



August 24, 2009

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U.S. Department of Education
1990 K Street, NW
Room 8033
Washington, DC 20006-8502

RE: Federal Perkins Loan Program, Federal Family Education Loan Program, and William D. Ford Federal Direct Loan Program; Proposed Rule 34 CFR Parts 674, 682, and 685
Docket ID: ED-2009-OPE-0004
Document ID: ED-2009-OPE-0004-0001
Document Title: Federal Perkins Loan Program, Federal Family Education Loan Program, and William D. Ford Federal Direct Loan Program
RIN: 1840-AC98
Electronic comments submitted through the Federal eRulemaking Portal
<http://www.regulations.gov>.

On behalf of the nearly 100,000 bipartisan members of the American Association of University Women (AAUW), I write to share AAUW's comments in response to the U.S. Department of Education's Notice of Proposed Rule Making (NPRM) on the Title IV loan provisions in Higher Education Opportunity Act of 2008 (HEOA), published in the Federal Register on July 23, 2009.

AAUW strongly supported passage of HEOA, which reauthorized the Higher Education Act. Taken in tandem with the College Cost Reduction and Access Act of 2007, students benefitted from numerous new provisions that would make the dream of a college education more affordable. While the provisions were, on balance, strong steps in the right direction, AAUW was particularly concerned about initial regulations governing income-based repayment (IBR) loan provisions. As originally crafted, the regulations would have required some married borrowers to pay much higher income-based repayment (IBR) loan payments than unmarried borrowers in otherwise identical situations. AAUW is pleased that the Department of Education has taken steps in the most recent proposed regulations to rectify this problem, which would restore IBR loan provisions to their original intent.

AAUW's Support for the Higher Education Opportunity Act

AAUW's 2009-11 Public Policy Program affirms our commitment to "a strong system of public education that promotes gender fairness, equity, and diversity....and advocates increased support for, and access to, higher education for women and other disadvantaged populations."¹ With changes in the workforce over the last 125 years,

higher education is becoming less of a luxury and more of a necessity. By 2016, an estimated 9 million new jobs will likely require postsecondary education.² As the skill requirements of jobs continue to increase, so too should access to postsecondary education for all students.

Because student aid and family incomes have not risen at the same rates as college tuition, the dream of a college education has become more of a challenge in recent years, placing burdens on both students and their families. In fact, a majority of Americans are finding paying for college more difficult than they did a decade ago.³

The rising cost of higher education has led to an increase in borrowing to finance a college education. In 2008, average debt levels for graduating seniors rose to \$23,200, a 24 percent increase since 2004 alone.⁴ The Project on Student Debt reports that the average student loan debt of graduating seniors rose 6 percent, on average, between 2006 and 2007, while starting salary offers rose 3 percent during that time.⁵

This heavy borrowing impacts graduates' lifestyles and career decisions. In 2002, student loan debt caused 14 percent of young graduates to postpone marriage; 30 percent to hold off on buying a car; 21 percent to delay having children; and 38 percent to defer buying a home.⁶ In addition, loan repayment is an even more significant burden for women, who earn less on average over the course of their lives than their male counterparts.⁷ AAUW's recent report, *Behind the Pay Gap*, controlled for factors known to affect earnings such as education and training, parenthood and hours worked, and found that college-educated women still earn five percent less than men one year out of college and 12 percent less than men 10 years out of college, even when they have the same major and occupation as their male counterparts.⁸ Because women are more likely to borrow money for college than men and will earn less on average after graduation, female graduates are more likely to struggle with their loan debt.⁹ AAUW believes decreasing the financial burden of attending college will increase access to higher education, and help women obtain financial security and economic independence.

In 2008, AAUW joined in the bipartisan enthusiasm of the Higher Education Opportunity Act, which followed the successful 2007 passage of the College Cost Reduction and Access Act. Many of the laws' highlights match AAUW's long-held priorities, which include increasing Pell Grant awards to restore the grant's purchasing power and reducing subsidized student loan interest rates by up to 50 percent. In addition, AAUW strongly supported provisions to cap loan repayment at 15 percent of an individual's discretionary income and loan forgiveness for graduates who enter public service jobs.

Income-Based Repayment Plan (682.215, 685.221)

Definition of Partial Financial Hardship (§§ 682.215 (a)(4) and 685.221 (a)(4))

Congress' intent for the income-based repayment plan was to limit borrowers' payments to no more than 15 percent of their discretionary income. However, under the current regulations put in place in 2008 under the Bush Administration, when two

married individuals both have student loan debt and file taxes jointly, each could be expected to pay up to, or more than, double the monthly loan payment of two unmarried borrowers in otherwise identical situations. This is because the current regulations speciously assume each spouse has access to the couple's total discretionary income without considering that the other spouse could also be making student loan payments from the same discretionary income.

