Rule 15c2-12 Filing Cover Sheet

This cover sheet is being sent with the submissions made through the Electronic Municipal Market Access system ("EMMA") of the Municipal Securities Rulemaking Board ("MSRB") pursuant to Securities and Exchange Commission (SEC) rule 15c2-12.

Issuer Name: Brazos Education Loan Authority, Inc.
Issue(s): See Attachments

Filing Format: X electronic __ paper; if available on the Internet, give URL: http://www.brazos.us.com/

CUSIP Numbers to which the information filed relates (optional):
X Nine-digit number(s) (attach additional sheet if necessary):

____ Six-digit number if information filed relates to all securities of the issuer:

* * *

A. X Annual Financial Information and Operating Data pursuant to Rule 15c2-12
Fiscal Period Covered 7/1/2018 – 6/30/2019
__ Monthly __Quarterly X Annual __Other:______

B. X Audited Financial Statements or CAFR pursuant to Rule 15c2-12
Fiscal Period Covered 7/1/2018 – 6/30/2019

C. __ Notice of Material Event pursuant to Rule 15c2-12

1.__ Principal and interest payment delinquencies
2.__ Non-payment related defaults
3.__ Unscheduled draws on debt service reserves reflecting financial difficulties
4.__ Unscheduled draws on credit enhancements reflecting financial difficulties
5.__ Substitution of credit or liquidity providers, or their failure to perform
6.__ Adverse tax opinions or events affecting the tax-exempt status of the security
7.__ Modifications to rights of security holders
8.__ Bond calls
9.__ Defeasances
10.__Release, substitution, or sale of property securing repayment of the securities
11.__Rating changes

D. __ Notice of Failure to Provide Annual Financial Information as Required

E. __ Notice of change of fiscal year end

F. __ Other Secondary Market Information

* * *

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature: /s/ Ricky Turman
Name: Ricky Turman
Title: Chief Operating Officer/Chief Financial Officer
Employer: The Brazos Higher Education Service Corporation, Inc.
Address: 2600 Washington Avenue, Waco, Texas 76710
Telephone: (254) 753-0915
Email Address: ricky.turman@brazos.us.com

MUNICIPAL SECONDARY MARKET DISCLOSURE
ATTACHMENT #1 TO COVER SHEET

BRAZOS EDUCATION LOAN AUTHORITY, INC.

2004A Indenture of Trust

YEAR	SERIES	CUSIP #
2004	I-B-1	106238KQ0
2005	I-A-4	106238LE6
	I-B-1	106238LJ5
	I-A-12	10620NAE8
	I-B-2	10620NAF5
	I-A-16	10620NAK4
	I-B-3	10620NAL2
2006	I-B-1	10620NAU2
	I-A-10	10620NAX6
	I-A-13	10620NBA5
	I-A-14	10620NBB3
	I-A-15	10620NBC1
	I-B-2	10620NBD9
2007	I-A-1	10620NBS6
	I-A-2	10620NBT4
	I-A-3	10620NBU1
	I-A-4	10620NBV9
	I-A-5	10620NBW7
	I-B-1	10620NBX5

BRAZOS EDUCATION LOAN AUTHORITY, INC.

Annual Continuing Disclosure Statement Regarding the 2004A Indenture of Trust, including:

Student Loan Revenue Notes, Series 2004I-B-1
Student Loan Revenue Notes, Series 2005I-A-4
Student Loan Revenue Notes, Series 2005I-B-1
Student Loan Revenue Notes, Series 2005I-A-12
Student Loan Revenue Notes, Series 2005I-B-2
Student Loan Revenue Notes, Series 2005I-A-16
Student Loan Revenue Notes, Series 2005I-B-3
Student Loan Revenue Notes, Series 2006I-B-1
Student Loan Revenue Notes, Series 2006I-A-10
Student Loan Revenue Notes, Series 2006I-A-13
Student Loan Revenue Notes, Series 2006I-A-14
Student Loan Revenue Notes, Series 2006I-A-15
Student Loan Revenue Notes, Series 2006I-B-2
Student Loan Backed-Notes, Series 2007I-A-1
Student Loan Backed-Notes, Series 2007I-A-2
Student Loan Backed-Notes, Series 2007I-A-3
Student Loan Backed-Notes, Series 2007I-A-4
Student Loan Backed-Notes, Series 2007I-A-5
Student Loan Backed-Notes, Series 2007I-B-1

DATED AS OF OCTOBER 27, 2019

INTRODUCTION

The terms of the Indenture provide that Brazos Education Loan Authority, Inc. (the "Authority") will provide updated information in connection with its continuing disclosure obligation within six months after the end of each fiscal year.

The Authority submits this Continuing Disclosure Statement (the "Statement") in compliance with the agreement set forth in the Indenture for the Notes covered by this Statement. In the Indenture, the Authority agreed to provide updates of quantitative financial information and operating data regarding "The Student Loans" and "The Master Servicer". In addition, the Authority agreed to provide updated information regarding the Authority including audited financial statements. The Indenture also provided that the Authority would provide updated information relating to the Subservicers and the significant Guarantee Agencies to the extent such information is reasonably available to the Authority.

This Statement relates to the Notes indicated on the cover of this Statement and not any other bonds or notes which have been or may be issued by the Authority. The Notes covered by this Statement are payable solely from and secured solely by the Trust Estate created under the Indenture. The Notes are not general obligations of the Authority. Capitalized terms used herein but not defined shall have the meaning given such terms in the offering memorandum relating to each Series of Notes.

Assignment of Indenture

On January 30, 2015, the Authority entered into an Irrevocable Assignment and Assumption (the "Agreement") relating to the Indenture. Pursuant to the Agreement and in accordance with the terms of the Indenture: (i) Brazos Higher Education Authority, Inc. (BHEA), and U.S. Bank National Association (U.S. Bank) as eligible lender trustee on behalf of BHEA, irrevocably assigned to the Authority and U.S. Bank as eligible lender trustee on behalf of the Authority, all of their right, title and interest in and to the moneys, rights, and properties held in the trust estate created and maintained under the Indenture; and (ii) the Authority irrevocably and unconditionally assumed from BHEA all of the obligations to perform and observe the agreements and obligations of BHEA under the Indenture (the "Assignment and Assumption"). In accordance with the Indenture, BHEA received a rating conformation with respect to the Assignment and Assumption. The assignment and assumption does not amend, modify or otherwise change the terms of the Notes or the Indenture in any respect. Following the Assignment and Assumption, the Notes will continue to be limited recourse obligations of that are payable solely from the secured solely by the existing assets pledged under the Indenture.

DEFINITIONS

"Indenture" means, for the purpose of this Statement, the Indenture of Trust, dated as of October 1, 2004, including all of the supplements, appendices and exhibits thereto as may be amended from time to time.

"Notes" means, for the purpose of this Statement, the Senior Notes and Subordinate Notes issued pursuant to the Indenture and identified on the cover page of this Statement.

"Senior Notes" means, for the purpose of this Statement, the Notes issued under the Indenture with a series designation "I-A" and identified on the cover page of this Statement.

"Subordinate Notes" means the Notes issued under the Indenture with a series designation "I-B" and identified on the cover page of this Statement.

THE AUTHORITY

The Authority is a non-profit corporation organized in 2005 under the Texas Nonprofit Corporation Law. The Authority is located at 2600 Washington Avenue, P.O. Box 1308, Waco, Texas 76703, Telephone (254) 753-0915.

The Authority's fiscal year ends June 30 of each year. The Authority's audited financial statements as of June 30, 2019, are attached to this Statement as Appendix A.

Outstanding Revenue Notes

The Authority, as of June 30, 2019, had outstanding Notes issued under the Indenture in the respective principal amounts as follows:

SERIES OF NOTES	ORIGINAL PRINCIPAL AMOUNT	OUTSTANDING PRINCIPAL AMOUNT	FINAL MATURITY
2004I-B-1	70,000,000	70,000,000	6/25/2040
2005I-A-4	240,000,000	84,500,000	3/26/2029
2005I-B-1	33,000,000	33,000,000	6/25/2041
2005I-A-12	324,759,000	155,170,000	3/27/2023
2005I-B-2	69,100,000	69,100,000	6/25/2042
2005I-A-16	153,000,000	60,986,000	6/25/2026
2005I-B-3	50,000,000	50,000,000	6/25/2042
2006I-B-1	50,000,000	50,000,000	6/25/2042
2006I-A-10	416,567,000	369,474,000	6/25/2026
2006I-A-13	80,050,000	69,600,000	6/25/2042
2006I-A-14	60,050,000	60,050,000	6/25/2042
2006I-A-15	30,050,000	30,050,000	6/25/2042
2006I-B-2	50,000,000	50,000,000	6/25/2042
2007I-A-1	100,000,000	100,000,000	6/25/2043
2007I-A-2	100,000,000	100,000,000	6/25/2043
2007I-A-3	100,000,000	100,000,000	6/25/2043
2007I-A-4	75,000,000	75,000,000	6/25/2043
2007I-A-5	75,000,000	75,000,000	6/25/2043
2007I-B-1	50,000,000	50,000,000	6/25/2043
Total	$2,126,576,000	$1,651,930,000	

The Notes issued under the Indenture are secured by the Trust Estate established under the Indenture. The Authority also has issued student loan asset-backed notes pursuant to other indentures, which notes are secured by separate and distinct trust estates. The assets of each trust estate are not cross-collateralized or cross-defaulted with the assets of any other trust estate. The total aggregate outstanding principal amount of all of the student loan asset-backed notes issued by the Authority as of June 30, 2019, was $1,943,932,918.

