America's Student Loan Racket

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This writer's recent book titled "How Wall Street Fleeces America: Privatized Banking, Government Collusion and Class War" includes a chapter on America's student loan racket. It discusses the issue in detail.

It explains a disturbing government/corporate partnership. Students are exploited for profit. Providers are enriched. For many, rising tuition and fees make higher education unaffordable. Others need large loans to attend. As a result, they become debt entrapped.

Some face burdens up to $100,000 or higher. If unpaid after 30 years, it's a $500,000 obligation. If default or declare bankruptcy, it's unforgiven. Bondage is permanent.

Lenders thrive from defaults. Wages can be garnished. So can portions of Social Security and other retirement benefits. A conspiratorial alliance of lenders, guarantors, servicers, and collection companies derive income from debt service and inflated collection fees.

Education today grows more unaffordable. Many students are priced out and can't attend. Others become debt entrapped. Growing numbers remain there for life. A predatory system fleeces them.

Principle, accrued interest, late payment and collection agency penalties create enormous burdens to repay.

Once entrapped, escape is impossible. Unless repaid, future lives and careers are impaired. Today's economic crisis exacerbates conditions. Job opportunities are scarce. Ones for higher education grads are even fewer.

Around yearend 2011, student debt exceeded $1 trillion. It's staggering. It increases nearly $3,000 per second. It exceeds credit card and auto loan obligations. It's second only to outstanding mortgage debt. It's rising exponentially. A lost generation threatens.

It's part of the grand scheme to transfer maximum wealth to America's super-rich. It's been ongoing for decades. Under Obama, it accelerated.

On May 12, The New York Times addressed the issue. Titled "A Generation Hobbled by the Soaring Cost of College," writers Andrew Martin and Andrew Lehren overall did a credible job worth reading.

Ohio Northern University's Kelsey Griffith was mentioned. "To start paying off her $120,000 in student debt, she is already working two restaurant jobs and will soon give up her apartment here to live with her parents. Her mother, who co-signed on the loans, is taking out a life insurance policy on her daughter."

Griffith knew college costs were high. She never imagined owing $900 a month after graduating. "No one told me that," she said.

Nearly every baccalaureate candidate borrows to attend. Most can't imagine a future "unprecedented financial burden."

"Ninety-four percent of students who earn a bachelor's degree borrow to pay for higher education — up from 45 percent in 1993."

According to Consumer Financial Protection Bureau deputy director Rajeev Date:

"If one is not thinking about where this is headed over the next two or three years, you are just completely missing the warning signs."

He compares student loans to risky mortgages. Its extraordinary growth surprised many. Its roots, in fact, are deep. Its "cast of characters" includes college marketing officers, state and federal lawmakers, administration officials, and predatory lenders, guarantors, servicers, and collection companies.

Loans are easy to get. They're tough to service. They're not forgiven. For many in today's job market, they're impossible. Onerous debt escalates to greater amounts. A vicious circle entraps graduates and dropouts, many for life.

Since crisis conditions erupted, states and cities nationwide slashed budgets. Education paid heavily. Adjusted for inflation, spending per college student reached a 25-year low.

At the same time, tuition and fees keep rising exponentially. If current trends continue "through 2016, the average cost of a public college (education) will have more than doubled" in the last 15 years.

Students and parents are unprepared. So-called experts claim not attending college is worse than graduating with debt. They, of course, have none to repay, and feel secure in well-paid jobs in an unfriendly environment for new grads.

Obama let a bad situation fester. Last October, he offered pathetic relief. Repayment schedules were relaxed slightly. Only federal loans are affected. Students in default don't qualify. Moreover, for everyone who does, two or more fall behind in payments. A bad situation grows worse.

At most for the few qualifiers, savings are miniscule. At most, they're about one-half of 1% on interest.

Nearly 10% of borrowers who began repayments in 2009 defaulted in two years. It's double the 2005 rate. Some worry about the student loan system replicating the housing crisis. Doing so would have enormous economic implications.

Economists say the issue "hangs over the (economy) like a dark cloud for a generation of college graduates and indebted dropouts."

Major purchases are delayed or abandoned. At issue is repaying student debt forever, according Bowling Green State University dropout Chelsea Grove. She owes $70,000. She's working three part-time jobs. She's not going back. She can't afford it.