Married borrowers should not be forced to file their taxes separately in order to have their IBR payments capped at 15 percent of their discretionary income. Filing taxes separately forces married borrowers to forego a number of valuable tax benefits, such as the Earned Income Tax Credit, which can be worth thousands of dollars each year to low-income families with children; the Child and Dependent Care Credit; and the Hope and Lifetime Learning Credits. Any benefits that could be gained by filing taxes separately in order to receive IBR benefits would likely save the borrower less than the tax benefits they would lose by having to file their taxes separately.

Under the proposed regulations, when a married borrower and his or her spouse file a joint tax return with the IRS and both the borrower and the spouse have eligible loans, the joint adjusted gross income (AGI) and the total amount of the borrower's and spouse's eligible loans will be used in determining whether each borrower has a partial financial hardship. AAUW strongly supports this provision. There is simply no compelling reason to require borrowers to give up numerous tax benefits that they would otherwise be entitled to solely because they are repaying their student loans under the IBR program. In clarifying that a spouse's debt must also be considered when determining eligibility and payment levels under IBR, the proposed regulations are consistent with congressional intent and ease the financial hardship of married couples seeking to pay off student loans. Consequently, AAUW urges the Department of Education to adopt this regulation.

Conclusion

The proposed regulations are an opportunity to assist in making higher education an engine for workforce training and productivity. The U.S. Census Bureau estimates that, on average, a worker's annual earnings will double with a college degree compared to a high school degree.¹⁰ In addition to increasing personal earnings, a college degree has other economic and social benefits, including increased tax revenues, decreased reliance on public assistance programs, lower unemployment rates, and increased voting, volunteering, and other civic activities.¹¹ In order to achieve these benefits, however, emphasis must be placed on helping students shoulder the economic burden of college attendance costs. This is especially vital given the current economic downturn, as more students are seeking aid and additional people are returning to school to retrain, making additional funds critically important to both economic recovery and building a skilled workforce in a competitive global marketplace. AAUW urges the Department of Education to adopt the proposed regulations regarding income-based repayment for married couples.

If you have any questions, please feel free to contact me at 202-785-7720, or Adam Zimmerman, regulatory affairs manager, at 202-728-7617. Thank you for the opportunity to submit comments on these important regulations.

Sincerely,



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¹ American Association of University Women. (June 2009). *2009-11 AAUW Public Policy Program*. Retrieved August 18, 2009, from http://www.aauw.org/advocacy/issue_advocacy/principles_priorities.cfm.

² Bureau of Labor Statistics. (2008). *Occupational Projections and Training Data, 2008-09 Edition*. Retrieved Aug. 18, 2009, from <http://www.bls.gov/emp/optd/optd001.pdf>.

³ The National Center for Public Policy and Higher Education. (2008). *Measuring Up 2008*. Retrieved August 17, 2009, from <http://measuringup2008.highereducation.org/>.

⁴ Project on Student Debt and the National Center for Education Statistics (August 2009). *Quick Facts About Student Debt*. Retrieved August 18, 2009, from http://projectonstudentdebt.org/files/File/Debt_Facts_and_Sources.pdf.

⁵ The Project on Student Debt. (October 2008). *Student Debt and the Class of 2007*. Retrieved August 17, 2009, from <http://projectonstudentdebt.org/files/pub/classof2007.pdf>.

⁶ Baum, Sandy and Marie O'Malley. (February 6, 2003). *College on Credit: How Borrowers Perceive their Education Debt: Results of the 2002 National Student Loan Survey*. Retrieved August 17, 2009, from http://www.nelliemae.com/library/nasls_2002.pdf.

⁷ AAUW Educational Foundation. *Behind the Pay Gap*, 3. April 23, 2007.

⁸ AAUW Educational Foundation. *Behind the Pay Gap*, 11. April 23, 2007.

⁹ AAUW Educational Foundation. (April 2007). *Behind the Pay Gap*, 3.

¹⁰ U.S. Census Bureau. (March 28, 2005). *College Degree Nearly Doubles Annual Earnings, Census Bureau Reports*. Retrieved August 18, 2009, from <http://www.census.gov/Press-Release/www/releases/archives/education/004214.html>.

¹¹ Institute for Higher Education Policy. (February 2005). *The Investment Payoff: A 50-State Analysis of the Public and Private Benefits of Higher Education*.