THE STUDENT LOANS

PARITY RATIOS. The ratio of assets in the Trust Estate to liabilities represented by the principal amount of the Senior Notes on June 30, 2019, was equal to approximately 149.24%. The ratio of assets in the Trust Estate to liabilities represented by the principal amount of the Senior Notes and the Subordinate Notes on June 30, 2019, was equal to approximately 115.70%. For purposes of these calculations, the value of the pledged student loan assets in the Trust Estate under the Indenture are calculated as 100% of the unpaid principal amount of the pledged student loans, plus any accrued but unpaid interest thereon.

CHARACTERISTICS OF THE STUDENT LOANS. The total principal amount of Student Loans on deposit in the Trust Estate, as of June 30, 2019, was approximately $1,837,753,572. Set forth below in the following tables is a description of certain characteristics of the Student Loans held in the Trust Estate.

Distribution of Student Loans by Loan Type

Loan Type		Balance (1)	Percent of Loan Type By Balance
Consolidation	$	1,833,245,133	99.76%
Plus		259,247	0.01%
Stafford Sub		1,983,851	0.11%
Stafford UnSub		2,265,341	0.12%
Total	$	1,837,753,572	100.00%

Distribution of Student Loans by Guarantee Agency

Insurer or Guarantor		Balance (1)	Percent of Loans by Balance
PHEAA	$	919,219,389	50.02%
ASA		404,590,921	22.02%
GLHEC		390,252,350	21.24%
ECMC		50,479,755	2.75%
TGSLC		48,358,249	2.63%
Other		24,852,908	1.34%
Total FFELP	$	1,837,753,572	100.00%

Distribution of Student Loans by Borrower Payment Status

Loan Status		Balance (1)	Percentage of Loans by Balance
School	$	28,500	0.00%
Grace		0	0.00%
Deferment		58,559,304	3.19%
Forbearance		138,592,534	7.54%
Repayment		1,635,048,306	88.97%
Claims		5,524,928	0.30%
Total	$	1,837,753,572	100.00%

Distribution of Student Loans by Federal Reinsurance or Private Reinsurance

Federal or Private Reinsurance		Balance (1)	Percent of Loans by Balance
4yr	$	3,497,228	0.19%
2yr		689,468	0.04%
Prop.		321,743	0.02%
Consol.		1,833,245,133	99.75%
	$	1,837,753,572	100.00%

Distribution of Student Loans by Subservicer

Subservicer		Balance (1)	Percent of Loans By Balance
AES (PHEAA)	$	1,162,551,245	63.26%
Nelnet		664,324,810	36.15%
Naviant		10,877,517	0.59%
	$	1,837,753,572	100.00%

(1) In each case, includes current principal balance due from the borrowers, but does not include accrued interest thereon to be capitalized upon commencement of repayment.

THE MASTER SERVICER

The Master Servicer, The Brazos Higher Education Service Corporation, Inc., is a private non-profit corporation organized on September 18, 1980, under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, to provide or cause to be provided student loan servicing and administrative support services. The Master Servicer can be contacted at 2600 Washington Avenue, P.O. Box 1308, Waco, Texas 76703, or by telephone at (254) 753-0915.

The Master Servicer has served as master servicer on over 100 student loan securitizations that have total in excess of $29 billion of student loan backed notes.

The Master Servicer is headquartered in Waco, Texas and is governed by a ten-member board of directors. The members of the Board of Directors serve without compensation, except for the payment of expenses in connection with the business of the Master Servicer.

As of June 30, 2019, the total number of borrowers managed by the Master Servicer was approximately 313,573 aggregating approximately $4,521,207,108 in principal amounts.

The Master Servicer has entered into separate subservicing agreements with several separate Subservicers for the performance of servicing duties for student loans held under the Indenture. As a result, servicing duties relating to student loans held under the Indenture are performed by the Subservicers.

THE SUBSERVICERS

The following general information concerning each Subservicer was supplied to the Authority by each Subservicer and has not been verified by the Authority. No representation is made by the Authority as to the accuracy or completeness of such information.

Conduent Education Services, LLC Conduent Education Services, LLC (formerly known as Xerox Education Services, LLC and doing business as ACS Education Services) ("Conduent Education") is a for-profit limited liability company and an indirect wholly-owned subsidiary of Conduent. Conduent (formerly known as Xerox Business Services, LLC) was spun off from Xerox Corporation as an independent company on January 3, 2017. Headquartered in Florham Park, New Jersey, Conduent is a Fortune 500-scale company providing document technology, services, software and supplies for production and office environments, as well as business process and technology outsourcing solutions to world-class commercial and government clients. Conduent's common stock trades on the New York Stock Exchange under the symbol "CNDT." Conduent Education has its headquarters at 2277 E. 220th Street, Long Beach, CA 90810, and has domestic regional processing centers in Long Beach, California, and Utica, New York. The Guaranteed Loan Servicing Group ("Group") is operated by Conduent Education as a third party education loan servicer. As of August 31, 2017, the Group had approximately 450 employees providing loan origination and servicing for the Federal Stafford, PLUS and Consolidation education loan programs and many alternative/private loan programs, as well as post-origination conversion and private loan origination. As of August 31, 2017, the Guaranteed Loan Servicing Group of Conduent Education was servicing approximately 900 thousand education loan accounts with an outstanding balance of approximately $13.7 billion.

Origination services include receipt and validation of application data, underwriting (if required), school and borrower customer service and loan disbursement. A wide range of schools are supported, as well as a variety of different disbursement methods, including: check, master check, automated clearinghouse (ACH), and disbursement via national disbursing agents.

Conversion services include set-up of new accounts to the servicing platform from the origination system or a lender's system. This area also supports transfer of existing education loan portfolios from other servicers' systems, as well as loan sales and securitizations.

Loan servicing includes lender and borrower services, payment and transaction processing, due diligence activities as required by federal regulations or private/alternative loan program requirements, and communications with schools, guarantors, the National Student Loan Clearing House, and others. In the event of a borrower default on a federal education loan, among other things, Conduent prepares and submits a claim package on the lender's behalf to the appropriate guaranty agency for review and guarantee payment, if applicable.

The ultimate corporate parent of Conduent Education Services Company, LLC, Conduent Incorporated, is a public corporation that files periodic reports with the SEC as required by the Securities Exchange Act of 1934, as amended. Reports filed with the SEC are available for inspection without charge at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. Information as to the operation of the public reference facilities is available by calling the SEC at 1-800-SEC-0330. Information filed with the SEC can also be inspected at the SEC's site on the World Wide Web at "http://www.sec.gov." Conduent Incorporated also currently provides information through the Conduent website at "http://www.conduent.com." Information filed by Conduent with the SEC or contained on the Conduent website is not intended to be incorporated as part of this Official Statement and information contained on Conduent website is not a part of the documents that Conduent files with the SEC. As of 7/10/2018 All Brazos loans volume has been moved off the Conduent servicing system.

Pennsylvania Higher Education Assistance Agency. Pennsylvania Higher Education Assistance Agency ("PHEAA") is a body corporate and politic constituting a public corporation and government instrumentality created pursuant to an act of the Pennsylvania Legislature. Under its enabling legislation, PHEAA is authorized to issue bonds or notes, with the approval of the Governor of the Commonwealth of Pennsylvania for the purpose of purchasing, making, or guaranteeing loans. Its enabling legislation also authorizes PHEAA to undertake the origination and servicing of loans made by PHEAA and others. PHEAA's headquarters are located in Harrisburg, Pennsylvania with regional offices located throughout Pennsylvania.

As of June 30, 2019, PHEAA had approximately 2,900 employees and contractors. PHEAA services student loans through its Commercial Servicing line of business, FedLoan Servicing ("FLS") line of business and Remote Servicing line of business. The Commercial Servicing line of business services private student loans and Federal Family Education Loan ("FFEL") program loans for customers which consist of national and regional banks and credit unions, secondary markets, and government entities. The FLS line of business services federally owned FFEL and William D. Ford ("Direct Loan") program loans. The Remote Servicing line of business provides PHEAA's systems to guarantors, other servicers and Not-for-Profit ("NFP") servicers, who were awarded servicing contracts under the Direct Loan program for use in servicing borrowers.

As of June 30, 2019, PHEAA serviced approximately 8.8 million student borrowers representing an aggregate of approximately $373.0 billion outstanding principal amount under its Commercial Servicing and FLS lines of business.

