

**THE PROJECT ON
STUDENT DEBT**

August 18, 2006

James Manning
Acting Assistant Secretary for Postsecondary Education
U.S. Department of Education
400 Maryland Ave., S.W.
Washington, D.C. 20202

Dear Mr. Manning,

As you know, this spring a diverse set of student, college, parent and loan industry representatives presented the Secretary of Education with a set of regulatory proposals to make student loans less burdensome for borrowers in repayment. In response, you indicated that the Department would consider the ideas later, in conjunction with the next anticipated rulemaking. In particular, you pointed to the work of the Secretary's Commission on the Future of Higher Education, which was then still underway, and predicted that "the Commission's proposals will raise additional ideas for consideration on the student loan debt issue."

Your prediction proved accurate. The final draft report approved by the Commission last week declared: "Too many students are either discouraged from attending college by rising costs, or take on worrisome debt burdens in order to do so." The Commission identified *decreased debt burden* as one of the four fundamental principles that should guide a new, strategically oriented, results-driven financial aid system.

I am writing to ask you to include student loan repayment options and processes in the scope of the Department's upcoming rulemaking, as both you and Acting Under Secretary and Chief of Staff David Dunn have suggested would be appropriate. This would allow you to take up the proposals in the *Petition for Rulemaking*, submitted May 4, 2006 by the Project on Student Debt, American Student Assistance, the College Board, College Parents of America, the Council for Opportunity in Education, Great Lakes Higher Education and Affiliates, the Howard Center for Family, Religion and Society, the State Public Interest Research Groups, and the United States Student Association.

The proposals we put forward in May would address multiple concerns raised by the Commission by encouraging access, increasing affordability, and reducing confusion and complexity as well as debt burdens. The changes we suggest would assure those who need student loans that their payments will not be higher than they can reasonably afford. They will create a clear connection between monthly payments and actual earnings, in ways that would make sense to borrowers and discourage default. They would also fix a serious omission in the current repayment rules by taking family size into account, so that

responsible borrowers who hit hard times are not penalized for marrying and having children. Finally, they would provide a light at the end of the tunnel for borrowers who -- because of unexpected circumstances like a family illness or economic downturn, or choosing to serve their communities as teachers or social workers -- might otherwise face a lifetime of disabling debt because of interest charges and penalties that can far exceed what they originally borrowed.

The negotiated rulemaking process would provide an opportunity for experts and interest groups to discuss these ideas and assess the costs and benefits of various approaches. We look forward to working with the Department to make student debt more manageable for those who must borrow to get the education that they, our society, and our economy need to compete and succeed.

Sincerely,

Robert Shireman
Executive Director