

**The
BLACK
C o M M e n t a t o r**
Commentary, analysis and investigations
on issues affecting African Americans
www.blackcommentator.com

April 9, 2009 - Issue 319

[Contents of Issue Menu](#)

Click Here

[Home](#)

**Our House is on Fire, Part 5:
How About a Student Loan Bailout?
Color of Law
By David A. Love, JD
BlackCommentator.com Editorial Board**

Click on the back button of your browser to return to non printer friendly page of this article

[Click here](#) to get helpful hints for viewing and printing this printer friendly plain text page

The following is the fifth part of an ongoing Color of Law series.

Click [here](#) to read any of the commentaries in this series.

The education bubble is going to burst. It has to happen. On a daily basis, we hear about the bursting of the housing bubble. Housing values were over inflated. Millions of people found themselves with mortgages they could not afford to pay—whether through hard times and job loss, racial profiling and predatory lending by unscrupulous, avaricious banking institutions, or other reasons.

But neither can many Americans pay their college loans. Few people really talk about the unholy alliance made between institutions of higher learning and educational lenders to create a travesty in American education—that hot mess known as the student loan hustle.

Here is yet another reason why American capitalism is the scourge of the global community.

Colleges, grad schools and professional schools have become profit centers, cash cows and vocational processing plants, rather than places to expand one's mind and understanding of the world.

And each year, the cost of a college education increases far in excess of the rate of inflation, [twice the rate of inflation](#) to be exact. Private law school tuition increased nearly [three times the rate of consumer prices](#) between 1990 and 2003. In this time of economic gloom, parents—financially straightjacketed, perhaps unemployed or underemployed, no savings, or their investment portfolios eviscerated— cannot afford to send their children to school.

According to the College Board, the average cost of four years at a private college is \$136,000, \$57,000 at a public university. Meanwhile, the student loan industry makes \$85 billion a year. [Federal loans are at \\$544 billion](#), up \$42 billion from 2008. And students borrowed a record [\\$17.3 billion in private student loans in 2005-6](#), a 913% increase from a decade earlier. In 2008, according to [FinAid.org](#), there was nearly \$131 billion in outstanding private student loans. These private loans, the fastest segment of the student loan market, often have exorbitant and variable interest rates, highly punitive late fees and charges, and are based on the borrower's credit rating rather than his or her need. Thanks to the power of the student loan industry— and hack politicians who believe we must leave no corporation behind—these loans, unlike mortgage foreclosures, [are not covered by bankruptcy protection](#).

And then there are those unscrupulous and unduly influenced university officials who accept kickbacks, gifts, trips, revenue sharing agreements and other goodies from the lenders (who are eager to earn even more profits on the backs of students), in exchange for access to students. [Andrew Cuomo](#), New York State attorney general, uncovered much of this scandal in a 2007 investigation. For example, the financial aid director at the University of Southern California [owned 1,500 shares of Education Lending Group](#), parent company of the university's preferred lender, Student Loan Xpress. In addition, the financial aid directors at Columbia University and University of Texas owned stock in that company, with the former selling his shares at a \$100,000 profit. All three officers were terminated by their respective universities. The director of student financial services at Johns Hopkins University resigned after Cuomo's probe revealed that [she had received \\$65,000](#) from Student Loan Xpress, giving the impression that she was an employee of the lending company rather than of the university. And Matteo Montana, a Bush Department of Education official, [held at least 10,500 shares](#) (at least \$100,000) of the company's stock, and he was supposed to be overseeing that lender, as well as others who participated in the Federal Family Education Loan Program (FFELP).

When greed rules the student loan process—not unlike financial deregulation and the Wall Street meltdown, the Madoff scandal, and the subprime mortgage mess— no one is looking out for the interests of ordinary students. The result is that students get shafted, and the banks and their enablers get rich. People of meager or modest means, just hoping for education as a way up and a way out, are crushed under the weight of loans they cannot afford to pay when they graduate. They emerge no better, or even worse off, than the previous generation, with six-figure, mortgage-sized indebtedness, and monthly payments that exceed all other expenses, if not their entire paycheck. Some young people must forego homeownership because they cannot afford a mortgage, or must live with their parents until things get better, if they ever get better.