Through its Commercial Servicing line of business, PHEAA serviced $32.5 billion for lenders as of June 30, 2019, with an approximately $8.7 billion principal balance of private student loans outstanding, which makes PHEAA one of the nation's largest servicers of private student loans.

PHEAA is also one of four primary servicers that were awarded a contract to service Title IV loans owned by the Department of Education. The initial phase of the Title IV Servicing Management contract involved FFEL program loans, which were sold to the Department of Education under the Ensuring Continued Access to Student Loans Act ("ECASLA"). ECASLA gave the Department of Education authority to purchase FFELP Loans from private lenders. In addition, PHEAA began servicing student loans originated under the FDSL Program during the 2010-2011 academic year. PHEAA's FLS line of business services the federally owned program loans, and as of June 30, 2019, the portfolio balance of loans and grants serviced by FLS was $340.4 billion.

Under PHEAA's Remote Servicing line of business, the remote clients service approximately 3.8 million student loan borrowers representing an approximately $81.1 billion outstanding principal amount, including $57.6 billion owned by the Department of Education.

FFELP Net Reject Rate

As a servicer, PHEAA works to minimize the net reject rate, which is the amount of claims submitted for payment that are rejected by the guarantor and are subsequently unable to be cured. The net reject rate for both the number and dollar value of PHEAA's FFELP loans for the last three calendar years is listed below.

	FFELP Net Reject Rate	
Year	**Loans**	**Dollars**
2018	0.008%	0.008%
2017	0.005%	0.006%
2016	0.005%	0.006%

The net reject rate is calculated based on claims submitted three years prior which were unable to be cured during the three year cure period which ended during the calendar years noted above. The number and dollar value of rejected claims not cured is divided by the total claims filed during that same period three years prior.

PHEAA's most recent audited financial reports are available from PHEAA.

Litigation and Inquiries

PHEAA is subject to various claims, lawsuits and other actions that arise in the normal course of business. PHEAA believes that these claims, lawsuits and other actions will not, individually or in the aggregate, have a material adverse effect on its business, financial condition or results of operations. Most of these matters are claims against its servicing and collection operations by borrowers and debtors alleging the violation of state or federal laws in connection with servicing or collection activities on such borrower's or debtor's student loans. In addition, PHEAA is routinely named in lawsuits in which the plaintiffs allege that PHEAA has violated a federal or state law in the process of collecting their accounts.

In the ordinary course of its business, it is common for PHEAA to receive information and document requests and investigative demands from legislative committees and administrative and enforcement agencies. These requests may be informational or regulatory in nature and may relate to PHEAA's business practices, the industries in which it operates, or other companies with whom it conducts business. PHEAA's practice has been, and currently is, to cooperate with these bodies and to be responsive to any such requests. However, PHEAA may find it necessary to initiate litigation to enforce its rights, to protect its business operations and practices or to determine the scope and validity of the rights of such bodies. Litigation is costly and time-consuming, and there can be no assurance that PHEAA's litigation expenses will not be significant in the future or that it will prevail in any such litigation.

Such inquiries and related information demands increase costs and resources PHEAA must dedicate to timely respond to these requests and may, depending on their outcome, result in payments of additional amounts of restitution, fines and penalties in addition to those described below under "Consumer Protection and Similar Laws".

Commonwealth of Massachusetts

As a larger participant defined by the Consumer Financial Protection Bureau ("CFPB") in the market for student loan servicing, PHEAA is the subject of various subpoenas, requests, and actions by various state and federal regulatory bodies. On August 23, 2017, the Commonwealth of Massachusetts ("Massachusetts"), by and through its

Attorney General, brought enforcement action pursuant to the Massachusetts Consumer Protection Act, and the Consumer Financial Protection Act against the Pennsylvania Higher Education Assistance Agency, d/b/a Fedloan Servicing ("PHEAA"). PHEAA does not agree with the allegations made by the Massachusetts Attorney General's Office with regards to their findings. However, PHEAA remains committed to appropriately resolving any outstanding borrower issues while following the U.S. Department of Education's policies, procedures, and regulations as mandated by the PHEAA's federal contracts. PHEAA will continue working with the U.S. Department of Education's Office of Federal Student Aid ("FSA") to help resolve any issue identified by the Massachusetts Attorney General. On January 8, 2018, the United States Department of Justice submitted a Statement of Interest on this case stating that Massachusetts claims were preempted by Federal law. PHEAA filed a motion to dismiss, which was argued before the trial court on January 10, 2018. The motion to dismiss was denied, and PHEAA continues to actively engage in the discovery process. As of June 30, 2019 and through the date of this disclosure, PHEAA believes it is remote that a loss contingency exists, and will continue to contest this matter vigorously.

Consumer Protection and Similar Laws

The CFPB has issued regulations subjecting PHEAA to the supervision of the CFPB as a "larger participant" (as defined for purposes of the Dodd-Frank Act). Applicable regulations provide for the examination and monitoring by the CFPB of larger participants in student loan servicing, such as PHEAA, thus giving the CFPB broad authority to examine, investigate, supervise, and otherwise regulate PHEAA's business, including the authority to impose fines and require changes with respect to any requirements that the CFPB finds to be unfair, deceptive or abusive. The CFPB seeks to make sure that all relevant federal consumer financial laws are followed by nonbank student loan servicers, such as PHEAA, and that such rules are applied to both federal and private student loans, from origination through servicing to debt collection. The CFPB has substantial power and discretion to define the rights of consumers and the responsibilities of certain entities, such as PHEAA. There is continuing uncertainty regarding how the CFPB's strategies and priorities will impact PHEAA's, and other large nonbank student loan servicers', business and results of operations going forward. Additionally, the Dodd-Frank Act gives the CFPB authority to pursue administrative proceedings and litigation for violations of federal consumer financial laws. In these proceedings, the CFPB can obtain cease and desist orders (which can include orders for restitution or rescission of contracts, as well as other kinds of affirmative relief) and monetary penalties ranging from $5,000 per day for minor violations of federal consumer financial laws (including the CFPB's own rules) to $25,000 per day for reckless violations and $1 million per day for knowing violations. Also, where an entity has violated Title X of the Dodd-Frank Act (the Consumer Financial Protection Act of 2010) or CFPB regulations under Title X, the Dodd-Frank Act empowers state attorneys general and state regulators to bring civil actions for the kind of cease and desist orders available to the CFPB (but not for civil penalties). If the CFPB or one or more state or other federal officials find that PHEAA or its affiliates have violated the foregoing or other laws, they could exercise their enforcement powers in ways that may have a material adverse effect on PHEAA.

In addition to enforcing consumer financial laws directed at specific loan origination and servicing functions, such as loan disclosures and debt collection procedures, the CFPB is directed to prohibit "unfair, deceptive or abusive" acts or practices, and to ensure that all consumers have access to fair, transparent and competitive markets for consumer financial products and services. The review of services and practices to prevent unfair, deceptive or abusive conduct will be a continuing focus of the CFPB, as well as PHEAA's own internal reviews. Such ongoing internal and regulatory reviews are likely to result in changes in PHEAA's policies and practices, increased costs related to regulatory oversight, compliance, supervision and examination and may result in regulatory actions, including civil monetary penalties.

Since 2013, the CFPB has been a party to numerous public enforcement actions, either independently or in conjunction with other federal and state enforcement agencies, to enforce consumer protection laws within its jurisdiction or to support consumer protection efforts nationwide. The CFPB has also been investigating, based on potentially problematic practices identified by the CFPB or reported by consumers or others or investigations transferred to the CFPB by regulators or other federal agencies, potential violations of federal consumer financial laws.

Potential penalties are significant, and several large settlements have been entered into by the CFPB and/or other federal and state agencies with, among others, consumer loan originators, servicers and other consumer credit businesses.

Because such supervision and enforcement authority continues to be subject to intensive rulemaking and public comment, which may result in further regulations and/or regulatory interpretations, PHEAA is unable to predict the final form that this regulatory regime will take or the ultimate effect such supervision or required could have on PHEAA's operations. PHEAA's operational expenses will likely increase to address new or additional compliance requirements that could be imposed on PHEAA's operations as a result of these developments and CFPB supervision and examination and, depending on their outcome, result in payments of additional amounts of restitution, fines and penalties in addition to those described above.

In response to the evolving regulatory environment, PHEAA has enhanced its compliance management system, has conducted and continues to conduct internal reviews, and has engaged outside firms to assist in compliance and risk assessments. This initiative has enabled PHEAA to better identify deficiencies in its existing processes, policies and procedures. PHEAA has made a commitment to continue to dedicate significant resources to address and remediate any deficiencies it has identified as well as those which may be identified as a result of future reviews and assessments. Notwithstanding such efforts, it is possible that PHEAA may be found to be out of compliance with certain laws applicable to servicing or originating student loans, including the Financed Student Loans. Although management of PHEAA does not believe any such deficiencies would materially and adversely affect the ability of PHEAA to perform its obligations as a servicer, such an outcome cannot be assured.

