

College Savings Bank®



Fixed Rate CD Series Product Disclosure



**College
Savings Bank®**

Member FDIC

Plain vanilla certificates of deposit, but hey, vanilla is pretty good too.

To compliment the time-tested suite of exclusive CDs at College Savings Bank, we also offer a series of traditional fixed rate CDs with one- and three-year maturities.

The fixed rate CD series from College Savings Bank earns a fixed rate of return for the entire term of the CD, determined at the time of opening the certificate.

The Fixed Rate CD Series is...

- **FDIC insured up to \$250,000 per depositor***, so your principal is protected.
- **free of enrollment fees or other management charges that may erode your return on investment.**
- **affordable with multiple deposit options.** You can mail deposits of as little as \$500, or enroll in direct deposit. Direct deposits from your bank or brokerage account start as low as \$250 a month. Payroll direct deposits are as little as \$100 a pay period.
- **Predictable.** Your rate of return is determined when the CD is opened, so you will be able to calculate the exact value of your account at maturity.
- **designed for families that value hard earned money.** The fixed rate CD series protects your child's college investment and therefore safeguards their future. Losing principal in the stock market is a real risk, but not with College Savings Bank.
- **offered with 1- and 3-year maturities.** At maturity, you can use the funds to pay qualified higher education expenses, re-invest in another College Savings Bank CD, or move the funds to another college savings product until your child is ready to pay for school.
- **Rewarding.** Investments of \$10,000 or more are deposited in a higher yielding, jumbo CD.



How the fixed rate CD series works.

The interest rate on the College Savings Bank fixed rate CD series is published daily online, at www.collegesavings.com. Account holders will receive the published interest rate on the day the funds are received. To lock in the posted rate, you must open and fund your account online. If you prefer to mail in a check to fund the CD, it will be opened at the highest available rate for the term selected when the check is received.

Interest begins to accrue on the next business day after a deposit is received, and is compounded and credited annually. Interest accrued will not be paid until maturity and no interest will be earned after maturity unless it is renewed for another term.

predictable, rewarding and dependable. Your child's future college education fund is safe with the College Savings Bank fixed rate CD series.

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COLLEGE SAVINGS BANK PRIVACY POLICY

- We do not sell information about you.
- We do not share your information with anyone else for marketing purposes.
- We use your personal information only to help transact the business you have with us.

Privacy Notice to Our Customers

As our customer, you trust us to help you achieve financial success and security. We provide this notice because you have a right to know how we protect the privacy of the personal information you share with us. Your knowledge of our privacy principles and practices will confirm the trust you have placed in us.

What Personal Information Do We Collect?

The type of information that we collect depends on the type of product or service you request. This includes:

- Information you provide on an application or other form (for example, name, address, social security number, or income).
- Information about your business and history with us, our affiliates, or others.

Most of the personal information we collect is obtained from you. We collect personal information needed only to service and administer your business with us.

How Do We Use and Disclose Your Information?

The main use of your information is to confirm your identity in the course of business that we perform at your request. We also use your information to service your accounts with us.

Information may be disclosed to other entities that provide business services to us related to our transactions with you. This includes, but is not limited to, audit, accounting and legal services. Further and with regard to our loan customers, we may disclose nonpublic personal information about you to third parties to assist us in processing your student loan application or servicing your student loan account with us, to governmental agencies in response to subpoenas, and to credit bureaus. We may also share information within our corporate family to service your business. These entities must keep the information private.

If necessary, we disclose information when it is required by law. For example, we may have to share information regarding large cash transactions. We may also disclose certain information to other entities to help us report or prevent fraud. Examples are reports to a regulatory or law enforcement agency.

With regard to 529 Plan customers, we may provide information about you and about contributions and distributions to comply with our duties as Program Manager for the various state programs, and to

service these accounts. This information may be shared with the following entities when required by law or contract. It is used by them for their official government functions:

- Trustees to the respective 529 plan, such as State Boards of Regents of Higher Education and Commissions for Postsecondary Education
- State Departments of Revenue
- Internal Revenue Service

How Do We Protect the Security of Your Information?

