

# Desperate US students seek “arrangements”

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There has been an explosive growth of a new business model organized by a variety of exploitive American entrepreneurs.

Well-heeled “Sugar Daddies” are being peddled to desperately indebted college students via online services. A variety of sites including SugarDaddyMeet.com, SeekingArrangement.com and SeekingTuition.com solicit mostly female students to create “sugar baby” profiles and establish “mutually beneficial relationships,” exchanging “companionship and sex” for monthly allowances and gifts.

With college loan debt now over \$1 trillion in the US, average student indebtedness for those earning a bachelor’s degree at \$26,600 and 66 percent of university students borrowing to pay tuition, the lure of quick money has ensnared a good many in the sex trade.

College student membership on SeekingArrangement.com, a website that matches “sugar daddies” and “sugar babies,” has increased by 58 percent in 2012.

“Currently we have over 2 million members, 44 percent of which are college students,” Leroy Velasquez, public relations manager at SeekingArrangement, told ABC News. Explaining the appeal, he stated, “It’s very difficult to retain a part-time or full-time job, especially when you have an academic life.

“With SeekingArrangement, we offer these types of relationships.... We are in a very recessive economy, tuition costs and costs of living have increased and people are finding alternative ways of funding a college education, in this case becoming a sugar baby.”

The site advertises that on average “sugar babies” net \$3,000 a month in allowances and gifts. Denying that these transactions constitute prostitution, Brandon Wade, CEO of SeekingArrangement.com, protested, “It’s really about a romantic relationship between two

people. The only difference is that the sugar daddy is very wealthy.”

Velasquez also denied the charge, stating, “A prostitute is just conducting a black-and-white transaction that is in no way a relationship. What we have at SeekingArrangement is a lifestyle.”

SeekingArrangement.com began in 2005, but “over the past few years, the number of college students using our site has exploded,” said Wade. Students who register with an .edu e-mail address get exclusive access to the site’s VIP sugar daddies and free premium memberships. “College students are one of the biggest segments of our sugar babies and the numbers are growing all the time,” he pointed out.

“Sugar daddies” and “sugar mommies” pay a monthly membership fee to access e-mails and full profiles of potential sugar babies. The cost varies by site, between \$600 and \$2,400 a year, to gain elite access.

To gain membership in SeekingArrangement.com’s “Diamond Club,” at \$2,400 a year, a client must verify his/her identity, annual income and net worth. In return, the site’s premium status is advertised within his/her profile, and it will be queued near the top of sugar babies’ search queries.

A Diamond Club member told the *Huffington Post*, “I only go out with girls 25 and under. But I can’t walk into a bar and go up to a 25 year old. They’d think I’m a pervert. So this is how I go about meeting them.”

He continued, “Most of these young women have debt from school. I guess I like the college girls more because I think of their student debt as good debt. At least it seems like I’m helping them out, like I’m helping them to get a better life.”

A list of the 20 colleges with the most new “sugar babies” registered this year are posted by the site, as though this were a feather in the cap of the institutions named. Georgia State, University of Central Florida,

New York University, Temple, Indiana, Arizona State, Kent State, Penn State, Tulane and Michigan State are on this year's list.

The cost of attending university in the US has risen more than 300 percent since 1982 and doubled since 1995. Between 2000 and 2011, the real (inflation-adjusted) wages of high school graduates declined by 11.1 percent, and the real wages of college graduates declined by 5.4 percent.

About 1.5 million, or 53.6 percent, of bachelor's degree holders under the age of 25 were jobless or underemployed last year, the highest rate in at least 11 years.

While bottom-feeders like Wade and his ilk are profiting off the difficult circumstances of students, they are pipsqueaks compared to those in the financial industry carrying out the systemic looting of the younger generation.

Without an education, most young people face a life, at best, as part of the working poor. However, for most students higher education is out of reach without loans. US students face interest rates at levels between the "subsidized" 3.4 percent to PLUS loans at 7.9 percent and, for some private loans, upward into the double-digits. The least credit-worthy (often therefore the poorest) students and their parents are forced to pay the most.

Student loan interest rates set by Congress, however, are a political decision. The Federal Reserve supplies the banks with cash at just above zero percent. If the same policies governed student loans as they did prior to 2006—i.e., pegging student loan rates to Treasury bills—interest rates would currently be in the 1 to 2 percent range.

This is just the beginning. The loans are then packaged and marketed, becoming the source of further immense profits. Bloomberg News points out that lenders issued \$17 billion in bonds tied to student loans in 2012 and that top-ranked securities tied to education debt are yielding 137 basis points more than Treasury notes, a much better rate of return than, say, auto loan debt.

The debt becomes even more lucrative at the next stage, in the hands of the hedge fund managers. Credit default swaps are created, with bets in both directions, as is done in the mortgage industry. With the rising default rates, anxious Wall Street investor sites now

suggest "shorting" the student loan bubble, either by buying credit default swaps on student loan asset-backed securities or shorting student loan providers such as Sallie Mae and for-profit universities.

At the bottom of this massive pyramid are the students, struggling to get an education and make a decent life. The student loan crisis—with its increasingly degrading human toll—is the product of the criminal and parasitic financial industry.



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