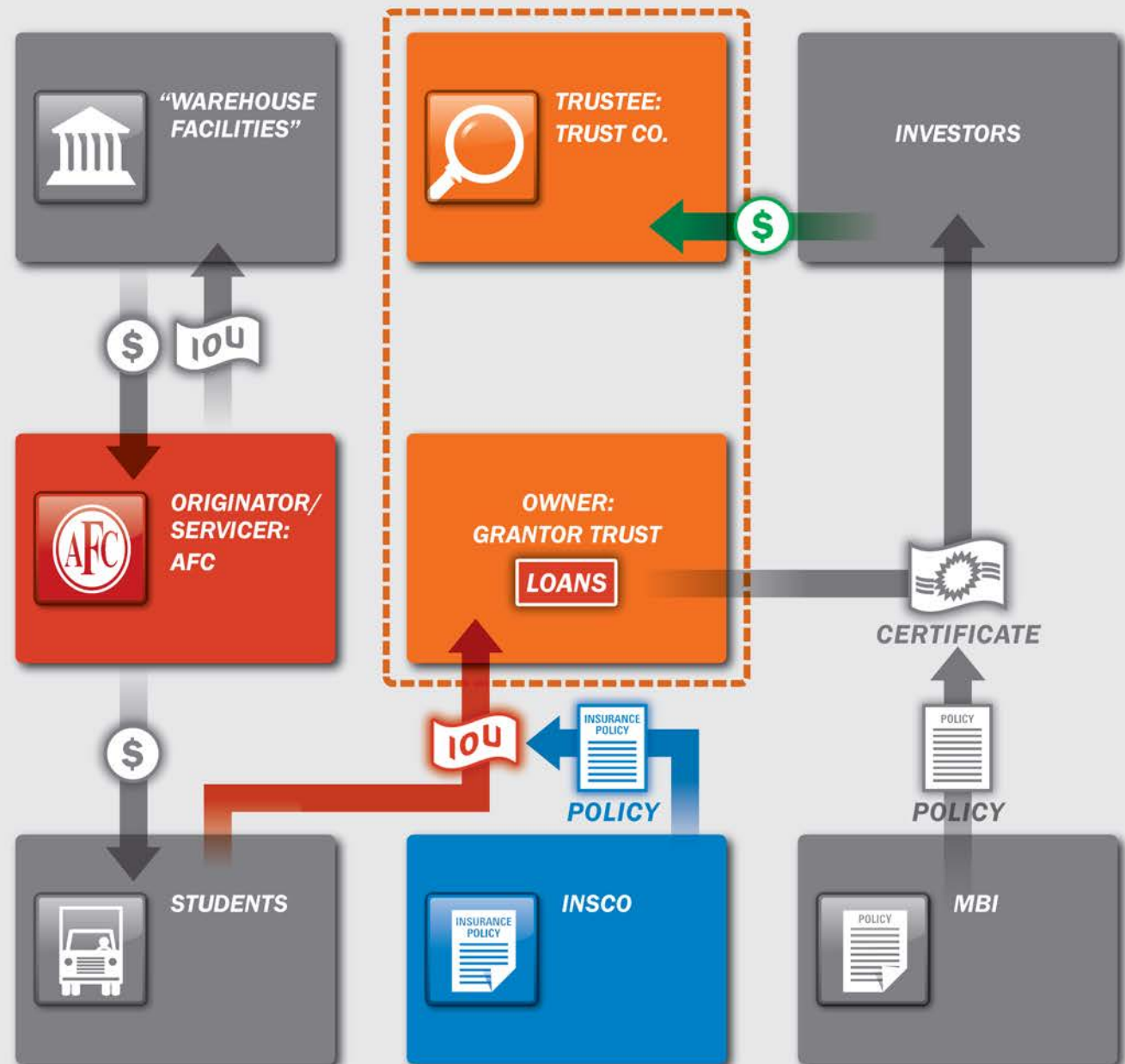
STEP TWO: SECURITIZATION OF THE STUDENT LOANS



The AFC Transaction

MBI issues a policy that guarantees payment of certificates.

