

Chicago Tribune

Get government out of student loans

Easy credit gives incentive to jack up tuition rates

By Diana Sroka Rickert

October 14, 2014

Yesenia Duarte's parents are Mexican immigrants. Her family works long hours in construction and at a factory to make ends meet.

At an early age, Duarte set her sights on college. But come enrollment time, she faced a dilemma: either sign up for thousands of dollars in student loans or give up her dream of a college degree.

She signed up: "If I wanted to go to school, I had to take out loans," said Duarte, 23, of west suburban Addison. "I wasn't going to say no to my education because of these loans."

The cost of college is soaring, and increasingly more students must borrow money to pay for school. Upon graduation, they're saddled with debt; data show the average 2014 graduate must repay \$33,000 in student loans.

Unfortunately, the federal government may soon make the situation worse.

To boost minority college enrollment, the Obama administration has proposed lending money to more families for school.

Since so many students are maxing out what they can borrow under their own names, this proposal would reduce restrictions for parents who borrow money from the government on their children's behalf: Only the past two years of parents' credit history would be checked instead of the current standard of five. Delinquent debts below \$2,085 would be overlooked.

These PLUS loans already are borderline predatory. Parents can borrow up to the sticker price for tuition. Interest rates set by Congress have reached as high as 8.5 percent. If you can't afford the payments, not to worry; you can stretch them out over a quarter-century.

This generosity by the feds is not cheap: In a standard 10-year repayment plan, interest on

\$65,000 in PLUS loans is almost \$30,000. On an extended 20- to 25-year repayment period, interest reaches nearly \$100,000.

If you're a parent, imagine paying student loan debt into your retirement years. Students, how would you like to still be paying off college loans when your children move into their own dorm rooms?

Since the federal takeover of student loans in 2010, it's never been easier to borrow money for school. Unfortunately, it's also never been harder to repay.

The reality is that handing out more loans isn't helping students. It's making college more expensive and may soon put college out of reach.

"The more student aid the federal government makes available, the higher prices go," said Neal McCluskey, associate director for education at the Cato Institute think tank. "Colleges raise prices knowing students can access money to pay them."

According to the College Board, over the past decade the price of attending a public university has increased by 37 percent. One year of tuition, fees, room and board now averages \$18,391.

At private colleges, the price rose by 23 percent over the past decade, to \$40,917, the College Board reported.

Thanks to the government takeover, the federal government holds more than 90 percent of the nation's \$1.1 trillion in student debt. Despite the goal of being a benevolent monopoly, the government's intervention into higher education has distorted the market.

"[Students] think the price is X. 'I need money to pay X,' McCluskey said. "They don't think if somebody gives [them] the money, colleges are then going to charge X plus 1. They don't realize colleges bake the aid right into the prices."

America is the land of opportunity, and education is a big part of that.

While there are a lot of paths to success in life, research shows college graduates earn more money, are happier at their jobs and are less likely to be unemployed.

For a lot of families -- especially immigrant families like Duarte's -- college is the ticket to a better future.

In 2013, Duarte graduated from DePaul University. She landed a job in her chosen field and is

now working to repay her loans.

"This is what I've worked for, for so long," Duarte said.

Higher education should be accessible and affordable. But that won't happen as long as the government keeps handing out money and trapping people in expensive college loans. The solution is not more government loans, a student debt bailout or swifter loan forgiveness. If the housing market crash taught us anything, it's that all bubbles will burst. It's time for the government to start backing off.