

Macias, Wendy

From: Macias, Wendy
ent: Monday, June 15, 2009 3:48 PM
fo: negreg09
Subject: FW: Student Loan Hearings?
Attachments: StudentLoanAdversaryProceedingMay2009.doc; Democracy Now! Reduce the Rate Rev_
 Jesse Jackson Joins Movement Against Crippling Rates on Student Loans.txt;
 EdFundREFORM@SFChronicleSept04.doc; UndueHardshipBankruptcyStudy2009.pdf

From: [REDACTED]
Sent: Monday, June 15, 2009 3:08 PM
To: [REDACTED]
Subject: Student Loan Hearings?

I started a news page about the student loan issue and you may wish to add this to your files regarding the hearings on student loans. We need an end to the Draconian and unethical collection practices; bankruptcy protection which all other borrowers have a right to; caps on amounts and a statute of limitations.

Here is my news page geared toward Californians. I contains thousands of victim stories from Californians but we have thousands of members across the country at www.StudentLoanJustice.org.

<http://groups.google.com/group/student-loan-justice-california?hl=en>

I tell my own story in the adversary complaint I was forced to file as a matter of procedure in my bankruptcy after my Chapter 7 was granted, excluding student loans. I attach a copy along with a copy of the new study out on how the requirement for an adversary proceeding in counterproductive.

[REDACTED]

State coordinator, California

[REDACTED]

[Examiner.com](#) (click link)
 San Francisco opera (*Bay Area opera*)

The Defendant [REDACTED] is the Director of Financial Aid at the University of California at Berkeley .

STATEMENT

Case law provides for the discharge of student loans due to undue hardship.

According to financial aid expert [REDACTED] on his website FinAid.org, most court cases cite [REDACTED] v. New York State Higher Education Services Corp. (October 14, [REDACTED]) for a definition of "undue hardship". That decision adopted the following three-part standard for undue hardship:

1. That the debtor cannot both repay the student loan and maintain a minimal standard of living based on current income and expenses.
2. That this situation is likely to persist for a significant portion of the repayment period of the student loans.
3. That the debtor has made good faith efforts to repay the loans.

A. Current income and expenses

I live like a nun and have done so many years. Charitable and volunteer work has been my focus. I love the outdoors and I taped features about Mount Diablo for five years and got eighty eight thousand dollars (\$88,000) worth of airtime for many community interests. I also got newspaper publicity for these groups, such as the Lindsay Wildlife Museum and it's clean water campaign; Save Mount Diablo; Animal Rescue Foundation (ARF); and Canine Companions, which provides service dogs to the disabled. I even

promoted the rescue of wildlife when I moved back home to San Leandro from Contra Costa (Attachments A and B).

Little did I know at the time I would lose my own beloved golden retriever to cancer and the veterinary bills for the year would amount to over thirteen thousand dollars (\$13,000). (Attachment C)

In 2000 I started volunteering for arts organizations such as the San Francisco Opera and Ballet; and the San Francisco Film Society. This January 2009 I began writing for Examiner.com as the San Francisco Opera columnist. (Attachment D) Examiner.com pays one cent per webview and I am now averaging forty five (\$45.00) dollars a month. My compensation comes in the form of press passes. Media for arts organizations and artists continue to invite me to cover them including some of the biggest names so I find the work rewarding even though I am still starving financially.

I earned a certificate in video production in 2006 to help update my skills. I had worked as a production assistant in New Orleans during the millennium, earning eight dollars (\$8.00) an hour part-time from WLAE TV/PBS. I had nothing and to this day I ride the bicycle I rode to work in New Orleans . The bike survived Katrina and it's pre-rusted. (Attachment E)

I also ride not just for my health but because I have no car as it stopped working. Before it stopped the repair shops drained the last of my resources in 2007. (Attachment F)

B. Persistent situation throughout loan repayment period;

Twenty seven (27) years since graduation from UC Berkeley

Since then I have begun some activist work on behalf of victims of the credit crisis so I support my Congressman Pete Stark in this regard. I attach a letter he sent to [REDACTED] asking for the reinstatement of basic consumer rights for student borrowers in exchange for banks taking bailout money. (Attachment G)

The letter from December 2008 is signed by eighteen members of Congress including [REDACTED] whom I visited personally. I started a newspaper for Californians to contact their representatives and the public interest attorneys who have initiated class actions around the country. This is [REDACTED] (Attachment H)

I attach an item about the new campaign on behalf of student borrowers who are left worse off than ever because of student loans. This is Reverend Jesse Jackson's ReduceTheRate.org. (Attachment H-1).

