

# Stupid money

*Forgive, forget, or reform? The long-overdue problem of student debt is finally seeing some solutions. Occupy Wall Street want students to unite against repaying student loans while Student Loan Justice is looking into other options including bankruptcy.*

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Before she even graduated from the University of Nevada, Reno, Lisa started getting bills showing how much she has borrowed and nudging her to start paying immediately to keep her interest down.

In 1995 she'd accrued \$24,000 in debt but was still at least year shy of a bachelor's degree. The amount of money she had already borrowed and the amount she needed to finish freaked her out. She figured she was digging a hole that would only get deeper.

Rather than finish her journalism degree, Lisa quit school, sent out 150 resumes to newspapers across the country and took a job at a newspaper in a Los Angeles suburb for \$8.50 an hour.

She's had good paying work since then at Boeing and other tech companies in Seattle, but not consistent. Now in her 40s, Lisa owes \$100,000 for those three years in college, an amount that is steadily growing all the time.

She's never far from a reminder. Lisa, who declined to give her real name because she's afraid of collection agencies, lacks even a landline, to avoid collection calls. She found student-debt activist Alan Collinge online back in 2007. Collinge runs the organization Student Loan Justice and wrote "The Student Loan Scam" in 2009.

In the pre-Occupy Wall Street days, student debt was a fringe subject, Collinge said. People assumed students like Lisa mismanaged their finances or majored in the wrong subject. Besides, people believed that student debt was "good debt."

"People just didn't take it seriously," Collinge said of student debt. Now that nearly one in three people will default on their student loans after 10 years, student debt is harder to ignore, in fact, it's getting worse. Collinge expects eventually half of students with loans will default on their loans.

"Student loans are going to become one huge, national joke," he said.

Nobody's laughing. Occupy Wall Street helped draw attention to the issue, as did news that the total amount of student debt owed in the country surpassed \$1 trillion.

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But while more activists are taking on

what's sometimes referred to as the "student debt bubble," there's no unified message on what to do about it. Everyone offers a different panacea to the student debt crisis, and when these have gotten to the level of state and federal legislatures, most have faltered.

## Seeking jubilation

Every Wednesday evening in Seattle, students and Occupy Seattle members march the streets banging pots, hitting drums and blowing vuvuzelas in a Student Debt Noise Brigade.

A group started marching on Capitol Hill in May with the help of the Backbone Campaign, a Vashon Island-based economic

justice activism group. In September, a second group of marchers organized at the University of Washington just in time for the school year.

The group is calling for the federal government to forgive student debt and for Washington State to eliminate tuition for in-state

students. It's called a jubilee, a Biblical call to free slaves and forgive all debts.

"Education should be free," Conway said. "No one should be a debt slave to better yourself."

The odds of outright forgiveness are long. Obama already gave an executive order to create a program that would collect a wage-based payment from students for 20 years after college, at which point the remaining debt would be forgiven.

Activists say it has to go faster than that. Too many students default on their loans before 10 years. They've rallied behind the Student Loan Forgiveness Act, which would collect a wage-based payment from students after college for 10 years, at which point the remaining debt would be forgiven.

## Safety in numbers?

Occupy Wall Street protesters in New York want to take a different approach. They believe the federal government won't forgive debt; so activists must withhold payment.

Thomas Gokey, an activist who works with Occupy Student Debt and an anti-debt organization called Strike Debt, said those with student debt must unite to gain power.

Gokey and others with Occupy Student Debt are collecting pledges from people who say they will refuse to pay their student loans to send a message to the government

