

# EDITORIALS • COMMENTS • OPINIONS

## Coping With Student Loan Repayment

By Charlene Crowell

NNPA Columnist

A new report from the Consumer Financial Protection Bureau (CFPB) found that many of the same types of loan servicing problems that affected consumers in the mortgage market are now affecting student loan borrowers. Just as troubled homeowners were often unable to pay their mortgages, refinance their loans, or receive timely assistance from loan servicers, many student loan borrowers are now experiencing many of the same difficulties. Although the report focuses on private student loans, some of the servicing problems identified also affect federal student loan borrowers.

“Unfortunately, with few refinancing options, many student loan borrowers tell us they feel stuck in loans with high rates, well after they’ve graduated and landed a job,” said Rohit Chopra, CFPB’s Student Loan Ombudsman.

After analyzing approximately 3,800 student loan complaints submitted from October 1, 2012 through September 30, 2013, CFPB focused on problems with crediting payments to private student loan accounts. In this manner, CFPB found that nearly half of these complaints came from consumers seeking a loan modification. Further, 87 percent of complaints received were directed at one of eight companies. Sallie Mae, a financial services firm specializing in educational loans for more than 40 years, topped the complaint list with 49 percent.

Since July, CFPB has accepted complaints on debt collection activities, hearing from consumers

whose accounts defaulted and were sent to collections because they were unable to afford their loans. Other complaints involved how loan payments were applied, lost payments, late fees and changes in servicers without borrower notification.

In a weak economic recovery, many borrowers are financially challenged to pay their loans on time. Still others, facing financial hardships through unemployment and under-employment, are finding few, if any, available options to refinance private student loans.

Even so, CFPB advises that there is yet hope for challenged borrowers determined to make good on their debts and get on with their lives.

Providing clear and timely instructions to your servicer can direct how your payments are applied and likely reduce the interest paid over the life of the loans.

For example, consumers with multiple credit cards and balances on each are usually advised to retire the highest-priced card debt first. A similar approach can apply to retiring private student loans.

Most borrowers take out multiple loans to pay for college, and private loan interest rates can change from year to year. Following graduation, these loans are often bundled into a single account or billing group. The borrower, however, receives one bill for all loans incurred. As payments are remitted, the loans will have different balances and still have different interest rates.

By paying the minimum amount due on each loan first, additional available monies can be applied to the

loan with the highest interest rate. Over the life of the loans, giving priority payment to the most expensive one will likely save thousands of dollars.

Conversely, if a borrower can only afford a partial payment, speaking with the servicer before the payment due date can help avoid unnecessary late fees and penalties. Knowing the exact minimum amount and the interest owed on each loan can guide which loans can be paid and their corresponding amounts. Armed with this knowledge, it may also be possible to minimize delinquent fees or penalties.

If borrowers do not direct how their payments are to be applied, loan servicers typically act in the interest of the lenders by applying payments to earn the most money for the lender. Loan servicers should not apply payments in a way that benefits them rather than the borrower.

The Center for Responsible Lending urges the CFPB to act promptly to address all complaints alleging unfair, deceptive or abusive practices. In addition, the CFPB and the Department of Education can and should work together to establish requirements for both federal and private student loan servicers.

In the interim, troubled borrowers should seek assistance early. If communications with loan servicers do not resolve borrower concerns, the CFPB’s online complaint system can take information and assign a complaint number that can be used to check complaint status at <http://rspnslb.li/Hdlc00>. If you prefer to speak with CFPB directly, call their toll-free line at (855) 411-2372.

## ‘Entitlement Programs’ Serve Elderly And Poor

By George E. Curry

NNPA Columnist

Republicans have made it clear that their next budget goal is to slash so-called entitlement programs. Democrats have failed to explain to the public that the misnamed programs are valuable and prevent millions of Americans, many of them elderly or children, from living in poverty.

The Center on Budget and Policy Priorities (CBPP) issued a report last week that found: “Social Security benefits play a vital role in reducing poverty. Without Social Security, 22.2 million more Americans would be poor, according to the latest available Census data (for 2012). Although most of those whom Social Security keeps out of poverty are elderly, nearly a third are under age 65, including 1 million children. Depending on their design, reductions in Social Security benefits could significantly increase poverty, particularly among the elderly.”

The report explained, “Almost 90 percent of people aged 65 and older receive some of their family income from Social Security. Without Social Security benefits, 44.4 percent of elderly Americans would have incomes below the official poverty line, all else being equal; with Social Security benefits, only 9.1 percent do. These benefits lift 15.3 million elderly Americans — including 9.0 million women — above the poverty line.”

Medicare has proven equally as effective. Yet, Republicans like to pretend that the U.S. is quickly moving toward an entitlement society.

However, CBPP issued a report last year titled, “Contrary to ‘Entitlement Society’ Rhetoric, Over Nine-Tenths of Entitlement Benefits Go to Elderly, Disabled, or Working Households.”

It stated, “More than 90 percent of the benefit dollars that entitlement and other mandatory programs spend go to assist people who are elderly, seriously disabled, or members of working households — not to able-bodied, working-age Americans who choose not to work. This figure has changed little in the past few years.”

It stated, “The claim behind these critiques is clear: federal spending on entitlements and other mandatory programs through which individuals receive benefits is promoting laziness, creating a dependent class of Americans who are losing the desire to work and would rather collect government benefits than find a job.

“Such beliefs are starkly at odds with the basic facts regarding social programs, the analysis finds. Federal budget and Census data show that, in 2010, 91 percent of the benefit dollars from entitlement and other mandatory programs went to the elderly (people 65 and over), the seriously disabled, and members of working households. People who are neither elderly nor disabled — and do not live in a working household — received only 9 percent of the benefits.

