

AUDIT COMMITTEE OF THE BOARD OF DIRECTORS CHARTER

I PREAMBLE

The Board of Directors (the “Board”) of Collegiate Funding Services, Inc. (“CFS”) recognizes its oversight and guidance role within CFS. The Audit Committee is a key committee utilized by the Board of CFS in the fulfillment of this oversight and guidance role.

II PURPOSE OF THE COMMITTEE

The purpose of the Audit Committee is to provide assistance to the Board of CFS in fulfilling its legal and fiduciary obligations and responsibilities to the shareholders, potential shareholders and the investment community with respect to matters involving the accounting, auditing, financial reporting, and internal control functions of CFS and its subsidiaries. In the fulfillment of said general purposes, the Audit Committee shall assist the Board in its oversight of (i) the integrity of CFS’s financial statements, (ii) CFS’s compliance with legal and regulatory requirements, (iii) the independent public accounting firm’s (“audit firm”) qualifications and independence, and (iv) the performance of CFS’s internal audit function and of the audit firm. The Audit Committee will fulfill these responsibilities and duties primarily by carrying out the activities enumerated in this Charter.

III COMPOSITION AND ORGANIZATION

The Audit Committee shall be comprised of three or more directors as determined by the Board. At the time of the listing of shares of CFS’s common stock (the “Listing Date”) on The National Stock Market (“NASDAQ”), one member of the Audit Committee shall meet the independence requirements of NASDAQ and all other applicable rules, regulations and statutes (the “Independence Requirements”). Within 90 days of the Listing Date, at least a majority of the members of the Audit Committee shall satisfy the Independence Requirements. Within 12 months of the Listing Date, all members of the Audit Committee shall satisfy the Independence Requirements. In order for a member to qualify as satisfying the Independence Requirements, such member must be free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Audit Committee. No member of the audit committee shall have participated in the preparation of the financial statements of CFS or any current subsidiary of CFS at any time during the past three years. All members of the Audit Committee shall have a working familiarity with basic finance and accounting practices, including the ability to read and understand fundamental financial statements. At least one of the members will have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in such member’s financial sophistication and, to the extent practicable, be a financial expert as defined by applicable rules, regulations and statutes.

A member of the Audit Committee may not simultaneously serve on the audit committee of more than three public companies unless such service is recommended by the Nominating and Governance Committee and approved by the Board, upon its determination that such simultaneous service would not impair the ability of such member to effectively serve on CFS’s Audit Committee. A member of the Audit Committee may not, other than in his or her capacity as a member of the Audit Committee, the Board, or any other Board committee, accept any consulting, advisory, or other compensatory fee from CFS or any subsidiary thereof, or be an affiliated person of CFS or any subsidiary thereof.

The Audit Committee members shall be appointed for one-year terms at the annual meeting of the Board and shall serve until a replacement for each such member is duly elected and qualified or until such member's resignation or removal from the Board or the Audit Committee. The members of the Audit Committee may be removed from the Committee, with or without cause, by a majority vote of the Board. The Chairperson of the Audit Committee shall be designated by the Board. The Audit Committee may form and delegate authority to subcommittees in compliance with applicable law when deemed appropriate by the Audit Committee.

IV MEETINGS

The Audit Committee shall meet at least quarterly, or more frequently as circumstances dictate. As part of its goal to foster open communication, the Audit Committee shall periodically meet separately with representatives of management and the audit firm to discuss any matters that the Audit Committee or each of them believes would be appropriate to discuss privately. At such quarterly meeting, the Audit Committee should meet with the audit firm and management to review CFS's financial statements in a manner consistent with that outlined in Section V of this Charter. The Chairman of the Board, the Chairman of the Audit Committee, any other member of the Audit Committee, the Chief Executive Officer, the General Counsel, or the Chief Financial Officer may call meetings of the Audit Committee. The Audit Committee shall hold executive sessions as necessary and/or as convened by the Chairman of the Audit Committee. A majority of the Audit Committee members shall constitute a quorum. The action of a majority of those present at a meeting, at which a quorum is present, shall be the act of the Audit Committee. The Audit Committee may also take action by unanimous written consent or by conference communication by means of telephone or similar communications equipment by which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at such meeting. The Audit Committee shall make a report thereof from time to time to the Board.

V RESPONSIBILITIES AND DUTIES

In carrying out its duties and responsibilities, the following should be considered within the authority of the Audit Committee:

1. The sole authority to hire, subject to shareholder ratification, and fire the audit firm and to approve the engagement fees in connection therewith.
2. The responsibility to directly oversee the work of any audit firm employed by CFS, including the resolution of any disagreement between management and the audit firm regarding financial reporting, for the purpose of preparing or issuing an audit report or related work.
3. The sole authority to approve in advance all audit and legally permitted non-audit services to be provided by any independent public accountants; provided, however, that pre-approval of non-audit services will not be required if:
 - (a) the aggregate amount of fees for all such non-audit services provided to CFS constitutes not more than five percent of the total amount of revenues paid by CFS to the audit firm during the fiscal year in which the non-audit services are provided;