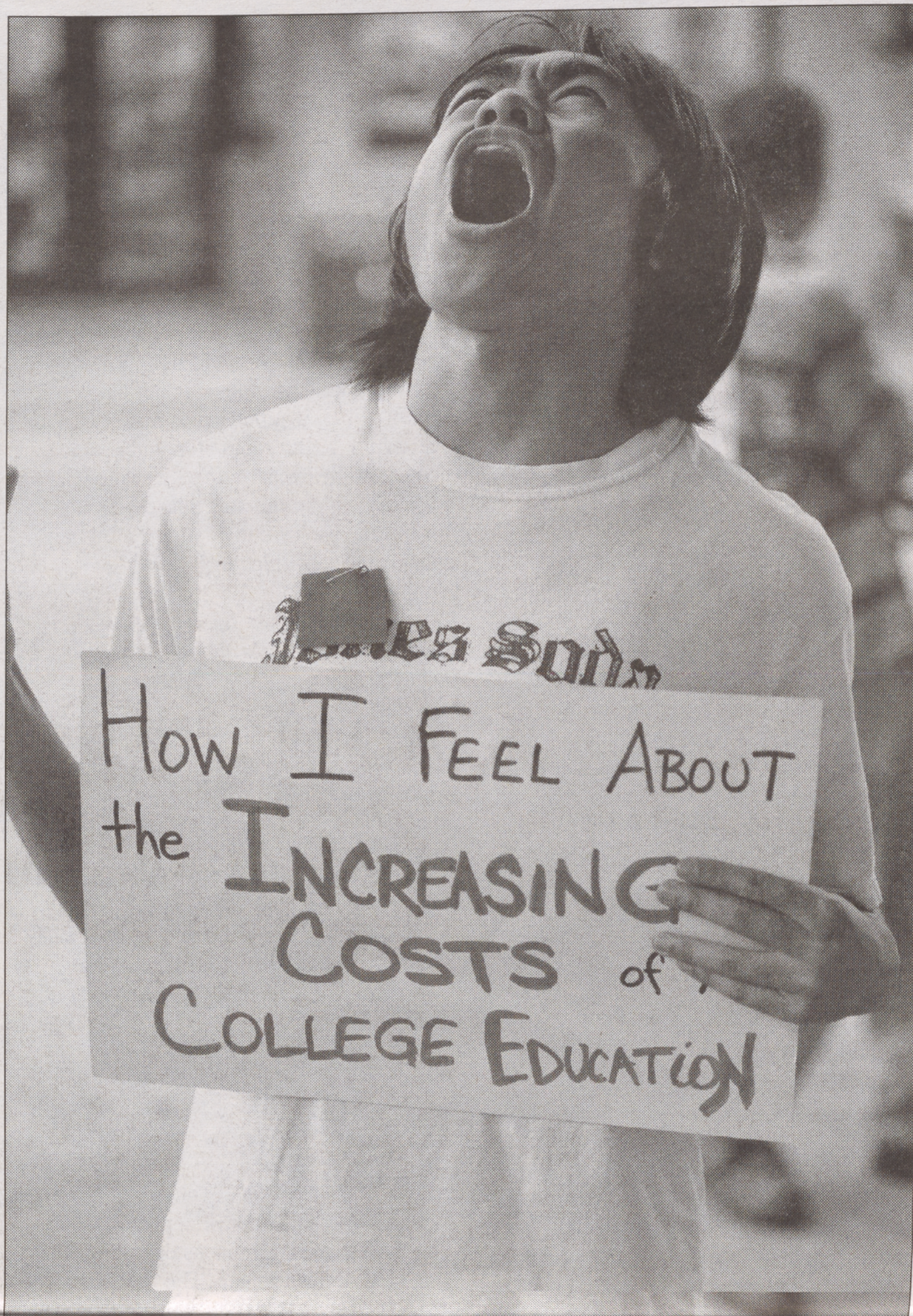


PHOTO BY ALEX GARLAND

Student activists protest the increasing cost of college education at a Sept. 26 action at the University of Washington in Seattle. Photo: Alex Garland

and schools about the high cost of education.

Unlike a union strike, with coworkers walking out side-by-side, debt strikes involve people who may not even know each other. Participants agree to refuse to pay their debt bills at a set time - a potentially catastrophic move for people with mountains of student debt.

"It used to be that college was the ticket to the middle class."

Gokey says there's safety in numbers: "We're not asking anyone to strike debt as an individual. We need to collectivize our resistance. It becomes much less scary to think about striking debt with millions of other people."

The group has already collected online pledges from thousands of students hoping for a million. There's still work to do because 6 million students in the United States are already in default. But while lenders across the country could collectively absorb 1 million students refusing to make payments, a single organization could be sunk by such a move.

"A smaller group of people could simultaneously strike and make a midsize lender go belly up," he said.

Many students say they're scared to refuse payment. Defaulting mounts fines, interest and can multiply the amount of money owed. Organizers say such fear helps maintain the status quo.

"Banks and the government want you to be terrified about resisting," Gokey said. "One of the things that's so oppressive about debt is that it tends to atomize and individualize you."

## Bringing bankruptcy back

The solution Collinge of Student Loan Justice seeks may not be as sexy as striking against debt, but it could be easier to get passed by Congress. Collinge wants students to once again have the option to go

bankrupt.

High tuition and interest rates hurt students, but the lack of consumer protections makes student lending predatory. When students default on their debts, the federal government can reimburse the lender while the lender continues to demand repayment from the student. A defaulted loan can yield lenders more profit than a student who pays their loans on time, giving businesses incentive to let students fall behind on their payments.

When businesses flounder in debt, they've got a restart button - bankruptcy. But in 1998, the Higher Education Act eliminated the possibility for students to do the same. The act was meant to prevent wealthy law students and doctors from filing bankruptcy right after school to avoid paying for their education, a scenario which Collinge said happened less than 1 percent of the time.

Reinstating the option to go bankrupt isn't giving people a free pass, said Natalia Abrams of the Backbone Campaign and cofounder of the nonprofit Student Debt Crisis. Bankruptcy is disastrous, Abrams said, but unlike default, it at least offers debtors some closure.

## Not the ticket?

Student loan debt is a bigger deal today in large part because student loans are more essential. Back in the 1970s, a student could earn enough money for tuition in 200 hours of work. Today, Collinge said, it would take more than 2,000 work hours.

Prospective students now must choose to enter the workforce without a four-year degree, or face years of student debt and risk default.

"It used to be that college was the ticket to the middle class," Abrams said.

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