

Wilkes-Barre Times Leader February 20, 2005

Legislators' Best Move is to Reflect Hard on Buyout Opinion Editorial

Whatever drove the Pennsylvania Higher Education Assistance Agency to rush to turn down a recent \$1 billion buyout offer, we encourage legislators to be more tempered in reaching their decision.

Change is never easy. That may be a factor in the bid by SLM Corp., better known as Sallie Mae, to buy PHEAA.

Both organizations originate and service loans to students. PHEAA has the largest share of the \$3 billion student loan market in Pennsylvania, with 21 percent or about \$661 million in 2003, followed by PNC Bank and then SLM Corp., which has 7 percent or about \$226 million in loans.

PHEAA is a not-for-profit agency and employs an estimated 2,100 people in Harrisburg. Sallie Mae, a much larger company, operates for profit, with about 700 people servicing loans in the Hanover Industrial Estates.

Critics of the deal say PHEAA may be worth more than a billion, that employees may be laid off, that the student loan market won't be as competitive. Sallie Mae officials counter all that. A host of supporters from colleges across the state have issued letters arguing against the deal.

What remains surprising is how quickly PHEAA responded with a rejection.

Since PHEAA turned down the offer in December, Sallie Mae has gone to state legislators and on Thursday had a hearing with the state House Appropriations Committee.

Each side has mounted campaigns of information against the other. It could very well be that a competitive, for-profit business would find lots of ways to make PHEAA more efficient and effective. It would be nice to think PHEAA has been doing that all along.

We encourage state legislators not to be as blithe as PHEAA in their consideration of the \$1 billion offer. We'd rather they consider what would be best for everyone involved, including the taxpayers, the students, the employees of PHEAA and Sallie Mae, as well as the reputation and future of the state.