

FOR IMMEDIATE RELEASE:

Wednesday, April 23, 2008

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MHESAC Announces Suspension of Student Loan Consolidation Program

(HELENA) In an ongoing effort to adjust to changes in the student loan industry, the board of directors for the Montana Higher Education Student Assistance Corporation (MHESAC) announced Wednesday that it will suspend its federal student loan consolidation program. Since its entry into providing federal student loan consolidations in 1995, MHESAC has provided more than \$790.6 million in consolidation loans to more than 49,000 Montanans. This program has allowed these Montanans to effectively manage their student loan repayment by locking in their student loan interest rates at their then existing current interest rate (which at times has been as low as 2.85%) for periods of time as long as 30 years.

MHESAC's decision stems from a variety of factors, the most important of which are changes to lender yields authorized by Congress in October and significant disruptions in the financial markets, according to Fred Flanders, MHESAC board chairman.

"In the current climate within the student loan industry, providing FFELP consolidation loan products is just not economically viable," Flanders said. "While student loan consolidation still provides benefits for borrowers who already have student loans, MHESAC believes it's crucial at this time to concentrate its efforts on ensuring that Montana students have access to funding for their postsecondary education."

Flanders emphasized that MHESAC funding is in place for Montanans for federal student loans to finance the costs of schooling for academic year 2008-2009. However, he explained that ongoing disruption in the financial markets recently prompted MHESAC to trim borrower benefits associated with its academic year 2008-09 student loan products.

Student loan consolidation requests already in process will be completed, according to Jim Stipcich, president/CEO of MHESAC's business manager, Student Assistance Foundation (SAF). However, no new requests will be accepted.

"As part of our ongoing commitment to Montana students and borrowers, our loan education counselors will be available to work with them to find another provider of federal consolidation loans," he said.

Stipcich added that extended repayment plans on student loans may be of assistance to some borrowers in place of student loan consolidation. Extended repayment plans lower monthly payments and spread them out over a 20-year term.

“MHESAC would like to assure Montanans that it remains focused on helping students attain their dreams of higher education,” Flanders said. “In addition, we will continue to work closely with our partners in the industry and Congress to identify an effective solution to the challenges facing the federal student loan industry at this difficult time.”

Montana Higher Education Student Assistance Corporation is a 501(c)(3) nonprofit corporation organized under Section 150(d) of the U.S. Tax Code. MHESAC is dedicated to ensuring access to student loans and lowering the cost of financing postsecondary education by providing capital in the Federal Family Education Loan Program (FFELP) student loan secondary market, loan origination arena and providing borrower rebate programs. For more information, visit www.mhesac.org.