STEP TWO: SECURITIZATION OF THE STUDENT LOANS

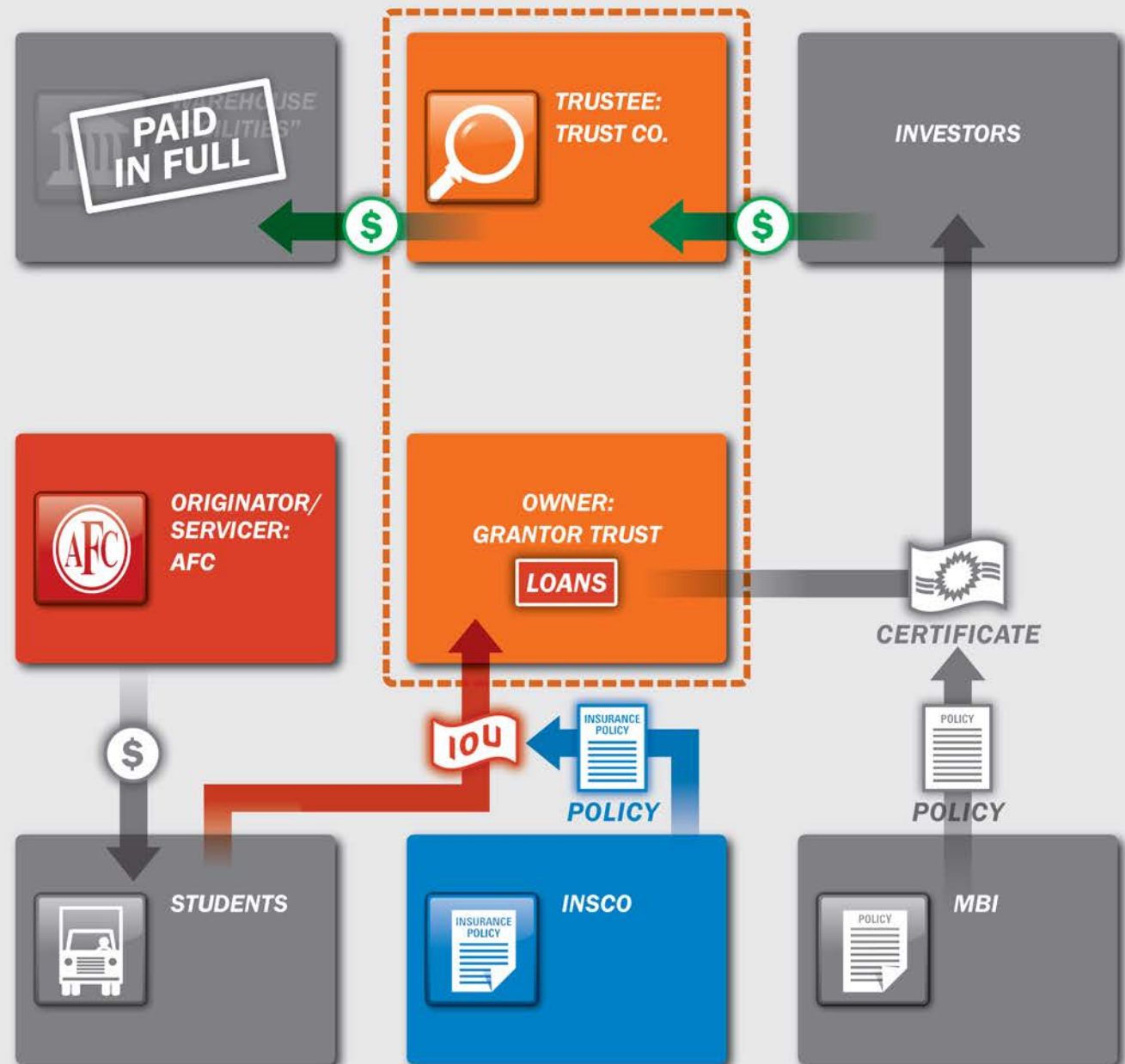


The AFC Transaction

MBI issues a policy that guarantees payment of certificates.

The proceeds from the sale of “Asset Backed Securities” to Investors are used to repay the **WAREHOUSE LOAN**.

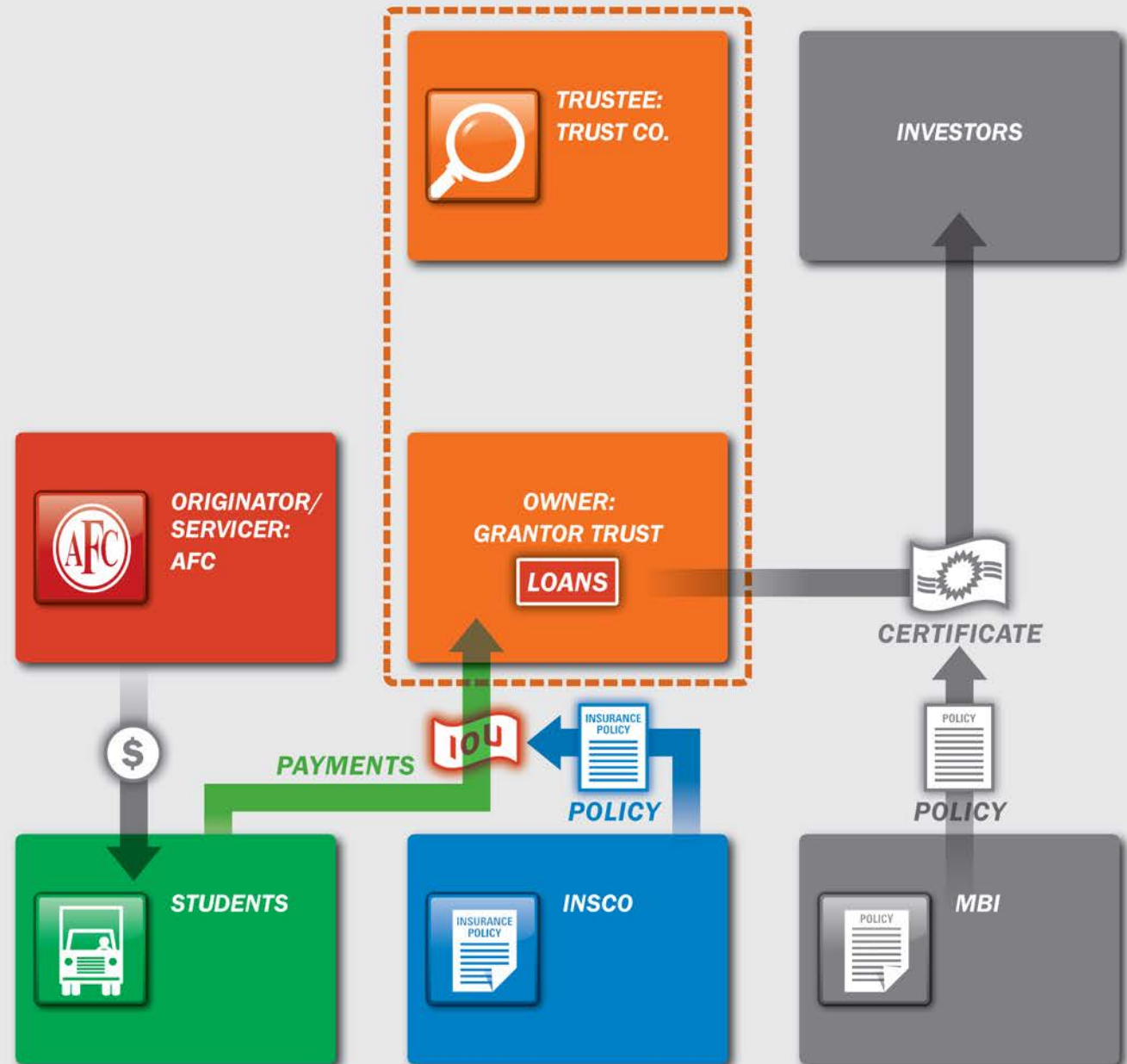
STEP TWO: SECURITIZATION OF THE STUDENT LOANS