Navient Solutions, Inc. Navient Solutions, LLC (formerly known as Sallie Mae, Inc. and Navient Solutions, Inc.) is a wholly owned subsidiary of Navient Corporation and acts as the principal management company for most of Navient Corporation's business activities. Navient Solutions, LLC's servicing division manages and operates the loan servicing functions for Navient Corporation and its affiliates, including providing servicing for third parties.

As of June 30, 2019, Navient Solutions, LLC serviced over $300 billion in student loans. Navient Solutions, LLC is a Delaware limited liability company and its principal executive offices are at 2001 Edmund Halley Drive, Reston, Virginia 20191. Its telephone number is (703) 810-3000. Its loan servicing centers are located in Indiana and Pennsylvania. Navient Solutions, LLC (in its various forms) has serviced student loans for over 20 years.

Nelnet Loan Servicing, Inc. Nelnet, Inc. began its education loan servicing operations on January 1, 1978, and provides, through its subsidiaries, student loan servicing that includes application processing, underwriting, fund disbursement, customer service, account maintenance, federal reporting and billing, payment processing, default aversion, claim filing and delinquency servicing services. These activities are performed internally for Nelnet, Inc.'s portfolio and for third party clients. Nelnet, Inc. has offices located in, among other cities, Aurora, Colorado, and Lincoln, Nebraska. On February 7, 2018, Nelnet, Inc. acquired 100 percent of the outstanding stock of Great Lakes Educational Loan Services, Inc. (Great Lakes). Our combined organization is made up of over 6,200 associates. As of December 31, 2018, the Company serviced $464.6 billion of loans for 15.6 million borrowers. Nelnet Servicing's due diligence schedule is conducted through automated letter generation. Telephone calls are made using automatic dialing systems where available and appropriate pursuant to applicable law. All functions are monitored by an internal quality control system to ensure their performance. Compliance training is provided on both centralized and unit level basis. In addition, Nelnet Servicing has distinct compliance and internal auditing departments whose functions are to advise and coordinate compliance issues.

THE GUARANTEE AGENCIES

The Authority has requested information regarding the Guarantee Agencies from each Guarantor that guarantees greater than ten percent (10%) of all Student Loans in the Trust Estate (collectively, the "Significant Guarantors"). The following general information concerning each of the Significant Guarantors was supplied to the Authority by each

Significant Guarantor and has not been verified by the Authority. The Authority makes no representation as to the accuracy or completeness of such information.

Ascendium Education Solutions, Inc.

Ascendium Education Solutions, Inc. f/k/a Great Lakes Higher Education Guaranty Corporation ("Ascendium") is a Wisconsin nonstock, nonprofit corporation, the sole member of which is Ascendium Education Group, Inc. f/k/a Great Lakes Higher Education Corporation ("Ascendium Education Group"). Ascendium's predecessor organization, Ascendium Education Group, was organized as a Wisconsin nonstock, nonprofit corporation and began guaranteeing student loans under the Higher Education Act in 1967. Ascendium is the designated guaranty agency under the Higher Education Act for Wisconsin, Arkansas, Iowa, Minnesota, Montana, North Dakota, Ohio, South Dakota, Puerto Rico and the Virgin Islands. On January 1, 2002, Ascendium Education Group (and Ascendium directly and through its support services agreement with Ascendium Education Group), outsourced certain aspects of its student loan program guaranty support operations to Great Lakes Educational Loan Services, Inc. ("GLELSI"). Ascendium continues as the "guaranty agency" as defined in Section 435(j) of the Higher Education Act and continues its default aversion, claim purchase and compliance, collection support and federal reporting responsibilities as well as custody and responsibility for all revenues, expenses and assets related to that status. The primary operations center for Ascendium Education Group and its affiliates (including Ascendium) is in Madison, Wisconsin, which includes operational staff offices for guaranty functions. Ascendium also maintain offices in; Eagan, Minnesota; Aberdeen, South Dakota; and Indianapolis, Indiana. Ascendium will provide a copy of Ascendium Education Group's most recent consolidated financial statements on receipt of a written request directed to 2501 International Lane, Madison, Wisconsin 53704, Attention: Chief Financial Officer.

The information in the following tables has been provided to the Issuer from reports provided by or to the U.S. Department of Education and has not been verified by the Issuer, Ascendium, or the initial purchasers. No representation is made by the Issuer, Ascendium, or the initial purchasers as to the accuracy or completeness of this information. Prospective investors may consult the U.S. Department of Education Data Books and Web sites http://www2.ed.gov/finaid/prof/resources/data/opeloanvol.html and http://www.fp.ed.gov/pubs.html for further information concerning Ascendium or any other guaranty agency.

Guaranty Volume. Pursuant to the SAFRA Act, part of the Health Care and Education Reconciliation Act of 2010, Ascendium ceased issuing new loan guarantees on June 30, 2010. The most recent year for which the U.S. Department of Education has issued guaranty volume information is 2009. Ascendium issued $7.0 billion in new loan guarantees in that year.

Reserve Ratio. Following are Ascendium's reserve fund levels as calculated in accordance with 34 CFR 682.410(a)(10) for the last five federal fiscal years:

Federal Fiscal Year	Federal Guaranty Reserve Fund Level [1/]
2014	0.94%
2015	1.05%
2016	1.37%
2017	1.80%
2018	2.21%

The U.S. Department of Education's website at http://www.fp.ed.gov/pubs.html has posted reserve ratios for Ascendium for federal years 2014, 2015, 2016, 2017 and 2018 of 0.648% 0.608%, 0.827%, 1.000% and 1.480%, respectively. Ascendium believes the Department of Education has not calculated the reserve ratio in accordance with the Act and the correct ratio should be 0.94%, 1.05%, 1.37%, 1.80% and 2.21% respectively, as shown above and as explained in the following footnote. On November 17, 2006, the U.S. Department of Education advised Ascendium that beginning in Federal Fiscal Year 2006 it will publish reserve ratios that include loan loss provision and deferred revenues.

Ascendium believes this change more closely approximates the statutory calculation. According to the U.S. Department of Education, available cash reserves may not always be an accurate barometer of a guarantor's financial health.

1/ In accordance with Section 428(c)(9) of the Higher Education Act, does not include loans transferred from the former Higher Education Assistance Foundation, Northstar Guarantee Inc., Ohio Student Aid Commission or Puerto Rico Higher Education Assistance Corporation. (The minimum reserve fund ratio under the Higher Education Act is 0.25%.)

Claims Rate. For the past five federal fiscal years, Ascendium's claims rate has not exceeded 5%, and, as a result, the highest allowable reinsurance has been paid on all Ascendium's claims. The actual claims rates are as follows:

Federal Fiscal Year	Claims Rate
2014	2.05%
2015	0.96%
2016	1.00%
2017	0.35%
2018	0.35%

As a result of various statutory and regulatory changes over the past several years, historical rates may not be an accurate indicator of current delinquency or default trends or future claims rates.

Pennsylvania Higher Education Assistance Agency. Pennsylvania Higher Education Assistance Agency ("PHEAA") is a body corporate and politic constituting a public corporation and government instrumentality created pursuant to the Pennsylvania Act of August 7, 1963, P.L. 549, as amended (the "Pennsylvania Act").

PHEAA has been guaranteeing student loans since 1964. As of June 30, 2019, PHEAA has guaranteed a total of approximately $48.8 billion principal amount of Stafford Loans, $7.9 billion principal amount of PLUS and SLS Loans, and $52.1 billion principal amount of Consolidation Loans under the Higher Education Act. PHEAA initially guaranteed loans only to residents of the Commonwealth of Pennsylvania (the "Commonwealth") or persons who planned to attend or were attending eligible education institutions in the Commonwealth. In May 1986, PHEAA began guaranteeing loans to borrowers who did not meet these residency requirements pursuant to its national guarantee program. Under the Pennsylvania Act, guarantee payments on loans under PHEAA's national guarantee program may not be paid from funds appropriated by the Commonwealth.

Effective April 1, 2013, PHEAA was designated as the guarantor for the State of Georgia. PHEAA accepted the transfer and assignment of the rights, duties and responsibilities as a Guaranty Agency under the Federal Family Education Loan Program from the Georgia Higher Education Assistance Corporation's (GHEAC), the previous designated guarantor for the State of Georgia. As a result PHEAA accepted the transfer and assignment of student loans with an aggregate of $687.8 million in original principal, net of cancellations. All percentages and results for PHEAA in the charts below for periods of activity after April 1, 2013, include the impact of the additional guaranty volume received in the transfer.

