



November 9, 2006

The Honorable Margaret Spellings
U.S. Department of Education
400 Maryland Avenue, S.W.
Washington, DC 20202

Dear Secretary Spellings:

I am writing as Director of the Education Trust to encourage you to address the issue of student loan repayment in the upcoming negotiated rulemaking process.

Addressing this issue is an essential component of restoring the promise of higher education as an engine of social mobility. This is an important goal not only for the low-income Americans who would benefit directly, but also to the country as a whole. Labor economists are predicting shortages of college-educated workers in the millions within a decade. We must act now to address education gaps that can no longer be defined only by disparities among different groups of American students, but increasingly need to recognize differences between America and the rest of the world.

As college costs have skyrocketed, low-income students have been shielded less than other groups, forcing these students to increasingly rely more on loans – and larger loan packages – to pay for college. The fear of lifelong indebtedness helps to explain why our highest-achieving low-income students are disproportionately in 2-year colleges and non-selective (and generally less expensive) 4-year institutions – or don't attend college at all. According to U.S. Department of Education longitudinal data, more than one in five (22%) of our highest achieving, low-income students don't go on to postsecondary education, undercutting their individual earning potential and their contribution to national economic growth.

The Education Trust has proposed policy changes at the federal, state, and institutional level that would address some of the issues at the front end (e.g., redefining financial aid packages that meet “full need” as those that require no more than 15 hours of work per week and no more than 15% of their families’ annual income). The reality is, however, that many students will continue to emerge from postsecondary education with debt that is massive compared to their prior or current family income, and we need to establish systems that are fair under these circumstances.

It is reasonable to expect college students to assume some loans to pay for a college education -- and to repay these loans with the higher salaries their degree will help them to garner. But we also need to devise policies that support students’ success after college, especially for Americans who are not earning enough to cover both daily living expenses and college debt.

The proposals from the Project on Student Debt would address some of these issues. The proposals are: (1) limit student loan payments to a reasonable percentage of income; (2) recognize that borrowers with children have less income available for student loan payments; (3) protect borrowers from high interest charges when they face hardship situations; (4) cancel remaining debts when borrowers have made responsible payments for 20 years; and (5) simplify the application process for hardship deferrals and other repayment options.

In particular, limiting debt-payments to a reasonable proportion of income would protect the lowest-income borrowers and encourage them to continue to stay current on their loans while meeting family and civic obligations. We want to emphasize that we are not talking about a maximum payment for all students -- many college graduates will be earning salaries that make it reasonable to expect loan repayment on an aggressive schedule. This program should be limited to low-income Americans, to ensure they do not have to face the choice of paying living expenses for themselves and their families or their loan-service payments.

The other suggestions represent a combination of compassion and common sense. I do not mean to suggest these proposals represent a solution to the crisis in burgeoning student debt and ever-increasing college costs. But they would be life-saving for some, and would send a clear and very important signal to low-

income borrowers that taking out loans for college is a smart investment in their – and our collective – future.

We hope these modest proposals are adopted and that other, more aggressive measures to make college more affordable for low-income Americans will be proposed and adopted in addition. We encourage you to consider the 5-point proposal from the Project on Student Debt – a set of recommendations that has been supported by a diverse group of stakeholders that do not often agree.

Please do not hesitate to call on the Education Trust if you want more information or consultation on this important matter.

Cordially,

A handwritten signature in black ink, appearing to read "K. Haycock", with a long horizontal flourish extending to the right.

Kati Haycock