

Hey Pilots, Family Members and Supporters,

This is a follow-up to the E-Blast I sent out Monday afternoon. I had a chance to read through the text of Citibank's settlement offer. I thought I would give my own two cents on the situation.

My background - I am a licensed Real Estate Agent in the state of California and have been since 2003. For over three years in the early 80's, I worked in administration of a Fortune 100 commercial / industrial real estate brokerage firm. My job was mainly reading, interpreting and proofreading offers and contracts.

Over the last few years, I have helped first-time homebuyers and folks that have gone through financial hardship. Remember in school when we worried about our "permanent record" following us until we graduated? Well, that is the official status of our credit history / credit reports -- a "permanent record". And it is reported by three different companies: Experian, TransUnion and Equifax. This record doesn't last forever, but it does last a long time. Different items for three, five, seven and ten years. Foreclosures and bankruptcies are the longest lasting, and sadly, are becoming more common today. And prior to these two devastating items, most folks haven't been paying their credit card debt for an additional year, so their credit history reflects these trends and their scores are extremely low. This not only affects major purchases (homes and cars), but employment, college enrollment and security clearances.

Some more facts, and I am speaking specifically about California law, but other states have similar rules. When you purchase a home with a loan, and then default that loan, the lender cannot come after you for any losses they incur. If a homeowner refinances that home with or without a cash-out loan (takes out extra money to make repairs, pay off other debts, etc.) or receives a HELOC (Home Equity Line of Credit) and then uses that line of credit for anything at all, that homeowner has technically received profit from the equity of his home. That is also technically a "taxable event" (known in legal circles as "imputed income"). If that homeowner then defaults on the primary loan on his home, the lender(s) can 1099 the homeowner reporting all that capital gain to the IRS. Are you seeing the phrase "tax consequence"?

Now all that is in the arena of real estate law and not student loans or private signature loans. There are many differences. However, in the absence of proper documentation and full disclosure on the part of the lenders, students MAY have to pay taxes on the amount "forgiven."

Now, onto Citibank's settlement offer. The letter that just went out was an initial offer made by the bank. In real estate, we almost always have a counter offer unless the deal is too good to be true. An initial offer is usually in the favor of the one who makes the offer (and why shouldn't it be?). If the other party agrees to the terms of the initial offer, whom do you think wins? I hope no one made a knee jerk decision to sign and send that offer back to Citibank without discussing it, in detail, with an attorney.

I am an SLX / AES victim. I will NOT benefit from Citibank's offer. However, I have discussed this letter with a few lawyers and they raised questions concerning the second sentence of the second paragraph: "While you **remain obligated** to repay those amounts to Citibank under the promissory note you signed, Citibank will agree not to seek collection..."

- Are they going to sell the loans to a third party collection agency who will then attempt to collect the debt (Citibank is not promising NOT to do so)?
- Are they "forgiving" / cancelling the loan completely, thereby erasing the debt from your credit reports or are they merely internally designating the loans as "Charged Off" leaving a \$70,000 debt as unresolved in the view of the credit reporting agencies?
- Are they sending a 1099 report to the IRS or will this be a settlement of a disputed debt?

Yesterday I made a statement that Citibank's actions set a precedent. I was premature in that statement. It was a knee jerk reaction on my part in the hopes that MY loan would also go away. Here are a few more tidbits of information:

- There are three major players in the student loan community that are affected by Silver State: Key Bank; AES Student Loan Xpress; and Citibank, in order of appearance as lenders to SSH students.
- Citibank was the last to join the fray. They are a big company and had only committed less than \$8,000,000. In the scheme of things, for the largest bank in the world, this amount is barely a drop in the bucket considering today's economic situation. In the face of actual and threatened individual and class action lawsuits that might uncover their lack of professional investigative abilities or possibly even fraud, this small sum is easy to walk away from. And consider the cost of the attorneys that will be needed to try the case. Eight mil isn't worth chasing. Also, Citibank may possibly get money back from the bankruptcy because some of the money it gave to SSH was not disbursed, so not subject to claims from other creditors.

- AES / SLX is a smaller company with a lot more to lose and has invested over \$200,000,000 (yes, that's over two hundred million dollars).
- I don't have Key Bank's numbers, but remember, they were first up to help students with funding and they got out when they saw the problems with SSH. Many of their borrowers have graduated and some are now even making a living as pilots.

This is why I stated, don't read into Citibank's actions and don't try to read between the lines. For those of us with attorneys, let them do their jobs for us. For those of us who are SLX borrowers anywhere in the country, we are represented by the class action law firms in both California and Florida. We need to let them do their jobs. For Key Bank students in California and Nevada, you are represented by the California class action law firm, as well.

Citibank has given some of you a few weeks to make a decision. Wait until your attorneys contact you personally before you act.

Enough said?

I also have some housekeeping to resolve. Email as a communications media is falling behind Instant Messaging. However, as a way of putting out a lot of information, lots of detail and attachments, you can't beat it. If your email address is linked directly to your ISP (Internet Service Provider) like AT&T, SBCGlobal, RoadRunner Cable, it is only as good as a temporary address. Have any of you shifted from dial-up to cable to satellite where you changed companies? If so, did you get to keep your e-ddress? That is a resounding, "NO". Please, get yourself a portable email address. They are free from Yahoo!, Hotmail and Google (GMail). When you move from one house to another, you always have your snail mail relocated. How do you get your new e-ddress out to all your important sources of information? The reason I am asking for you to do this is because of the volume of returned E-Blasts I am getting. And if I am getting them, so are your attorneys. I am also having trouble getting e-mail to Juno subscribers.

Can any of you give me new contact info for the following personnel:

Brian Gilmore
Ronald Millard
Amos Rundle
Ed Saleh
Steven Conner

Anthony Cronin
Adam Perry
Nick Akl
Boyd Barker
Karl Fields
Tim Hostetler
Kyle Martin
Jim Patrick
Rick Yates
Shawn Miller
Josephine Richard
Danny Rosada
John Heath
Arron Tellers
Kyle Craig
Ted Lyon
Nick Vega
Rafael Perez

Thanks for your time.

Tony Vaca