

## **Pittsburgh Tribune-Review**

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#### **Sallie Mae Still Presses PHEAA Bid** **By Thomas Olson**

Student loan giant Sallie Mae is taking its case directly to Harrisburg lawmakers for the corporation's \$1 billion bid to take over the state's student-aid agency, and the effort is having some effect.

The maneuver comes as state legislators returned Monday to their first working session after the holiday recess, and a month after the Pennsylvania Higher Education Assistance Agency's board unanimously rejected Sallie Mae's unsolicited offer on Dec. 27.

PHEAA provides cut-rate college loans and grants to students and families in Pennsylvania.

The state House Speaker, Rep. John Perzel, R-Philadelphia, is one of several state legislators who met informally with Sallie Mae officials in recent days, said Perzel press secretary Beth Williams.

"He believes this needs to be studied further before any type of decision can be made," she said. Perzel also hopes the House appropriations committee would take a look at the offer.

Sallie Mae CEO Albert Lord met yesterday with Appropriations Committee Chairman Rep. Brett Feese, a Republican from Muncy in Lycoming County, to press the corporation's offer. But no appropriations hearings have been scheduled on the matter, said the panel's policy director, Al Bowman.

The 40-year-old state agency currently manages \$45 billion in education funds. The amount includes \$3.1 billion in federal Stafford and KeystonePLUS loans made in 2003 for 428,000 students and \$356 million in state grants for 150,000 students.

Borrowers of KeystonePLUS loans, for instance, pay a fee of 3 percent, rather than the standard 4 percent. And recipients of KeystoneBEST loans, the state equivalent of the federal Stafford loans, pay no fees.

In spurning Sallie Mae, the agency's board turned away \$500 million in up-front cash and \$100 million a year over the next five from the nation's largest education lender. When the giant corporation made its bid, Gov. Ed Rendell said he found the offer an "intriguing" way to save taxpayers money and hired a consultant to review it.

"We're seeking a fairer hearing on our proposal," said Tom Joyce, spokesman for Reston, Va.-based Sallie Mae.

The giant company has more than \$98.5 billion in loans outstanding to more than 7 million borrowers. Sallie Mae was founded in 1973 as the Student Loan Marketing Association. Now formally called SLM Corp., its stock trades on the New York Stock Exchange.

Joyce described the \$1 billion bid as "a win" for students who would get low-cost loans, for schools who could tap into more financial product choices, and for taxpayers whose state government could "use the \$1 billion as they see fit."

But State Rep. Jess Stairs, a Republican from Acme, Westmoreland County, who is also one of 16 legislators on the college funder's board, thinks the \$1 billion bid would be "a bargain price" and opposes privatizing PHEAA.

"What I hear is that most legislators are satisfied with what PHEAA does," said Stairs.

"Senator (Vincent) Fumo has publicly said he's opposed to it," said Gary Tuma, a spokesman for the Philadelphia Democrat, who also serves as the agency's vice chairman. "PHEAA makes money, so why would the commonwealth want to get rid of it?"

State Rep. Joseph Markosek, D-Monroeville, and PHEAA board member, said the agency charges nothing to administer its grants, for instance, leaving every grant dollar to go to borrowers. And legislators ought not "jeopardize" the employment of the agency's roughly 2,100 workers.

Sallie Mae would keep in place PHEAA's board and management, as well as retain the agency's rank and file, said Joyce.

Last Wednesday, the American Federation of State, County and Municipal Employees, which represents more than half of PHEAA's workers, denounced the bid from Sallie Mae.

"It will get its \$1 billion, and much more, back through higher interest rates and fees charged" to students and families, said the union.

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