PHEAA has adopted a default prevention program consisting of (i) informing new borrowers of the serious financial obligations incurred by them and stressing the financial and legal consequences of failure to meet all terms of the loan, (ii) working with institutions to make certain that student borrowers are enrolled in sound education programs and that the proper individual enrollment records are being maintained, (iii) assisting lenders with operational programs to ensure sound lending policies and procedures, (iv) maintaining up-to-date student status and address records of all borrowers in the guaranty program, (v) initiating prompt collection actions with borrowers who become delinquent on their loans, do not establish repayment schedules or "skip," (vi) taking prompt action, including legal action and garnishment of wages, to collect on all defaulted loans, and (vii) adopting a general policy that no loan will be automatically "written off." Since the loan servicing program was initiated in 1974, PHEAA has never exceeded an annual default claims percentage of 5 percent and, as a result, federal reimbursement for default claims has thus far been at the maximum federal reimbursement level.

For the last five federal fiscal years (ended September 30), the annual default claims percentages have been as follows:

Fiscal Year	**Annual Default Claims**
2014	2.06
2015	1.16
2016	0.46
2017	0.59
2018	1.10

As of June 30, 2019, PHEAA had total federal reserve fund assets of approximately $84.0 million. Through June 30, 2019, the outstanding amount of original principal on loans that had been directly guaranteed by PHEAA and loans transferred from GHEAC under the Federal Family Education Loan Program was approximately $20.5 billion. In addition, as of June 30, 2019, PHEAA had total assets of $4.8 billion, which does not include Federal Reserve Fund assets.

Guarantee Volume. PHEAA's new origination guaranty volume (the approximate aggregate principal amount of federally reinsured education loans, including PLUS Loans but excluding federal consolidation loans) was zero for each of the last five federal fiscal years (ended September 30).

Reserve Ratio. Under current law, PHEAA is required to manage the Federal Fund so net assets are greater than 0.25% of the original principal balance of outstanding guarantees. The table below shows the reserve ratio for PHEAA for the last five federal fiscal years (ended September 30):

Fiscal Year	***Reserve Ratio***
2014	0.34
2015	0.35
2016	0.37
2017	0.50
2018	0.60

The table displays PHEAA's calculation of the reserve ratio on a regulatory basis of accounting. Each year the reserve ratio includes an adjustment for gain contingencies not recognized under generally accepted accounting principles.

Recovery Rates. A guarantor's recovery rate, which provides a measure of the effectiveness of the collection efforts against defaulting borrowers after the guarantee claim has been satisfied, is determined for each year by dividing the current year collections by the total outstanding claim portfolio for the prior fiscal year. The table below shows the cumulative recovery rates for PHEAA for the five federal fiscal years (ended September 30):

Fiscal Year	Recovery Rates
2014	25.84
2015	25.39
2016	28.35
2017	28.96
2018	25.82

American Student Assistance

Massachusetts Higher Education Assistance Corporation, doing business as American Student Assistance ("ASA"), a not-for-profit corporation organized in 1956, will guarantee a portion of the financed student loans. ASA is one of the oldest and largest guaranty agencies in the United States, and is the designated guarantor for the Commonwealth of Massachusetts and the District of Columbia. Since 1956, ASA has been a provider of higher education financing products and services to students, parents, schools and lenders across the country. ASA guarantees more than $21 billion in outstanding (non-ASA held) loans as of June 30, 2018. Originally created by the General Court of the Commonwealth of Massachusetts as Massachusetts Higher Education Assistance Corporation, ASA currently acts on behalf of the U.S. Department of Education to ensure that the public policy purposes and regulatory requirements of the FFEL Program are met. ASA has its principal offices located at 33 Arch Street, Boston, MA 02114.

Guaranty Volume. As a result of the Health Care and Education Reconciliation Act of 2010, all new loans guaranteed and disbursed under the FFEL Program were eliminated as of July 1, 2010. Instead, the federal government directly makes federal student loans for higher education, rather than insuring federal student loans made by private lenders and guaranteed by a guaranty agency such as ASA. As such, under current law, no new FFEL Program guaranty volume has occurred since July 1, 2010. However, ASA will continue to perform its obligations as the guaranty agency for the remaining outstanding loan portfolio.

The information in the following tables has been provided by ASA from reports provided by or to the U.S. Department of Education. No representation is made by ASA as to the accuracy or completeness of the information.

Recovery Rates. A guaranty agency's recovery rate, which provides a measure of the effectiveness of the collection efforts against defaulting borrowers after the guarantee claim has been satisfied, is determined by dividing the aggregate amount recovered from borrowers by the aggregate amount of default claims paid by the guaranty agency. The table below sets forth the recovery rates for ASA as taken from the U.S. Department of Education Guaranty Agency Financial Report form 2000, for each of the last five federal fiscal years:

Federal Fiscal Year (Ending September 30)	Cumulative Recovery Rate
2014	77.4%
2015	83.0
2016	86.8
2017	89.8
2018	92.3

Reserve Ratio. A guaranty agency's reserve ratio is determined by dividing the sum of its Federal Reserve Fund balance plus certain allowances and other non-cash charges by the original principal amount of loans outstanding. ASA's reserve ratio for the last five federal fiscal years ending September 30 is as follows:

Federal Fiscal Year (Ending September 30)	Reserve Ratio
2014	0.260%
2015	0.273
2016	0.298
2017	0.311
2018	0.308

Claims Rate. ASA's claims rate represents the percentage of loans in repayment at the beginning of a federal fiscal year which defaulted during the ensuing federal fiscal year, net of repurchases, refunds and rehabilitations. For the federal fiscal years 2013-2017, ASA's claims rate has not exceeded 5%, and as a result, all claims of ASA have been fully reimbursed at the maximum allowable level by the U.S. Department of Education. See the description or summary of the FFEL Program herein for more detailed information concerning the FFEL Program. Nevertheless, there can be no assurance the Guaranty Agencies will continue to receive full reimbursement for such claims. The following table sets forth the claims rate of ASA for the last five federal fiscal years:

Federal Fiscal Year (Ending September 30)	Claims Rate
2014	1.7
2015	0.5
2016	0.5
2017	0.5
2018	0.4

Net Loan Default Claims. The following table sets forth the dollar value of default claims paid, net of repurchases, refunds and rehabilitations for the last five ASA fiscal years.

ASA Fiscal Year (Ending June 30)	**Default Claims (Dollars in Millions)**
2014	$617
2015	216
2016	138
2017	115
2018	127

Default Recoveries. The following table sets forth the amount of recoveries returned to the U.S. Department of Education for the last five ASA fiscal years.

ASA Fiscal Year (Ending June 30)	**Default Recoveries (Dollars in Millions)**
2014	$548
2015	610
2016	561
2017	499
2018	382

Appendix A

Audited Financial Statements of the Authority

FINANCIAL STATEMENTS

Brazos Education Loan Authority
Years Ended June 30, 2019 and 2018
With Independent Auditor's Report

Brazos Education Loan Authority

Financial Statements

Years Ended June 30, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Brazos Education Loan Authority

We have audited the accompanying financial statements of Brazos Education Loan Authority (a not-for-profit organization), which comprise the balance sheets as of June 30, 2019 and 2018, and the related statements of changes in fund balance and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brazos Education Loan Authority, as of June 30, 2019 and 2018, and the changes in its fund balance and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, in 2019, Brazos Education Loan Authority adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

BKD, LLP

Dallas, Texas
October 7, 2019

Brazos Education Loan Authority

Balance Sheets
(In Thousands)

	June 30, 2019	June 30, 2018
Assets		
Cash and short-term investments	$ 32,446	$ 38,133
Interest receivable:		
Student loan notes receivable	48,170	40,837
Investments	147	132
Accounts receivable	-	3
Student loan notes receivable, net	1,962,223	2,145,577
Total assets	$ 2,042,986	$ 2,224,682
Liabilities and fund balance		
Liabilities:		
Notes payable, net	$ 1,743,628	$ 1,928,879
Accrued interest payable	1,717	1,359
DOE rebate fees payable	1,730	1,873
Administrative and loan servicing fees payable	179	199
Total liabilities	1,747,254	1,932,310
Fund balance:		
With restrictions	295,732	292,372
Total liabilities and fund balance	$ 2,042,986	$ 2,224,682

The accompanying notes are an integral part of these financial statements.

Brazos Education Loan Authority

Statements of Changes in Fund Balance

(In Thousands)

	For the Years Ended June 30, 2019	For the Years Ended June 30, 2018
Interest revenue:		
Student loan notes receivable	$ 68,043	$ 60,687
Investments	1,541	995
	69,584	61,682
Interest expense:		
Notes payable	61,513	48,636
Net interest revenue before provision for loan losses	8,071	13,046
Provision for loan losses	(436)	(220)
Net interest revenue after provision for loan losses	7,635	12,826
Noninterest revenue:		
Other	502	728
Noninterest expense:		
Administrative and loan servicing fees	4,495	4,950
Auction agent and broker dealer fees	54	54
Other	240	271
Total noninterest expense	4,789	5,275
Revenue over expenses	3,348	8,279
Estate contribution	12	-
Fund balance, beginning of year	292,372	284,093
Fund balance, end of year	$ 295,732	$ 292,372

The accompanying notes are an integral part of these financial statements.

