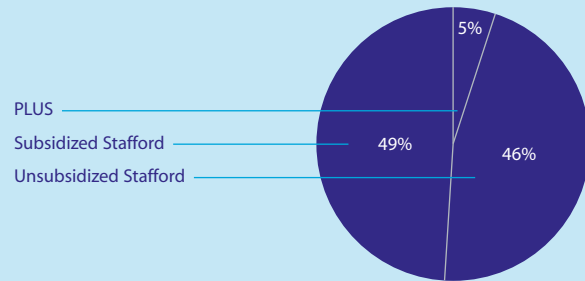
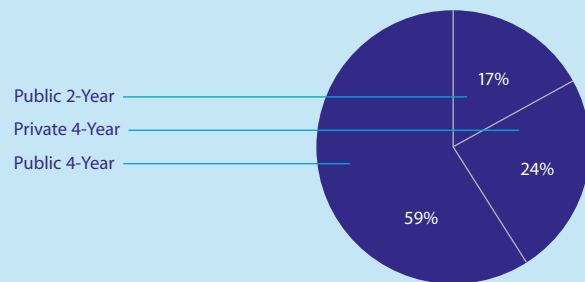


Chart 1
USA Funds' Mississippi Loan Volume
by Loan Type



USA Funds® is the nation's leading education-loan guarantor. A nonprofit corporation, USA Funds works to enhance postsecondary-education preparedness, access and success by providing and supporting financial and other valued services.

Chart 2
USA Funds' Mississippi Loan Volume
by Institution Type



USA Funds® has served Mississippi as its designated guarantor of federal education loans since 1994. As Mississippi's designated guarantor, USA Funds links colleges, universities, career colleges, private lenders, students and parents to promote financial access to college. USA Funds supports critical education-loan services, including loan-application processing, customer assistance and default prevention and recovery, as well as policy guidance and training of school and lender staff.

During the fiscal year ending Sept. 30, 2006, USA Funds guaranteed more than \$291 million in new education loans to nearly 40,200 Mississippi borrowers — including Federal Stafford loans for 38,392 students and Federal PLUS loans for 1,782 parents and students. USA Funds served 32 postsecondary institutions in Mississippi.

USA Funds works with Mississippi schools and lenders to help reduce student-loan-default rates. The most-recent default measure, the 2004 cohort-default rate, was 6.1 percent for Mississippi borrowers with USA Funds-guaranteed loans, compared with the default rate of 6.4 percent recorded among all Mississippi student-loan borrowers. The cohort-default rate measures the percentage of students who entered repayment on their education loans during a given federal fiscal year and defaulted on their loans prior to the end of the following fiscal year.

Debt-management initiatives

To partner with postsecondary institutions in their debt-management efforts, USA Funds in 2006 provided a broad spectrum of services in Mississippi, including the following:

- ◇ USA Funds' debt-management consultants assisted six Mississippi schools in their work to curb student-loan defaults.
- ◇ To equip postsecondary institutions to teach their students to manage their time and money wisely while they are on campus and after graduation, USA Funds offers the USA Funds Life Skills® financial-literacy course. The number of schools in various stages of implementing USA Funds Life Skills in Mississippi stands at 21.

◇ Six schools in Mississippi use USA Funds-provided tools that help students and graduates stay on the path to successful repayment. The Web-based USA Funds Debt Manager® assists with e-mail, call or letter campaigns to borrowers experiencing repayment difficulties.

◇ USA Funds offers a new online tool, USA Funds Stafford Loan GuideSM, that schools can customize to automate the entrance-counseling process and provide Stafford-loan borrowers with memorable guidance.

◇ To give schools greater flexibility as they help students track their education loans, USA Funds supports the Borrower Debt Management Information Service. Schools often use the service during student-loan exit counseling with borrowers.

◇ USA Funds conducted four debt-management workshops in Mississippi to help schools learn more about USA Funds Life Skills, and about student retention and its role in default prevention. Nearly 300 higher-education professionals took part in workshops in Alcorn State and Jackson.

USA Funds also supports a variety of other programs for Mississippi schools, lenders, students and families — and their communities — to enhance preparation for, access to and success in higher education. The following are some highlights from 2006:

Mississippi advisory council

To ensure that its services meet the needs of postsecondary education in Mississippi, USA Funds hosts regular meetings of its Mississippi financial-aid advisory council, which includes financial-aid administrators from Mississippi colleges and universities, as well as representatives of lending institutions and officials of the Mississippi Office of Student Financial Aid.

Staff-training opportunities

USA Funds helps colleges and lenders comply with program regulations and keeps them informed of policy developments and improved services through a wide array of training opportunities, including free workshops in Mississippi. During fiscal 2006 USA Funds conducted six financial-aid workshops — in Hattiesburg, Jackson, Raymond, Starkville and Tupelo — for 147 participants. Five Mississippi schools hosted customer-service training sessions conducted by USA Funds. Additionally, financial-aid administrators from three Mississippi postsecondary-school campuses took advantage of USA Funds University online-learning courses during 2006.

