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Neal McCluskey: Congress' higher-education villain: ATM fees

It all fits with the overall Washington higher education strategy: Ignore the real problems, and attack people openly making profits.

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With prices through the stratosphere, athletic programs gone rogue, and degree-completion rates plunging, higher education has huge problems. But Congress isn't tackling those. No, students are sometimes charged ATM fees, and that's a real outrage.

The chest wounds of our nation's colleges and universities are gaping.

Biggest of all is the ever-rising college bill. The average, inflation-adjusted price at a four-year, not-for-profit private institution has risen 75 percent over 20 years. At that school you'll be charged $28,500, not including room, board, books, etc. At the average public college, prices have ballooned 136 percent.

Meanwhile, completion rates are dreadful. Overall, 58 percent of first-time, full-time students in four-year programs finish within six years. At community colleges only 20 percent finish their programs within 150 percent of the expected time.

Then there are the dim prospects for those who actually complete their studies: One out of every three bachelor's holders is in a job that doesn't require the credential, and about half of recent graduates are unemployed or underemployed.

So what campus evil is Congress focused on? Student debit cards.

What set them off is a late-May report from the U.S. Public Interest Research Group about fees attached to cards students can use to get financial aid money after schools have taken their cut. Basically, PIRG just doesn't like students paying fees – especially to the for-profit companies that manage the cards – regardless of the costs of letting students immediately access money rather than waiting for school checks, or of using non-network ATMs.

The report set off a flurry of activity, especially by congressional Democrats. Soon after PIRG's report came out Assistant Senate Majority Leader Richard Durbin, D-Ill., and House education committee ranking member George Miller, D-Calif., sent a letter to the U.S. Department of Education and Consumer Financial Protection Bureau. They requested that the agencies "examine the full-range of bank-affiliated student debit card practices."

Last week Durbin and several other Democratic senators stepped up the pressure, sending a letter to major college associations urging them to scrutinize debit card use. And there's a good chance legislation will be proposed to attack the debit-card scourge.

It all fits with the overall Washington higher education strategy: Ignore the real problems, and attack people openly making profits.

But why not heal the gaping chest wounds?

Because government subsidies – issued to show how much politicians "care" – are their major cause, practically begging students to pay far too much for programs they often don't need, and encouraging schools to spend with abandon on everything from bloated bureaucracies to amusement park-like recreation centers. It's what happens when people pay for things with someone else's money.

And there are buckets of other people's dough. In 2011, state and local governments supplied $85 billion for general operating expenses at public institutions. The federal government doled out $169 billion in aid to students. Altogether that's more than half of the total spent by postsecondary institutions.

Compared with those planet-size sums, the fees that have so maddened PIRG – $3 out-of-network ATM fees, $50 for being overdrawn for more than 45 days – are Higgs Bosons. Yet debit-card companies are supposedly the bad guys.

Actually, they join two other villains: for-profit colleges – the subject of a huge attack report from Sen. Tom Harkin, D-Iowa, and private lenders, both of which are also tiny contributors to the rot in higher education.

To be fair, students at for-profit schools make up a significant proportion of federal student loan defaulters. But it is Washington that gives these people – generally the least-prepared and least-likely to succeed regardless of where they go – the money. And unlike other institutions, for-profits get almost no direct subsidies and pay taxes.

And those private lenders? According to a new report from Sallie Mae, private loans provide 1 percent of the money used to pay for college. That's versus 17 percent for federal loans, 1 percent for federal work-study, and 16 percent for federal, state, and school-based grants. Yet allowing such loans to be discharged in bankruptcy has been the other big college push in Congress.

The American ivory tower is crumbling under multiple billions in taxpayer subsidies. But to Congress that's no concern – there's an ATM fee to stop!