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CONTACT:
Carolynn Bright
Media Relations Coordinator
(406) 495-7506

SAF Implements Cost Reduction Strategy

(HELENA) As a result of the combined impact of legislation recently adopted by Congress and turmoil in the financial markets, Student Assistance Foundation (SAF) implemented a more aggressive cost reduction strategy this week.

“Today, SAF joined the number of companies in the student loan industry forced to lose valued employees,” said Jim Stipcich, SAF’s president/chief executive officer. “While today’s losses in our work place – 23 people — may seem small in comparison to the more than 3,500 student loan related jobs already lost nationally, this was an extremely painful and difficult decision to make. Our employees are our most important asset. They are the reason why SAF has enjoyed seven years of success and developed such a solid reputation in the student loan industry. All SAF employees are totally committed to providing the highest possible level of customer focus and quality service. We definitely want to thank all affected employees publicly for their tremendous contributions and service to Montanans. Each and every one of us at SAF is proud of our fellow employees and the good work they do every day for Montana students.”

The action comes two weeks after SAF’s board of directors endorsed a management initiative to reduce SAF’s costs. The action was prompted by a request to SAF by the board of directors for SAF’s largest client, the Montana Higher Education Student Assistance Corporation (MHESAC), to re-evaluate and reduce day-to-day operating expenses in the accomplishment of MHESAC’s revised business strategy.

According to Stipcich, the directive didn’t come as a surprise to SAF’s management team, and in fact, the group has been rightsizing SAF’s business practices for several months.

Debate on, and the eventual passage of, the College Cost Reduction and Access Act prompted cost reduction actions by SAF’s management team starting last summer. The act — part of the larger Budget Reconciliation Bill passed last fall — cut lender returns to student loan companies by 50 basis points.

“As the debate in Congress commenced, we anticipated that our clients would be negatively impacted and our new loan servicing volume would decrease. So, in July, we started reducing our workforce through attrition — 36 employees — and minimizing all operating costs. Unfortunately, the credit crisis that developed this fall further negatively impacted our third-party servicing clients. They are now making more extensive reductions in their new student loan activity prompting us to reduce additional positions at this time and further reduce other operating costs such as professional services and consulting.”

It is expected that these staff reductions and related employment expenses as well as other expenses (such as professional services, travel and consulting) that have been reduced will reduce SAF's operating costs by approximately \$2.5 million annually. We have taken steps to ensure that the staffing levels retained are adequate to continue the outstanding level of service and customer centric focus on SAF's current loan serviced portfolio (almost \$3.9 billion). SAF remains committed to delivering \$3 million in public benefits to Montana students this year, in the form of Access Grants, college access programs, and campus and community outreach services.

Today, the number of Montanans employed by SAF is 195.

“We’re continuing to monitor the situation on the national level and hope that FFELP program participants, (Congress, lenders, and public leaders) are able to identify an effective and efficient solution that assures all Americans have access to federal student loans this fall,” Stipcich said. “In the meantime, SAF emphasizes that it remains committed to maintaining the highest level of quality service for the student loan borrowers it services across the country as SAF continues in its mission of helping Montana students attain their dreams of postsecondary education.”

Student Assistance Foundation is a 501(c)(3) nonprofit Montana corporation that provides students with knowledge and tools to finance and pursue their postsecondary education. Funds generated by SAF are returned to Montanans in the form of education grants and public benefit programs - to date more than \$11.5 million. For more information, visit www.safmt.org