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MHESAC and SAF Respond to Congressional Action on Student Loans

(HELENA) Employees at nonprofit Student Assistance Foundation (SAF) worked overtime last weekend in an effort to guarantee promised benefits to MHESAC's Montana borrowers with pending student loan consolidations.

President/CEO Jim Stipcich explains that completing pending consolidations before Oct. 1 will lock in the borrower benefits offered to them at the time they completed their applications.

“After that Oct. 1 deadline, FFELP student loan lenders won't be able to afford to offer borrower benefits at the level they did prior to Congress's passage last week of the Budget Reconciliation Act,” said Stipcich. “At MHESAC and SAF, it's important to us that we honor our obligations to our Montana customers. For that reason, we are willing to make every effort to help them in this confusing time by assuring that they receive every advantage available to them. Getting these consolidation loan applications processed by Oct. 1 assures Montanans receive the best possible borrower benefit.”

As it stands, the bill — which is waiting for the President's signature — increases federal student aid by cutting lender returns to student loan companies for FFELP student loans made starting Oct. 1. (The cut in lender return is .40 percent for nonprofit companies, like MHESAC, and .55 percent for for-profit companies.)

While the bill negatively impacts lenders and the borrower benefits they currently offer, it will raise the maximum Pell Grant, cut the interest rate paid by future borrowers on certain subsidized student loans, and even reduce the federal deficit.

Many student loan companies opposed the extent of cuts in the bill, arguing that cutting lender earnings to this extent would force companies to slash borrower benefits, and worse, push smaller companies out of the federal student loan program.

According to Stipcich, the management team at SAF has been preparing for the passage of the legislation for months. In anticipation of these cuts, plans are being finalized that are geared toward protecting the best interests of Montana students and SAF employees. SAF employs 250 people across the state.

The team is still fine tuning the details but expects no disruption in FFELP student loans for Montana students. Instead, future borrower benefits offered by MHESAC and its

Montana lending partners will be somewhat less than those currently offered. Coupled with these new borrower benefits and borrower interest rate reductions in the bill, the overall cost of financing education in Montana using FFELP loans will generally be less than current levels.

“At times, understanding all that is involved in the student loan industry can get a bit challenging. This is one of those times,” said Stipcich, who has worked in the student loan industry for 25 years. “While some of our plans are still developing, we assure you our primary concern throughout this period is that our customers’ concerns and needs are addressed.”

Borrowers with pending Montana student loan consolidations should call (800) 852-2761, ext. 2555, for more information if they haven’t already heard from a SAF loan education counselor.

Montana citizens interested in consolidation, but who have not yet started the application process, should get their completed applications to SAF by Sept. 19 in order to assure the pre-Oct. 1 borrower benefits.

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 \$10 million. For more information, visit www.safmt.org.

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 activities and borrower rebate programs. For more information, visit www.mhesac.org.

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