

Sonny Perdue
GOVERNOR



Timothy A. Connell
PRESIDENT

January 29, 2008

RE: The State of Student Lending in Georgia

Dear Colleague:

As you are undoubtedly aware, the student loan industry is in transition. This transition has been largely prompted by the passage last fall of the College Cost Reduction and Access Act. This federal legislation dramatically and fundamentally altered the economics, from a lender's perspective, of the federal student loan business. At the Georgia Student Finance Commission (GSFC) we are seeing evidence of this almost daily. For example, as recently as last Friday a national student loan lender announced that it will no longer make certain loans to students at schools with low graduation rates. Other lenders have announced suspension of certain loan origination activity, significantly scaled back their workforce and reduced or nearly eliminated borrower benefits programs. Many lenders have also announced that they will be "strategically selective" with respect to the institutions where they will offer Federal Family Education Loans (FFEL).

At the end of the day, what this all means is that many lenders will make FFEL loans at selected schools based on their lending capacity, school volume, default rate and profitability. Some lenders may drop out of the FFEL program completely. This may leave students at a number of schools with lower quality, higher cost FFEL borrowing options.

That brings me to the purpose of this letter. For more than 40 years, we have helped Georgia students go to college. Our mission, "to promote and increase access to education beyond high school for Georgians" is more relevant than ever. Our lender, the Georgia Student Finance Authority (GSFA), will not overlook or eliminate an institution from our loan program for the sake of profit and we will continue to offer the lowest cost student loans possible. In keeping with our mission, every eligible Georgian will receive the same low cost loan from us regardless of where he or she attends college. Every student at every school gets the same deal.

I want to assure you that we are here and here to stay. In the coming days please look for more information from us about our new best in Georgia borrower benefits program. We are busy every day preparing our organization to serve your institution and the students of our state for the next 40 years.

Thank you for your business and support. As always, if you have any questions, please do not hesitate to contact me directly or any of our staff here at GSFC.

Sincerely,

Timothy A. Connell
TAC:mlc