STUDENT LOANS â€“ THE NEW MORTGAGE CRISIS PART 1

March 30, 2011 - In America we are told we can follow our dreams. Many Americans are finding a steeper price tag and a lot more strings attached to those dreams when they try to further their education.   In this two part discussion we will see how for â€“profit schools have made higher education more costly, and how student loans affect the future.

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The first part of this article will focus on the cost of an education. Potential students may figure that all colleges are about the same, and base their decision more on geographic location or programs offered. Also, many are swayed by advertizing, whether in magazines or TV, seemingly guaranteeing an easy way to a bright new future with a high paying job. There are several colleges that promote online courses, so students can get a degree on their own time.   This all sounds good initially but checking into the details reveals hidden charges.

Remember that these colleges cannot promise a job upon graduation. This means although a field of education may be of interest, a prospective student must check into what a job in that area really pays. For example, taking out a $35,000.00 student loan to get a $30,000.00 a year job most likely would not be beneficial. Also, potential students need to pay attention to what is being charged per credit hour.   In comparing three colleges with similar degree programs, College A charged $133.50 per credit hour, College B charged $371.00 per credit hour, and College C charged $368.00 per credit hour. Also, examine how many credit hours are required. In College B that charged $371.00 per credit hour, they required 90 credit hours to finish the degree program. This means tuition for that college would be $33,390.00. College C that charged $368.00 per credit hour only required 55 credit hours to finish their program, meaning the total amount was $20,240.00.

Why would there be such a difference in tuition amounts? Because there are two types of colleges, a non-profit and a for-profit.   In recent years there has been an increase in the for-profit schools. Non- profit schools are state universities and community colleges. These public schools and universities receive a large amount of their funding from the government. Some private universities are also considered non-profit, but do not receive as much federal funding. Typically these colleges and universities offer more traditional in-classroom education, and tend to focus on more academic or research oriented curriculum. Degrees that can be earned at non-profit colleges, include associates, bachelors, and graduate degrees. These colleges tend to have a lower drop- out rates.

For-profit colleges boast of more accelerated programs highly flexible schedule and they tend to focus more on vocational or technical studies. For-profit schools are just that, they are out to make a profit. For-profit colleges are often subsidiaries of larger parent companies, which means the shareholders expect these colleges to make money, and are less concerned with drop-out rates.

When a student applies for student loan funds through one of these for-profit companies, the money for the student loan actually goes to the school to pay for the tuition. If a student has to withdraw from classes, or drops out, this student loan is still owed. It is wise to check with each college as to their individual requirements prior to signing the paperwork. For example, if a student withdraws from classes prior to the classes starting, then the students should get most of their money back. If a student started attending classes, but withdrew before completing the course he or she should a partial refund. Students need to work closely with the administration department in a case of early withdraw from a class in order to get the maximum refund. Also keep in mind, this means if a student drop s out of a for-profit school, the school loses those profits as well, so it is not unusual to encounter a heavy â€œused car salesmanâ€• approach to keeping the student in school until after the drop dead rate. Once the drop dead date has passed, the college no longer cares whether the student finishes their courses or not â€“ they have their money and the student is stuck with a student loan debt to repay. But how hard is it to get these loans discharged in bankruptcy?   Can student loan debt be forgiven? What are the differences in student loans? What can students buy with student loan money? And why are we calling student loans the new â€œmortgage â€œcrisis?

These answers in Student Loans â€“ the New Mortgage Crisis Part 2.
By Amanda Barron & Lisa Merryman

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