

Macias, Wendy

From: [REDACTED]
Sent: Monday, June 15, 2009 1:28 PM
To: negreg09
Subject: Student Loan overhaul

To Whom It May Concern:

I'd like to suggest a different way to handle student loans that makes it fair to the consumer - and is based on common sense rather than making money off of the less fortunate.

Let me give you my story in a nutshell:

I have over \$50k consolidated with the federal government. I can't afford any of the "regular" payment options on a monthly basis, so I opted for the "income contingent" payment plan, which essentially provides me the smallest monthly payment possible while still keeping my account current. The problem is that this payment doesn't even come close to covering the interest accruing on the account every month, so I'm continuously in negative amortization! The total interest gained on the account capitalizes at the end of the year and becomes principal, which is then of course hit with the same fixed interest rate. On this plan, the government is nice enough to "forgive" the unpaid balance after 25 years of current payments, but that forgiven amount is then considered an unpaid debt to the government which is then taxed as income. So, in effect, it's like I won the lottery! I'm taxed on the entire remaining debt as income. Do the math, after 25 yrs of \$50,000 capitalizing interest every year at roughly 8% interest, then paying a projected 20-25% income tax on the remainder which I'm likely not going to have in my pocket to write a check immediately to the feds, so it will have to be paid in installments which you can bet won't be spread over another 25 years!

The interest rates on these loans should be setup similarly as to how federal taxes are bracketed - based on income - with a scale that allows money to be applied to the principal each month. It is absurd to expect someone whose passion is in a field that doesn't pay tremendously well upon graduation to be held under the exact same standard as someone who earns nearly six figures straight out of school. I attended state schools, therefore not indulging on over-priced private schools. I earned good grades, graduating with honors, and am proud of my accomplishments.

Let me be VERY clear here. I'm not looking for the government or anybody else to pay my debt for me, I just want to be able to afford repaying that debt at a reasonable rate - as well as PAY IT DOWN. Who will have the incentive to be a Social Worker or an Artist if the job doesn't allow you to pay back the loans that got you that education and job in the first place?

Why can't I refinance my loans as I do any other loan? Why is an education loan treated as a luxury purchase handled under tough restrictions, but I can buy an house/car/boat with options to change repayment at any time?

There is clearly a problem here. Education should be a human right, not a luxury - and though I understand there is a need to pay those institutions and instructors.

PLEASE reconsider how this is handled. It's simply not right to commit someone to a lifetime of debt - equivalent to purchasing an expensive car or home - and then expect them to continue to shore up the economy by then purchasing those durable goods that they can't afford.

Thank you for your consideration.