We have policies to maintain physical, electronic, and procedural safeguards to protect the confidentiality of your personal information. Access to personal information is available only to those people who need to know it in order to service your business.

Should your relationship with us end, we will continue to follow the privacy policies described in this notice to the extent that we retain information about you. If we no longer need to retain that information, we will dispose of it in a secure manner.

Do You Need to Do Anything?

It is not necessary for you to take any action. This is because we do not share your information except to service the business you have requested from us. You do not need to “opt-out” or “opt-in” as you may have done with other financial companies.

How Can You See and Correct Your Information

Generally, you have the right to review the personal information we have about you. You must request this in writing. We will not disclose information we have collected in connection with a claim or lawsuit. If you believe that any of the information we have is in error, you may write to us and request a correction. Where justified, corrections will be made.

Please direct inquiries about accessing or correcting your information to the address below:

College Savings Bank
PO Box 3769
Princeton, NJ 08543

College Savings Bank will send you a copy of our Privacy Notice annually.

Questions?

If you have questions about the College Savings Bank Privacy Notice, please call us toll-free at 800-888-2723.

I. ABOUT YOUR INVESTMENT

A. Fixed Rate CDs Terms and Conditions

The College Savings Bank Fixed Rate CDs requires a minimum deposit of \$500. For account owners who do not intend to contribute \$500 at one time, the Bank accepts smaller amounts using direct deposit from a financial institution or payroll. The direct deposits or payroll deposits are held in accounts at the Bank called "Accumulator" accounts until the balance reaches \$500. Once the funds reach the \$500 level, the funds are used to purchase a Fixed Rate CD.

If you use direct deposit from a financial institution, you may contribute \$250 or more monthly.

You may use direct deposit from payroll if your employer offers this service. This plan allows you to have \$100 or more deducted from each paycheck and deposited each pay period.

Product. College Savings Bank Fixed Rate Certificates of Deposit earn a fixed rate for the entire term of the CD, determined at the time of opening the certificate. The rate will appear on your deposit receipt along with the annual percentage yield (APY).

Issuer. College Savings Bank is a New Jersey-chartered savings bank and member of Federal Deposit Insurance Corporation (FDIC). Each CD is governed by the statutes, rules and regulation of the State of New Jersey and the FDIC; the Bank's certificate of incorporation and by-laws; the regulations, rules and practices adopted by the Bank; and general savings bank practices.

FDIC Insurance. Each depositor's principal and earned interest held in the same right and capacity with the Bank are insured by the FDIC and backed by the full faith and credit of the U.S. Government up to \$250,000. On October 3, 2008, FDIC deposit insurance temporarily increased from \$100,000 to \$250,000 per depositor through December 31, 2009.

Minimum Deposit Amounts:

- 1- and 3-Year Fixed Rate CDs:
Initial Deposit Per Account: \$500. Subsequent Per CD: \$500.
Additional deposits may not be made to existing CDs but may be made into an existing Account to purchase new CDs of the same or different maturities.
- 1- and 3-Year Jumbo Fixed Rate CDs:
Initial Deposit Per Account: \$10,000. Subsequent Per CD: \$10,000. Additional deposits may not be made to existing CDs but may be made into an existing Account to purchase new CDs of the same or different maturities.

Products Available:

- 1 year fixed rate CD (12 month maturity)
- 3 year fixed rate CD (36 month maturity)
- 1 year jumbo fixed rate CD (12 month maturity)
- 3 year jumbo fixed rate CD (36 month maturity)

Annual Percentage Yield (APY). The interest rate on the College Savings Bank Fixed Rate CD Series is published daily online, at www.collegesavings.com. Account holders will receive the published interest rate on the day the funds are received. To lock in the posted rate, you must open and fund your account online with a minimum investment of \$500 for a Fixed Rate CD, or a minimum investment of \$10,000 for a Jumbo Fixed Rate CD. If you prefer to mail in a check to fund the CD, it will be opened at the highest available rate for the term selected when your check is received.

