



FINANCE AND ADMINISTRATION CABINET
KENTUCKY HIGHER EDUCATION ASSISTANCE AUTHORITY

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Kentucky's nonprofit student loan provider feels the squeeze of credit crisis

Frankfort, Ky. (April 18, 2008) — The Kentucky Higher Education Student Loan Corporation (also known as The Student Loan People) will suspend making loans to first-time borrowers beginning May 1, 2008, until it can secure additional financing. The Student Loan People will continue to make loans for its serial (or previous) borrowers based on the availability of funds. This decision has become necessary as a result of the capital market crisis.

The Student Loan People, along with other FFELP providers across the country, have traditionally issued bonds (taxable and tax-exempt) in the form of auction rate securities to finance student loans. For years, this financing provided lenders with an efficient means of raising capital for student loans and supporting the availability of borrower benefits such as reduced or waived fees and interest rate reductions. Now the credit crisis has essentially closed the auction rate securities market, leaving The Student Loan People and other lenders searching for a new student loan financing method.

The Student Loan People has sent a request to the U.S. Treasury requesting that the Federal Financing Bank use its existing authority to provide liquidity and capital for new student loans as a temporary measure until confidence is restored in the market. The Student Loan People's bonds are AAA rated.

"We are pleased to have the support of Gov. Beshear and Kentucky's Congressional Delegation as we seek a solution to ensure student loan access in Kentucky," said Edward J. Cunningham, Executive Director/CEO of The Student Loan People and Kentucky Higher Education Assistance Authority (KHEAA). "Attempts are also continuing to refinance our existing student loan portfolio (to eliminate the risk associated with auction rate securities) and to pursue lines of credit and agreements with liquidity facilities."

KHEAA will pay the 1 percent Default Fee on students' loans beginning May 1 to encourage lenders to continue to make loans available in Kentucky. In the event funding cannot be secured, KHEAA will assist borrowers in securing loans from other lenders.

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Nearly all Kentucky postsecondary schools participate in FFELP, and The Student Loan People provides a significant percentage of FFELP Stafford and PLUS Loans made in the Commonwealth.

The Student Loan People was created by the state legislature in 1978 with the public-purpose mission of making higher education more accessible for Kentuckians by making, financing and purchasing student loans.

Since its creation 30 years ago, The Student Loan People has been a self-supporting agency with a long history of making higher education more accessible for Kentuckians. Over the past five years alone, The Student Loan People and KHEAA independently funded over \$169 million in borrower benefits, student aid and early awareness and college planning activities, publications and websites.

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About KHEAA and The Student Loan People

The 1966 Kentucky General Assembly created the Kentucky Higher Education Assistance Authority (KHEAA) as a public corporation and governmental agency and instrumentality of the Commonwealth to improve access to college and technical training. KHEAA administers federal student loan programs, provides state student financial aid, and distributes information about college opportunities. In 1978, the state legislature created the Kentucky Higher Education Student Loan Corporation (KHESLC), a *de jure* municipal corporation, to ensure funding would be available to Kentuckians by making, purchasing, and financing student loans. KHESLC assumed the name of The Student Loansm People in 1999. The Student Loan People and KHEAA are governed by a board of directors with identical membership, and the executive director of KHEAA also serves as executive director of The Student Loan People. For more information, visit www.kheaa.com or www.studentloanpeople.com.