

Student loan collectors turn graduation to nightmare



NEW ORLEANS (AP) — Linda was the first member of her family to graduate from college. The diploma, she thought, would be her ticket to the American dream: a better future than her parents had.

Along the way, something got lost in the translation. Linda has a degree — and a \$20,000 student loan to repay. She doesn't have a job. She does have bill collectors calling, though. Often.

She says she's willing to pay, but there's one problem. "What," she asks, "am I supposed to pay with?"

Facing a tight job market, many unemployed college and trade school students across the country are asking that same question as they run into hard-nosed collectors with the monthly bills for their student loans.

President Clinton has proposed that the federal government loan money directly to students. He would allow them to pay off the loans after graduation through national service or a payroll deduction. The administration says the change would save \$1 billion for students and taxpayers.

But there are thousands of delinquent loans now caught in the system of banks and middlemen.

In the case of Linda, who agreed to tell her story only if her last name was not disclosed, the loan has been turned over to a professional bill collector in California. Government-backed student loans are issued by various schools, agencies and financial institutions, often sold to others and wind up in the hands of collection agencies.

Linda's agency has taken a tough stand: If you go 90 days without making a payment or arranging an alternate plan, you'll wind up in court.

The Louisiana attorney general's office currently is handling about 9,200 delinquent accounts valued at over \$14 million.

"If we don't collect this money, there won't be any money to loan to other students," said Chrissie Weatherford, collections coordinator for the office. Figures on

how many loans are awarded and how many are in default are virtually impossible to compile because of the hodgepodge of schools, government agencies and banks involved.

But there are strong indications that the recent recession has resulted in more defaults. The federal education department said it could not draw any such conclusion from its data, but others say there's no doubt hard economic times have driven up the number.

"The common profile of a defaulter is a person who has dropped out of school and does not have a job," said Susan Conner, a spokeswoman for the Indianapolis-based United Student Aid Funds, a nonprofit group that guarantees some loans in Louisiana and other states.

Linda fits half that profile.

Like many poor students, she had to get financial help. But instead of the job that would turn her life around, there's been nothing but a steady procession of part-time, low-paying positions after long periods of unemployment since she graduated about three years ago.

She still lives at home with her two brothers, both in high school, and her divorced mother, who makes \$50 a week cleaning a house.

Now, there's the collection agency. It calls regularly. The message, she says, is "pay up now." Because Linda and her family have moved seven times since her parents divorced three years ago, the agency calls her 80-year-old grandmother.

Linda hasn't given up. At least five resumes go out a week. She's been on job-hunting trips to Georgia and California.

"There are so many people trying for a job. There are 50 to 75 people for each job," she said. "You're just a number."

The problem is not limited to Louisiana, which has suffered from high unemployment since oil prices collapsed in the 1980s. Officials in several other states also say the recession has driven up the number of defaults.

A 1992 report by the Pennsylvania Higher Education

Assistance Agency estimated the recession "added about 42 percent to what would have been our 'normal' default volume."

"I think it's safe to say enough experts have looked at the figures and come to the conclusion that in California, it's a contributing factor," said Dan Parker of the California Student Aid Commission.

Joe Clayton, the spokesman for the Massachusetts Higher Education Assistance Corp., agreed.

And although total defaults in New York dropped from \$250 million in 1991 to \$218 million in 1992, the recession still affected the ability of debtors to repay, said Denyce Duncan, spokeswoman for the state Higher Education Services Corp.

Louisiana's attorney general is giving defaulters a choice: Either make arrangements to pay or go to court. Those who wind up in court face garnishment of wages, automobile seizures and loss of income tax refund checks, plus black marks on their credit ratings and the loss of professional licenses issued by the state.

Weatherford said the attorney general's office is willing to work with debtors, but that it is up to them to make the initial contact. Those who are sued have either ignored warnings or failed to follow through with repayment agreements, she said.

"We have some people who owe us thousands, but they're only paying \$50 a month," Weatherford said. "We know that's all they can pay. You have to be flexible."

That's what Linda wants to do. "I would pay these people if they would give me a plan that I could afford. I want them to understand that I want to pay the loan," she said.

But she needs a job. "I know there has to be a way out of this," she said. "I'm not going to give up."

It is a far cry from what she expected. "My parents really believed that if you got a college degree, you'd have it made," she said. "I believed that, too."

Clinton's 'Summer of Service' program begins for first 1,500

SAN FRANCISCO (AP) — The pay isn't great, but Alton Marcello expects to get more satisfaction helping immunize poor children than delivering pizza.

Marcello is one of 1,500 young men and women going through boot camp-style training this week for President Clinton's eight-week "Summer of Service" program. Clinton hopes it eventually will expand into a year-round national community-service program, with 100 times as many participants.

"Summer of Service" offers \$4.25 an hour and \$1,000 for school to those who will help poor children across the country.

"I could be earning twice as much delivering pizzas this summer," said Marcello, 20, of Los Angeles, who will help immunize children at hospitals in the city's low-income, largely minority South Central district.

But, Marcello added, "Growing up, seeing all these people in gangs and going to jail ... I'd like to help them, help them lead healthier lives, maybe make a difference."

Robert Teilhet said he'll be happy to be paid at all.

"Volunteer work ... you just can't afford to do it," said Teilhet, 19, a University of Georgia student who will help set up

preschool programs for underprivileged children in Atlanta. "I like doing this, but I'm not made of money."

The group, from nine states, gathered at Treasure Island Naval Base in San Francisco Bay. Cool, gusty winds jostled them as they spent Monday morning playing games designed to teach teamwork and leadership skills.

Laughter, cheers and applause echoed around the grassy field. Some skipped rope together. Others set up an imaginary electrified fence and helped each other over it. Another team, blindfolded, maneuvered around a roped-off circle.

"The biggest thing we're trying to do is build a sense of community," said Dionne Brown, 20, of Bellefontaine, Ohio. "We're learning that one person is not always right or not always wrong."

This fledgling session is the prototype for Clinton's \$7.4 billion community-service proposal, which awaits congressional approval. He hopes to have 25,000 people ages 17-25 involved in community service year-round by 1994 and as many as 150,000 by 1997.

Most of Clinton's jobs program was left in shambles when the Senate killed his \$16 billion jobs-stimulus bill. The president

is still struggling to get Congress to approve a \$900 million program that would include \$300 million for summer jobs for youths.

Clinton sent Vice President Al Gore to greet the trainees Monday.

"You believe in this country. This country believes in you," Gore said. "Together we are going to build the future of America."

Gore drew frequent comparisons to other public service programs, like the Peace Corps. "The concept of working together for the best interests of our nation is as old as the nation itself," he said.

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