Compounding and Crediting Of Interest. Interest begins to accrue on the next business day after a deposit is received, or the same day if a wire transfer is received before 3:00pm ET, and is computed based on the daily balance of deposit and the actual number of days elapsed divided by 365. Interest is compounded and credited to your account annually. Interest accrued on your account will not be paid until maturity of the CD. No interest will be earned after maturity unless it is renewed for another term.

Early Withdrawals and Penalties:

- **Interest:** Interest may be withdrawn without penalty on any interest payment date provided the Bank is notified in writing at least 15 days prior to an interest payment date. Interest not withdrawn is automatically added to principal.
- **Principal:** Any portion of the principal withdrawn is subject to an early withdrawal penalty equal to three (3) months of interest. Early withdrawals may be made only on the last day of the month provided written notice of early withdrawal is received by the Bank at least 15 days prior to the end of the month in which such withdrawal is requested.

Options at Maturity. The Bank will provide written notification to depositors at least 60 days before the Maturity Date. The Account Owner must provide the Bank written instructions at least 30 days prior to the Maturity Date if it desires the proceeds upon Maturity to be invested other than in accordance with the default actions described below. If the Bank does not receive such instructions, the Bank will take one of the following Default Actions:

1-Year CD Accounts:

- If the beneficiary's date of entry into college is one year or more after the Maturity Date, the Bank will transfer the matured funds to a new 1 Year Fixed Rate CD issued under the then current terms and conditions for issuing 1 Year Fixed Rate CDs;
- If the beneficiary's date of entry into college is less than 1 year after the Maturity Date, the Bank will hold the matured funds in a Savings Account until the funds are required for qualified higher education expenses at an eligible educational institution, or until the Account Owner is permitted to and does provide other permitted investment instructions.

3-Year CD Accounts:

- If the beneficiary's date of entry into college is three years or more after the Maturity Date, the Bank will transfer the matured funds to a new 3 Year Fixed Rate CD issued under the then current terms and conditions for issuing 3 Year Fixed Rate CDs;
- If the beneficiary's date of entry into college is more than one year and less than three years after the Maturity Date, the Bank will transfer the matured funds to a 1 Year Fixed Rate CD issued under the then current terms and conditions for issuing 1 Year Fixed Rate CDs;
- If the beneficiary's date of entry into college is less than 1 year after the Maturity Date, the Bank will hold the matured funds in a Savings Account until the funds are required for qualified higher education expenses at an eligible educational institution, or until the Account Owner is permitted to and does provide other permitted investment instructions.

At Maturity, the matured funds will be applied using one of the Default Actions, unless the account owner chooses one of the following pursuant to written instructions:

- Transfer the matured funds to a CollegeSure CD;
- Transfer the matured funds to an InvestorSure CD;
- Re-invest the matured funds in another Fixed Rate CD under the then current terms and conditions;
- Roll over the matured funds to another plan investment;

- Hold the matured funds in a Savings Account; or
- Withdraw the funds

Additional Limitations. All deposits are subject to acceptance, in whole or in part, by College Savings Bank. Any payment not accepted by the Bank will be promptly returned.

Fees. Neither the Bank nor any Sales Agent will charge depositors application, maintenance or other fees in connection with any CD.

Lack of Immediate Liquidity. An investment in an account is not the equivalent of a demand deposit in a checking account. An account owner may seek to withdraw funds at any time from an Account. However, a Bank check for the amount withdrawn (after reduction for withholdings) may be issued 45 days after the Bank receives written notice of the request for the withdrawal.

Section Notes:

- See Accumulator Terms and Conditions - page 2
- See Applicability of FDIC Insurance - page 2
- See Early Withdrawal - Program Disclosure
- See Once-In-A-Calendar-Year-Rule - Program Disclosure

B. Accumulator Terms and Conditions

The Bank offers the Accumulator Account as a special service to direct deposit participants. This savings account provides a convenient way to reach the minimum required for a CD. When the minimum is reached, a CD is automatically purchased.

