



## Changes to Loan Repayment

*By Judith Earley*

According to a new public opinion survey released by the Project on Student Debt, while Americans view a college education as more important than ever before, they also worry that it is becoming less and less affordable.

The reality of graduates entering the work world with not only a degree, but also an unprecedented amount of student loan debt to repay is viewed as a serious burden for both middle-class and low-income families. Those surveyed believe that the government should be doing more to help, and they support reforms to make loan payments more manageable.

For Americans of all socioeconomic backgrounds, borrowing has become a primary path to a higher education. The Project on Student Debt works to increase public understanding of this trend and its implications for American families, the economy, and society as a whole. In recognizing that student loans play a critical role in making college possible, Project members work to identify cost-effective solutions that expand educational opportunity, while protecting familial financial security.

Citing concerns about how rising student debt and interest rates affect American families, groups representing students, parents, educators, and the loan industry petitioned Secretary of Education Margaret Spellings to make regulatory changes that would create more flexible and affordable ways to repay student loans.

This administrative petition seeks restructuring of the current repayment rules that are “inconsistent, confusing, and contradictory” and “do not provide clear and meaningful protections to borrowers who make good faith efforts to meet their obligations.” The petitioners are requesting regulatory changes that would limit required loan payments to a manageable proportion of income and forgive certain debts after 20 years of repayment.

“Concerns about the cost of higher education have been with us for some time, but they are taking on a new dimension as more Americans conclude that the debt students and families are taking on for college is unmanageable,” said American Viewpoint Senior Vice President Gary Ferguson. “Most say that today’s college graduates have too much student debt and that the government is doing too little to make higher education more available and affordable for people from all backgrounds.”

[**Law School Loans/EdFed**] CEO A. Harrison Barnes added, “In order to encourage educational growth and make college widely available, student loan repayment terms should be more responsive to individual circumstances and personal economic challenges.”



According to the survey, there is also widespread support for the establishment of an income-based tax credit for student loan interest, as well as for a proposal that would limit the amount of student loan payments to 10 percent of an individual's income. The pitch for tax credits on student loan interest that was included in the poll is based on model legislation developed by the Project on Student Debt.

The national survey, conducted by the bipartisan polling team of Hart Research Associates and American Viewpoint, also found:

- Eighty percent of adults say a college education is more important today than it was 10 years ago. But 66 percent also say that affording college is more difficult now, and 70 percent expect it to be even harder in the future.
- Three in five adults (59 percent) and two in three parents of current college students (63 percent) say students today graduate with too much debt. Two-thirds of adults (66 percent) say it is difficult to repay student loans.
- Sixty-four percent of adults say the federal government is doing too little to make higher education available and affordable.
- Sixty-one percent of adults and 77 percent of recent college students favor a proposal to cap student loan payments at 10 percent of income, even if it involves some additional government spending.
- More than three out of four adults (78 percent) support a refundable tax credit for student loan interest costs. That support, which crosses demographic and ideological lines, is strong despite possible costs of up to \$2 billion per year.

The diverse partnership of organizations that filed the petition is made up of two student loan agencies, American Student Assistance and the Great Lakes Higher Education Guarantee Corporation; two student groups, the United States Student Association and the State Public Interest Research Groups; the College Board; College Parents of America; the Council for Opportunity in Education; the Howard Center for Family, Religion, and Society; and the Project on Student Debt. The coalition is represented by Public Advocates, a nonprofit, civil rights advocacy group led by Jamiene S. Studley, former acting General Counsel at the U.S. Department of Education.

The Project on Student Debt is managed by The Institute for College Access and Success, a nonprofit, nonpartisan organization dedicated to expanding educational opportunity. Results from the poll, the full text of the administrative petition, and information about the model tax credit legislation are available at the Project's website, [www.projectonstudentdebt.org](http://www.projectonstudentdebt.org).