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NEWS RELEASE

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**PHEAA Board of Directors Restructuring Legislation
Passes General Assembly; Signed Into Law**

Legislation reduces the number of legislators and increases private sector appointments

Harrisburg, PA (July 13, 2010) – The Pennsylvania Higher Education Assistance Agency (PHEAA) today announced that legislation to restructure the PHEAA Board of Directors has been approved by both the State House and Senate and was signed into law by Governor Rendell. The board structure has not changed since PHEAA was created in 1963 by the Pennsylvania General Assembly.

The legislation was based on a 2009 PHEAA Board resolution that called upon the General Assembly to rationally restructure the Board of Directors to provide additional leadership expertise in an increasingly complex financial environment. The resolution was unanimously adopted by the Board of Directors in June of 2009.

Previously, 16 of 20 Board positions were filled by members of the General Assembly and four individuals were appointed by the Governor. Under the new structure, the number of legislators serving on the Board is reduced to 12.

“The student aid landscape has changed dramatically in just the past few years, let alone since 1963,” noted Representative William Adolph, PHEAA Board Chairman. “In discussions with all members of the Board, it became apparent that the time had come to revisit the structure of PHEAA’s Board to make sure that the students and families of Pennsylvania were being served in the best possible way.”

The four legislative seats will be replaced with private-sector professionals with backgrounds relative to higher education finance. These individuals will be appointed by the four respective legislative caucuses. The legislation also reduces the six-year Board term to four years.

“We came to realize the importance of having a more diverse makeup of Board members when the financial markets began to falter in 2008,” said Senator Sean Logan, PHEAA Board Vice Chairman. “This legislation provides for more private-sector involvement with professionals from banking, financial investment and information technology; adding their expertise to the important decisions that the Board makes on behalf of Pennsylvania students and families.”

Since Representative Adolph and Senator Logan assumed leadership of the Board of Directors in 2007, they have welcomed 13 new Board members, representing a 65 percent turnover.

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During the past three years, the Board of Directors has eliminated management bonuses, automatic salary increases for staff and all sponsorships and advertisements that were not strictly in line with PHEAA's mission. The Board also instituted one of the nation's toughest business and travel expense reimbursement policies. These reforms alone have resulted in more than \$77 million in savings for the agency. The Board also adopted an industry-leading Code of Ethics, formalizing longstanding business practices that were founded on integrity and respect for federal guidelines.

Each year, PHEAA administers more than \$400 million of state funds to support the Pennsylvania State Grant Program and other state-funded aid programs on behalf of the Commonwealth at no cost to taxpayers. This is accomplished because PHEAA self-funds its entire operating budget with earnings from its business activities. The legislation retains the bipartisan balance of the PHEAA Board by maintaining 12 of the 20 Board seats, spread evenly among the four legislative caucuses, to ensure that Pennsylvania tax dollars are being managed and distributed in the spirit in which they were appropriated.

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About PHEAA

Created in 1963 by the Pennsylvania General Assembly, the Pennsylvania Higher Education Assistance Agency (PHEAA) has evolved into one of the nation's leading student aid organizations. Today, PHEAA is a national provider of student financial aid services, serving millions of students and thousands of schools through its loan guaranty, loan servicing, financial aid processing, outreach and other student aid programs.

PHEAA's earnings are used to support its public service mission and to pay its operating costs, including administration of the Pennsylvania State Grant and other state-funded student aid programs. PHEAA continues to devote its energy, resources and imagination to developing innovative ways to ease the financial burden of higher education for students, families, schools and taxpayers.

PHEAA conducts its student loan servicing activities nationally as FedLoan Servicing and American Education Services (AES)

About FedLoan Servicing

Building on PHEAA's 45-plus years of student aid experience, FedLoan Servicing was established to support the U.S. Department of Education's ability to service student loans owned by the federal government. FedLoan Servicing is one of a limited number of organizations approved by the Department of Education to service these loans and is dedicated to supporting borrowers with easy and convenient ways to manage their student loans. For more information, visit www.MyFedLoan.org.

About AES

American Education Services (AES) was created to guarantee and service a variety of Federal Family Education Loan Program (FFELP) and private student loan products for lending partners throughout the nation. AES is a national leader in providing quality customer service to millions of student loan borrowers through its highly-trained and experienced customer service representatives. For more information, visit www.aesSuccess.org