The AFC Transaction

STUDENTS make payments of principal plus interest to the Grantor Trust lockbox.

STEP TWO: SECURITIZATION OF THE STUDENT LOANS

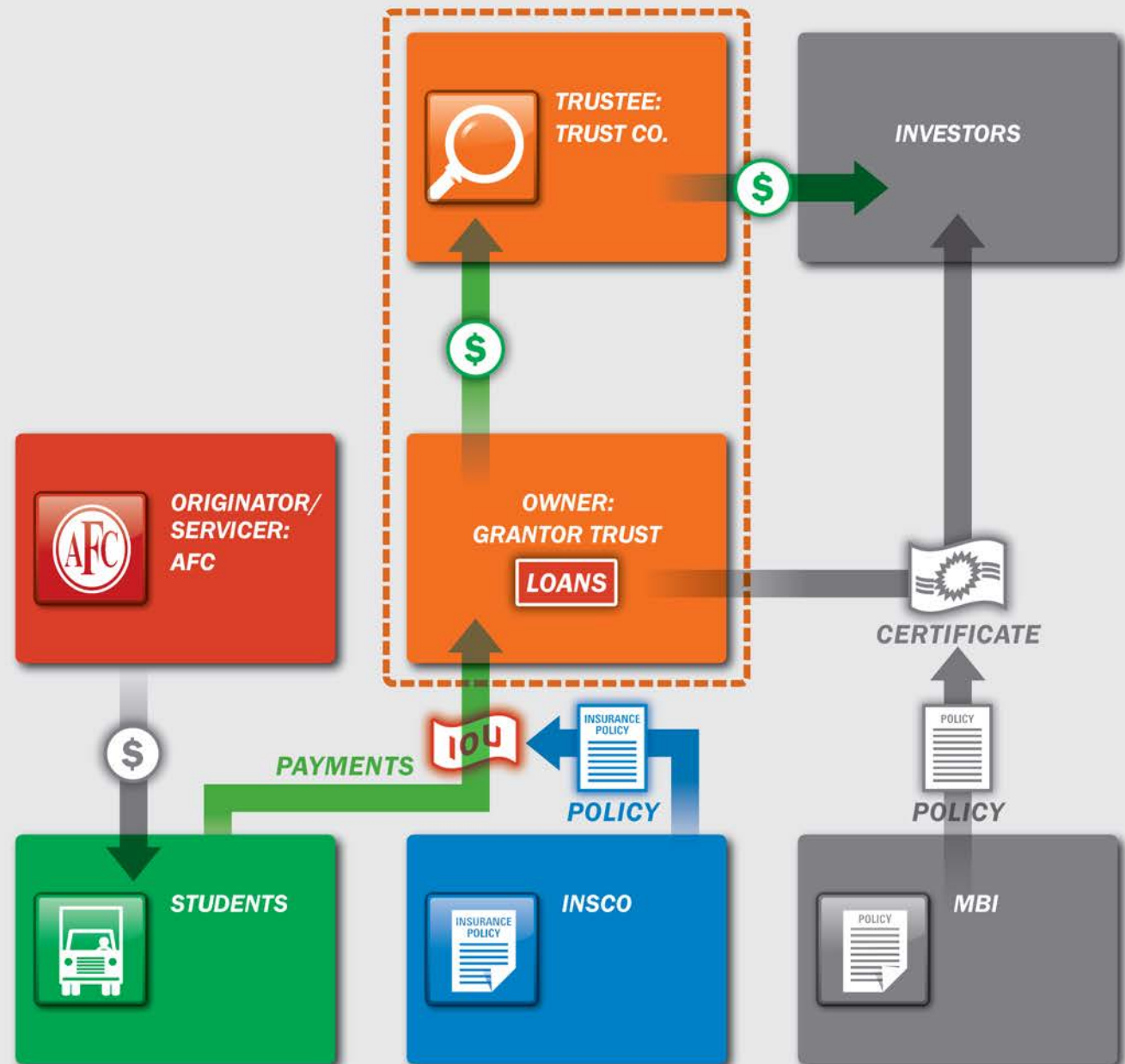


The AFC Transaction

STUDENTS make payments of principal plus interest to the Grantor Trust lockbox.

The **TRUSTEE** pays Investors out of collections on underlying student loans.