I attach a page from a Facebook group calling for student loan forgiveness to be part of the economic stimulus. There is a petition going to President Obama. The group had 130,000 members within a few months. (Attachment H-2)

In such a spirit of public service in a time of crisis I also passed the United States Foreign Service Exam, the written portion, in July 2006. I am one of 2,000 who passed out of eighteen thousand (18,000) who took the exam. (Attachment I)

I also attach a letter of reference from a long time friend and former mentor from American Women in Radio and Television, a national group of professional journalists chartered by Eleanor Roosevelt. (Attachment J)

I have been able to get one day assignments as an actor or product demonstrator and managed to make payments on credit cards with this. I attach my resume.

(Attachment K)

My credit report from August 2008 reflects accounts in good standing. You will see I had one credit card only open and nothing unnecessary charged. (Attachment L)

I am receiving public assistance in the form of food stamps. They started almost two years ago, August of 2007. (Attachment M)

Insurmountable family problems

Moreover I live in the tract house I grew up in and it is owned by my elderly mother, who is 75. She has been divorced most of her life and is an alcoholic, as are her two other

children, age 43. I am the exception to this destructive pattern and I have gone through a program for adult children of alcoholics.

Although I was married ten years ago for ten years to a fellow Berkeley graduate, I have never had a father. He was killed in a car accident before I was born, in 1959. The official ruling was due to icy road conditions at night that February, one of many other such deadly accidents.

C. Good faith effort to repay the loans

I started to repay my loans to the University of California at Berkeley as agreed upon graduation in 1982. I attach an accounting statement from the financial aid office detailing these payments in the early 1980s. (Attachment N)

Moreover the US Department of Education intercepted about thirty seven hundred dollars (\$3,700) from me from 2001 through 2005 via the US Treasury Department's tax refunds. (Attachment O)

D. Creditors act in bad faith

I attach excerpts about my creditors. One is a few pages from the new book by the founder of www.StudentLoanJustice.org, Alan Collinge. The book is The Student Loan Scam by Beacon Press and has a section on the Department of Education.

(Attachment P)

I also attach an article from the New York Times about the senate report by Senator Edward Kennedy on school loan corruption. It includes [REDACTED] efforts to reform and sanction. (Attachment Q)

The school loan charges have been tripled with interest and fees. There is a class action pending on the issue of whether the Department of Education is liable for such charges. The public interest law firm is Sprenger & Lang and the case is Pfeiffer v. The US Department of Education.

I also attach a recent study by a statistician regarding student loans along with a law professor's general discussion of the undue hardship test. Professors [REDACTED] of Tulane and [REDACTED] wrote *The Real Student-Loan Scandal: Undue Hardship Discharge Litigation*. (Attachment R)

E. Request for refund of tax interceptions or in the alternative, consideration of tax refunds intercepted as satisfaction of the obligations.

I respectfully request the court to have the USDE refund these interceptions as I needed the refunds for basic necessities of life.

Alternatively I request the court to consider these payments as satisfaction of my obligations.

///

The USDE has been sending me statements billing me for about thirty six thousand dollars (\$36,000) in principal; thirty four thousand dollars in interest (\$34,000) and about seventeen thousand (\$17,000) in an automatic penalty, a fee based on a percentage of the principal (forty percent) rather than actual fees incurred. The USDE then bills me for about eighty six thousand dollars (\$86,000). (Attachment S)

PRAYER FOR EQUITABLE RELIEF

REQUEST FOR UNDUE HARDSHIP DISCHARGE OF STUDENT LOANS

I have tried to keep up and at age 49 I have the corresponding amount of working years left while I still have no assets such as a home, a car, a retirement savings account, health insurance. So I am frugal and live humbly. For example, living on a few hundred dollars a month and food stamps and getting around on a bicycle. I take good care of my health and believe in prevention. I do not drink beyond the extremely rare social drink; I deplore smoking and drugs and have not used them. This is probably why I can maintain friendships and working relationships.

Since I earned scholarships and grants to put myself through UC Berkeley, I continue to write with compassion and thoughtfulness; and to try to alleviate or prevent the suffering of others. Nevertheless I find getting more paying work for myself beyond what I have managed to be impossible for some reason. So I have struggled with debt alone and that seems mathematically impossible to pay since the 1980s, virtually all of my adult life, a quarter of a century. I graduated from the University of California at Berkeley in 1982. Yet I persist.

