



**Association of  
Mexican American  
Educators, Inc.**

1630 Van Ness Ave  
Fresno, CA 93721

**AMAE, Inc.**

State Executive Board

Celia Maldonado Arroyo  
*President*  
[celiama@fresnostatealumni.com](mailto:celiama@fresnostatealumni.com)

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[Jairosan02@comcast.net](mailto:Jairosan02@comcast.net)

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Wendy Macias, Neg – Reg comments  
US Department of Education  
PO Box 33184  
Washington, DC 20033-3184

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Dear Secretary Spellings:

We write to urge you to address the issue of fair student loan repayment in the upcoming negotiated rulemaking process, announced in the Federal Register on August 18. Reducing debt burden is both an area where you have authority to regulate, and it is an issue that your Commission on the Future of Higher Education identified as a priority.

The way students and their families pay for college has changed dramatically in the past generation. Two-thirds of graduates from four-year institutions now have loans, and their average debt has increased 50 percent after accounting for inflation. For millions of students, loans make college possible by filling the gap between available grant aid and total costs, and by helping students keep their work hours down so they can study. But even for students who make the right decisions and have the best of intentions, those loans can prove to be a burden later. We agree with the Commission's conclusion: "Too many students are either discouraged from attending college by rising costs, or take on worrisome debt burdens in order to do so."

The rise of student debt is a problem for several reasons. Borrowers may be deterred from pursuing public service careers as teachers, day care and health care workers, and other essential public service professionals to meet our country's needs. High student loan payments may cause borrowers to delay life choices such as buying a home, buying a car, getting married and having children. Finally, student loan debt burdens extending to 20 or even 30 years can threaten American families' future financial security by making it more difficult to save for their own retirement and for their own children's college expenses.

While many graduates are able to comfortably repay their loans, an increasing number of borrowers face difficult repayment burdens. Our student loan repayment system should give struggling borrowers incentives to pay what they can, to work, and to avoid default. Unfortunately, the tools that are supposed to assist borrowers

with payments on federal loans are inadequate, confusing and inconsistent, too often providing the wrong incentives. Without improved protections for borrowers, the nation may see an increase in defaults and bankruptcies rather than an increase in more productive graduates who can contribute fully to society.

In May, an unusual alliance among student groups, the loan industry, and colleges presented you with a detailed proposal for improving the assistance that is available to struggling borrowers with federal student loans. The five-point plan would:

1. Limit student loan payments to a reasonable percentage of income (less than 10 percent for most borrowers, and never more than 15 percent).
2. Recognize that borrowers with children have less income available for student loan payments.
3. Prevent added interest from making the problem even worse when borrowers face hardship situations.
4. Cancel remaining debts when borrowers have made income-based payments for 20 years.
5. Simplify the process of applying for hardship deferrals.

We urge you to include these proposals in the upcoming rulemaking. Our nation's economic future depends on the education of our citizenry, and student loans have become an embedded part of the financing system for training beyond high school. Given the important role of loans in making it possible to attend and complete college, it is incumbent upon us to ensure that loan repayments are not unfairly excessive.

Besides addressing the hardships of repaying exorbitant loan amounts, you should also address the "predatory" practices of some vocational colleges that allow or may encourage loans to students who qualify, but may not be able to find employment in the fields trained. Easy access to loans without proper counseling leads to many students being saddled with large debt amounts from loans that need to be repaid even though the students may not be adequately trained in the field, or the field may already be over saturated with workers.

Sincerely,

Jairo Sanchez  
President Elect AMAE