Brazos Education Loan Authority

Statements of Cash Flows
(In Thousands)

	For the Years Ended June 30, 2019	For the Years Ended June 30, 2018
Operating activities		
Revenue over expenses	$ 3,348	$ 8,279
Adjustment to reconcile revenue over expenses to net cash used in operating activities:		
Student loan interest capitalized	(18,618)	(21,190)
Amortization of loan purchase premiums	10,415	11,040
Amortization of note discount	993	1,011
Amortization of debt issue costs	556	560
Provision for loan losses	436	220
Changes in assets and liabilities:		
Decrease (increase) in assets:		
Interest receivable	(7,348)	(7,563)
Accounts receivable	3	(3)
Increase (decrease) liabilities:		
Administrative and loan servicing fees payable	(20)	(36)
Accrued interest payable	358	386
DOE rebate fees payable	(143)	(210)
Net cash used in operating activities	(10,020)	(7,506)
Investing activities		
Principal collected on student loan note receivable, net	258,552	276,525
Proceeds from sale of student loan notes receivable, net	66	52
Purchase of student loan notes receivable, net	(67,497)	(9,922)
Net cash provided by investing activities	191,121	266,655
Financing activities		
Proceeds from the issuance of notes payable	63,009	-
Payment of notes payable	(249,262)	(263,040)
Estrate contribution	12	-
Payment of deferred debt issue costs	(547)	-
Net cash used in financing activities	(186,788)	(263,040)
Net change in cash and short-term investments	(5,687)	(3,891)
Cash and short-term investments, beginning of year	38,133	42,024
Cash and short-term investments, end of year	$ 32,446	$ 38,133
Supplemental disclosure:		
Cash paid during the year for interest	$ 59,607	$ 46,680

The accompanying notes are an integral part of these financial statements.

1. Organization

Brazos Education Loan Authority (the Authority), a Texas not-for-profit public benefit corporation incorporated as Neches Higher Education Authority, Inc. in November 2005, amended its Articles of Incorporation in August 2012 to become Brazos Education Loan Authority. The Authority commenced operations on August 8, 2012, for the purpose of providing funds for the acquisition and servicing of student loans that are: (1) insured by the U.S. Department of Education (DOE) and guaranteed by various national guarantors under the Federal Family Education Loan Program (FFELP) as provided for in the Higher Education Act of 1965, as amended or (2) guaranteed by the Secretary of Health and Human Services pursuant to the Health Education Assistance (HEAL) Program. To maintain such insurance and guarantee of student loans, the Authority must comply with the servicing, collecting, accounting, and reporting requirements of the FFELP and HEAL programs. The Authority has contracted with Brazos Higher Education Service Corporation, Inc. (BHESC) to serve as master servicer. BHESC has contracted with various sub-servicers for loan servicing duties. Funding for the Authority has been provided by the issuance of asset-backed notes and, periodically, by advances from affiliates.

The Authority's primary source of revenue is interest on student loans. All borrowings on the notes payable are expected to be repaid solely from funds derived from student loan principal repayments, interest, special allowance payments, interest subsidy payments, guarantee payments on defaulted notes, proceeds from sales of student loan notes, and investment revenue.

Interest Rate Environment

The Authority's student bond payable portfolio is composed of $982,000 of Auction Rate Securities (ARS) and $957,000 of LIBOR-based Floating Rate Notes (FRN) as of June 30, 2019. In February 2008, an imbalance of supply and demand in the ARS market as a whole led to failures of the auctions pursuant to which certain of the Authority's ARS interest rates are set. The failed auctions have continued through 2019. As a result, at June 30, 2019, $982,000 of the Authority's ARS bore interest at the maximum rate allowable under the indenture estate provisions that govern the determination of the interest rate in the event of a failed auction.

The Authority's $982,000 of taxable ARS has provisions, which, during a period of auction failure, limit the interest rate on the ARS to the lesser of the Maximum Rate or the Net Loan Rate. The Authority's Maximum Rate applied to taxable ARS is defined as the lesser of the 30-day LIBOR plus 150 basis points for Senior debt and 30-day LIBOR plus 150 basis points to

250 basis points for Subordinate debt. Each of the individual indenture estates within the Authority has provisions for calculation of a Net Loan Rate for taxable ARS.

The Net Loan Rate, discussed above, is intended to protect each indenture estate from incurring cash outflows that the cash inflows cannot sustain. The Net Loan Rates of the Authority's respective indenture estates range from 3.88% to 3.94% as of June 30, 2019. During 2019, the Net Loan Rate was invoked for most ARS taxable bond issues.

The market disruption experienced in the ARS market, discussed above, did not have a significant impact upon the Authority's FRNs, primarily because the Authority's FRNs reset quarterly. The FRNs are fixed for three months; therefore, spreads on student loans financed with FRNs are generally not affected to the extent of those financed with ARS notes.

2. Significant Accounting Policies

Basis of Presentation

The financial statements have been prepared using the accrual method of accounting in accordance with accounting principles generally accepted in the United States and, accordingly, reflect all significant receivables, payables and other liabilities. The accounts of the Authority are maintained in accordance with the principles of fund accounting in compliance with the debt instruments. This is a system under which resources are classified for accounting purposes into funds established for specific purposes. The Authority aggregates its funds into general groups by the source of funding. The fund balance related to specific financings is with restrictions by each indenture, and as such, is shown as with restrictions on the balance sheets. The non-debt related fund balance, if any, is shown as without restrictions on the balance sheets.

Affiliated Entities

The Authority is affiliated with the following entities, which are required to be audited due to federal program requirements, or which are audited due to the significance of their activities and operations:

- Brazos Higher Education Authority, Inc. (BHEA)
- Brazos Student Finance Corporation (BSFC)
- Bosque Higher Education Authority, Inc. (Bosque)

- Acapita Education Finance Corporation (AEFC)
- Brazos Higher Education Service Corporation, Inc. (BHESC)
- Federated Student Finance Corporation (FSFC)

All of the entities operate in the student loan higher education industry and are controlled by common officers and directors with the ability to influence the business performed by each entity. BHESC, by contract and for compensation, serves as Master Servicer and provides headquarter facilities, management, administrative support, marketing and accounting services. BHESC also oversees the subcontracting of servicing and collection activities.

Debt Issue Costs and Note Discount

The Authority capitalizes debt issue costs incurred when issuing debt. Debt issue costs include costs related directly to the issuance of notes payable, and consist primarily of filing fees, trustee fees and expenses, document reproduction costs, legal fees, costs of credit ratings, underwriter's fees, and other costs. The Authority also issues notes at a discount and records the discount as an adjustment to notes payable, net, on the balance sheet. Debt issue costs and note discounts are amortized over the terms of the notes using a method that approximates the effective interest method. The amortization of the debt issuance costs and note discount is included within interest expense on notes payable in the statements of changes in fund balance.

Interest Receivable

Interest receivable on student loan notes receivable includes special allowance payments receivable from or payable to the DOE, government subsidy interest, and borrower interest on all student loans outstanding.

Cash and Short-Term Investments

Cash and short-term investments consist of money market funds with original maturities of 90 days or less. Cash and short-term investments are held in indenture with U.S. Bank, N.A. (the Trustee) under various indentures, subject to certain limitations (see Note 2 – Trustee), and are pledged to secure related notes payable. Any realized or unrealized changes in fair value are recorded through the statements of changes in fund balance. Interest revenue from these investments is recorded on an accrual basis.

(Dollars in Thousands)

Cash and short-term investments are comprised of the following:

	June 30, 2019	June 30, 2018
Money market funds	$ 32,446	$ 38,133

As of June 30, 2019 and 2018 the Authority had $13,686 and $14,516, respectively, in cash and short-term investment reserves in compliance with the note indenture requirements.

Student Loan Notes Receivable

Student loans are stated at the principal amount outstanding, plus unamortized purchase premiums, net of the allowance for loan losses. All student loan notes receivable are pledged to secure related notes payable.

There was no impairment of student loan notes receivable during the years ended June 30, 2019 or 2018. A loan is considered past due or delinquent when it becomes 31 days past due. Delinquent FFELP loans cannot be submitted to the guarantor for payment until the loan is 270 days past due, but before 330 days past due. The guarantor pays interest accrued through the date of the claim payment. Accordingly there are no loans in nonaccrual status as of June 30, 2019 or 2018.

Premiums and Discounts on Loans Purchased

The Authority defers premiums and discounts incurred on those student loan notes purchased and used to secure long-term financings, and amortizes such amounts over the estimated life of the student loan notes as an adjustment to the yield of the related loans utilizing a method which approximates the effective interest rate method. Amortization of the premium and discount is included within the statements of changes in fund balance as interest revenue on student loan notes receivable and is recognized on a monthly basis. The net unamortized loan purchase premium is included on the balance sheets within the student loan notes receivable.

Income Taxes

The Authority is a not-for-profit public benefit corporation which is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). The Authority is also exempt from state income tax. Income which is not related to its exempt purposes, less applicable deductions, is subject to federal income taxes. The Authority had no net unrelated business income for the years ended June 30, 2019 and 2018. As such, no provision for federal or state income taxes has been provided in the accompanying financial statements.