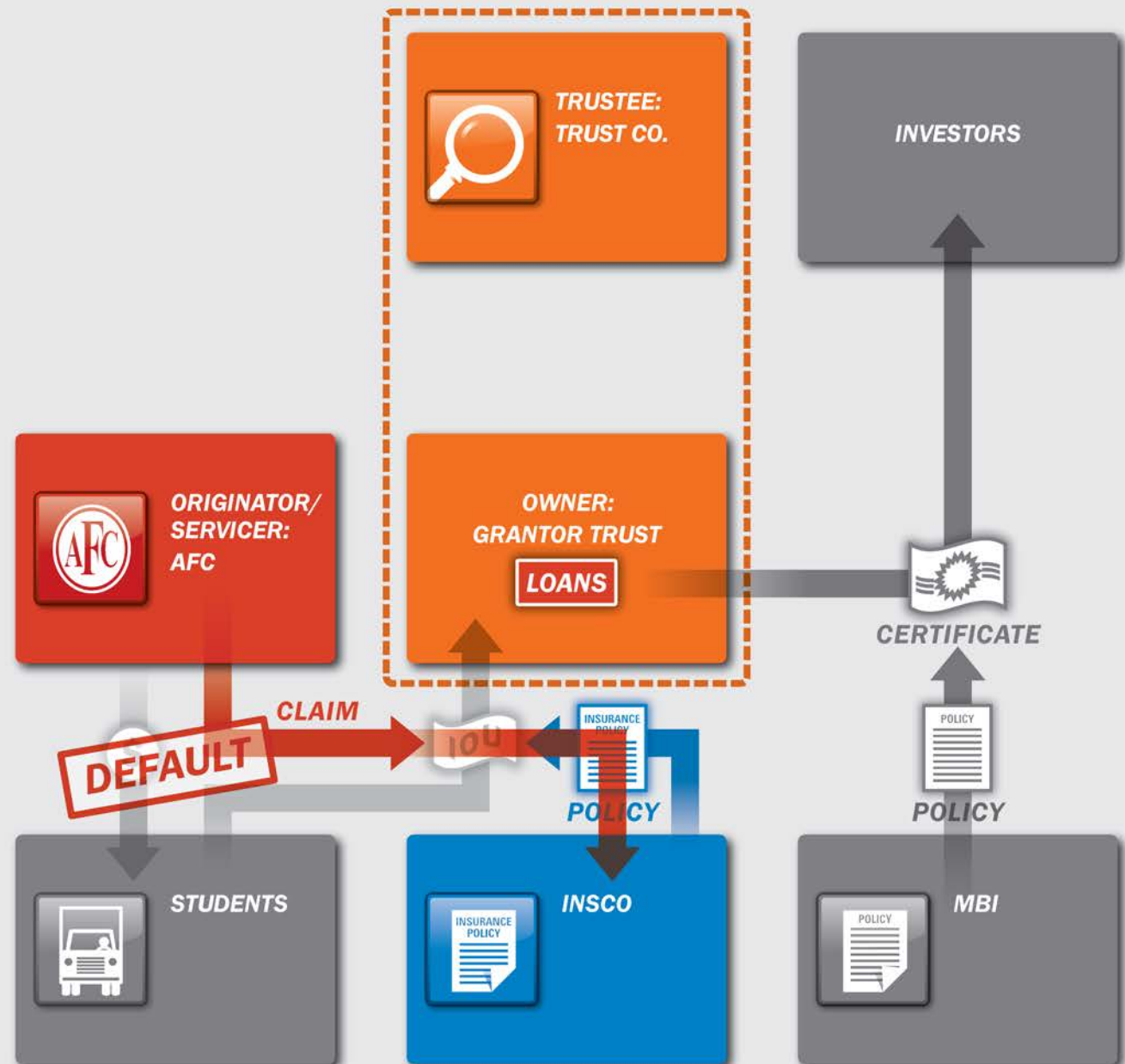
STEP TWO: SECURITIZATION OF THE STUDENT LOANS



The AFC Transaction

If a Student does not make a payment within 90 days of its due date, the loan is deemed **IN DEFAULT** and AFC makes a claim under the InsCo policy.