“Moreover, the vast bulk of that 9 percent goes for medical care, unemployment insurance benefits (which individuals must have a significant work history to receive), Social Security survivor benefits for the children and spouses of deceased workers, and Social Security benefits for retirees between ages 62 and 64. Seven out of the 9 percentage points go for one of these four purposes.”

The research also shatters another myth, the idea that entitlement programs shift resources for the middle class to the poor.

“The data show that the middle class receives approximately its proportionate share of benefits: in

2010, the middle 60 percent of the population received 58 percent of the entitlement benefits. The top 20 percent of the population received 10 percent of the benefits; the bottom 20 percent received 32 percent of the benefits.”

Even with a sluggish economy, Congress seems unwilling to support those on food stamps, now called SNAP — Supplemental Nutrition Assistance Program. Under the 2009 Recovery Act, recipients received a 13.6 percent temporary boost in benefits. However, that provision is set to expire on Nov. 1, resulting in a \$80 a month loss for a family of four. That means SNAP benefits will average less than \$1.40 per person per meal in fiscal 2014.

Instead of continuing to help those in dire need, House Agriculture Committee Chairman Frank Lucas (R-Okla.) introduced legislation in September cutting SNAP by at least \$39 billion over the next decade.

To his credit, President Obama has suggested a more balanced approach, with cuts being matched by closing some of the loopholes for the wealthy.

According to the Tax Policy Center, the top fifth of the population receives 66 percent of tax-expenditure benefits, the middle 60 percent of the population receives a little more than 31 percent of tax-expenditure benefits, the bottom fifth receives just 2.8 percent of tax-expenditure benefits and the top 1 percent of the population receives 23.9 percent of tax-expenditure benefits. And the report pointed out, “That’s more than eight times as much as the bottom fifth of the population, and nearly as much as the middle 60 percent of the population.”

It’s time for President Obama and Democratic leaders to show that they can stand up to Teapublicans more than once.

## Grambling’s Football Strike: A Wake Up Call For The Nation

By Jesse L. Jackson, Sr.

NNPA Columnist

The strike of football players at the legendary Grambling State University received attention across the world. GSU President Frank Pogue praised the players for providing the “creative tension” needed to bring attention to the plight of Grambling and historically black colleges and universities (HBCUs) in general.

The players were protesting poor practice and dilapidated locker room facilities as well as the firing of their coach Doug Williams early in the season, but their protest exposed the broader reality facing Grambling and HBCUs: they face a brutal and increasing financial crisis.

At Grambling, President Pogue reports, aid from the state of Louisiana has been cut by nearly 60 percent over the last six years. The school has gone, as its Office of Finance and Administration reports, from a “state ‘funded’ institution to a state ‘assisted’ institution — and the assistance isn’t nearly enough. Trying to operate on a budget lower than it was six years ago, Grambling has cut full-time employees by more than one-fourth over five years.

The state cutbacks have forced increases in tuition and fees of about 60 percent over the last five years. At the same time, the state has forced closure of summer school, and raised admission requirements to make the school harder to get into.

Like most HBCUs, Grambling’s students come largely from lower income families, and are often the first in their families to go to college. They cobble

together their tuition from financial aid, part-time work, and parental loans.

And to add to the misery, the Department of Education decided to tighten eligibility requirements for parental PLUS loans, denying applicants with even minor credit blemishes, such as overdue parking tickets or cell phone bills — exactly the kind of difficulties that low income families often run into.

The inevitable result is that Grambling and other HBCUs are losing students — an estimated 28,000 were denied Parental PLUS loans over the past year — as more and more qualified students simply can’t get Parental PLUS loans and can’t afford to pay their way.

This is an historic reversal. Historically Black Colleges and Universities have provided real opportunity to underserved communities, particularly African Americans. These colleges were founded in the ashes of slavery with a mission — to take the rejected stones and turn them into cornerstones of a freed people. Education, it was assumed was key to reconstruction. Now, states are constricting access to college even as they expand entrance to private prisons and jails. They are moving from education and reconstruction to incarceration and separation. Instead of opening paths from poverty, they are locking more young people out by locking them up.

This takes place despite the remarkable success of HBCUs. As Leslie Baskerville, the president and CEO of the National Association for Equal Opportunity in Higher Education reported in 2008,

the 103 HCBUs confer 24 percent of all doctoral degrees awarded to African Americans. They represent 4 percent of all colleges and universities in number, but enroll 16 percent of African Americans in a four-year colleges, graduate 30 percent of all African Americans receiving a bachelor’s degree, 40 percent of those granted degrees in science and math, 50 percent of those graduating in engineering and 50 percent of those granted a teaching degree.

Grambling State President Pogue notes that HBCUs “have never been equally funded in this country, and we’re not equally funded today.” He praises the football players for calling attention to the broader crisis facing Grambling State and other HBCUs, while redoubling his efforts to raise support from the school’s loyal alumni.

But neither Pogue nor the alumni can carry this load alone. In many ways, historically Black colleges and universities are the proverbial canaries in the mines of college education. What endangered them threatens public colleges across the land. State cutbacks are force higher and higher tuition and fees. More and more students are priced out of the very education they need. We all have a stake in educating the next generation. Only with Washington fixated on cutting spending back to levels not seen since the 1950s, and states facing continued budget squeezes, we are asking the young to bear the burden that should be widely shared. Perhaps the strike by the football team of a legendary program will begin to wake us up.