



National
Urban League

***Empowering Communities.
Changing Lives.***

November 8, 2006

Honorable Margaret Spellings
Secretary
U.S. Department of Education
P.O. Box 33184
Washington, DC 20033-3184

C/o Wendy Macias, VIA Email: negreg2006@ed.gov

Dear Secretary Spellings:

As President and CEO of the National Urban League (NUL), I am writing to urge you to address the issue of student loan repayment burdens in the upcoming negotiated rulemaking process, announced in the Federal Register on August 18, 2006. Reducing student debt burden is both an area where you have the clear authority to regulate an issue that your Commission on the Future of Higher Education has identified as a priority.

The National Urban League agrees with the Commission's conclusion that, "Too many students are either discouraged from attending college by rising costs, or take on worrisome debt burdens in order to do so." The NUL is especially concerned about rising education costs and related debt burdens as it impacts all students, and African Americans in particular, on two levels: the ability to *access* higher education with its future economic benefits; and the ability to secure post-educational social and economic well being.

For African Americans, debt from educational loans grew by 112.2% between 1992 and 2004. With a median income of \$30,858 and an average of \$19,000 in assets, many African American families are limited both in their ability to finance college themselves and to pay off student loan debt in a timely fashion. For example, student loan debt grew by 222.5% for middle-age families (35 to 44) between 1992 and 2004, suggesting that if the economic burden of student loan debt continues to

grow it will have a significant impact on the ability of families to accumulate wealth and build economic security for later stages of life including purchasing a home, starting a business, saving for children's college and retirement. Existing racial gaps in educational attainment, earnings, wealth, and entrepreneurship will only be exacerbated by a failure to increase the Pell Grant and/or alleviate the burden of student loan debt for all Americans.

Aside from the detrimental effects of rising student loan debt on individuals, it can potentially have undesired effects on a much broader level if borrowers are deterred from pursuing careers as teachers, health care and child care workers, and other essential public service roles that meet our country's needs.

In May 2006, an alliance of student groups, the loan industry, and colleges presented your Department with a detailed proposal for improving the options available to struggling borrowers with federal student loans. The five-point plan developed by the Project on Student Debt would:

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.

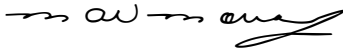
On behalf of the National Urban League, I strongly urge that you include these proposals in the upcoming rulemaking.

While many graduates are able to repay their loans comfortably, an increasing number of borrowers face unmanageable 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 help borrowers stay in repayment 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 graduates who can contribute fully to our economy and society.

Our nation's economic future depends on a well educated citizenry. Given the important role of loans in making it possible to attend and complete all forms of postsecondary education and training, it is incumbent upon us to ensure that loan repayments do not create crushing economic burdens that negate the social and economic benefits associated with the pursuit of higher education.

Sincerely,

A handwritten signature in black ink, appearing to read "m a r c m o r i a l", with a stylized flourish at the end.

Marc H. Morial
President and CEO
National Urban League

Cc: Donald Bowen
Stephanie Jones
Velma Cobb
Urban League Affiliate CEOs