



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF LEGISLATION AND CONGRESSIONAL AFFAIRS

October 29, 2007

The Honorable Howard P. McKeon

2351 Rayburn

Washington, DC 20515

Dear Congressman McKeon,

You asked about the Department's plans for the economic hardship provisions in the College Cost Reduction and Access Act of 2007 (CCRAA). I am pleased to respond. There will be a regulations package which will be published in the Federal Register on November 1, 2007 that changes several aspects of our regulations to comply with CCRAA, including the poverty line standard, but leaves the regulations regarding debt to income ratio intact. We intend to discuss this issue in the next round of negotiated rulemaking to see if the provision should be modified in any way. In addition, there will be a Dear Colleague Letter issued in the next few weeks that discusses implementation of CCRAA, including this issue.

As you know, under the Higher Education Act of 1965, as amended, (HEA), a FFEL, Direct Loan, or Federal Perkins loan borrower may qualify for an economic hardship deferment if the borrower's income does not exceed the greater of an amount tied to the poverty line standard or the minimum wage rate. Effective for all economic hardship deferment requests made on or after October 1, 2007, the definition of economic hardship in section 435(o)(1) of the HEA is amended to change the poverty line standard from 100 percent for a family of 2 to 150 percent of the poverty line applicable to the borrower's family size.

The CCRAA eliminates the provision of the HEA under which a borrower could be considered to have an economic hardship if the borrower was working full-time and

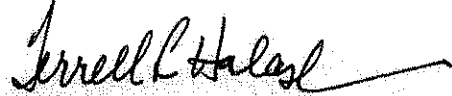
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had a Federal educational debt burden that equaled or exceeded 20 percent of the borrower's adjusted gross income. However, the CCRAA did not eliminate the Secretary's authority to establish by regulation additional criteria for an economic hardship deferment based on the borrower's income and debt-to-income ratio. Accordingly, until the Department issues new regulations to implement the CCRAA, the regulations at 34 CFR §§674.34(e)(4) and (5) and 682.210(s)(6)(iv) and (v) that establish an income and debt-to-income criteria for economic hardship remain in effect. The applicable poverty line standard for purposes of these regulatory provisions, however, is the new poverty line standard (150 percent of the poverty line applicable to the borrower's family size).

Should you need any further explanation, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink that reads "Terrell L. Halaska". The signature is written in a cursive style with a long horizontal flourish extending to the right.

Terrell L. Halaska  
Assistant Secretary