I seem to be able to work my heart out as long as nobody has to pay me.

The financial stress has been unbearable and unjust considering my life of humble community service and solitude; and considering my documented attempts to pay my debts including my student loans. So considering I am 49 and have never known relief from debt in my adult life, this condition is likely to continue unless the court grants mercy. I have a continuing insurmountable inability to pay although I have done my best.

I pray for relief from eternal punishment and as a practical matter, after being granted a personal bankruptcy. Judge [REDACTED] granted a Chapter 7 discharge on April 28, 2009. So I pray for relief through a hardship discharge of student loans.

WHEREFORE, the debtor prays the court enter an Order for the student loans owed by debtor [REDACTED] to be dischargeable in bankruptcy.

Respectfully submitted,

[REDACTED] Debtor

Signature: _____ Date: May __, 2009

acv Now! Reduce the Rate Rev_ Jesse Jackson Joins Movement Against Crippling Rates on Student Loans
Democracy Now! | Reduce the Rate: Rev. Jesse Jackson Joins Movement Against Crippling Rates on Student LoansDisplay

http://www.democracynow.org/2009/3/12/reduce_the_rate_rev_jesse_jackson

Guests:

Rev. Jesse Jackson, Civil rights leader and founder of the Rainbow/PUSH Coalition. He recently started the website ReduceTheRate.org.

Alan Collinge, founder of StudentLoanJustice.org and author of the new book *The Student Loan Scam: The Most Oppressive Debt in U.S. History—and How We Can Fight Back*.

Rush Transcript

This transcript is available free of charge. However, donations help us provide closed captioning for the deaf and hard of hearing on our TV broadcast. Thank you for your generous contribution.

Donate - \$25, \$50, \$100, More...

Related Links

[Reduce The Rate](#)

[Student Loan Justice](#)

["Default: the Student Loan Documentary"](#)

As the Obama administration continues to spend hundreds of billions of dollars to bail out the nation's banking system, a growing movement is calling on the government to do more to help students struggling to pay for college.

According to the College Board, the average cost of four years at a private college is now a staggering \$136,000. Four years at a public university, on average, will set you back \$57,000. In order to pay for the rapidly increasing tuitions, students were forced to borrow a total of \$85 billion during the last school year, up from \$41 billion ten years ago. The average student now leaves college with \$20,000 in debt.

This is an excerpt from the forthcoming documentary *Default: The Student Loan Documentary*, a film by [redacted] and [redacted].

FORMER STUDENT 1: The Citibank Student Loan Corporation would send me these notices, and they'd say, "This is just to notify you of your interest rates." And then they started sending me ones saying, "This is just to notify you of a change in your interest rates." And it was like—it was like watching the odometer on a car.

FORMER STUDENT 2: I remember thinking, "What happened to the nine percent? Where did this 17 percent come from?" and seeing the number, something like \$900—something a month for my private student loan and immediately realizing that was more than I make in a month.

[redacted]: The most recent estimate is that the amount of outstanding student loan debt in the country is approaching \$40 billion, with a "b." And that is only the federally guaranteed student-defaulted student loan debt that is out there. We're not counting the private loans in that, which is probably another \$5 billion to \$10 billion, and growing quickly.

FORMER STUDENT 2: The original loan amount was \$45,974. And this last statement I received on December 16, 2007, indicates that the outstanding balance is \$73,789. So it has accrued just shy of \$30,000 in interest.

FORMER STUDENT 1: If you look at it in the roundhouse figures, OK, it was \$30,000 to go to UNR for three years. They now say that I owe about \$90,000.

cy Now! Reduce the Rate Rev_ Jesse Jackson Joins Movement Against Crippling Rates on Student Loans
So it's tripled. They can seize Social Security. They can seize tax refunds.
They can garnish your wages. Like if I get hit crossing the street by a bus
and I end up in a wheelchair, they can seize my disability.

[REDACTED]: The documentary Default: The Student Loan Documentary. More information about the film is available at the website defaultthemovie.com.