The Authority files federal information returns in the United States. The Authority may be subject to examination for the tax year ended June 30, 2016 and later by the Internal Revenue Service. The Authority is not currently under examination for any open tax year.

The Authority follows the accounting standard related to the accounting for uncertainty in income taxes recognized in the Authority's financial statements. The standard prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Authority currently does not have any uncertain tax positions.

Trustee

The Authority contracts certain services to the Trustee. The Trustee holds the pledged student loan notes receivable and other invested assets in the Authority's name, and invests and disburses funds as directed by the Authority pursuant to the requirements of the indenture and note agreements. The trustee also monitors the invested assets of the Authority and the related cash flows of the loans and other assets pledged under the indenture to secure the related debt.

Concentration Risk

The Authority's credit risk is inherent principally in its student loan notes receivable. It is impossible to predict the status of the economy or unemployment, which could significantly affect the Authority's credit risk exposure. However, the credit risk of the Authority is substantially decreased by the guaranteed nature of its investments in student loan notes receivable.

The Authority's loan portfolio is also concentrated in FFELP loans. Approximately, 99.9% and 99.9% of the portfolio is FFELP loans as of June 30, 2019 and 2018, respectively. Any changes in legislation related to existing FFELP or consolidation loans could have a significant impact on the Authority.

Student Loan Revenue

The Authority recognizes interest revenue on student loans, special allowance revenues (rebates), and government interest subsidies as earned, net of DOE rebate fees paid on a monthly basis. Additionally, revenue is recognized based upon the principal amount outstanding in accordance with the terms of the applicable loan agreement on a monthly basis until the outstanding balance is paid or charged off.

Based upon the core guidance of Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*, revenue derived from financial instruments, such as student loan notes receivable and investments, is exempt from this guidance as recognition of revenue is covered in other applicable accounting standards.

Interest Expense

Interest expense is based upon contractual interest rates (variable) adjusted for the amortization of note discount and debt issue costs.

Department of Education Fees

Approximately 99.6% and 99.6% of the portfolio is consolidation loans, on which the Authority pays fees to the DOE, for the years ended June 30, 2019 and 2018, respectively. DOE fees consist of rebate fees due to the DOE. Rebate fees are monthly fees assessed by the DOE on the outstanding consolidation loan balance at the end of the month. Rebate fees are accounted for as an adjustment to the yield on student loan notes receivable included within the statements of changes in fund balance in interest revenue from student loan notes receivable.

Estimates in Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. Key accounting policies that include significant judgments and estimates include the use of the effective interest rate method to amortize premiums and discounts on loans purchased, amortization of debt issue costs and note discounts, and determining the provision for loan losses.

Change in Accounting Principles

On July 1, 2018, the Authority adopted the Financial Accounting Standards Board Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*, (ASU 2014-09) using a full retrospective method of adoption to all contracts with customers at July 1, 2018.

The core guidance in ASU 2014-09 is to recognize revenue to depict the transfer of promised goods or services in amounts that reflect the consideration to which the Authority expects to be entitled in exchange for those goods or services.

The amount to which the Authority expects to be entitled is calculated as the transaction price and recorded as revenue in exchange for providing goods or services.

The adoption of ASU 2014-09 did not significantly impact the Company since revenues recognized from financial instruments are exempt from Topic 606. The related disclosures in the notes to the financial statement were expanded to comply with the requirements of this standard.

During fiscal year 2019, the Authority, adopted ASU 2016-14, Not-For-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-For-Profit Entities*. A summary of the changes is as follows:

Balance Sheets

- The balance sheets distinguish between two new classes of fund balance—those with restrictions and those without restrictions. This is a change from the previously required three classes of fund balance—unrestricted, temporarily restricted and permanently restricted.

Statement of Changes in Fund Balance

- Expenses are reported by nature. All expenses related to the single function of the Authority.
- Investment revenue is shown net of external and direct internal investment expenses. Disclosure of the expenses netted against investment revenue is no longer required.

Notes to the Financial Statements

- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one-year from the date of the statement of financial position.

This change had no impact on previously reported total change in fund balance.

3. Student Loan Interest Receivable and Revenue

FFELP loans obligate the borrower to either pay interest at a stated fixed rate or an annually reset variable rate that has a cap depending on when the loan was originated. The interest earned by the Authority is dependent upon the borrower's interest rate, the date the loan was originated and the Special Allowance Payment formula.

The Special Allowance Payment formula, or SAP rate, is determined by the DOE, based upon an average of all of the applicable floating rates (91-day Treasury bill, commercial paper, and 52-week Treasury bill) in a calendar quarter, plus a spread between 1.74% and 3.50%, depending on the underlying loan status and origination date. These rates are then applied to the quarterly average daily balance for loans eligible to receive SAP.

For loans first disbursed prior to April 1, 2006, the Authority earns interest at the higher of the borrower's rate or the SAP rate. If the SAP rate exceeds the borrower's rate, the DOE makes a payment directly to the Authority. For loans first disbursed after April 1, 2006, the Authority earns interest at the SAP rate. If the SAP rate is less than the borrower's rate, the Authority "rebates" the difference between the borrower's rate and the lower SAP rate to the DOE. If the SAP rate is greater than the borrower's rate, the DOE makes SAP payments to the Authority for the difference between the two rates.

At June 30, 2019 and 2018, student loans held by the Authority had stated interest rates determined annually by the DOE ranging from 3.63% to 8.50% and 2.68% to 8.50%, respectively, and are generally payable by the borrower following a specified grace period. Effective July 1, 2019, the DOE reset these rates to range from 4.06% to 8.50%.

For FFELP loans, the U.S. Government pays the Authority the interest on subsidized student loans from the date of acquisition until the end of the grace period, as defined in the regulations.

(Dollars in Thousands)

Interest revenue from student loan notes receivable consists of the following:

	June 30,	
	2019	**2018**
Student loan interest revenue	$ 76,318	$ 83,733
Interest subsidiary revenue	3,150	3,812
Special allowance revenue	20,558	7,822
Loan premium amortization, net	(10,415)	(11,040)
DOE rebate fees	(21,568)	(23,640)
Net interest revenue on student loan notes receivable	$ 68,043	$ 60,687

Under certain conditions, the Authority may capitalize accrued interest receivable and add it to the borrower's outstanding principal. For unsubsidized FFELP student loans, the borrower has the option of either paying the interest or having accrued interest capitalized from the date of the loan origination until the end of the grace period and during periods of deferment. Borrowers of both subsidized and unsubsidized FFELP student loans have the option of having accrued interest capitalized during periods of forbearance. Subsequent interest accrues on the new total principal balance which includes any capitalized interest.

Interest receivable on student loan notes receivable consisted of the following:

	June 30,	
	2019	**2018**
Student loan interest receivable	$ 42,052	$ 36,270
Interest subsidiary receivable	718	917
Special allowance receivable	5,400	3,650
Interest receivable on student loan notes receivable	$ 48,170	$ 40,837

4. Student Loan Notes Receivable

Student loan notes are either originated by the Authority or purchased primarily from third-party originating lenders. The Authority's student loan portfolio consists principally of loans originated under the FFELP and HEAL federally sponsored student loan programs.

(Dollars in Thousands)

Total student loan notes receivable consisted of the following:

	June 30, 2019	June 30, 2018
FFELP student loan notes receivable	$ 1,945,749	$ 2,115,001
HEAL student loan notes receivable	158	361
Deferred loan premium, net of accumulated amortization	17,528	31,549
	1,963,435	2,146,911
Allowance for student loan losses	(1,212)	(1,334)
Student loan notes receivable, net	$ 1,962,223	$ 2,145,577

Loan Programs

The FFELP includes the Federal Stafford Loan (Stafford) Program, the Federal Supplemental Loans for Students (SLS) Program, the Federal Parent Loan for Undergraduate Students (PLUS) Program, the Federal Parent Loan for Graduate Students (GradPLUS) Program, and the Federal Consolidation Loan Program. These loan programs are available to students or parents of students who, when the loans were originated, were enrolled in postsecondary institutions.

Stafford, SLS, GradPLUS, and PLUS loans have repayment periods ranging from between 5 and 10 years. Federal consolidation loans have repayment periods of 12 to 30 years. Repayment on these loans commences subsequent to a grace period following the student's graduation. Alternative loans have repayment periods ranging from between 15 and 20 years. There is no deferral of the repayment period for these loans.

All FFELP and HEAL loans held by the Authority have been either insured or guaranteed by the U.S. Government, Texas Guaranteed Student Loan Corporation (TGSLC), or other national guarantors, provided applicable program requirements have been met by the original lender, prior servicer, and the current servicing agent with respect to such loans. For purchased loans, the original lenders have warranted to the Authority that the student loans have met these requirements and are valid obligations of the borrowers. Student loan notes that do not conform to the terms of the purchase agreement between the individual entities and the original lender may be returned to the original lending institution for reimbursement of principal, interest, and costs incurred while held by the individual entities.

