



Blanket Student Debt Amnesty Now

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A couple weeks ago the Wall Street Journal confirmed our worst fears about the student loan program, that is, that it was going to blow up in the government's face just like all the other gigantic debt-bubbles that preceded it. For the sake of background, here's a brief excerpt from the article that will bring readers up-to-date:

“More than 40% of Americans who borrowed from the government's main student-loan program aren't making payments or are behind on more than \$200 billion owed, raising worries that millions of them may never repay.

The new figures represent the fallout of a decadelong borrowing boom as record numbers of students enrolled in trade schools, universities and graduate schools.

While most have since left school and joined the workforce, 43% of the roughly 22 million Americans with federal student loans weren't making payments as of Jan. 1, according to a quarterly snapshot of the Education Department's \$1.2 trillion student-loan portfolio.” ([More Than 40% of Student Borrowers Aren't Making Payments](#), Wall Street Journal)

While it all sounds very shocking, the real eye-popper was buried deep in the text where it was most likely to be ignored. Here it is:

“Carlo Salerno, an economist who studies higher education and has consulted for the private student-lending industry, noted that the government imposes virtually no credit checks on borrowers, requires no cosigners and doesn't screen people for their preparedness for college-level course work. “On what planet does a financing vehicle with those kinds of terms and those kinds of performance metrics make sense,” he said.” (WSJ)

Let's see if I got this right: The Fed, government regulators and the entire political establishment looked the other way while the mortgage industry cranked out trillions of dollars of “toxic” subprime liar's loans that Wall Street bundled into garbage bonds that wound up blowing up the entire global financial system and plunging the world into a severe recession from which we still haven't recovered. Then, a couple years later, they start pumping up another lethal trillion-dollar credit bubble, this time comprised of equally toxic “student liar's loans”?

Is that what they're saying?

That's it, alright. This is why there should be blanket amnesty for all the student debt generated in the last decade. It's because the whole thing was another filthy credit-swindle from the get go.

And let's be honest; it's not the government lenders who were scammed in this deal, it's the students. They're the victims, in the same way that the applicants, who borrowed hundreds of thousands of dollars for mortgages they could never repay, were the victims. The lender is ALWAYS responsible when a loan that goes belly up. ALWAYS. Because it's their freaking job to figure out who can pay and who can't. Period. That's all they do, lend money. And they're pretty damn good at it too, when they actually expect to get repaid, which in this case, they don't. That's why we know it's a scam.

So now we're supposed to believe that no one could have foreseen this trainwreck ahead of time. Is that it? Is that what Obama and the media and the rest of the crooked financial establishment want us to believe; that no one could know that 40 percent of the borrowers were going to 'stiff' the government?

Baloney. The handwriting was on the wall from the very beginning. Take a look at this interview I did with professor Alan Nasser in 2011.

M Whitney—Is it fair to say that the student loan industry is a scam that targets borrowers who will never be able to repay their debts?

Alan Nasser—It's as fair as fair can be. First, the student loan industry is huge – a large majority of students from every type of school are in debt. Debt is held by 62 percent of students enrolled at public colleges and universities, 72 percent at private non-profit schools and 96 percent at private, for-profit (“proprietary”) schools. It was announced last summer that total student loan debt, at \$830 billion, now exceeds total US credit card debt, which is itself bloated to the bubble level of \$827 billion. And student loan debt is growing at the rate of \$90 billion a year. So we're not talking small change.

How many of these students are subprime borrowers? That is, how closely do student loans resemble junk mortgages? The answer hinges on three factors: how these loans are rated, how likely the borrower is to repay, and the default rate on student loans.

...the Department's Inspector General Office employed a more realistic method in its 2003 audit, which calculated lifetime risk. It estimated that over their lifetime between 19 and 31 percent of college freshmen and sophomores would default on their loans... For community college students, the prospects were grimmer still: between 30 and 42 percent were expected to default. And the future was most discouraging for students at for-profits: between 38 and 51 percent were anticipated to default. You can see that the default rate among student borrowers is expected to be higher than that for subprime home mortgages.” ([The Student Loan Swindle](#), CounterPunch)

Repeat: “between 38 and 51 percent were anticipated to default” ... “Higher than subprime mortgages.”

Bottom line: The shysters who issued these roadside bombs knew from the beginning that a high percentage of them were going to blow up. What more proof do you need that the whole thing is crookeder than hell? And this interview was conducted back in 2011, which means that these credit chisellers knew what they were doing from the very beginning. The

Obama-Fed-Wall Street cabal wanted to inflate another massive credit bubble so the thieving lenders could skim heftier profits while Obama crowed about his great economic recovery. That's what it's all about. And they didn't care that gullible college kids were being drawn-and-quartered so they could make more dough either.

What kind of country is this anyway, where the government deliberately bamboozles its kids about the "value of a good education" just so they can extort as much money as possible from them in the future?

Here's Nasser again:

"Alan Collinge of StudentLoanJustice.org has shown that the Department of Education makes more on defaulted loans than it does on loans in good stead. Washington has just as much an interest in encouraging student loan defaults as do, for example, collection companies, which obviously live off defaults."

"Cha-ching!" That's the happy sound of your predatory government fleecing your children.

It's outrageous!

Of course the private lenders make even more than the government does because they've developed a whole system for extracting as much wealth as possible from their unwitting victims. No surprise there. Private lenders always get their pound of flesh and then-some.

So here's a question for you: Why do you think Congress passed legislation making it impossible to discharge student loan debt through bankruptcy just months before the surge of student lending began? Do you think it was all just a big coincidence?

Give me a break! This thing has "setup" written all over it. Congress knew what they were doing. They knew they were part of a big sting operation targeting credulous students who never guessed that their government was just a bunch of lousy shakedown artists. And now congress can pat themselves on the back for a job well done, for luring millions of millennials into a lifetime of indentured servitude. That's quite an accomplishment, don't you think?

Hurrah, for Congress! The scumbags.

Here's Alan Nasser again:

"Because Congress chose to withhold key consumer protections from student borrowers ...the latter are virtually forced to enroll in "loan rehabilitation" programs. The borrower is subject to a form of extortion, whereby (s)he essentially buys her way out of allegedly more severe penalties with payments that are rarely applied to principal or interest on the defaulted loan. These outlays are in effect the price of access to a substitute loan, accompanied of course by additional fees. The new loan is typically larger than the defaulted one..."

The fee system is at the heart of the private lenders' affection for default. It gives to loan guarantors the same kind of interest in default that is so obvious in the case of collection companies. Collinge has analyzed IRS filings of guarantors of federal student loans. It turns out that guaranty agencies average about 60 percent of their income from fees alone. If the default rate

declines, so do the fees and income of the guarantors.” (CounterPunch)

Get the picture? So the worse it gets for the students, the better it gets for the lenders. Students get a lifetime of drowning in red ink, and lenders get a nice fat bonus of 60 percent off the top. Nice, eh?

Don't you love America?

Let's cut to the chase: Students have been defrauded on a massive scale by the credit Mafia, the brotherhood of crooks (Gov and private) whose only goal in life is to suck as much blood as humanly possible out of their victims and then move on to the next. That's how the game is played.

The only way to defeat this cadres of racketeers is to stop paying. That's it. No more money for you.

We're not talking about lower rates, or partial relief or a temporary debt moratorium. Oh, no. We're not looking for any namby-pamby, half-loaf "loser" solution. We're talking about total, blanket student debt amnesty. Wipe the slate clean. End the debt now.

And if it crashes the US Treasury, well, good riddance.

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