We're joined now by two guests who have been closely following this issue. The Reverend Jesse Jackson is with us in our firehouse studio, the founder of the Rainbow/PUSH Coalition, longtime civil rights activist, has launched a campaign called Reduce the Rate, urging the Obama administration to slash the interest rates on student loans. And [REDACTED] joins us from Seattle. He's founder of studentloanjustice.org and author of the new book *The Student Loan Scam: The Most Oppressive Debt in U.S. History—and How We Can Fight Back*.

We welcome you both to Democracy Now! Tell us about this campaign. It's good to have you back, Reverend Jackson.

REV. JESSE JACKSON: well, really we have made a fundamental shift from grants to loans. And these are very oppressive loans. The more you go to school, the worse off you are. Talking about students who are in \$150,000 in debt, they marry a classmate, \$300,000 in debt, and so you have the combined burden of the loan, and then you have compounded interest. If you don't start paying back after six months, then you're facing default and garnishment. If 20 percent of your school cannot pay back, it can face the loss of accreditation. It only gets worse.

And so, we feel that students should get the same deal banks are getting. If they can get, on the top, zero to one percent loans, students should get zero to one percent loans, and it is a transparent flow of the moneys. When you, in that sense, restructure the student loan process—more grants and less loans—it helps the student, it helps their parents, it helps the school, it helps community. I mean, the help just never stops coming.

And so, we have launched a website, reducetherate.org. Students should begin rebelling and marching across the country. Students have accepted this as like normal. It's normal, but it is not right. And it is a point of rebellion. So we're urging students across America who want to reduce the rate and have more grants and less loans, let's begin to have marches, use last year's energy in the presidential campaign, demand a new deal.

President Obama wants students, in fact, to get a better deal. Were it not for his hit book, we'd have a president today with a student loan. His hit book allowed—he and Michelle both, a presidential—Harvard Law School graduates—were still owing on their loan until two years ago. So think about those who are in a less fortuitous circumstance. So I'm anxious to urge students around America, don't just sit there and take that hit. Let's fight back.

[REDACTED]: And what about the role of the government in this? Sallie Mae, the organization that guarantees a lot of these loans, they apparently—as I understand it, their fee income, for Sallie Mae, went up about 228 percent, while their loan portfolio only increased by 78 percent in the early parts of the decade.

REV. JESSE JACKSON: well, they're getting free and charging a fee. On the one hand, the TARP moneys, zero to one percent, they are—that should—students should get the same deal banks are getting. On the other hand, the federal government can borrow money at three percent and sell student loans at six. So they're really scalping tickets, they're scalping loans. The money that they make from that deal finances the Pell Grants. You would think the Pell Grant is some generous investment. The fact is, the Pell Grant money is the money made from the gap between what the federal government borrows for and what it does with students.

AMY GOODMAN: We're going to go to break, and when we come back, we'll also be joined by Alan Collinge, who is now devoting his life to this issue. Starting out simply with a student loan, now he's written the book *The Student Loan Scam* what is Sallie Mae? How did it come to be? Who is profiting? And, of course, Reverend Jesse Jackson will stay with us. Stay with us, as well.

[break]

Just before we go back to our guests, some of the voices of the students in this discussion. The American News Project recently interviewed a group of young people working at Mother Bear's Pizzeria in Bloomington, Indiana, home of Indiana University. This is what some of them had to say about the student debt.

FORMER STUDENT: I'm no longer in school. I ran into some issues, money issues, so I had to leave. And my original idea was to start working here and totally make enough money to go back to school, but it's harder than you think, because you still have to pay for being alive.

I think that a lot of parents who were planning for their kids' education didn't save enough. The cost of tuition and books and all that stuff shot up. Like, you're figuring, if you had a kid twenty years ago, and you were like, "Oh, well, I have to save this much plus a little extra for inflation," and then you look at the prices of school, like now versus twenty, twenty-five years ago, it's insane. It's insane.

STUDENT: You know, you hear that—especially in an election year, you hear all this [expletive] about, you know, the American dream. Well, what's the American dream when, you know, now I'm paying—I just was talking to my buddy about it—I think I'm paying \$800 a month—yeah, \$800 a month—in loans and debt just for school alone. And I manage a pizza place.

My little sister's visiting. Hi, sister. I haven't seen her—

STUDENT'S SISTER: Hi.

STUDENT: Good to see you. I haven't seen her in a couple months. Actually, funny, haven't seen her in a couple months, because she stopped going to college, moved back in with her parents because of the expenses of living down here. So, you make the decision. You can stick it out like me and be \$60,000 in debt, give or take. Or you can just get a full-time job and then like get your education, you know, further down the line. I guess that's the economics of going to college, is you're damned if you do, you're damned if you don't.

