

Students graduating from college today face skyrocketing levels of student loan debt, as tuition costs and textbook prices have continued to rise far faster than the normal rate of inflation. At the same time, state and federal governments are cutting financial support for higher education, forcing more of the load onto the shoulders of students and their families.

As is too often typical today, industries that profit off everyday people and taxpayers have not hesitated to spend heavily on lobbyists and campaign contributions to influence policy decisions for their corporate gain. Students and their families, already stretched thin by college costs, can't keep up in this influence game.

STUDENT LOANS

The amount of money students take out in loans each year has more than doubled in the last 10 years to \$112 billion.¹ And the amount of outstanding student loan debt has more than quadrupled in that time to over \$1 trillion—now larger than America's total credit card debt.²

A still weakened economy has contributed to today's total of \$67 million in defaulted student loans.³ Despite this, the student loan industry's level of influence has helped it avoid reforms and new programs that would make it more affordable for students to finance their education and repay loans.

Industry Influence

- **Lobbying:** The student loan industry has spent \$50.1 million on lobbying since 2000 to advance its interests, even without counting lobbying from larger financial firms that have many interests in addition to student loans.⁴
- **Contributions:** Private student loan corporations have given \$7.7 million in political campaign contributions since the 2000 election cycle to get friendly politicians elected and curry influence.
- **Key Company:** Sallie Mae, formally known as SLM Corporation, is far and away the biggest private student loan provider, with an influence profile to match. By itself, Sallie

¹ http://trends.collegeboard.org/student_aid/report_findings/indicator/318

² <http://online.wsj.com/article/SB10001424052702303812904577295930047604846.html>

³ <http://www.bloomberg.com/news/2012-03-26/obama-relies-on-debt-collectors-profiting-from-student-loan-woe.html>

⁴ Lobbying and contribution data derived from Public Campaign analysis of data from the Center for Responsive Politics

Mae has spent \$32 million on lobbying since 2000, and its PAC and employees have given over \$3.9 million in campaign contributions during the same period.

Bankruptcy Won't Clear Your Student Loans (But It Will Void Your Gambling Debt)

- It was once possible to discharge student loan debt by declaring bankruptcy, but that all changed with a set of laws passed by Congress in 1998 and 2005. Now, private student loans are in the “same nearly-impossible-to-clear category as child-support payments and criminal fines.”⁵ It’s even easier to clear gambling debt than it is to escape from under a mountain of unpayable student loans.
- When the new Consumer Financial Protection Bureau pushed Congress to once again allow private student loans to be discharged in bankruptcy like most debt, Sen. Bob Corker (R-Tenn.) blasted the proposal as a hardship for (highly profitable) private student loan companies. He said that seeking bankruptcy relief for student loans you cannot repay is “one of the most damaging things a consumer can possibly do.”⁶ Damaging, that is, to those poor loan companies.

Profiting from Both Ends, Loan Issuing and Debt Collection

- The U.S. Department of Education has started hiring private debt-collection firms like Pioneer Credit Recovery—owned by SLM Corporation/Sallie Mae—to track down the increasing number of defaulted student loans. Legal experts say these firms violate federal fair debt-collection laws.
- The debt-collection firms earn up to 20 percent commissions on debt recoveries, creating big incentives to insist on higher payments than legally necessary. The companies took in \$1 billion in commissions last year.⁷

Declining Pell Grant Program Forces Students to Take Out More Loans

- Pell grants cover a smaller proportion of education costs each year, with students often turning to student loans to make up the difference. Since 1979, the maximum Pell grant has gone from covering three quarters of the cost of attending a public four-year school to barely a third today.
- Pell grant recipients, who are lower income than college students overall, are twice as likely to take out student loans as students who do not receive Pell grants. Nine out of 10 Pell grant recipients end up with student loan debt—the same students who cannot afford it.⁸
- The budget of Congressman and vice presidential nominee Paul Ryan (R-Wisc.) would cut the Pell grant program by over \$6 billion in FY2014, according to the New America Foundation.⁹

⁵ http://www.usatoday.com/USCP/PNI/Business/2012-04-27-BCUSStudent-LoansBankruptcy1st-LdWritethru_ST_U.htm

⁶ <http://www.thefiscaltimes.com/Articles/2012/07/25/CFPB-Pushes-Bankruptcy-Protection-for-Student-Loans.aspx>

⁷ <http://www.bloomberg.com/news/2012-03-26/obama-relies-on-debt-collectors-profiting-from-student-loan-woe.html>

⁸ http://www.huffingtonpost.com/2012/08/27/pell-grants-college-costs_n_1835081.html

⁹ edmoney.newamerica.net/sites/newamerica.net/files/articles/08152012%20Pell%20Eligibility%20Side-by-Side%20Ryan%20Plan%20v4.0.pdf

FOR-PROFIT SCHOOLS

For-profit higher education has been a rapidly expanding part of the education landscape, but it often turns out to be a raw deal for students and taxpayers alike. For-profit colleges receive a disproportionate amount of government money, but cost more to students, spend less on instruction, and have much lower graduation and debt repayment rates than public or private non-profit schools.