STEP TWO: SECURITIZATION OF THE STUDENT LOANS

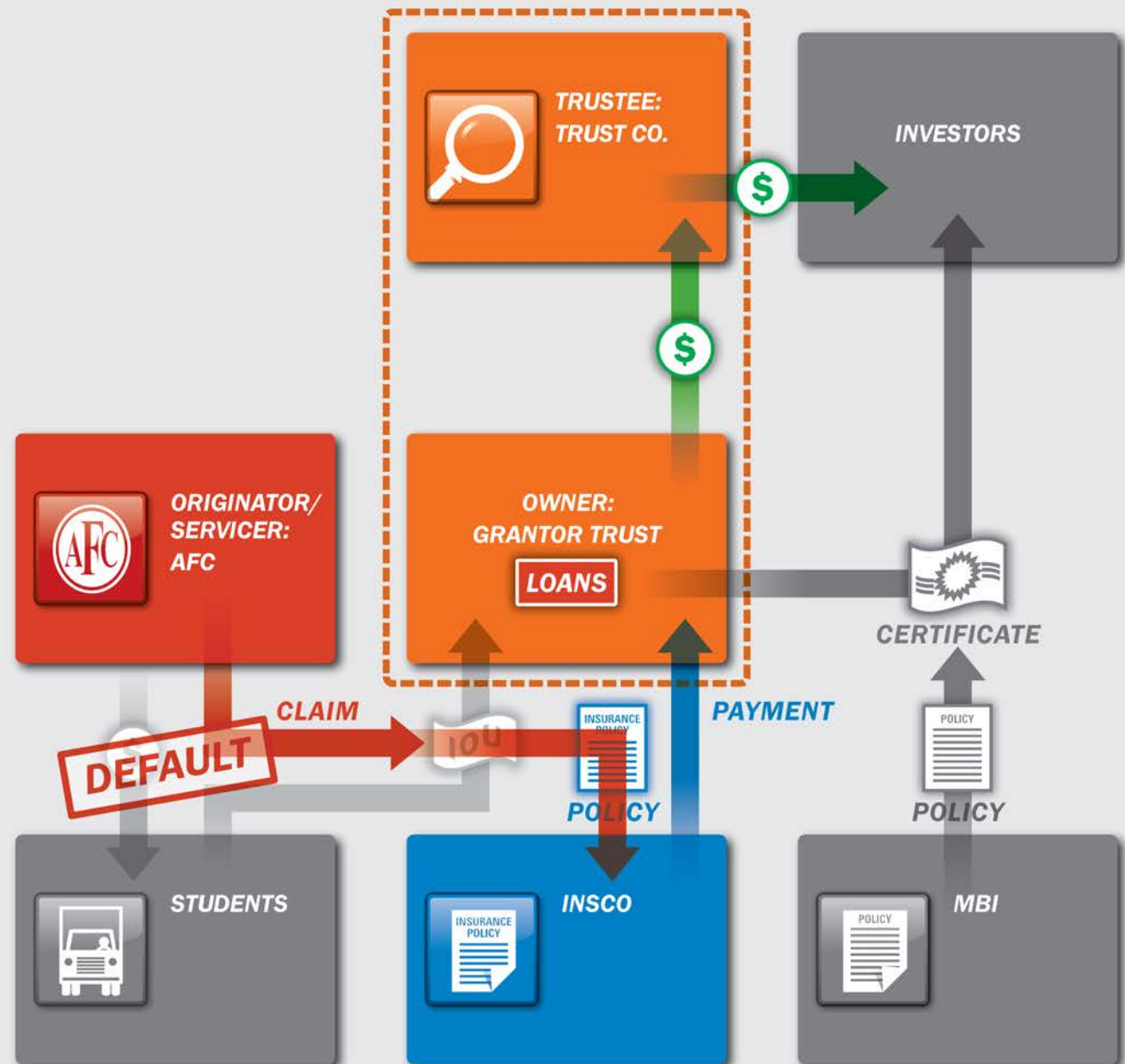


The AFC Transaction

If a Student does not make a payment within 90 days of its due date, the loan is deemed **IN DEFAULT** and AFC makes a claim under the InsCo policy.

INSCO pays the claim for the defaulted loan so that Investors can be paid the fixed interest owed to them.

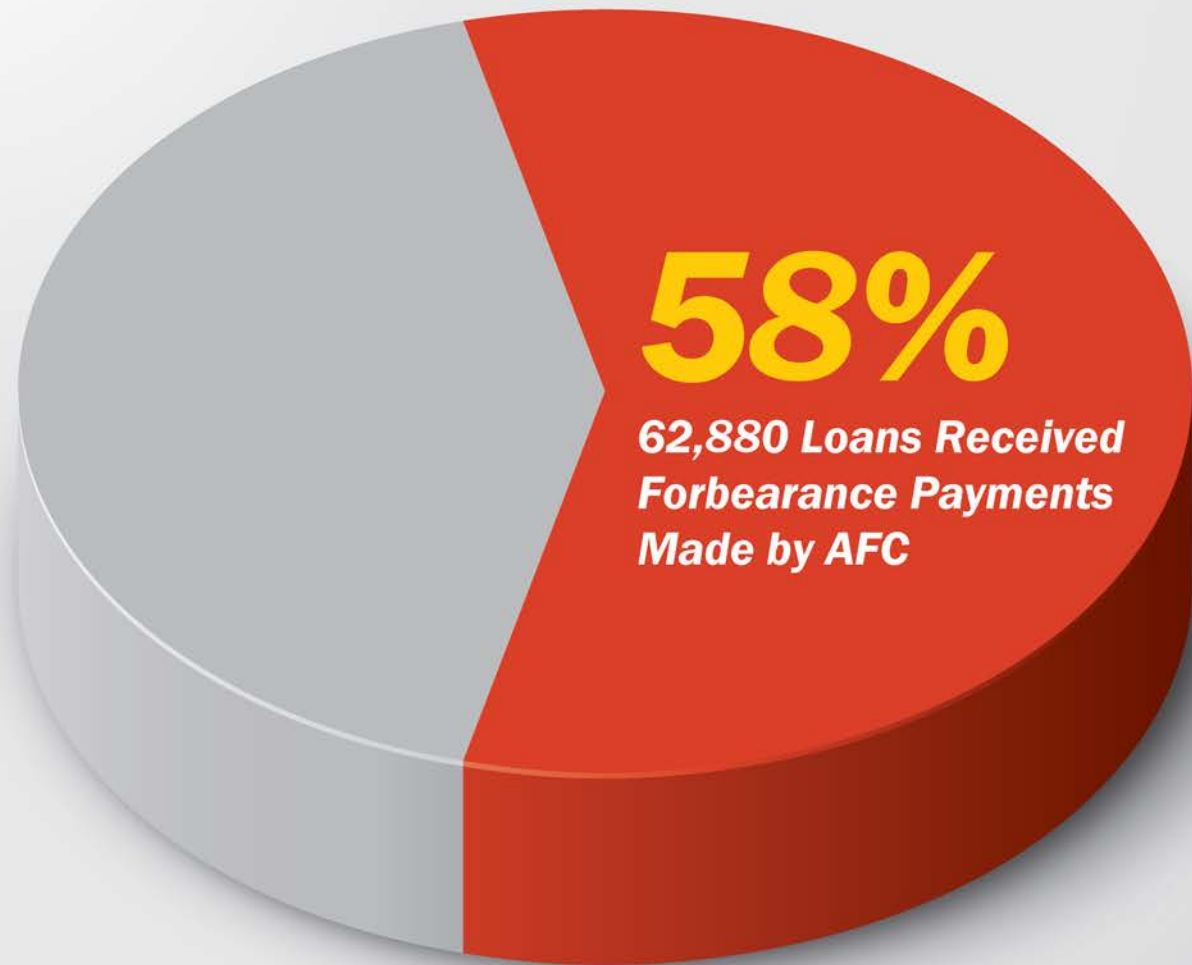
STEP TWO: SECURITIZATION OF THE STUDENT LOANS



