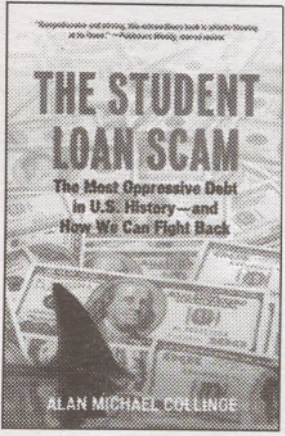


# How the student loan industry runs a \$90 billion con

BY ALAN PRESTON  
CONTRIBUTING WRITER



The Student Loan Scam by Alan Michael Collinge, 184 pages

Alan Michael Collinge's first job as an aerospace engineer did not pay him quite enough to keep up with the payments on the \$38,000 of student loans that he'd accumulated earning his degrees. Before he knew it, he was pulled into a vortex of debt, default and collection, and within seven years of graduation, his loans had ballooned to over \$100,000 due to penalties, fees, collection charges and compounded interest.

Collinge faced three choices: accept his fate and spend the rest of his life in poverty, leave the country or stay and fight. Numerous others in his shoes have been so desperate that they have made a tragic fourth choice — suicide. Collinge chose to go public and fight, and so was born one of the nation's foremost whistleblowers on the student loan industry. His book, "The Student Loan Scam," has become a primer for the uninformed and unaware.

Before reading Collinge's book, I was among the naive. My privileged upbringing provided me a debt-free college education, and I never questioned the standard narrative about student loans: That they were for the benefit of the student and the ticket to fulfilling one's promise in life. "Scam" not only rid me of this myth, it also taught me that the collusion among the student loan industry, higher education and Congress is one of the most glaring economic justice issues of our day.

Collinge begins with a historical perspective, detailing the rise in power of Sallie Mae, the nation's leading source of private student loans, into a conglomerate that controlled all aspects of the industry — loans, guarantees and collections. By 2005, Sallie Mae had become the second most profitable company in the country, and its executives were raking in millions of dollars on the backs of the borrowers. (Sound familiar?) Responding to Sallie Mae's increasing economic power and influence in Washington, Congress began systematically removing all the standard consumer protections afforded to other forms of debt from student loans. Most troubling, student loans are the only type of consumer debt that cannot be discharged in

bankruptcy.

Those who succumb to defaulting on their student loans are not statistical anomalies. Collinge cites National Center of Education data that there is a shocking 20 percent default rate within the first decade after graduation for people who borrowed more than \$15,000. As their loans are sold from one collector to the next, fees and penalties expand exponentially, making the prospect of repayment that much more impossible to fathom. Meanwhile, lenders and collectors have free license to garnish wages, disability benefits and even Social Security without a court order. Incredibly, it is more profitable for lenders when students remain in default than it is when they pay them back. Collinge writes: "By 1998, there was a perverse financial incentive for the student loan servicing companies to do a horrible job of loan administration. The more ineffective the companies' customer service was, the more likely it became that students would default — and thus, the more money student loan companies would ultimately make."

Today, student loans are a \$90 billion industry and these loans have a stranglehold on millions of lower- and middle-class citizens. While tuition rates skyrocket, students have to borrow more, only to see their employment prospects dim. Rather than truly counseling students, the higher education system has become beholden to lenders and has incentives to push students to borrow beyond their means. What has emerged, writes Collinge, is "an unholy alliance between lenders and universities that trampled the very students they claimed to serve!"

"Scam" is a riveting book that exposes the student loan industry as self-interested, predatory and amoral. Although not especially well written, the book is a well-researched and credible account of an industry that is every bit as exploitative as the mortgage industry that spurred the housing bubble in 2008.

Here's the irony: We are living in a competitive global economy that demands a highly educated workforce, yet those who pursue higher education often find themselves buried under a lifetime of debt in order to become part of this educated workforce. Moreover, if students can't pay their debt,

they stand to lose the licenses and certifications for which they were trained, creating a vicious cycle of deepening despair for students and escalating profits for lenders and collectors.

