

Nearly two thirds of US student borrowers behind on repaying loans

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Current American student loan debt is just under \$950 billion. But only slightly more than a third of young people taking out student loans, 37 percent, are now actually able to repay them on schedule. This dismal statistic, from a recent study by the Institute for Higher Education Policy, speaks to the crisis facing a generation being systematically squeezed economically and denied decent job prospects.

The study—entitled *Delinquency, The Untold Story*—looked at students who began repayment between October 2004 and September 2009 and was designed to take a critical look at the typical government measurement of student loans, the default numbers.

The new statistics show 15 percent of students defaulting, 26 percent delinquent in payments, 12 percent using a temporary suspension of payments called forbearance, and 11 percent deferring. Deferments can be granted for reenrollment, economic hardship or unemployment. The report's authors caution that for students attempting to enter the job market after 2008, the results will be even worse.

Clearly the default numbers dramatically underestimate the scope of the crisis facing students.

Nationally, tuition costs continue to rise at double the inflation rate, while next year at least 25 states predict major cuts in higher education funding. Because of intense competition for scarce state budget dollars, college funding is now directly competing with Medicaid and other state programs that qualify for federal matching dollars.

A July 2011 Center on Budget and Policy Priorities report gives a snapshot of state budget cuts:

Florida's cuts in funding for the state's universities have led to tuition hikes of 15 percent for the new school year, bringing the cumulative tuition increase since 2009 to 52 percent.

Arizona cut state support for public universities by nearly one-quarter; combined with previous cuts, this reduces per-student state funding 50 percent below pre-recession levels.

California's new budget cut funding for the state's two university systems by more than \$1 billion. For one of those, the University of California system, tuition for the 2011-12 school year will be 18 percent above last year's rates and over 80 percent higher than it was

in the 2007-2008 school year.

New Hampshire cut support for the university system almost in half in a single year, from \$100 million to \$52 million. University officials have announced that they will raise tuition by 8.7-9.7 percent. Community colleges also face a 37 percent cut and will raise tuition by 6.5 percent for the coming year.

Default is disastrous for a student's future. Their wages can be garnished, their income tax refunds withheld, even Social Security or any other form of government aid withheld, and their chances of ever borrowing again—for a car or home—are drastically diminished. Defaulters' accounts are sent to for-profit collection agencies where they are liable for additional penalties, fees, interest, court costs, etc. These amounts can add up to double the original principal.

The WSWS spoke with one student who reflected upon the crisis facing his generation and his own experiences.

"Student loans are just appalling, they are ruining peoples' lives," said Josh, a nursing student in Kentucky. "My fiancée and I have about \$100,000 in student loans combined. She is going for a doctorate in history and will probably have \$60,000 in loans by that time, and I am already \$60,000 in debt.

"I am personally scared for myself and my fiancée and many people in my generation.

Students are not leeching on society; they are going into fields that are important for the advancement of human civilization—like history, arts, and nursing.

"This situation begs the question—does our society value the longing of our generation to progress, or even the social needs of our society? What it values is profit above all else. It is destroying people's lives.

"I had decided that nursing school might give me a chance to earn a decent income and maybe have a decent life—a house, maybe some kids someday. I'd like to have a couple kids, but I am worried.

"I feel I have a calling to be nurse. But I can't do it if I can't provide for myself. That is the dynamic students find themselves in. You go to college to find out, ideally, a passion, something you care about it. But if it is something in the humanities or arts, even though it is so valuable for society, you are not going to get a job when you get out. If you do, it will not be in your field and, very likely, it will be at

a poverty-level wage.

"I have been working, pretty much nonstop since I was 15. I started at a Hardee's restaurant, did temp stuff, worked at factories and had a full-time job delivering pizza. When I was 18, I thought I'd take a few classes to see what I would like and what I was interested in. I did that and made good grades, but at that point wasn't sure what I wanted. So I took a job at a factory, J&J Packaging. It was a battery warehouse.

