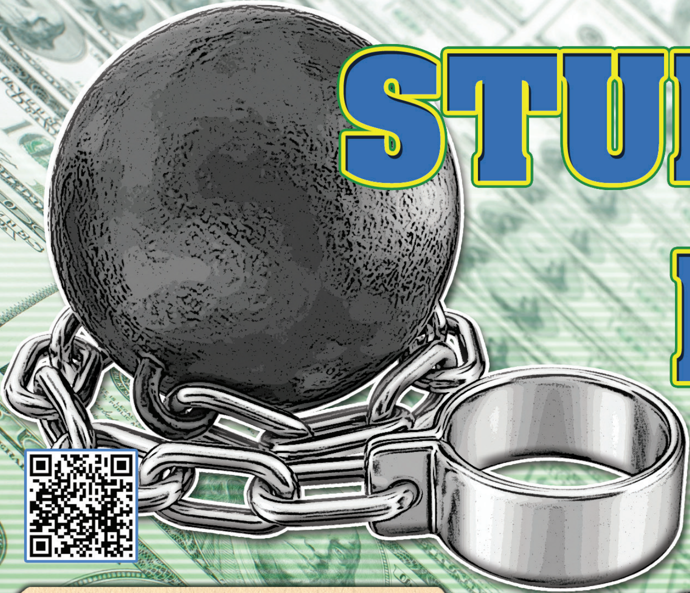
STUDENT DEBT



OCCUCARD #12

EXPOSING AND OPPOSING THE CORPORATE STATE

Since 1980, the cost of a college education in the U.S. has risen 900%, many times higher than inflation. Over the same period, federal student aid programs, such as Pell Grants, have shrunk from covering approximately 70% of total public college costs to only 34%. As a result, more and more students have been forced to take out loans to pay for school, loans that have become much harder, if not impossible, to pay back. The average student today graduates with $25,000 of debt, and default rates are as high as one in three.

This situation is no accident. Private lending corporations have turned higher education financing into a predatory lending system where they—and the government—make more money when a borrower defaults. This is because of exorbitant penalties and compounded interest that continues to accrue after default, and because congress has stripped away all basic consumer protections from student borrowers and sanctioned draconian collection powers never allowed before in U.S. history. Student loans are not dischargeable in bankruptcy, nor are they subject to statutes of limitations, state usury laws, or the Fair Debt Collection Practices Act. Furthermore, the lending system can take a borrower's wages, income tax returns, Social Security and even Disability income, as well as exclude her from public employment, decertify her professional credentials, and more.

Such unprecedented collection powers have resulted in an 85% recovery rate on defaulted student loans, at amounts that are often two to three times higher than the original principal borrowed. This earns windfall profits for private lenders and collection agencies, as well as a sizable return for the Department of Education (DOE), which earns, according to one estimate, about $6,500 more in interest from a $10,000 loan that defaulted than if it had been paid in full over a 10-year term. In a predatory system like this, where both the loan servicer (private corporations) and the loan guarantor (the US Government) profit from defaults, not only is there no motivation to change, but there is a financial incentive to make more and larger loans.

This is what happened during the housing bubble that artificially drove up home prices, and this is the primary reason higher education costs are skyrocketing today. As colleges raise tuition in response to congressionally-approved increases in Stafford loan ceilings, private debt servicing corporations like Sallie Mae (who lobby for higher ceilings and whose former executives hold key staff positions in the DOE) are making millions in profit while relegating an entire generation to indentured servitude.

The causal relationship between rising tuition and institutionalized predatory lending is becoming more widely recognized as a growing student movement has begun to challenge the privatization of higher education. Students from California to New York are organizing, with demands ranging from tuition freezes to complete student debt forgiveness ("jubilee") and a return to a fully-funded, free public university system. The Student Loan Forgiveness Act of 2012 (H.R. 4170) is a step in the right direction and would cap student interest rates at 3.4% as well as forgive student debt for those borrowers who make payments equal to 10% of their discretionary income for 10 years. Other proposals include returning bankruptcy protections to student borrowers and closing the "revolving door" at the DOE's Office of Federal Student AID, which is composed largely of former Sallie Mae executives and other private financial industry representatives. Even these modest reforms, however, are being fought by private loan servicing corporations, and given the corruption within congress, will require a mass movement of community **education**, **protest** and **civil disobedience**.

GET INVOLVED!

studentloanjustice.org • occupycolleges.org
occupystudentdebt.com • hr4170.com

References / more info /
other cards: www.occucards.com