Deposits held in an Accumulator Account are governed by the statutes, rules and regulations of the United States (including the FDIC), and the State of New Jersey, the Bank's certificate of incorporation and by-laws, the regulations, rules and practices adopted by the Bank, and general savings bank practices.

Each depositor's principal and earned interest held in the same right and capacity are insured by the FDIC up to \$250,000 per depositor.

The Accumulator Account earns a variable interest rate equal to the Federal Funds Target Rate. Your interest rate and annual percentage yield may change without notice, however the Bank will send account owners a notice at least 30 days prior to a change in the terms that govern this account, including a change in the index (currently Federal Funds Target Rate), or a change in the manner in which this account yields interest.

Interest is credited and compounded quarterly on January 31, April 30 and July 31, October 31. Interest is calculated using the daily-balance method which applies a daily periodic rate to the principal in the account each day. All savings deposits begin to accrue interest by the next business day they are received by the Bank.

Section Notes:

- See Applicability of FDIC Insurance - page 2
- See Contributing to an Account - Plan Disclosure

C. Savings Account Terms and Conditions

The Bank offers a savings account as a special service to hold matured certificate of deposit (CD) funds greater than \$250 when the expected withdrawal to pay qualified higher education expenses is sooner than one year after the maturity date of the CD.

Deposits held in this savings account are governed by the statutes, rules and regulations of the United States (including the FDIC), and the State of New Jersey, the Bank's certificate of incorporation and

by-laws, the regulations, rules and practices adopted by the Bank, and general savings bank practices.

Each depositor's principal and earned interest held in the same right and capacity are insured by the FDIC up to \$250,000.

The Savings Account earns a variable interest rate equal to the Federal Funds Target Rate. Your interest rate and annual percentage yield may change without notice, however the Bank will send account owners a notice at least 30 days prior to a change in the terms that govern this account, including a change in the index (currently Federal Funds Target Rate), or a change in the manner in which this account yields interest.

Interest is credited and compounded quarterly on January 31, April 30 and July 31, October 31. Interest is calculated using the daily-balance method which applies a daily periodic rate to the principal in the account each day. All savings deposits begin to accrue interest by the next business day they are received by the Bank.

D. Applicability of FDIC Insurance

Deposits in the Bank are insured to the full extent provided by law by the Federal Deposit Insurance Corporation, an agency of the United States Government. FDIC's deposit insurance obligations are backed by the full faith and credit of the United States. The Bank has obtained two letters from the FDIC, which state that Bank CDs; including revocable trust accounts and other accounts are insured by FDIC. A copy of the letters may be obtained at <http://www.college-savings.com>. Additionally, the FDIC has adopted a final rule, which clarifies that the fund structure adopted by our state sponsored 529 plans subsequent to the issuance of these letters will not affect the applicability of FDIC insurance. A copy of the final rule may also be obtained at <http://www.collegesavings.com>.

The FDIC generally insures, with respect to each FDIC-insured institution, deposit accounts (including accrued and unpaid interest) that are held in the same right and capacity up to \$250,000 per depositor. (See 12 C.F.R. §330.3(a)). For example, a depositor may have \$250,000 of FDIC insurance on a deposit held in his or her own name and an additional \$250,000 of FDIC insurance for deposits held in other capacities such as the settlor of a revocable trust. (See 12 C.F.R. §330.6(a), §330.7(b) and §330.10(a)).

529 Plan Accounts established at the Bank are generally treated as revocable trust accounts, established by the owner for the benefit of the designated beneficiary.

The balance of deposit accounts, including accrued but unpaid interest, established by each individual in favor of each separately-named beneficiary will be insured up to \$250,000 for each beneficiary. (See 12 C.F.R. §330.10). Under the FDIC regulations, only accounts that have the same owner and the same designated beneficiary will be combined for purposes of the \$250,000 limitation.