But in this system of American capitalism, where education provides false and empty promises of hefty rewards, not everyone is even supposed to have a job. The proliferation of prisons for the surplus population—in Dickensian fashion—and the doling out of tax breaks for corporations that move jobs overseas, provide more than ample proof of that proposition. High college debt levels drive people into corporate jobs they might not want, but there are not nearly enough of those jobs available for those who want them, in any case. For evidence, look at the legions of thousands who are being shown the door in corporations and [law firms](#) throughout the country right now. Often, those who prefer a public interest job must forego a career of community service, dismiss it as financially unsustainable, or choose that potentially perilous path only through extreme personal sacrifice and a commitment to a life of near

impoverishment—that is, just a stone’s throw away from the plight of some of their clients.

What is missing here is that education can and should be an enriching experience, to build character and knowledge, and create productive members of society. But for many, it appears that is not worth the cost. And yet, why isn’t education considered a civil right, a human right? Why isn’t it free, or at least close to it? And if AIG, Citibank, General Motors and other corporations deserve a financial bailout, what about the debilitated student loan debtors? What about a national student loan forgiveness program? Let’s wipe the slate clean and start anew. A [Facebook group](#) was created to call for just that, to petition Congress to eliminate the [estimated \\$600 billion or more](#) in U.S. student debt, on the grounds that doing so would stimulate the economy. The Facebook group has nearly 167,000 members.

Is there hope on the horizon? Well, as a start, President Obama wants to eliminate the role of private industry in the federally guaranteed student loan program. This step would [eliminate the \\$4 billion in annual government subsidies](#) to these private companies, which include such big names as Citigroup, SallieMae, Bank of America and JPMorgan Chase.

Also, under [The College Cost Reduction and Access Act of 2007](#), monthly federal student loan payments are capped at 10% of a debtor’s gross income for 25 years. The rest of the debt is forgiven.

In addition, Rev. Jesse Jackson is leading a campaign called [Reduce The Rate](#). The movement is calling for Congress to do the following:

- 1) Reduce the interest rate on all student loans to 1%, the same rate the banks enjoy;
- 2) Extend the grace period before loan repayment begins from 6 months after graduation to 18 months;
- 3) End the penalties assessed to schools for student loan defaults, and
- 4) Increase Pell Grants to cover the average yearly cost of a public 4 year institution, rather than the amounts in the current stimulus package (which are \$5,350 starting July 1, 2009, and \$5,550 in 2010-2011).

What happens next will depend on public pressure, and the power of youth and others whose voices were heard in the 2008 election. To be sure, the influence of Wall Street insiders in the Obama administration, individuals such as Treasury secretary Timothy Geithner and Lawrence Summers, is by no means encouraging. And the pimps and prostitutes for the student loan industry who double as members of Congress will do what they can to stop any further pushes toward that ever-dreaded “European-style socialism”. We shall see. If nothing else, it will be interesting to watch.


[Click here to comment on any article
in this issue or see what others are saying in the
The BlackCommentator Readers' Corner Blog](#)

BlackCommentator.com Editorial Board member David A. Love, JD is a journalist and human rights advocate based in Philadelphia, and a contributor to the [Progressive Media Project](#), [McClatchy-Tribune News Service](#), [In These Times](#) and [Philadelphia Independent Media Center](#). He contributed to the book, [States of Confinement: Policing, Detention, and Prisons](#) (St. Martin's Press, 2000). Love is a former Amnesty

International UK spokesperson, organized the first national police brutality conference as a staff member with the Center for Constitutional Rights, and served as a law clerk to two Black federal judges. He blogs at davidalove.com, [Daily Kos](http://DailyKos.com), and [Open Salon](http://OpenSalon.com). [Click here](#) to contact Mr. Love.

[Contents of Issue Menu](#)
Click Here

[Home](#)

Click Here To
CONTRIBUTE TO  NOW

Click Here To
CONTACT 

Your comments are always welcome.

e-Mail re-print notice

If you send us an e-Mail message we may publish all or part of it, unless you tell us it is not for publication. You may also request that we withhold your name.

Thank you very much for your readership.

Website Design and Hosting provided by



Copyright © 2002-2009
www.BlackCommentator.com
All Rights Reserved