

9<sup>th</sup> October, 2006

The Honorable Margaret Spellings  
U.S. Department of Education  
1990 K Street, NW  
Washington, D.C. 20006

Dear Secretary Spellings:

Following the findings and recommendations of your Commission on the Future of Higher Education, your Department will soon be considering rule changes pertaining to student financial aid. As the members of the Commission noted, as did we who testified before it, higher education is becoming increasingly unaffordable for students. In particular, I agree with their conclusion: "Too many students are either discouraged from attending college by rising costs, or take on worrisome debt burdens in order to do so."

As the Department holds its hearings, entertains recommendations, and formulates remedies, I would urge that particular attention be given to revision of the student loan repayment system. We should expect that this system would give struggling borrowers incentives to pay what they can, to be gainfully employed, and to avoid default. The current system, while well-intentioned, often deters graduates with student debt from pursuing critical public service careers, causes them to defer life choices such as marriage, home purchase, having children, and all too frequently, threatens a family's future financial security.

A coalition of student groups, representatives from the loan industry, and colleges and universities has assembled to develop a five-point plan that is certainly worthy of careful review, cost analysis, and consideration. The plan would:

- I. Limit student loan payments to a reasonable percentage of income (less than 10% for most borrowers and never more than 15%)
- II. Recognize that borrowers with children have less income available for student loan payments
- III. Prevent added interest from making the problem even worse when borrowers face genuine hardship situations

- IV. Cancel remaining debts when borrowers have made income-based payments for 20 years
- V. Simplify the process of applying for hardship deferrals.

Clearly, what is being advocated is new set of provisions that would recognize and ensure the *responsibility* of all parties: that borrowers make intelligent decisions with respect to incurring debt, that graduates bear the reasonable expense of repaying their loans, and that public policy recognize the “public good” deriving from having well-educated citizens being productive members of our society and economy.

I respectfully urge serious considerations of these proposals as they seem to me to be very much in the spirit of the Commission’s work.

Yours sincerely,

Stephen J. Reno  
Chancellor

