



NEWS RELEASE

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FOR IMMEDIATE RELEASE

Iowa Student Loan Offers Option to Offset Interest Rate Increases

WEST DES MOINES, IOWA – April 7, 2008 – Iowa Student Loan Liquidity Corporation (ISL) has offered existing private student loan borrowers an option to mitigate interest rate increases that took effect April 1, 2008.

“Many are aware that one of the potential impacts of the national financial market turmoil has been to close bond markets for student loans,” said Steve McCullough, president and chief executive officer of ISL. “This has led to concerns about a lack of availability of student loans this fall, particularly for private student loans. Another impact of this national financial market crisis is that cost of funds indices, to which many existing student loans interest rates are tied are rising. For some this means that, at least on a temporary basis, their computed interest rates will increase.”

Volatility in national financial markets is now causing an increase in interest rates on private student loans based on ISL’s Cost of Funds (COF) indices. “Our management team and board have opted to give our private student loan borrowers an option to switch indexes upon which their interest rates are calculated,” said ISL Board member Laurie Hempen. “This is an action that we are not obligated to take, but felt compelled to do as a nonprofit organization because it was in the best interest of our students and customers. We know it comes at a cost to the organization, but it is the right thing to do during these turbulent market conditions.”

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Historically, private student loan borrowers have enjoyed favorable interest rates linked to ISL's COF indices. Problems in the auction-rate securities market are now beginning to impact these interest rates. Approximately 16 percent of ISL's loans use the COF index. In recognition of this phenomenon, ISL is providing private student loan borrowers with a choice to amend their promissory notes to tie their interest rates to the London Interbank Offered Rate (LIBOR), which in today's economic climate may be a less volatile index.

Based on the loan type chosen, the COFI varied anywhere from 2.99 to 7.47 percent over the past three years. In contrast, the three-month LIBOR index varied 3.18 percent over the same time frame.

"ISL cannot predict whether its COFI or LIBOR index will result in rate increases or decreases in the future. Borrowers do not have to change to the LIBOR index. They can elect to stay with their current agreement," said McCullough. "Unfortunately, these market changes are beyond our control. Our intent is to share information so borrowers can make the best choice for their situation."

Letters have been mailed to ISL borrowers alerting them to the variable interest rate change and the LIBOR option for their consideration. ISL has developed a dedicated customer service team to provide information during the decision process. Customer service representatives are available at (877) 575-1437 Monday through Friday from 8 a.m. to 6 p.m. Central time.

About Iowa Student Loan: Iowa Student Loan is a private, nonprofit corporation founded in 1979 by a proclamation of Iowa Governor Robert D. Ray to help students and parents obtain the financial resources necessary for a postsecondary education. Based in West Des Moines, Iowa Student Loan has helped more than 265,000 students pay for college. In 2007, Iowa Student Loan reinvested \$33 million into Iowa through programs and services. This included providing students fees and cost reductions, free college planning services, financial aid processing and community services.

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