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From: [redacted]
Sent: Tuesday, June 16, 2009 10:36 PM
To: negreg09
Subject: Student Borrower Beware--An Open Letter to President Obama

Student Loans, Borrower Beware-- An Open Letter to President Obama

The White House

1600 Pennsylvania Avenue NW

Washington, D.C. 20500

April 7, 2009

Dear President Obama:

rospective college students seeking financial aid in the form of government student loans need to know the risks. Greed is the primary goal of student loan lenders. By lobbying legislators, student loan lenders powerfully influence laws. Needed laws are in place to prevent fraud by unscrupulous debtors; however, penalties have exceeded loan recovery. The following paragraphs describe the negative aspects of our government's student loan program.

The Fair Debt Collections Practice Act

Borrowers are not thieves that are trying to steal money from either the government or the banks. They have not run up credit cards for frivolous luxury items; they are among the hard working poor trying to better themselves. Embarrassed and ashamed to be in a financial mess, they are subject to harassment by collection agencies who are not regulated by any of the laws that have been put into place for consumers, although every other creditor has to abide by these regulations or suffer the possibility of lawsuit or fines. The abuse abounds as these collection agencies are unregulated by the Fair Debt Collections Practices Act. Having no interest in the student debtor's circumstances, lenders or collection agencies initiate action without regard for the borrower's personal priorities including housing, transportation, and family. Lenders are only interested in collecting payment. There will be no hearing or day in court, as no judgment is necessary. Lenders will garnish salaries or bank accounts.

Usury Laws

Throughout history, advanced civilizations have instituted safeguards to insure that the rich and powerful do not take advantage of people that are less fortunate. States enforce usury laws for this purpose; a violation of these laws is a form of slavery or indenture servitude. However, student loan lenders are not bound by usury laws. In 1998, Congress passed legislation that granted immunity from usury laws for student loan lenders, allowing them to write their own rules. For example, lenders can charge 28% at the time the loans first go into default after 180 days, and 25% interest per year. An average student loan balance of $21,000 that goes into default for one year with 8% interest, becomes an unmanageable $32,000 after the first year.

Bankruptcy

The best of intentions can be trumped by any of life's upsets: illness, unemployment, divorce, or children. Bankruptcy is an admission of failure, but it is necessary to help people who are financially overwhelmed and unable to recover by themselves. Because of a law passed by the United States Congress in 1997, it is possible to discharge all debt by bankruptcy *except student loan*s.

Truth in Lending

- After many people received loans, legislators effectively removed the right to discharge student loans by bankruptcy.
- To appease the students who have defaulted on their loans, lenders and Congress approved an income based payment plan. After adding fees and interest inflating the loans, the lenders determined the student payment based upon income. If a student debtor made regular payments for the next twenty-five years, the loan will be "forgiven." Barely able to cover the interest, the debtor may have paid triple the amount of the original loan. With "forgiveness" the student is required to pay taxes on the entire amount including inflated fees and interest.

- In 2005, terms of student loans were further changed, denying student loan debtors the right to refinance at a lower interest, eliminating competition from any private lender.
- Unpaid student loan debts become the responsibility of future spouses.

Statue of Limitations

There is no statue of limitations for student loans. No matter how many payments have been made or how old the debt, lenders will garnish pay checks or social security benefits. In some cases the debtors have repaid the original loan plus the penalties, but the remaining loan balance is as high or higher than the original amount. The government clearly supports lenders whose primary goal is greed—not the education or the common good of the people. The American dream that education will improve our lives has become a nightmare to some borrowers.

The Responsibility of Financial Risk

Higher education is a profitable business. Students are encouraged to run up thousands and thousands in loans, including those who have limited social skills or abilities to hold a higher paying job. Education is big business: institutions of higher education make money; lenders increase wealth, while some legislators benefit from the lender lobbyist. As the standards of education are lowered to accommodate more students, the diploma loses its value. Thus borrowers have difficulty recouping expenses. Although lenders ignore or disregard loan applicants' qualifications, they share no responsibility for bad credit choices. Lenders and the schools are protected from financial calamity by laws that should have been written to protect the poor, but all the risk rests with the student.

A Multi-Generational Problem

The negative impact of a student loan not only affects the parent but also the family. A parent, who struggles to meet loan obligations yet fails to see the loan decrease, lives from paycheck to paycheck. To meet the inflated loan obligation, parents not only deprive their family members of daily necessities but also discourage other family members from seeking student loans. The end result: students who have witnessed parents struggling to meet loan demands do not seek higher education, because they are unable to withstand the same financial burden. The process has been corrupted by leaders and lenders who have lost sight of their purpose: educational opportunities for future generations. Instead, student loans have created a source of long term wealth for lenders and weakened the process for generations of children who need funding for education. Fewer students will seek higher education. When fewer students seek higher education, we not only lose a better informed workforce, but also our competitive edge in the world market.

Attempts to reach representatives of Congress have produced little progress in regaining the rights that have been lost. There is a silent collaboration between representatives and student loan lenders. Only a few Congressmen have truly worked as advocates. Instead of focusing on the *loss of rights*, most people *judge* the former student's failure or inability to pay. There is a conspicuous absence of attorneys or organizations who are willing to help student loan debtors fight this *unbelievable denial of rights*. Then two, public records show some representatives are receiving contributions from student loan lenders.

Like the American dream of everyone owning a home, perhaps there are people for which there is no financial way to get a education. Our government is not supporting its students, and our educational financial aid system needs revision, including restoration of the rights of all student debtors. Our future generations deserve attainable access to a higher education based upon abilities, not finances.

[redacted]

[redacted] is a 66-year-old single mother, who has struggled to pay her student loans for 12 years. Of an original balance of $21,500, she has paid over $32,000 toward the loan, but the balance today is over $31,000. She hopes to repay her loan, her *only* debt; however, every attempt to get resolution has failed. She has lived the obstacles described in this essay. She, like millions of student loan debtors, believes this is a violation of her rights. Let Congress know that we want our rights restored. Reach her at [redacted]