Twenty-three-year old Chistina Hagan is an Ohio lawmaker. She also attends Malone University. She'll graduate shortly with over $65,000 in debt. Despite earning $60,000 a year, she'll take a waitress job to service her $1,000 a month obligation. For her, it includes credit card debt.

Nationwide from 2001 – 2011, state and local per student financing dropped 24%. Over the same period, state school tuition and fees rose 72%.

Ohio State University gets 7% of its budget from Columbus. A decade ago it was 15%. In 1990, it was 25%. Decades earlier at some state universities, students attended free.

Today's financial reality creates enormous burdens. At issue is handling costs and repayment obligations. Then it's about finding decent jobs too few in number.

Few understand what they'll face. Colleges recruit students aggressively. Financial aid is touted. Fine print language is a "minefield" to understand.

"Some are written in a manner that suggests the student is getting a great deal, by blurring the line between grants and loans or not making clear how much the student may have to pay or borrow."

What's portrayed as "doable" and "normal," in fact, becomes onerous and unmanageable. Annual tuition increases aren't factored in. Neither is inflation and high interest rates.

College admissions staff don't explain. "While there are standardized disclosure forms for buying a car or a house or even signing up for a credit card, no such thing exists for colleges."

College costs are complex. Besides rising tuitions and fees, "a vast array of grants and loans and a financial-aid system that discounts tuition for most students (use hard to understand) opaque formulas."

Moreover, colleges avoid discussing affordability issues and possible future debt obligations. Growing numbers are like Wanda McGill. She "stopped opening her student loan bills."

She's not sure how much she owes but thinks it's about $100,000. She can't service it. After exhausting her funds, she dropped out of DeVry University's Columbus branch. Now she earns $8.50 an hour.

"I was promised the world and was given a garbage dump to clean up," she said. "Like my life was not already screwed up with welfare and all."

She's not alone. Epidemic conditions rage across America. An Occupy Student Debt protest joined other OWS campaigns.

Its web site "What You Need To Know" section says:

"We did what we were told to do and 'followed our dreams,' but we are now trapped by what was meant to be an investment in our futures, not a noose."

"Obama's recent student loan 'reform' has done nothing for those in default, or those of us with private (bank-backed) loans through Sallie Mae, Citibank, and so on."

"If we default, we cannot rent or buy homes, or even find jobs with the 60% of employers that check credit. Our professional licenses (i.e. nursing/teaching) can be revoked. And with the fees assigned to defaulted loans that double the amount owed, getting back on one's feet is nearly impossible."

"Not only would voluntarily defaulting do nothing to solve the underlying problem of out-of-control student loan debt, but defaulting can result in any number of detrimental outcomes, including, but not limited to the consequences listed above."

Today's crisis spread from for-profit institutions to others. However, former ones represent the worst problem. Students complain they're mislead. Lawsuits charge fraud, deception, doctoring attendance records, or offering near-worthless degrees.

As a result, their students are twice as likely to default. Among baccalaureate candidates, only 22% succeed in six years. At non-profit private schools, it's 65%, and at public ones it's 55%.

According to American Association of Collegiate Registrars and Admissions Officers associate executive director Barmak Nassirian:

"Mainstream higher ed can really self-righteously look at the big problem out there and say, 'The problem lies with the other guy."

"But there are all kinds of unfortunate practices in traditional higher education that are equally as problematic that are reaching the crisis point."

Political Washington largely ignores the problem. It's done little to curb abuses. Action belies lip service. A sinkhole of trouble deepens. A lost generation threatens.

Higher education today involves crushing debt burdens too onerous to repay. Rising poverty, unemployment, few job prospects, and a system sucking wealth to America's super-rich makes today's crisis unmanageable.

Education beyond secondary school once meant brighter futures. Today it ensures debt entrapment too demanding to repay. Neoliberal harshness polarized American society along class lines. It also affects Europe.

In modern times, it's harder than ever to cope. For growing numbers of deeply indebted students it's impossible. Their dreams became no-escape nightmares.

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His new book is titled "How Wall Street Fleeces America: Privatized Banking, Government Collusion and Class War"

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