: And thanks to the American News Project for going to Bloomington, Indiana. Well, Alan Michael Collinge joins Reverend Jesse Jackson right now. He wrote *The Student Loan Scam: The Most Oppressive Debt in U.S. History—and How We Can Fight Back*. Alan's joining us from Seattle.

Alan, what happened to you? And then tell us about your research.

Yeah, it's good to be with you, Amy. I originally borrowed \$38,000 for my undergraduate and graduate education at the University of Southern California. Upon graduation, I got a fairly prestigious but fairly low-paying job at California Institute of Technology. Well, I left that job just prior to September 11, 2001. I found myself briefly sort of unemployed, underemployed, about a year or so, and I applied for what's known as a "hardship forbearance" through my lender, by which I would be able to withhold payments for six months or a year while I got on my feet financially. Well, unfortunately, instead of granting my forbearance, my lender, who happened to be Sallie Mae, put my loan into default. And so, very quickly, within a little over a year, my loans had ballooned to \$80,000 with penalties and fees. And by 2005, I was being billed for well over \$100,000.

And this is despite my best efforts through every step in the process to negotiate what I considered to be a fair and reasonable payment plan for the debt. And, I mean, this really caused me to wonder why I had such little power, as compared to other forms of consumer debt. And so, in researching the topic, I found out that, you know, nearly every standard consumer protection that we take for granted with every other type of loan in the nation is simply nonexistent

CV Now! Reduce the Rate Rev_ Jesse Jackson Joins Movement Against Crippling Rates on Student Loans for student loans. They used to exist, but thanks to the lobbying influence of Sallie Mae, Citibank, the Consumer Bankers Association and others, the most standard consumer-

[REDACTED], can you explain what Sallie Mae is?

[REDACTED]: Yeah, you know, a lot of people are wrongly in the understanding that Sallie Mae's a part of the federal government. They are not. They started in 1972 as a government-sponsored entity; that is true. However, Sallie Mae privatized starting in 1995. And today, they are a completely for-profit entity with no formal ties to the government.

[REDACTED]: And so, explain who profits? Continue with the story.

[REDACTED]: Yes. Well, in the absence of bankruptcy protections, for example, statutes of limitations, truth in lending requirements, refinancing rights, fair debt collection practices, in many cases, and also state usury laws, the industry finds that it can be far more profitable when a loan defaults rather than a loan remaining in good stead. And this is also due to congressionally mandated collection powers that, in the words of Harvard Professor Elizabeth Warren, would make a mobster envious.

So they—and I think this was mentioned earlier in the trailer for the documentary—they can garnish wage, tax return, Social Security, disability income, all without a court order. Not only that, but they can suspend professional licenses. They can have—well, this causes security clearances to be denied. And this is in addition to all the sort of pain that a delinquent borrower would face with any other type of debt.

So, under the current system, lenders like Sallie Mae make a lot of money if you can pay your loan and everything goes smoothly. However, they can make a lot more money, particularly the large lenders like Sallie Mae, Nelnet and others, when a student defaults on his or her loan. And the reason is that they sort of get a second bite of the apple. So when a loan defaults, the lenders are paid nearly full book value, principal and interest, but upon default, the loan is literally exploded with just massive penalties and fees. And so, lenders like Sallie Mae, who also conveniently own collection companies, can come back for a second bite of a much larger apple.

[REDACTED]: Does Sallie Mae function like Fannie Mae and Freddie Mac? Are they basically buying up loans that others originally make, or do they originate their own loans? How does that work?

[REDACTED]: Yeah, they're very similar. And Sallie Mae began as simply a warehouse of loans, much like Fannie Mae and Freddie Mac. However, over time, they sort of took over the industry, both vertically and horizontally, frankly, to where they were not only sort of repurchasing loans, but also originating loans, consolidating loans, and most recently, Sallie Mae has, and others have, begun to take advantage of what's known as the private student loan market. Private student loans are not guaranteed by the federal government and typically are used as a bridge between what the universities are charging now and what the federal loan limits allow. These loans typically have very high interest, on par with credit cards.

But again, not only are federally guaranteed student loans astonishingly absent of bankruptcy protections, but in 2005, the industry convinced Congress—how, I don't know—to remove bankruptcy protections from private loans. So, these private loans are very dangerous, and we have the student loan industry and Congress to thank.