**AFC's
Loan Servicing
Database as of
March 2002**

**ALMOST 58%
of the Total Loans
Received
Forbearance
Payments
from AFC**

**Approximately 107,000 Student Loans
Originated or Purchased by AFC Entities**





APRIL 19, 2000 – FEBRUARY 28, 2002

**5400
PAYMENTS**



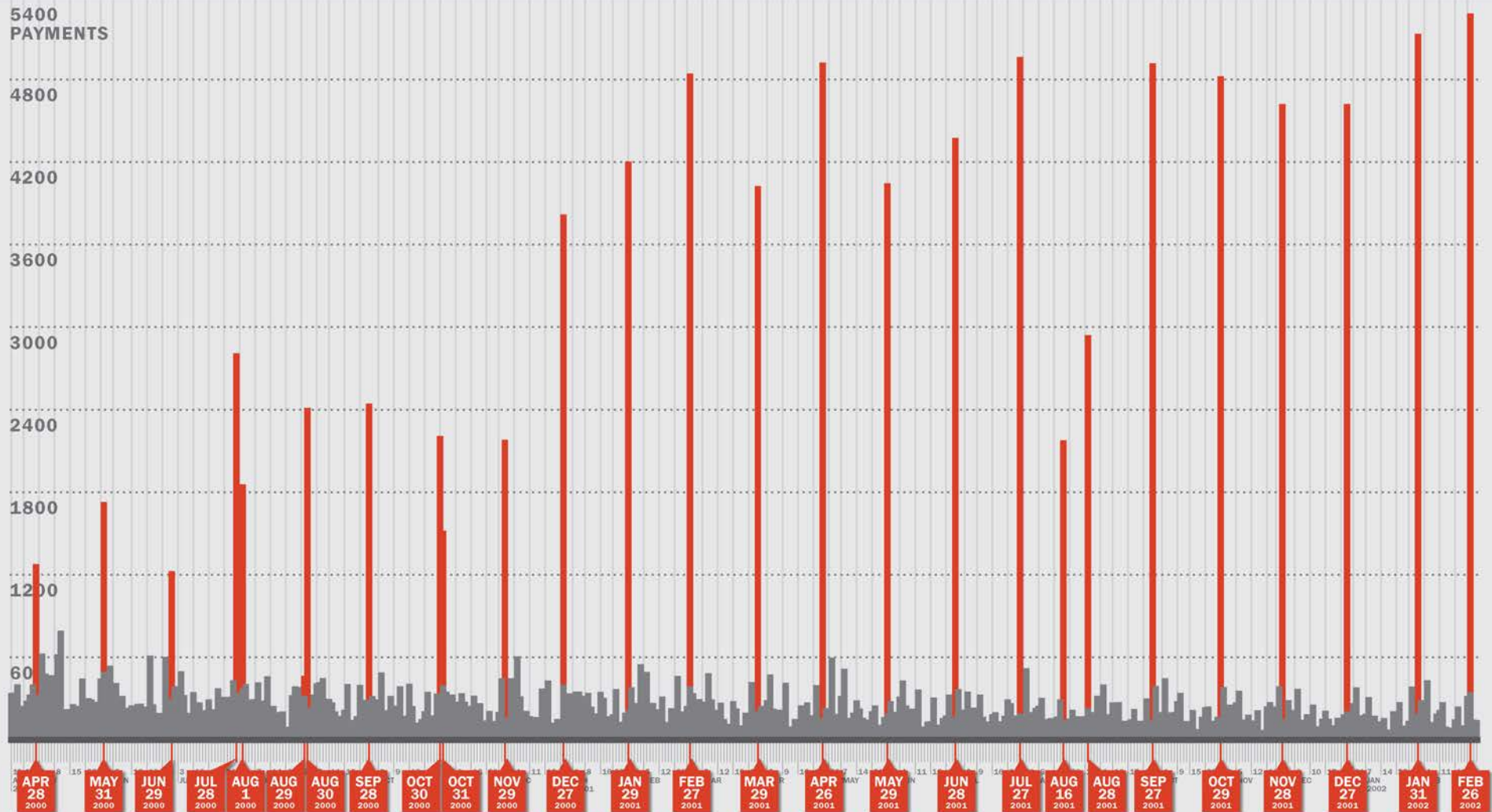


TRUSTEE
TRUST CO.

