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

Update on Bonds Previously Issued by MHESAC

Statement by Jim Stipcich, president/CEO Student Assistance Foundation:

This week, auctions associated with \$308.3 million in tax-exempt auction bonds previously issued by Montana Higher Education Student Assistance Corporation (MHESAC) were unsuccessful. These bonds are tax-exempt auction bonds previously issued by MHESAC that have encountered a second unsuccessful effort by bondholders to sell their bonds to other bondholders. This week, interest rates on these auction bonds reset at rates between 3.5 percent and 4.1 percent.

In addition, auctions associated with \$131.3 million in taxable auction bonds previously issued by MHESAC were unsuccessful this week. These bonds are taxable auction bonds previously issued by MHESAC that have encountered a second unsuccessful effort by bondholders to sell their bonds to other bondholders. Interest rates on these bonds reset at rates between 1.1 percent and 4.2 percent — also lower than their previous interest rate resets of 4.3 – 4.6 percent. The currently outstanding total amount of MHESAC's auction bonds owned by bondholders that have failed is \$1.26 billion.

We would like to emphasize that MHESAC has financing in place for FFELP loans for Montana students for next fall — \$175 million for the 2008-2009 academic year.

MHESAC continues to work to restructure its auction rate bonds. MHESAC's ability to accomplish further restructure and refinancing strategies will be dependent upon a number of factors, including the availability of certain financing vehicles, if applicable, and related liquidity and/or credit enhancement facilities.