In the event of default on a student loan due to borrower default, death, disability, or bankruptcy, the Authority files a claim with the insurer or guarantor of the loan. The Authority will receive the unpaid principal balance and accrued interest on the loan less any risk sharing, if applicable, provided the loan has been properly originated and serviced.

Student Loan Servicing

BHESC serves as Master Servicer for the Authority with the necessary student loan servicing to maintain compliance with the requirements of the FFELP and HEAL loan programs by holding subservicing agreements for loan servicing duties with various student loan servicing agents. BHESC currently holds subservicing agreements for loan servicing duties with American Education Services, Nelnet Diversified Solutions LLC, and Navient (formerly Sallie Mae Servicing Corporation) on behalf of the Authority. Under the terms of these sub-servicing agreements, the subservicer indemnifies the Authority for any loss of principal and interest resulting from deficiencies in the loan servicing performed by the sub-servicer. At June 30, 2019 and 2018, 100% of the portfolio is serviced by a third-party subservicer.

Allowance for Student Loan Losses

The Budget Reconciliation Act of 1993 (the Act) lowered the federal guarantee for FFELP student loans made on or after October 1, 1993, to 98%. The Deficit Reduction Act of 2006 lowered the federal guarantee for FFELP student loans made on or after July 1, 2006 to 97%. The Authority provides an allowance for estimated loss of guaranteed student loan principal and interest related to the 2% unguaranteed and unrecoverable amounts on student loan notes receivable. The Act’s lowering of the federal guarantee has not historically had a material impact on the Authority. Additionally, HEAL loans are 98% guaranteed by the loan program sponsor. The Authority determines the allowance for loan losses based on loss factors applied to the portion of the student loan balances without guarantees by individual loan type and status. Because the Authority’s portfolio consists of guarantees ranging from 97% to 99%, and because there is a relatively small percentage of loans at the 97% guarantee, management has considered that 98% of principal and interest is guaranteed and there is only 2% of principal with credit risk.

(Dollars in Thousands)

Activity in the allowance for loan losses is summarized as follows:

	June 30, 2019	June 30, 2018
Balance, beginning of year	$ 1,334	$ 1,498
Provision for loan losses	436	220
Charge-offs	(558)	(384)
Balance, end of year	$ 1,212	$ 1,334

5. Notes Payable

New Debt Financings

During the 2019 fiscal year, the Authority financed notes payable through new borrowings to purchase student loan notes receivable. Student Loan Asset-Back Notes Series 2018 were issued in the following amount: Series 2018 A-1, $63,800.

Notes payable consist of the following:

	June 30, 2019	June 30, 2018	Final Maturity Date
Student Loan Revenue Bonds Series 2004:			
Series I-B-1	$ 70,000	$ 70,000	December 2039
Student Loan Revenue Bonds Series 2005:			
Series I-A-4	84,500	138,200	March 2029
Series I-B-1	33,000	33,000	June 2041
Series I-A-12	155,170	267,678	March 2023
Series I-B-2	69,100	69,100	June 2042
Series I-A-16	60,986	86,865	March 2026

(Dollars in Thousands)

	June 30, 2019	June 30, 2018	Final Maturity Date
Student Loan Revenue Bonds Series 2005:			
Series I-B-3	$ 50,000	$ 50,000	June 2042
Student Loan Revenue Bonds Series 2006:			
Series I-B-1	50,000	50,000	June 2042
Student Loan Revenue Bonds Series 2006:			
Series I-A-9 through I-A-10	369,474	415,444	December 2024 - June 2026
Series I-A-11 through I-A-15 and I-B-2	209,700	209,700	June 2042
Student Loan Revenue Bonds Series 2007:			
Series I-A-1 through I-A-5 and I-B-1	500,000	500,000	June 2043
Student Loan Asset-Backed Bonds Series 2012 A-1	37,829	45,549	September 2041
Student Loan Asset-Backed Bonds Series 2012 B-1	3,000	3,000	September 2041
Student Loan Asset-Backed Bonds Series 2018 A-1	60,316	-0-	January 2068
	1,753,075	1,938,536	
Less unamortized debt issue costs	(3,834)	(3,843)	
Less unamortized note discount	(5,613)	(5,814)	
	$1,743,628	$1,928,879	

The Series "A" notes are senior notes and the Series "B" notes are subordinate notes. Per the indentures, the senior notes have a superior interest to the indenture assets over the subordinate notes. Due to this higher risk, the subordinate notes yield a higher interest rate. Interest rates for the notes are based on variable rates. The interest rates at June 30, 2019 and 2018, for each class of notes are as follows:

(Dollars in Thousands)

		June 30, 2019	June 30, 2018
Taxable floating rate notes (FRN)	30-Day LIBOR plus 0.70% - 3.00%	2.97%–5.27%	2.66%–4.96%
Taxable floating rate notes (FRN)	90-Day LIBOR plus 0.01% - 0.20%	3.20%–3.77%	2.43%–2.48%
Taxable auction rate securities (ARS)	Set at auction	3.88%–3.94%	2.91%–2.95%

The auction rates, when auctions are functioning, are determined every 7 or 28 days depending on the auction procedures described in the indenture agreement. The interest rates may be converted to variable or fixed rates by the Authority within the guidelines established by the indenture agreements.

Pursuant to the individual indenture agreement for each debt instrument, the respective note issues are secured solely by those student loans and other invested assets held by each individual note issue's indenture estate.

Pursuant to the indenture agreement, the Authority is subject to certain financial and nonfinancial covenants. Under the note agreements, the Authority has certain minimum collateral coverage requirements. Under the indenture covenants, the Authority must make timely principal and interest payments or the notes will default.

The maturities of notes payable as of June 30, 2019, by fiscal year, are as follows:

2020	$ -
2021	-
2022	-
2023	155,177
2024	-
Thereafter	1,597,898
	$ 1,753,075

The actual maturities of notes payable may differ from the maturities noted above, as the Authority has the ability to prepay the debt outstanding.

(Dollars in Thousands)

6. Fund Balance

Fund Balance with Restrictions

As noted in Note 2 of significant accounting policies of the Authority, the fund balance is with restrictions by the credit agreement is noted on the balance sheets. For the Authority, all funds are considered with restrictions for the fiscal years ended June 30, 2019 and 2018 as noted below:

	June 30, 2019	June 30, 2018
Subject to expenditure for specified purpose:		
Fund balance	$ 295,732	$ 292,372

Fund Balance Without Restrictions

As noted in Note 2 of significant accounting policies of the Authority, fund balance without restrictions is limited to any non-debt related funds as of fiscal years ended June 30, 2019 and 2018 designated as fund balance without restrictions on the balance sheets.

Fund Balance Released from Restrictions

As noted in Note 2 of significant accounting policies of the Authority, resources of the Authority are established for specific purposes or financings. As shown in the Statements of Changes in Fund Balance, all funds are fund balance with restrictions and thus revenues received exceeded expenses in the amount of $3,348 and $8,279 for the years ended June 30, 2019 and 2018.

7. Revenue of the Authority

As noted in Note 2 of significant accounting policies of the Authority, full retrospective approach of Topic 606 was adopted effective July 1, 2018. Additionally, revenue recognition of the direct, significant revenue of the Authority is disclosed in Note 2 to the financial statements. However as the nature and concentration of the Authority's significant source of revenue is concentrated and derived from financial instruments, this revenue stream is exempt from Topic 606 and thus no significant impact to the financial statements is noted.

(Dollars in Thousands)

Disaggregation of Revenue

As included in Note 2 of significant accounting policies of the Authority, the disaggregation of total revenue per percentage including both interest revenue and noninterest revenue is as follows for the years ended June 30, 2019 and 2018:

	June 30,	
	2019	**2018**
Interest revenue:		
Student loans note receivable	97.08%	97.24%
Investments	2.20%	1.59%
Noninterest revenues:		
Other	0.72%	1.17%

8. Liquidity and Availability

As disclosed in Note 2 of significant account policies, all financial assets of the Authority are limited and with restrictions for a specific purpose in accordance with the principles of fund accounting in compliance with debt instruments. Revenue from those assets with restrictions for specific purposes of the fund. Funds of the Authority are not available for general expenditure.

9. Related-Party Transactions

Included in administrative and loan servicing fees are administrative fees paid to BHESC and servicing fees paid to BHESC third-party sub-servicers. During the years ended June 30, 2019 and 2018, the Authority recorded $2,141 and $2,368, respectively, in administrative fees paid to BHESC, Master Servicer, for providing administrative support, such as accounting and information technology infrastructure.

During the years ended June 30, 2019 and 2018, the Authority purchased $62,333 and $-0- of student loans from affiliated entities, respectively.

10. Subsequent Events

Subsequent events have been evaluated through October 7, 2019, which is the date the financial statements were available to be issued. No additional events requiring disclosure were noted.