Pattern of Forbearance Payments Made by AFC for the GT 2000-1 Securitization

APRIL 19, 2000 – FEBRUARY 28, 2002

KEY: ■ PAYMENTS BY STUDENTS ■ PAYMENTS BY AFC

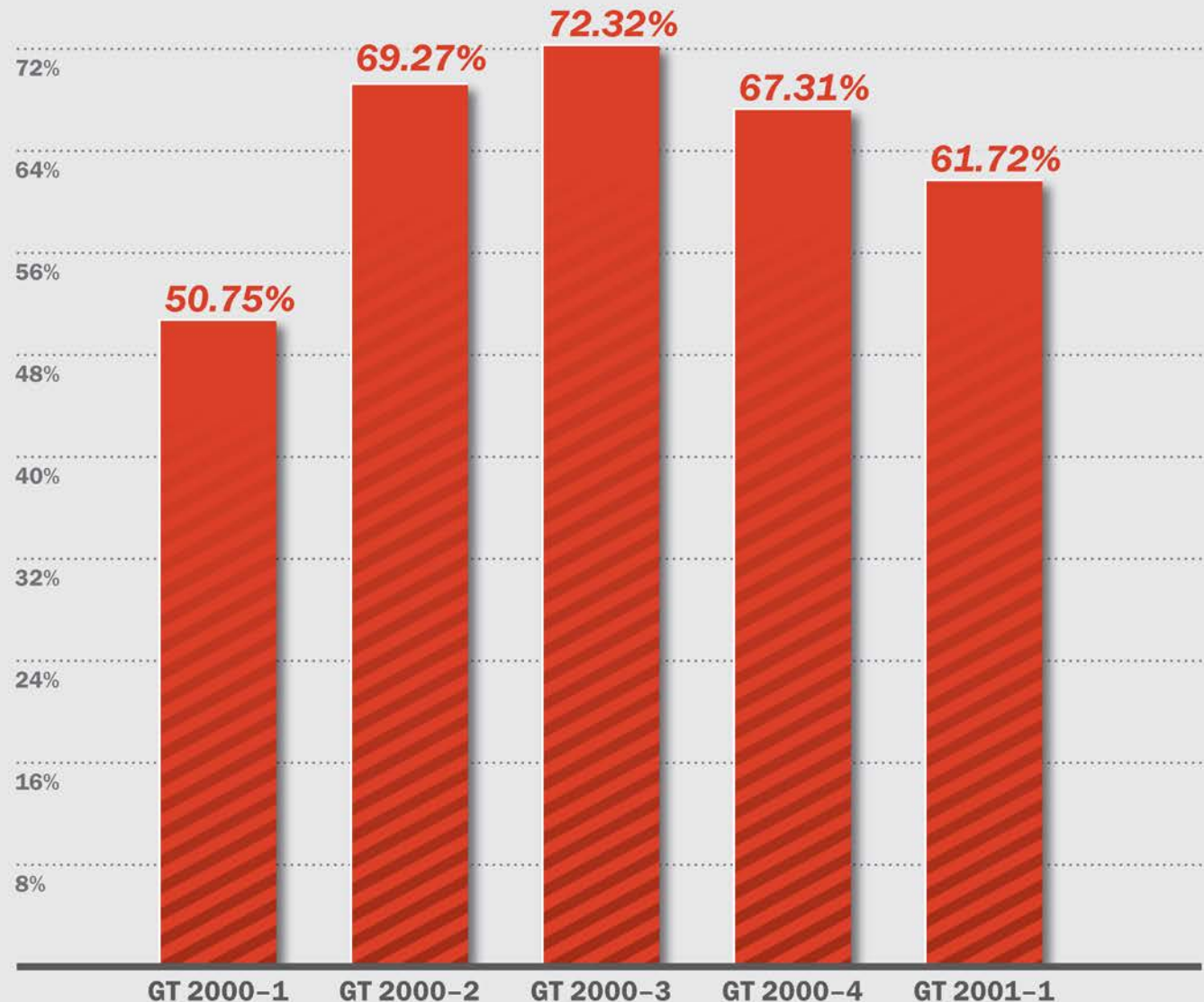




**Actual Default
Rates as of
August 2001,
the Month
During which
the GT 2001-2
Securitization
Closed, Were
VERY HIGH**

AS OF AUGUST 2001

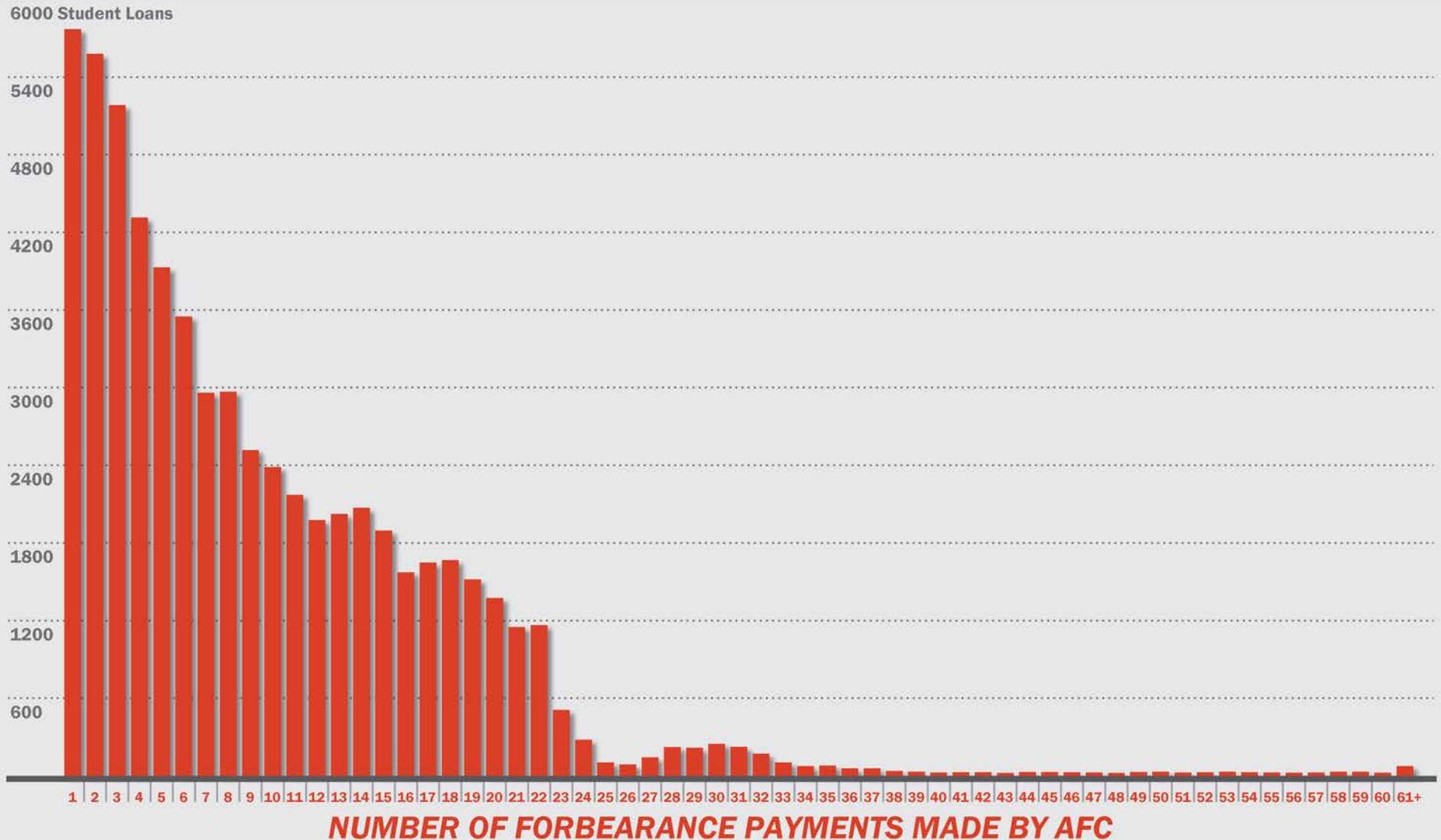
80% DEFAULT RATE





AFC's Loan Servicing Database

