

Macias, Wendy

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From: [REDACTED]
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To: negreg09
Subject: Commentary

The student debt alert is a sad commentary on the congressional removal of standard consumer protections from the federally guaranteed student loan system. Student loans are currently the only loans in our nation's history to be exempted from statutes of limitations, basic bankruptcy protections, state usury laws, refinancing rights, truth in lending requirements and even fair debt collection practices. This is compounded by the fact that Congress has enabled the student loan industry to have collection practices that include tax return garnishment, wage garnishment, social security and disability garnishment without a court order. Borrowers can have their professional license and driver's license suspended. They can also face termination from public employment as a result of the status of their student loan.

This system is predatory by design and as a result it's virtually impossible to pay it all off. For example, you can take out a loan for 40,000 and after the loan has accrued the amount you owe will be roughly 3 times what you borrowed. Essentially what happens is that the interest is capitalized and the debt grows exponentially. According to 2004 article in the Wall Street Journal by [REDACTED], for every dollar paid out in default claims by the federal government, the US department of education gets back every dollar in principle plus almost 20% in interest and fees. This system makes it rewarding or profitable for a lending institution or guarantor when a borrower defaults.

This is in addition to the fact that the cost of college has risen at double the consumer price index for the past 30 years. This current inflation has placed an immense amount of pressure on those with or without a need for student loans as well as their families. Higher education has vastly turned into a lucrative business for the university, various student loan entities as well as other stakeholders such as financial aid administrators. Fee income for Sallie Mae, the nation's largest secondary market for student loans, increased by 228% between 2000-2005 while their managed loan portfolio only grew by 87% during the same time period. There is a sense that these lenders are profiting at the expense of many unsuspecting young borrowers. Many of them just have no idea what they are signing up for and the convoluted loan terms simply add to that ambiguity. As a result, many of these borrowers are left without any recourse.

In October 2008, CNN money covered the student loan fugitives. As a generation of young adults who are just starting out in life, many of them see leaving the country as the only way out of their college debt. The Student Loan Scam by Alan Collinge presents a series of case studies that represent a diverse pool of graduates. These graduates have attempted to pursue an independent or a better lot in life only to meet financial catastrophe. Some lives have resulted in suicide over this predator behavior. Sallie Mae has also recently come under fire in Connecticut, Florida and Kentucky for legal allegations of violating federal civil rights and lending practices. This was done by deliberately targeting higher priced loans to students who were attending schools with a large "at-risk" or minority population.

There is a sense that emergency intervention is needed for both past borrowers and present borrowers. Reform is also needed for the next generation of borrowers who will also be the next generation of doctors, lawyers, engineers, artists, educators, engineers, political and social scientists. As a result of this call for social action, hopefully more legislators will become aware of the policies, unethical tactics and methods employed by these companies.

We cross our bridges when we come to them and burn them behind us, with nothing to show for our progress except a memory of the smell of smoke, and a presumption that once our eyes watered.

