Financial speculation's latest victims: US community college students

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11 June 2008

Some of the major banks in the US have decided to either completely cease or cut back their loans to community college students as well as some attending less prestigious four-year colleges.

This reduction in student lending has been based on profit considerations rather than the needs of the 46 percent of all US undergraduates who attend community colleges. It takes place amidst increasing economic distress and calls for community colleges to play a greater role in preparing young people and laid off workers for the job market, underscoring the fact that everything, even education, is fair game for financial speculation.

The credit crisis has made raising money more difficult for lenders. In order to maintain profit margins, Citibank—which has stopped making loans to students at all California community colleges—JP Morgan, Chase, PNC, and SunTrust have begun either dropping loans to community college students altogether or selectively dropping loans at certain colleges. Meanwhile, these same banks continue to provide federally backed loans to students at the nation's leading universities.

The banks are making no attempt to disguise the motives behind their actions. In a June 2 *New York Times* article, entitled "Student Loans Start to Bypass 2-Year Colleges," Mark C. Rogers, a spokesman for Citibank, said the bank "temporarily suspended lending at schools which tend to have loans with lower balances and shorter periods over which we earn interest." According to the article, banks say, "their decisions are based on an analysis of which colleges have higher default rates, low numbers of borrowers and small loan amounts that make the business less profitable."

On the other hand, banks are continuing to loan money to students at the more elite universities, saying these loans are bigger, more profitable and less risky because graduates can be expected to earn more.

Tuition and loans are indeed lower at community colleges, because their original mission was to provide wide access to higher education, including those who do not have the money to begin their studies at four-year colleges and universities. The actions by the big banks will further undermine the community college system and throw more obstacles in the path of working class youth seeking a college education.

The decision to cut off or reduce lending could not have come at a more inopportune time. The existence of recession or near-recession conditions throughout the US has decreased tax revenues to state governments, resulting in a severe tightening of state funding to colleges and universities. Lacking the sizeable endowments and federal research grants of four-year schools, community colleges have resorted to currying the favor of businesses and other private sources for facilities and other big-ticket items, which often results in renting out buildings for office space and conferences and making curriculum decisions driven by the needs of local businesses.

Privatization of student services, e.g., food, security, and day care, has also become common. For the majority of community college students these changes often mean higher meal prices (which can mean skipping meals all together), security services that treat them as if they were potential criminals, and more expensive and less user-friendly day care (17 percent of community college students are, according to the American Association of Community Colleges, single parents). This factor alone can determine whether or not someone can attend college.

President Bush and both of the presumptive nominees for the 2008 presidential elections have called for greater access to higher education, and Michigan Governor Jennifer Granholm has proposed that all Michigan students earn at least an Associates Degree (the highest degree awarded by community colleges). Such proposals, however, are little more than rhetoric since financing an education is becoming out of reach for more and more working class students.

In addition to the increasing number of "traditional" students age 21 and under attending community colleges due to skyrocketing tuition rates at four-year institutions, community colleges are attracting older students. Fifty-eight percent of the community college student population is 22 years old or older, including those seeking job retraining or to meet terms of buyout agreements with auto manufacturers.

How will these students, especially the older students who have either never attended college or have been away from the college environment for a long period of time, perform without the support services necessary for their success? How long will they be able to attend college, or even attempt college at all, without the necessary funds?

For example, federal Pell Grants—need-based, direct grants—are capped at $4,050 and are only awarded to 34 percent of low-income students attending community colleges. Further, the money doesn't generally reach students until some time after the semester starts. One Michigan community college administrator told this reporter that this delay results in prospective students not being able to sign up for classes on time and creates a further barrier to those already intimidated by the idea of college.