Accounts with beneficiaries established through the Bank will be separately insured from any other accounts (other than additional revocable trust accounts established by the same person for the same beneficiary) held by the account owner in the Bank and, of course, separately from any bank accounts held in any other insured financial institution. (See 12 C.F.R. §330.3(b)). Thus, for example, an account owner may also establish an account in his or her own name, and one account in the name of the child under UTMA and each account would be insured up to \$250,000.

The UTMA account is aggregated for insurance coverage with all

other accounts held by the minor in the same institution.

Under the FDIC's regulations, if an account is jointly owned by spouses and held for the benefit of a beneficiary, the respective interest of each spouse (assuming the interest is equal) is separately insured up to \$250,000. Therefore, if two parents set up a joint account with their child as a designated beneficiary, that account could be insured up to \$500,000.

In the event account owners, such as parents or grandparents, open a joint account for a designated beneficiary and one of the joint account owners dies, the other account owner will become the sole account owner and the child will remain the beneficiary. Deposit insurance on the account will then be limited to \$250,000. In the event the account in question exceeds the \$250,000 deposit insurance limit available for single-ownership revocable trust account, following the death of one joint revocable trust account owner, the surviving account owner will have six months from the date of the death of his or her joint owner to restructure the account in such a way as to provide, if possible, additional deposit insurance. (See 12 C.F.R. §330.3(j).)

Accounts may be established in the name of a child or grandchild under an UTMA or similar statute. Under UTMA, the money in the account belongs to the child outright when the child reaches the age of majority. FDIC separately insures accounts held under UTMA from all other accounts held by the custodian and from accounts held in revocable trusts for the same child, but the UTMA account is aggregated with all other accounts in the same institution held by the minor. (See 12 C.F.R. §330.7(a) and (b)).

In certain cases, if a parent or grandparent who owns an account dies before the funds are used for the designated beneficiary's education, the child (i.e., the designated beneficiary) becomes the account owner if the child has reached the age of majority. If, however, the child is under the age of majority, the account will be legally owned by the legal guardian as custodian. In either event, the FDIC insurance on the funds will be based on the beneficiary and be added to all other funds held by the beneficiary in his or her own name or under an UTMA statute and insured up to \$250,000 in the aggregate.

The preceding summary includes:

- a discussion of revocable trust accounts that is based upon an emergency proposed regulation which went into effect immediately on September 26, 2008 and may be subject to change.
- an October 3, 2008 FDIC ruling to temporarily increase deposit insurance from \$100,000 to \$250,000 per depositor through December 31, 2009.

For information on additional changes consult the FDIC website at <http://www.fdic.gov>.

For more information on FDIC insurance and how it relates to our accounts, please refer to the FDIC's booklet on deposit insurance, which can be found at <http://www.fdic.gov/deposit/deposits/insured/index.html>.

Section Notes:

- See FDIC Insurance - Plan Disclosure

II. ABOUT COLLEGE SAVINGS BANK

College Savings Bank, which began operations in Sept. 1987, has been helping families fund education for more than 20 years. Our mission is simple:

"To be a partner to parents who are preparing their children for higher education. We are in the financial business, but as a partner, we treat all of our beneficiaries like family members - and in as such, deliver products and services to the market that we would want as parents ourselves."

The Bank originates and markets the CollegeSure CD and the Investor-Sure CD, as well as a series of Fixed Rate CDs. Each is an innovative, unique saving-for-college investment featuring FDIC insurance up to \$250,000 per depositor and principal protection.

At College Savings Bank we believe our first priority is to preserve investor assets, therefore protect a child's future. The Bank's CDs guarantee principal at maturity. And market conditions cannot affect the pledge we make to our families.

The Bank's success to date can be measured in part by its nationwide customer base, its distribution arrangements with nationally recognized broker/dealers, financial planners, employee benefit programs of national companies. Further, the Bank is the program manager for several tax-advantaged, section 529 programs.

