

**Example of Letter to PA  
College Presidents and  
Enclosed Talking Points for  
Their Use**



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February 27, 2008

President Name  
School  
Title  
Address 1  
Address 2  
City, State Zipcode

Dear College President:

On November 20, 2007, I wrote to you regarding the status of PHEAA's public service commitment to the higher education community in Pennsylvania. In my correspondence to you, I explained that the enactment of the College Cost Reduction and Access Act (CCRAA), combined with growing instability in the capital markets, would impede our ability to generate earnings as a lender and holder of student loans. This, in turn, was compelling us to recalibrate our public service goals for 2008-09.

Today, I am writing to advise you regarding the increasing urgency of the situation in the capital markets and to ask for your support. While PHEAA was prepared to absorb the reduced earnings we expected from the passage of the CCRAA, no one anticipated the draconian effects that the sub-prime mortgage crisis was going to exert on global capital markets in general, and on student loan financings in the Federal Family Education Loan Program (FFELP) in particular.

In just the past few weeks, several major national student loan organizations have announced their withdrawal from participation in higher education lending, citing not reduced earnings, but historic lack of access to capital. Last week, the Michigan Higher Education Loan Authority, a state agency, announced that "due to the current and unprecedented capital markets disruption" it will stop making loans under its alternative student loan programs, impacting more than one hundred Michigan colleges and universities that participate in the program. Also last week, the *Wall Street Journal* reported that securities tied to student loans that are traditionally considered "a safe corner of the credit market...have failed to generate investors' interest," leaving billions of dollars in student loan securities "...in a sort of limbo."

Now, PHEAA and several of its key lending partners have been directly affected by these failed securities auctions. As such, our access to the capital we require to fund student loans is literally drying up, and we have to devote an unprecedented amount of our resources to paying extraordinarily high interest rates on our outstanding securities. In short, we have no ability to raise new funds or refinance existing debt obligations. The bottom line is that, for the short term, we have no cash available with which to finance new student loan originations or to purchase loans from our lender partners.

For these reasons, PHEAA is suspending its activities as a FFELP lender, and will discontinue funding education loans effective March 7, 2008. In the meantime, we are working closely with your financial aid office and our lending partners to effect an orderly transition so that we hope there will be no near term interruption in access to borrowing for your students.

In further response to this urgent situation, last Thursday, February 21, 2008, PHEAA convened an emergency Summit of political, education and financial leaders at PHEAA headquarters in Harrisburg to discuss this looming crisis in funding for student loans. It is our hope that this is, indeed, a "temporary" situation. However, in the meantime, we are focused on the things that we can do to remedy this crisis and ensure that students across the Commonwealth have access to loan funds when the traditional school year begins this summer and fall. As such, we are taking serious measures to assure the stability and continuity of the key programs we administer. At the same time, we are redoubling our commitment and attention to the core businesses of this Agency, and will continue to guaranty, originate and service your students' loans and administer the State Grant Program and other student aid programs authorized by the Pennsylvania General Assembly.