The full title of Collinge's book is "The Student Loan Scam: The Most Oppressive Debt in U.S. History — And How We Can Fight Back." Unfortunately, after absorbing the author's argument that this is, in fact, history's most oppressive debt, it's hard to imagine fighting back at all. Collinge provides a recipe for action, but the realization that lenders have immense political power can give the reader a sense of impotence. The people who most need to agitate for a political solution are too often silenced by their own humiliation and shame.

In his book, Collinge makes multiple references to his website studentloan.justice.org, which he developed to create a safe forum for borrowers to tell their stories and to educate the public and encourage activism. Those in the "take personal responsibility" wing of American politics dismiss Collinge's book and Web site as the whinings of a disaffected liberal who exempts borrowers from their obligation of debt repayment. Their vitriolic responses, as seen in the comments on his blog, are hyperbolic and disingenuous.

Collinge isn't exonerating the small minority of borrowers who make irresponsible decisions about their student loan debt. He is saying that their choices don't exist in a vacuum. From their first interactions with student loan officers at their colleges (who receive kickbacks from lenders to steer them into certain types of loans) to their subsequent attempts to work with lenders and collectors (who have no financial incentive to cooperate), the cards are stacked against them.

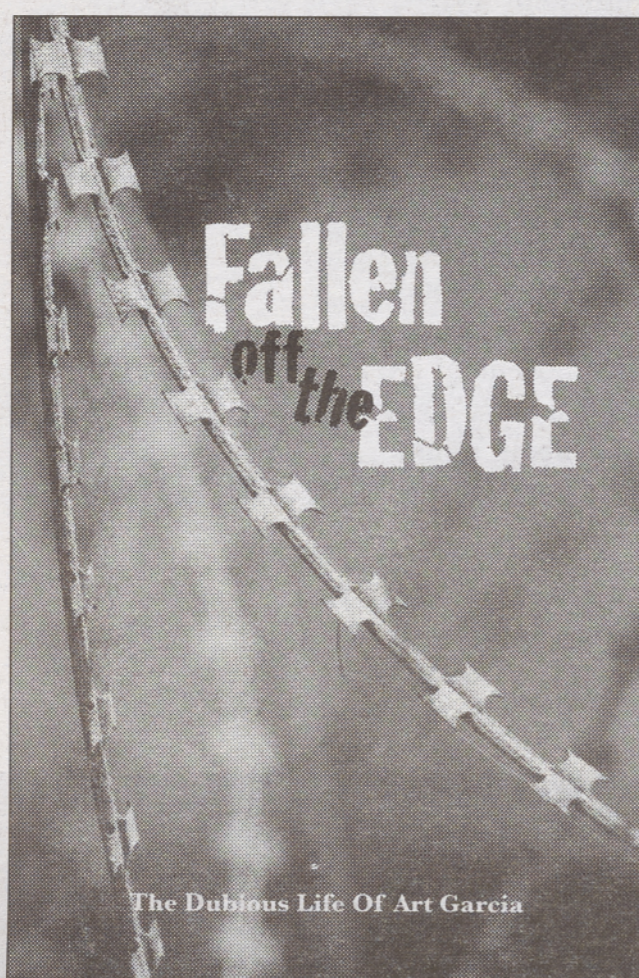
The "Student Loan Scam" is a sobering must-read for prospective students who are planning to take out student loans. It's also a call to action for both graduates who hold student loan debt and economic justice activists.

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## Fallen Off the Edge

A new book by Art Garcia

"Fallen Off the Edge" is a chronicle of one man's experiences after returning from the Vietnam War. Told through the eyes of Street Roots columnist Art Garcia, this book celebrates the major victories born from a series of questionable choices. Art's jocular storytelling takes the reader along with him in and out of the California prison system over the course of 10 years until he found the strength and courage to pull himself up from the fall.

The book is available online at [www.blurb.com](http://www.blurb.com) under searchword Art Garcia.



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