The Bank is strongly capitalized and operates under a conservative investment policy. On June 30, 2008, the Bank had regulatory capital ratio of Tier 1 (or core) capital to total assets of 6.4%.

The Bank invests primarily in high-grade, adjustable-rate mortgage-backed securities, the majority of which are guaranteed by the U.S. government or its agencies as well as student loans through the Federal Student Loan Program. The Bank limits its investments in this manner in order to avoid the types of credit risks that have often financially impaired other banks. The Bank designs its investment portfolio and updates that portfolio periodically to match the interest rate sensitivities of its assets and liabilities. It pursues this matching to avoid the extreme interest rate exposure that has adversely affected many other banks.

A measure of the exceptionally high quality of the Bank's investment portfolio is found in the Bank's Tier 1 capital-to-risk-weighted-asset ratio under the FDIC's risk-based capital guidelines. On June 30, 2008 this ratio was 23.2%, as compared to the statutory minimum requirement of 4.00%.

College Savings Bank is a member of the Federal Deposit Insurance Corporation, which means that the Bank's deposits are insured by the Bank Insurance Fund of the FDIC up to \$250,000 per depositor.

The combination of FDIC insurance, the Bank's high Tier 1 capital-to-total-asset and risk-based capital ratios as well as the Bank's conservative investment policy ensures the safety of your deposits. We believe no other financial institution offers its customers a more complete college funding solution.

College Savings Bank helps families everywhere save for higher education.

The Reason we save...

Did you know in 2004, the average weekly income of a college graduate was 80% higher than a high school graduate, according to the U.S. Census. Over a 40-year career the difference in earnings can be as much as \$1.7 million between a high school graduate and a college graduate assuming a 3% annual salary increase. In addition, the unemployment rate for those with a high school diploma was 5.5% in 2003 while those with a Bachelor's Degree were unemployed at only a 3.3% rate.



More careers than ever now require a degree and so it's important to prepare for the future higher education of your child. Occupations are becoming increasingly competitive as more individuals earn higher degrees. It's never been a better time to start thinking about your child's future and saving for their higher education.

Unlike other investments, a college education is an investment your child will see rewards from for years to come. Fixed rate CDs from College Savings Bank can help you to save with the security of FDIC insurance and a predictable rate of return. You will know exactly how much you've saved at maturity and be better prepared for the expenses of your child's higher education. Save for your child's entire education or just a portion. It's up to you.

About College Savings Bank

College Savings Bank was founded in 1987 to meet the education funding needs of parents. As the exclusive provider of both the CollegeSure CD and InvestorSure CD, the Bank is solely dedicated to helping families save for higher education.

As a member of the Federal Deposit Insurance Corporation, your deposits at the Bank are insured by the FDIC up to \$250,000 per depositor*. At College Savings Bank we believe our first priority is to preserve investor assets, therefore protect a child's future. Our certificates of deposit guarantee principal at maturity. And market conditions cannot affect the pledge we make to our families.

Through nearly 20-years of business, College Savings Bank has helped more than 25,000 families save for higher education, and everyone at the Bank shares in a common goal — "help parents afford to see their children graduate from the higher education institution of their choice."



Getting Started Is Easy. Enroll Today!

- Read the Disclosure Statement carefully before you invest or send money.
- Complete the enrollment form.
- Enclose your deposit check of \$500 or more. If you enroll in a direct deposit program, the initial deposit minimum will be waived.
- For more information, log onto <http://www.collegesavings.com>. You may also enroll online using a credit card, debit card or electronic check.



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ph: 800-888-2723

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Website: <http://www.collegesavings.com>

(or return to an authorized representative)

Prices and yields may change. Recent and historical rates of return for may not be indicative of future rates of return and cannot be used to predict rates of return for future interest periods. Substantial penalty for early withdrawal. Read the Disclosure Statement carefully before you invest or send money.

*On October 3, 2008, FDIC deposit insurance temporarily increased from \$100,000 to \$250,000 per depositor through December 31, 2009.

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