The high costs of for-profit colleges—for example, \$35,000 for a two-year degree compared to just \$8,300 at a community college¹⁰—mean that many students are forced to take out larger student loans, often with worse repayment terms. Students who attend for-profit schools are twice as likely to default on student loans as public college students.¹¹

Industry Influence

- **Lobbying:** The for-profit college industry has spent \$32.2 million in lobbying since 2000, and has been rapidly ramping up this number. It spent \$10.2 million in 2011 alone.
- **Contributions:** The industry has given over \$10.4 million in contributions to candidates and parties since the 2000 election cycle. The \$3 million it has poured into the 2012 elections so far is already a record.

Watering Down the Taxpayer-Protecting “Gainful Employment Rule”

- When the Department of Education proposed new rules requiring for-profit colleges to demonstrate they prepared students for “gainful employment in a recognized occupation” in order to qualify for government funding, and to inform prospective students of their likely debt load upon graduation, the industry unleashed a full-court press on Congress, the Obama administration, and the courts against the rules.
- The Association of Private Sector Colleges and Universities has challenged these rules in court and gotten the D.C. District Court to block the “gainful employment rule”—a win the for-profit education sector will enjoy at the expense of students.¹²
- Congressman John Kline (R-Minn.), the top recipient of for-profit education money this cycle (\$164,524), condemned the gainful employment rule as “anti-student” and “anti-taxpayer.” He didn’t explain how the status quo is “pro-student” or “pro-taxpayer.”

For-Profits Get A Disproportionate Amount of Government-Backed Loans and Grants

- Most for-profit schools get more than 80 percent of their revenue from federal funds, a total of \$32 billion in taxpayer dollars.¹³
- They also receive 25 percent of all federal Pell grant money—\$7.5 billion in 2009-10¹⁴—despite enrolling only 12 percent of students.¹⁵

¹⁰ <http://www.propublica.org/article/the-for-profit-higher-education-industry-by-the-numbers>

¹¹ <http://www2.ed.gov/offices/OSFAP/defaultmanagement/instrates.html>

¹² <http://www.insidehighered.com/news/2012/07/03/gainful-employments-hazy-next-steps>

¹³ <http://www.nytimes.com/2012/07/30/education/harkin-report-condemns-for-profit-colleges.html>

¹⁴ <http://www.propublica.org/article/the-for-profit-higher-education-industry-by-the-numbers>

¹⁵ <http://www.nytimes.com/2012/07/30/education/harkin-report-condemns-for-profit-colleges.html>

TEXTBOOKS

While students are being squeezed by ever-rising college tuition costs, they're also having their wallets drained by skyrocketing textbook prices. The average cost for a year's worth of college textbooks has gone from under \$325 in 1986¹⁶ to \$1,168 in 2011.¹⁷ All the while, these companies have used their influence in government to prevent the kind of competition and regulation that could significantly lower prices.

Industry Influence

- **Lobbying:** The four largest higher education textbook publishers, along with two trade groups, the Association for Educational Publishers and Association of American Publishers, have spent over \$35 million in lobbying since 2000.
- **Contributions:** The textbook industry has given more than \$1.4 million in contributions to candidates and parties since the 2000 election cycle, including \$283,000 in 2008, the most recent presidential election.

Pushing For Strict Copyright Laws Like SOPA

- Textbook publishers have pushed for ever-stricter copyright laws to protect their profit margins, including the infamous overreach of the Stop Online Piracy Act (SOPA), which was explicitly endorsed by the Association of American Publishers and three of the four biggest textbook publishing companies.
- Top consumer advocacy groups warned members of Congress that SOPA would mean “a legitimate student-to-student textbook exchange site could be hampered or shut down by a publisher for the actions of just a few infringing users, raising the costs of an already-expensive education.”¹⁸

Opposing the Promise of Low Cost Open Source Textbooks

- During the 2008 election, the AAP strongly pushed both Sen. McCain and then-Sen. Obama to pledge to appoint only individuals who support their copyright positions to posts relating to intellectual property. In particular, they warn against nominating “a divisive figure such as Larry Lessig”—a leading open source advocate.¹⁹
- Textbook companies have sued to block competitors from offering low cost options to students. Earlier this year, three of the largest textbook companies cited copyright law to successfully sue education startup Boundless Learning and prevent it from offering free textbooks made from open source materials.²⁰

¹⁶ <http://www.gao.gov/products/GAO-05-806>

¹⁷ http://trends.collegeboard.org/college_pricing/report_findings/indicator/Undergraduate_Budgets

¹⁸ <http://consumerist.com/2011/11/consumer-groups-the-stop-online-piracy-act-goes-too-far.html>

¹⁹ http://www.huffingtonpost.com/james-love/publishers-lobby-obama_b_137660.html

²⁰ <http://chronicle.com/blogs/wiredcampus/3-major-publishers-sue-open-education-textbook-start-up>