

# SallieMae

SALLIE MAE, INC.  
12061 Bluemont Way  
Reston, VA 20190

THOMAS J. FITZPATRICK  
Vice Chairman & CEO

August 31, 2005

Mr. Richard E. Willey  
President and Chief Executive Officer  
Pennsylvania Higher Education Assistance Agency  
1200 North 7th St  
Harrisburg PA 17102-1444

Dear Mr. Willey:

Sallie Mae remains fully committed to ensuring the availability of the best education credit products and services to Pennsylvania schools and students and, if possible, to working with your organization toward that end.

While the PHEAA board rejected the partnership proposal we sent you last December, including our offer of \$1 billion, we have continued to encourage dialogue on the issue. As Al Lord, our Chairman, communicated to Governor Rendell last April, this specific offer was valid through August 31, 2005. However, we remain committed to continuing to explore a partnership with economic terms that make sense for all parties.

We look forward to the results of the asset valuation that is currently being conducted at the direction of the Pennsylvania House Appropriations Committee. This valuation will presumably shed some light on PHEAA's current economics, including the implications of the impending changes in the Higher Education Act (HEA). For example, the bill passed in July by the House Education Committee of the U.S. Congress to reauthorize the HEA would terminate the so-called "recycling" of tax-exempt bond collateral and the eligibility of new loan assets for the special "9.5%" subsidy. Given PHEAA's \$2 billion portfolio of such 9.5% loans, this legislation would appear to have a potentially significant impact on your organization's future income stream.

As you know, our own valuation was based on publicly available financial statements through mid-2004, and without the benefit of any discussions with your management or due diligence. I believe such added perspective would be very meaningful to both parties.

We also remain steadfast in our efforts to bring true competition to the Commonwealth's student loan market – competition that would benefit schools, students and their families. We certainly support recent bills introduced by legislators in the General Assembly that would take important steps in that direction.

I appreciate your consideration of these issues and welcome any opportunity to engage in a more constructive dialogue with you over the coming months. I look forward to hearing from you.

Sincerely,



Thomas J. Fitzpatrick

CC: Governor Edward G. Rendell  
PHEAA Board of Directors