[REDACTED]: Reverend Jackson, talk more about the bankruptcy issue.

REV. JESSE JACKSON: Well, the students, you know, really are seduced into the loans. I was talking to students from Northwestern last week, and they're just kind of signing off, you know, assuming when they get out of law school, they can kind of pay it back. But now, I mean, those jobs don't exist, so they can't pay it back. And they marry each other, which doubles the burden and their compounded interest, and so that's a big piece of this.

And then, of course, if you don't pay it back, you can use bankruptcy laws to get out of your foreclosed house, but not out of the federal loan. So there's more stringent standards on students who are trying to pursue an education even than those that face the home forfeiture crisis. And students, I have found, accept this as kind of the price I pay for pursuing education.

CV Now! Reduce the Rate Rev_ Jesse Jackson Joins Movement Against Crippling Rates on Student Loan

Not long ago, you could be a first-generation student in college and marry and mate, combine a bank account and buy a home first generation. Now you marry into debt. You're worse off by getting an education than by not getting one. It makes more sense, in this sense, to get an associate degree at a community college and have a trade—sewing, laying line for Verizon—than it does to go to a four-year university.

And so, our basic appeal is, let students have the same deal banks get. And that alone would be a massive cut. Cut the middle person out, and let students have direct access to the money, and have some civilized—and, for example, if you become a doctor and you have a big loan, if, when you graduate, you serve in some indigent community, you can work it off in that way. If you become a lawyer—because now if they're going to law school or med school, it's just prohibitive. You come out wearing \$250,000 worth of debt.

██████████ Reverend Jackson, I'd like to ask about the responsibility of the colleges and schools which these students are attending to counsel them on this whole loan process, because my understanding is that in interviews with some college students that basically they're encouraged to take out as much money, sometimes even more than just the tuition for the school. They're basically encouraged to take out huge loans. And what is the responsibility of the colleges?

REV. JESSE JACKSON: Part of this—a lot. Part of the scandal that ██████████ unveiled was this kind of university manipulation with the banks, for example. That has to be dealt with, as well.

But it's now time for a comprehensive look at this. The President asked for students to pursue an education, come out and do community service. You cannot afford to do community service, unless you tie in working off the loan with community service, for example. But I think most Americans have no idea. I'm looking at teachers who are paying off student loans, whose children are now paying off student loans, intergenerational student loan debt, mortgaged student education, as opposed to even a house. Children are the future. And so, why would one go to med school or go to law school or pursue an MBA? You come out with a debt that you cannot afford to pay. And the chances are that you will default, are so great, you end up with a low credit score, and you're working from a hole the rest of your life just because you pursued an education.

██████████: ██████████, you write that Sallie Mae operatives troll the blogosphere to go after students?

██████████: Yeah, you know, since I've started this as a grassroots effort, I've met a lot of sort of anonymous resistance on the internet. And it's a little disturbing. You know, these people come up, and they'll print all manner of misinformation, untruths. And it's really disconcerting. But I think it's important to note that, you know, for instance, there was a 60 Minutes episode on precisely this issue a couple of years ago. Sallie Mae refused to show up for the interview, and so I think that really says it all right there.

And I also would like to say that, you know, Reverend Jackson hits the nail on the head. You know, this is a debt burden that no other generation has had to face. You know, thirty years ago, Reverend Jackson rightly pointed out that people could pay for college, you know, working an odd job over a couple of summers. Well, those days are long gone. You know, as a nation, we owe \$600 billion in student loan debt. And so, in the absence of a draft, what else, what other compelling issue is there more compelling to get the students out there and fighting for their economic future?

REV. JESSE JACKSON: We can lose a greedy bank more than we can lose a generation of needy students. I mean, the banks are self-inflicted wounds. Students, in their innocence, are trying to borrow money, are trying to get a scholarship, to do the right thing. They want to be productive, and this is a very counterproductive measure.

And I would think students who are listening might contact us at reducetherate.org. Let's begin to mobilize campus by campus, turning our agony, our protest, our votes, into demanding that there be a complete restructuring of

CV Now! Reduce the Rate Rev_ Jesse Jackson Joins Movement Against Crippling Rates on Student Loan access to student loans, and I might add, less loans and more grants in the first place.

[REDACTED]: And, Alan Collinge, what's been the response? You've called yourself the complaint box of the student loan movement. What's been the response to your exposés in recent years?

