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Sue You! Colleges File Lawsuits Against Delinquent Student Borrowers

By: Hannah Kapp-Klote – February 8, 2013

Yale, George Washington University, and the University of Pennsylvania are all suing students for defaulting on their Perkins loans, which offer undergraduate and graduate students a 5% fixed rate with zero origination fees. They are primarily provided to low-income students, who are also the people most likely to be unable to pay them back. This is damaging to one's credit, and students who have Perkins loans also face an additional liability. As consumer advocate attorney Deanne Loonin told Bloomberg, If the student doesn't benefit financially from the education, "[T]he government or the school comes after them very aggressively."

Right now there are four especially notable cases open where universities are suing their students for defaulting on their loans: George Washington University v. Graff, 2012- sc3-3308, District of Columbia Superior court (Washington); University of Pennsylvania v. Lopinto, 1211011562, Philadelphia County Court of Common Pleas; Yale University v. Triggs, CV-12-6027993-S, Connecticut Superior Court (New Haven).

These are all high tier, competitive institutions. So why aren't their students able to pay them back?

The suing of students unable to pay comes at a time when the student loan bubble, which many have referred to as the next bubble, is not getting any smaller.

But not everyone has sympathy for students with such massive amounts of debt: Neal McCluskey, who is quoted in the article and is an associate director at the Cato Institute in Washington said:

"You could take a job at Subway or wherever to pay the bills and that's something you need to do if you have agreed in taking a loan to pay it back," McCluskey said. "It seems like basic responsibility to me."

What McCluskey forgets is the sheer level of unemployment and the inability of minimum wage jobs, with our low minimum wage, that keeps students from finding jobs in the first place, or, once they have one, making enough to pay back their incredible debt. This line of reasoning — either pay your loans back or don't go to college — is also contributing to a mythos where smart students from low-incomes don't entertain the notion of college because they are afraid of crippling debt that might not even be necessary for them to be able to attend. All of this furthers economic inequality and its devastating role in access to higher education.

While this debt is something crucial for low-incomes students to consider, especially when evaluating their ability to attend college, there must also be an examination of the way selective colleges provide aid. Financial literacy programs that stress the importance of finding a job that pays enough proportional to one's debt, and learning the financial literacy skills as well as the job training skills that allows one to pay back one's loans. That might save the school some expense, as such solutions reaffirm that lawsuits, which benefit neither the college seeking repayment nor the student without the funds to repay.