"By 2004 I thought I was ready to give education a shot. I moved to Kentucky and enrolled in a four-year institution. I had some money saved up and I got a lot of Pell Grants that covered most of my tuition. I also received a CAP [College Access Program] grant and a work-study in the history department, which I loved. That job gave me a chance to talk with the professors and students about things that interested me. But, at the same time, I had to get loans to cover the cost of living.

"Believe me, I was not living high on the hog. I lived in a 40-year-old trailer. It was drafty. The old ones, you step on the floor and you dip when the floor bends from water damage. It wasn't great but it was close to campus. That's how I lived for years. The rent was about \$300 a month, plus utilities.

"I then moved to an old cabin in the countryside. The place was over 100 years old but without central heat; but the rent was cheaper, only \$200 a month. I heated the place in the winter with wood and coal.

"I'd get the financial aid coming to me, pay living expenses, and get good grades. In 2007 I met my fiancée. We fell in love. She was scheduled to graduate that spring, but I wasn't planning to graduate until spring 2008. After graduation, she was offered a job as a journalist. She has a double major in history and journalism and graduated with honors. The job, however, was \$12/hour and it was all the way on the other side of the state.

"I was faced with the choice of separating from her or going with her. I decided to take an associate's degree instead of a bachelor's, since I was about 10-12 credits short of a history degree. I made the decision to go to truck driver's school, so that I could move with her and still make a living. They advertised that you would make between \$2,000 and \$2,500 a month. Well, I got my CDL Class A [Commercial Driver's License] and began working. The money was nowhere near what was advertised and I hated being away. I did that for about a year. I barely had anything to show for it and decided I couldn't do this anymore.

"In the summer 2008 my fiancée got a new job offer as a reporter for a local paper, for the increased pay of \$13.50 an hour. We moved again. In order to get work, I became certified as a nursing assistant and began at a nursing home; I also made arrangements to attend nursing school. I am almost finished now, with only two semesters left.

"From the time I started school, it's now been 13 years. I am \$60,000 in debt for student loans and I hope to get a decent job so that I can pay it off at some point.

"When I was young and going to school in Indiana, I suppose I was reckless. I thought I could study more and work less. Now I am paying for it. I am going to pay for it for the rest of my life.

"Since I was 15 years old, I've worked almost nonstop. It's not like we are asking for the world on a platter. It makes me angry.

"Frankly, financial speculators are preying on students. I voted for Barack Obama in 2008. I was caught up in the hope-and-change rhetoric. I thought he was a progressive candidate and he would look out for the little person. As time went on, it became apparent that he was subservient to the financial oligarchy. In regards to student loans, nothing even remotely has been done to help.

"Yes, we are now allowed more time to pay off our loans, but—with more interest—that will mean the student loan lenders will become richer. It doesn't help students. We might pay less each month, but in the long run anyone who wants to pursue a higher education is an indentured servant for the rest of his life.

"Obama doesn't even remotely challenge that conception. It's not about Obama, it's about the office of the presidency and our entire government. Their purpose is to do the bidding of the ruling class. The Republicans may be the more overt expression, but the Democrats exist because the ruling class needs someone to maintain illusions—that is their objective.

"Obama received the most funding of any presidential candidate in history—JPMorgan Chase, Citigroup, Lehman, you name it. We have all this wealth concentrated at the very top of social life of society. Four hundred of the richest Americans control \$1.53 trillion and here I am, along with millions of other Americans, struggling to get by. It's wrong. It can't keep going on this way.

"When it comes to loans and jobs, 'personal responsibility' is the mantra touted by both the Democrats and Republicans. It is a psychological tool to prevent mass struggle. These psychological manipulations are powerful, but they are losing their grip on us. You can see that in Egypt, Wisconsin and in even on Wall Street now. Struggles are coming up and things depend upon what we do. People are engaging in struggle. All the objective conditions are met. The question now is leadership."



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