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**SAF Board Appeals to Congress to Focus on a Solution to Student Loan Situation**

(HELENA) In an effort to preserve access to educational funding for Montana students and prevent further disruption in the student loan industry, Student Assistance Foundation's Board of Directors has adopted a resolution encouraging federal officials to address the growing problem.

"While the primary providers of federal student loans for Montanans have funding in place for academic year 2008-09, the combined impact of legislation adopted by Congress last fall and turmoil in the financial markets are of major concern," said Jim Bell, SAF's Chairman of the Board. "At this point we believe this problem needs to be addressed before it has a negative effect on Montana students' efforts to attain postsecondary education. We believe it is appropriate for our leaders in Montana government and Congress to get involved."

Student loan providers across the nation have been forced to evaluate and change their business models after the passage of the College Cost Reduction and Access Act last fall. The act — part of the larger Budget Reconciliation Bill — cut lender returns to providers of federal student loans by 50 basis points, a significant decrease. The problem was compounded when disruptions in the financial markets increased borrowing costs on outstanding financings and diminished the availability of liquidity necessary to accomplish new money financings. The combination of these two items has resulted in many student loan lenders deciding to cease their operations.

"Montanans are very fortunate that MHESAC was able to accomplish its financing last December as funding for academic year 2008-09 loans for Montanans will be available to them. Many student loan secondary markets in other states have not been able to successfully access the financial markets for their funding needs," said Jim Stipcich SAF's president/chief executive officer.

According to Stipcich, while funding is in place for academic year 2008-09, Montana students who borrow this fall will receive reduced borrower benefits which will increase their cost of financing postsecondary education.

He added that SAF is also feeling the impact of the situation. All of SAF's national third party student loan servicing clients have ceased or suspended their loan generation operations. Additionally, MHESAC, its largest servicing client, has asked SAF to lower its costs

SAF has managed the situation through a number of methods including suspending its acquisition of non-Montana student loans and reducing its work force by 35 employees through attrition. SAF also has a project underway to develop additional cost reductions.

“Our ongoing analysis of the situation indicates that the financial markets are not supportive of the current economics of student loans and we don’t see an immediate fix to the liquidity shortage,” said Stipcich. He added that the Secretary of Education has commenced developing a lender of last resort program for federal student loans and Congress has started looking at other solutions intended to resolve the growing concerns over federal student loan programs.

The resolution passed by the SAF Board of Directors recommends that Congress pass legislation requiring the Secretary of Education, or any other federal agency, to enter into standby loan purchase agreements with lenders participating in the Federal Family Education Loan (FFEL) program for student loans made after Oct. 1, 2007.

Stipcich explains that a key benefit of this proposal is that it would ease concerns over the availability of funding for federal student loans for academic year 2008-09 and beyond. Additionally, loans could be quickly delivered under the proposal without forcing schools and students to abandon the FFELP delivery system. More than 80 percent of the federal student loans are currently delivered throughout the U.S. using the FFELP program. Also, Stipcich believes that this solution would be extremely effective and efficient, requiring minimal direct federal expenditure.

“We hope that by appealing to officials including Gov. Brian Schweitzer, members of the Board of Regents, Sen. Max Baucus, Sen. John Tester and Rep. Denny Rehberg this issue will be resolved quickly and that the most efficient and effective solutions will be implemented. We need to protect Montana students’ access to higher education, Montana jobs, and Montana’s future. Student loans are a critical part of ensuring access to postsecondary education, and we must make sure that answers are developed before Montana has a problem,” Bell stated.

“There is no one answer that will solve all of the current turmoil in the student loan financial markets,” he said. “However, this option ensures access to federal student loans for all students going forward. We encourage Congress to consider it at this critical time.”

*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](http://www.safmt.org).*