

**FOR IMMEDIATE RELEASE:**

Friday, Oct. 17, 2008.

**CONTACT:**

Janet Drexel  
Marketing/Communications Manager  
(406) 495-7396

**MHESAC: Federal Student Loans Available Despite Challenging Industry and Market Conditions**

(HELENA) Student loans are still available in Montana despite ongoing challenges in the student loan industry and financial markets, according to officials at the Montana Higher Education Student Assistance Corporation (MHESAC).

Thanks to a \$175 million tax-exempt bond financing completed in December 2007, MHESAC and its Montana lending partners have been able to provide \$45 million in Federal Family Education Loan (FFEL) program loans to Montana students to pursue their dreams of postsecondary education in Academic Year 2008-2009. Another \$45 million to \$50 million of such loans are expected to be delivered by MHESAC and its Montana lending partners in January 2009. Other lenders in Montana who don't partner with MHESAC are on track to provide an additional \$60 million of FFEL loans in Academic Year 2008-2009.

"MHESAC is working to prepare for the future by positioning itself to participate in recently passed federal legislation designed to ensure the availability of federal student loans for Academic Year 2009-2010," said Jim Stipcich, president/CEO of Student Assistance Foundation, MHESAC's day-to-day business manager.

According to Stipcich, the student loan industry's challenges took root in October 2007 when Congress passed the College Cost Reduction and Access Act. This act was hugely beneficial to Montana students as it lowered the cost of borrowing for students, increased federal programs directed toward improving access to college and implemented school and lender regulations directed toward ensuring that students have more choice in selecting lenders.

However, the act required significant increases in loan fees and decreases in returns to FFEL lenders totaling \$20 billion in order to pay for the enhancements to college access. Lenders across the board were forced to re-evaluate their products, while others left the industry altogether.

The challenge was compounded when disruption in the financial markets beginning in August 2007 affected the operation of the auction bond market. (Auction bonds had been the primary financing vehicle used by MHESAC for its Montana loan activity.) This disruption resulted in increased borrowing costs of about \$19.7 million in Fiscal Year 2007-2008.

"Thanks to prudent business practices on the part of MHESAC, it has sufficient revenue and reserves to rely upon to help it weather such a storm," Stipcich said, adding that MHESAC ended Fiscal Year 2007-2008 with an operating loss of \$8 million. "MHESAC was able to use \$14.7 million from this year's revenues and \$5 million from prior earnings. In a normal year, much of that money would have gone to fund borrower benefits. Even after this turbulent year, MHESAC has a \$30 million fund balance for the future," he said.

“MHESAC is proud to be able to provide Montanans and its Montana lending partners with capital for federal student loans for Academic Year 2008-2009. MHESAC will continue to monitor the financial market and developments within the industry to continue to use the best available methods for serving Montana citizens with federal student loans,” Stipcich said. “It’s important to emphasize that MHESAC remains committed to providing Montana students with access to federal loan funds to pursue their dreams of postsecondary education. We have been able to provide more than \$2.4 billion in capital for Montana students over the past 25 years and we plan to do so again for Academic Year 2009-2010.”

*Montana Higher Education Student Assistance Corporation (MHESAC) 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 activities and borrower rebate programs. For more information, visit [www.mhesac.org](http://www.mhesac.org).*