[REDACTED] well, it's been tremendous. And, you know, the most powerful thing that I can point to is really the thousands of stories that I've received from people from age eighteen to age eighty who have been—I mean, literally, their lives have been literally destroyed by their student loans. It's amazing, but, in fact, you know, we've documented dozens, many dozens, of people who have literally fled the country as a result of this debt, people whose family members have committed suicide and so on. I mean, it's been tremendous. And it's just a shame that the students don't really get this issue until it's too late, frankly. And so, I'm hoping that shows like this and others in the future will serve to alert the students while there's still time to change the system, while they're still in school, before they take out the loans.

REV. JESSE JACKSON: Alan, I'm meeting you for the first time on this program, anxious for us to connect today and expand the base. I met with students from Northwestern last week, 150,000, 170,000 in a common place. And many of them want to do public service law. They cannot afford to do it. Others thought they were going to get a law job; they're not going to get that job. But the good news is, when we fight together, we can win these battles. And so, I'm anxious for us to meet together when this session's over. And so, thank you for being the link today, Amy.

[REDACTED]: The facilitator.

REV. JESSE JACKSON: The facilitator.

[REDACTED] Some of the facts are absolutely amazing. Just looking at studentloanjustice.org, when you see that between '95 and 2005, Sallie Mae set aside \$3.6 billion in stock for its employees. The Sallie Mae CEO bragged to shareholders in 2003 annual report their record profits that year were attributable to collections on defaulted loans, and other student loan companies report similar trends. The student loan industry has grown to rival the credit card industry?

REV. JESSE JACKSON: As bad as that is, the federal government itself borrows money at three. It sells to—the students—the money made from a student loan interest pays for the Pell Grant. So it's like, you know, you give me \$1,000, and I buy you a ring. I'm not doing anything. You bought the ring with the money you gave me. So in many ways that we think the Pell Grant is something generous set aside to invest in students, it is a result of a for-profit deal between the federal government and the Federal Reserve.

[REDACTED]: what has Obama done about this? Have you talked to him about it?

REV. JESSE JACKSON: well, I have not talked to him. He has made some steps in this direction. But I am convinced that a mass action movement by students across the nation, congressional district by district, senate by senate, will have the massive impact. I think these are his inclinations. He is just coming out from under the burden of a student loan debt himself, so I think he gets it. But I think our massive protest and mass education—I mean, parents who are under this burden—the Speaker of the House in California, Karen Bass, her daughter and son-in-law were killed in a car accident. They are now trying to force her to pay that loan off, and she is in that burden. I mean, the stories just get more draconian the more you get into it. And so, I think that a massive student movement will be the dose, the medicine we need to change the environment, to educate people about just how wrong this is, and it can be changed. And the propitious moment is, if you can bail out AIG and bail out the big banks, why not invest in our students now?

[REDACTED]: Alan Collinge, we want to thank you for being with us. The Student Loan Scam is the name of his book, The Most Oppressive Debt in U.S. History—and How We Can Fight Back.

REV. JESSE JACKSON: He must autograph my book. I want—this is my book now, you know.

[REDACTED]: It's his book. But Reverend Jackson, I'd like you to stay with us.

icy Now! Reduce the Rate Rev_ Jesse Jackson Joins Movement Against Crippling Rates on Student Loa

[Printer-friendly version](#)

[Email to a friend](#)

[>Share delicio.us](#)

[digg](#)

[facebook](#)

[newsvine](#)

[reddit](#)

[slashdot](#)

[stumbleupon](#)

The original content of this program is licensed under a Creative Commons Attribution-Noncommercial-No Derivative Works 3.0 United States License. Please attribute legal copies of this work to democracynow.org. Some of the work(s) that this program incorporates, however, may be separately licensed. For further information or additional permissions, contact us.
[whole Show](#) | [« Headlines](#) | [Next Story »](#)

[Home](#) [Donate](#) [Store](#) [Stations](#) [Past Shows](#) [Features](#) [Get Involved](#) [Tour](#) [Español](#) [About](#)

California's EdFund reform?

<http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2008/09/04/BARH12MS2S.DTL&hw=changes+on+tap+for+student+loan+agency&sn=001&sc=1000>

Thursday, September 4, 2008

Changes on tap for state student loan agency

██████████ Chronicle Staff Writer

EdFund, a troubled state agency that has been a moneymaker for California in the past by collecting on defaulted student loans, is facing the possibility of an overhaul that could, among other things, oust its board of directors.