- (b) such services were not recognized by CFS at the time of the engagement to be non-audit services; and
 - (c) such services are promptly brought to the attention of the Audit Committee and approved prior to the completion of the audit by the Audit Committee or by one or more members of the Audit Committee to whom authority to grant such approvals has been delegated by the Audit Committee.
- 4. The sole authority to delegate to one or more designated members of the Audit Committee who are independent directors of the Board of CFS, the authority to grant pre-approval of audit and non-audit services as described in Section (3) above, so long as it is presented to the full Audit Committee at the next scheduled meeting.
- 5. At least annually, to obtain and review a report by the audit firm describing:
 - (a) the audit firm's internal quality control procedures;
 - (b) any material issues raised by the most recent internal quality control review, or peer review, of the audit firm, or by an inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the audit firm and any steps taken to deal with such issues; and
 - (c) to assess the audit firm's independence, all relationships between the audit firm and CFS, consistent with Independence Standards Board Standard 1 (as described in the NASDAQ rules).
- 6. At least annually, to evaluate the audit firm's qualifications, performance, and independence, which evaluation shall include the review and evaluation of the lead partner of the audit firm and a review of the report referred to in (5) above. In making its evaluation, the Audit Committee shall take into account the opinions of management and CFS's internal auditors. The Audit Committee shall further ensure the rotation of the lead audit partner at least every five years and confirm with any audit firm retained to provide audit services for any fiscal year that the lead (or coordinating) audit partner (having primary responsibility for the audit), or the audit partner responsible for reviewing the audit, has not performed audit services for CFS in each of the five previous fiscal years of CFS. The Audit Committee shall decide as to whether CFS is obtaining high-quality audits and whether rotation of the auditor would be helpful. The Audit Committee shall present its conclusions with respect to the audit firm to the full Board.
- 7. To instruct the audit firm that it is to directly report to the Audit Committee.
- 8. To discuss the annual audited financial statements and quarterly financial statements prior to dissemination, with management and the audit firm, including CFS's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations."
- 9. To generally discuss the types of information to be disclosed and the type of presentation to be made with respect to earnings press releases and financial information and earnings guidance provided to analysts and rating agencies.

10. To review in consultation with the audit firm, management, and internal auditors, the integrity of CFS's financial reporting process, both internal and external. In that connection, the Audit Committee should obtain and discuss with management and the audit firm reports from management and the audit firm regarding: (i) all critical accounting policies and practices to be used by CFS; (ii) analyses prepared by management and/or the audit firm setting forth significant financial statements, including all alternative treatments of financial information within generally accepted accounting principles that have been discussed with CFS's management, the ramifications of the use of the alternative disclosures and treatments, and the treatment preferred by the audit firm; (iii) major issues regarding accounting principles and financial statement presentations, including any significant changes in CFS's selection or application of accounting principles; (iv) major issues as to the adequacy of CFS's internal controls and any specific audit steps adopted in light of material control deficiencies; and (v) any other material written communications between the audit firm and CFS's management.
11. To review periodically the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of CFS.
12. To engage and compensate from CFS's funds independent counsel and other advisers, as the Audit Committee determines appropriate to carry out its duties.
13. To discuss policies with respect to risk assessment and risk management and to discuss CFS's major financial risk exposures and the steps management has taken to monitor and control such exposures.
14. To review with the audit firm any audit problems or difficulties and management's response, including, but not limited to , any restrictions on the scope of the audit firm's activities or on access to requested information (and any significant disagreements with management), any accounting adjustments that were noted or proposed by the audit firm but were passed as immaterial or otherwise, any communications between the audit team and the audit firm's national office respecting auditing or accounting issues presented by the engagement, and any "management" or "internal control" letter issued, or proposed to be issued, by the audit firm to CFS. The review shall also include discussion of the responsibilities, budget, and staffing of CFS's internal audit function.
15. To review and approve, if appropriate, the operations and responsibilities of the Internal Audit Department and any changes thereto.
16. To review the adequacy and effectiveness of CFS's accounting and internal control policies and procedures through inquiry and discussions with the audit firm, CFS internal auditors, and CFS management and approve the charter of CFS's Disclosure Committee and any amendments thereto.
17. To establish procedures for (i) the receipt, retention, treatment, processing, and resolution of complaints received by CFS regarding accounting, internal accounting controls or auditing matters, and (ii) the confidential, anonymous submission by associates of CFS of concerns regarding questionable accounting or auditing matters.

18. To set hiring policies for employees or former employees of the audit firm all in accordance with applicable legal restrictions. At a minimum, these policies should provide that any registered public accounting firm may not provide audit services to CFS if the Chief Executive Officer, Comptroller, Chief Financial Officer, chief accounting officer or any person serving in an equivalent capacity for CFS was employed by the registered public accounting firm and participated in the audit of CFS within one year of the initiation of the current audit.
19. To meet annually with the General Counsel and outside counsel when appropriate, to review legal and regulatory matters, including any matters that may have a material impact on the financial statements of CFS.
20. To report regularly to the Board including, but not limited to, any issues that may arise with respect to the quality or integrity of CFS's financial statements, CFS's compliance with legal or regulatory requirements, the performance and independence of CFS's audit firm, or the performance of the internal audit function.
21. To direct preparation of, and approve, the Audit Committee Report required by the rules of the Securities and Exchange Commission to be included in CFS's annual proxy statement.
22. To prepare and maintain, and monitor compliance with, the Code of Ethics that applies to CFS's senior financial officers.
23. To perform such additional activities and consider such other matters within the scope of its responsibilities as the Audit Committee or the Board deems necessary or appropriate.

VI ANNUAL PERFORMANCE EVALUATION

The Audit Committee shall conduct a review and evaluation, at least annually, of the functioning of the Audit Committee, including but not limited to reviewing the compliance of the Audit Committee with this Charter. In addition, the Audit Committee shall review and reassess, at least annually, the adequacy of this Charter and recommend to the Nominating and Governance Committee of the Board for consideration by the Board any improvements to this Charter that the Audit Committee considers necessary. The Audit Committee shall conduct such evaluations and reviews in such manner as it deems appropriate.

Effective as of July 21, 2004; adopted by the Board on June 21, 2004.