Fourteen education-lending professionals attended a USA Funds Education-Lender Forum in Jackson to stay up to date on developments in the education-finance marketplace.

Scholarship funding

The USA Funds Access to Education Scholarships® program awarded 340 new and renewal scholarships totaling \$505,500 to deserving college-bound students in Mississippi for the 2006-2007 academic year. Awards to Mississippi students through the program total \$2.2 million in the last five years alone. These scholarships assist students in financial need — particularly those who are either members of ethnic-minority groups or are physically disabled — as they finance their higher education.

Established by USA Funds through Scholarship America in 2004, the Disaster Relief Fund for Postsecondary Education Students is helping low-income students whose studies were disrupted by major hurricanes during 2005. To assist their students, nine Mississippi postsecondary schools received \$218,000 from USA Funds through this program in fiscal 2006.

Additionally, under the USA Funds Scholars program, USA Funds awarded \$28,500 in scholarships to graduating seniors from eight Mississippi high schools. USA Funds Scholars are outstanding students in USA Funds' designated states and in communities in which USA Funds has offices.

Early awareness program

USA Funds offers at no cost to Mississippi schools and community- and faith-based organizations its USA Funds Unlock the Future® early awareness program. Three schools and organizations took advantage of the program, which introduces students and their families to the benefits of and options for education after high school.

College-planning Web sites

USA Funds partners with College Answer®, the foremost online resource for “going-to-college” information, to provide college-planning information for Mississippi residents at www.mississippi.collegeanswer.com.

USA Funds also provided a grant to the Mississippi Institutions of Higher Learning to develop a Web site that will help Mississippi middle- and high-school students and their parents prepare for, apply to and pay for postsecondary-education programs. In conjunction with the Web site, the Mississippi IHL will distribute to eighth-grade

students binders containing information about the college-preparatory curriculum, university admissions, planning for a postsecondary education and financial aid.

Learning Communities

USA Funds continued its work with a coalition of organizations that are focusing services on six pilot communities — including Okolona School District in Okolona — in a bid to improve access to postsecondary education for low-income students. The Learning Communities Coalition is partnering with local leaders across the nation to significantly increase the number of youths in the selected communities who complete high school and successfully pursue postsecondary education. Among the Learning Communities projects that USA Funds supported in 2006 was training through ScholarShop, a curriculum and resource center designed to motivate and prepare students for higher education.

Mississippi Student Retention Conference

A grant from USA Funds will support the Mississippi Student Retention Conference. Set for 2007, the first-ever event will provide Mississippi postsecondary educators and policy-makers information that will help them increase student persistence and degree attainment, with a special focus on entering college students.

College-preparation publications and events

USA Funds for the third-consecutive year was a sponsor of *Mississippi Next* magazine. The publication outlines postsecondary-education and career opportunities for high-school juniors and seniors. As part of its sponsorship of *Mississippi Next* magazine, USA Funds again committed to fund a \$1,500 scholarship to a graduating Mississippi high-school senior for use at any Mississippi postsecondary-education institution.

Additionally, USA Funds provided funding and staff support for regional college fairs conducted by the Mississippi IHL and *Parents & Kids* magazine, as well as a *Parents & Kids* college planner.

Fatherless Child Ministry

A USA Funds grant will support educational opportunities through Fatherless Child Ministry in Columbus.

Supplies for elementary schools

USA Funds and its employees donated \$1,222 each to Sacred Heart Elementary in D'Iberville and Poplarville Lower Elementary, schools affected by Hurricane Katrina in 2005. The donations funded the purchase of school supplies.

Table 1
25 Largest Mississippi Schools
By Loan Volume
Served by USA Funds

-
- Jackson State University
 - Mississippi State University
 - Mississippi College
 - Mississippi Valley State University
 - University of Southern Mississippi
 - Belhaven College
 - Holmes Community College
 - University of Mississippi
 - Mississippi University for Women
 - William Carey College
 - Hinds Community College
 - Mississippi College School of Law
 - East Mississippi Community College
 - Tougaloo College
 - Delta State University
 - Northwest Mississippi Community College
 - Mississippi Gulf Coast Community College
 - Copiah-Lincoln Community College
 - East Central Community College
 - Rust College
 - Pearl River Community College
 - Jones County Junior College
 - Northeast Mississippi Community College
 - Virginia College at Jackson
 - Blue Cliff College

Table 2
10 Largest Lenders
By Loan Volume
Served by USA Funds in Mississippi

-
- AmSouth Bank
 - Education Services Foundation
 - Sallie Mae Education Trust
 - J.P. Morgan Chase
 - Trustmark Bank
 - Bancorp South
 - Student Loan Xpress
 - Citibank Student Loans
 - Wachovia Education Finance
 - Cadence Bank (formerly National Bank of Commerce of Mississippi)