The California Student Aid Commission, which oversees EdFund, will meet today to discuss wide-ranging organizational changes.

It's not clear exactly what prompted the proposals, but controversy has swirled around the agency for several years.

The Chronicle reported last year on EdFund's ability to levy huge collection fees on students struggling to pay back loans. The agency has far-reaching power to get that money by garnisheeing wages, intercepting tax refunds and diverting disability payments. Critics told The Chronicle that EdFund stands to make more money if borrowers default than if they don't.

EdFund also faced criticism in a 2006 state audit for questionable spending practices involving large salary bonuses, extravagant dinners and hotel stays.

And earlier this year, the Sacramento Bee reported that EdFund's executives had created their own severance package collectively worth more than \$3 million in the event Gov. Schwarzenegger follows through on his promise to privatize the agency by putting it up for sale. The Student Aid Commission later ordered EdFund to stop discussing the matter behind closed doors, arguing it violated the state's open meeting law.

When asked what's behind the commission's desire to change EdFund, aid commission Chairman ██████████ responded: "At best, it's a complicated issue."

He said the matter of EdFund executives discussing a severance package privately "is of serious concern to not just me but many of my colleagues." And while he wouldn't elaborate, he added that "there could be significant concern about business practices."

EdFund executives could not be reached for comment and did not return messages.

EdFund was created as a nonprofit by the California Student Aid Commission in 1997 and is one of the nation's 35 loan "guarantors." They are relatively obscure agencies that reimburse private lenders for federal loans on which students default. EdFund is one of the nation's largest student loan guarantors with a \$30 billion loan portfolio in fiscal year 2006-07, according to the agency's annual report to the Legislature.

Its top nine executives receive salaries that range from \$165,583 to \$338,951.

Here's how EdFund works: When a borrower defaults on a federal student loan guaranteed by EdFund, the agency takes the private lender off the hook by buying the loan. EdFund then tries to collect from the student borrower. If the defaulted borrower doesn't agree to a payment plan, EdFund assesses a collection fee and starts the process of getting reimbursed, which can lead to garnisheeing wages, among other things.

In its report to the Legislature, the California Student Aid Commission said EdFund had a higher default rate than the industry average because more than three-quarters of the loans it guarantees are for students at for-profit and proprietary institutions such as trade schools. Students at these institutions default at higher rates.

Some insiders question the business strategy used by EdFund. "The concern expressed by some at the Student Aid Commission has been that EdFund's choices in building their loan portfolio and in seeking an expanded share of the student loan market nationally and in the way they consolidate loans and operate the loan program ... is that that's been done more with an eye toward maximization of funding return - of remuneration - rather than what would be in the best interests of the students of California," said [REDACTED] director of higher education for the legislative analyst's office.

In the past, EdFund has subsidized the state's Cal Grant program, which provides free college money to qualified students. In fiscal year 2004-05 and 2005-06, EdFund gave the Cal Grant program a two-year total of \$241.5 million. In 2006-07, its Cal Grant contribution was about \$24 million.

Last year, Schwarzenegger announced that he planned to sell EdFund for \$1 billion as a way of increasing state revenue during the budget crisis. But recent federal changes to the student loan guarantee program have made EdFund "less financially attractive" and, as of April, the agency was valued at \$500 million, according to the Student Aid Commission's annual report. The governor has now proposed selling EdFund next fiscal year.

Items on the Student Aid Commission's meeting agenda include:

- Replacing EdFund's board of directors.
- Assuming control over compensation of EdFund executives.

-- Supervising contracts awarded by EdFund.

-- Requiring EdFund's legal and audit staffs to report to the commission's general counsel.

-- Conducting a performance evaluation of EdFund.

"Clearly we're at a crossroads," said Boilard. "The state and Legislature, the governor and the Student Aid Commission and the EdFund board are struggling with the fundamental question of what are the state's interests with regard to the federal guaranteed student aid program."

Meetings

The California Student Aid Commission is scheduled to meet today in open session at 9 a.m. in the State Capitol's Room 126 in Sacramento. It will also meet Friday at 8:30 a.m. To review the agenda go to: [REDACTED]

To read The Chronicle's past story on EdFund go to: [REDACTED]

E-mail Carrie Sturrock at [REDACTED]

*This article appeared on page **B - 3** of the San Francisco Chronicle*