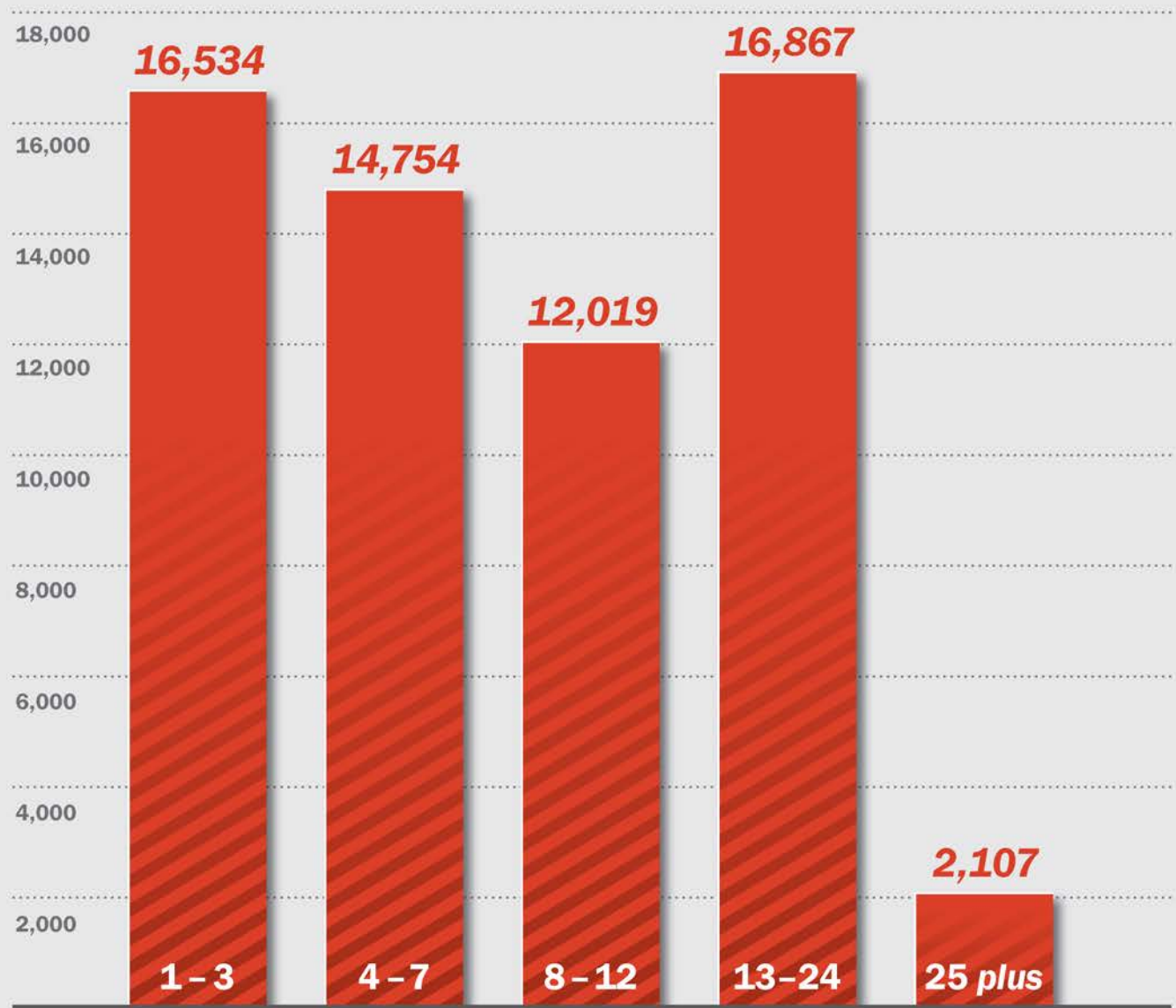
Number of AFC Forbearance Payments Made on Student Loans



**AFC's
Loan Servicing
Database as of
March 2002**

**AFC Made
Forbearance
Payments on
62,880
Student Loans**

20,000 Student Loans



NUMBER OF FORBEARANCE PAYMENTS MADE BY AFC



TRUSTEE
TRUST CO.

**Trust Co.
Was Paid Almost
\$12 Million
in Fees**

Summary of 8 AFC Securitizations April 2000 – March 2007

