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More Texans default on federal student loans

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A growing share of Texans are failing to pay back their student loans, especially those who went to for-profit colleges, according to new figures from the U.S. Education Department.

In Texas, 9.3 percent of borrowers defaulted on their federal student loans last year – the highest rate in nearly a decade. Only Arizona had a higher rate, 9.8 percent. The national average was 6.7 percent, based on the data released this week.

"There's no question in our minds that the recession has had an impact," said George Torres, an assistant vice president for Texas Guaranteed Student Loan Corp., the agency that guarantees federal student loans in Texas.

Experts suspect that more borrowers are leaving college unable to find work. Without a steady paycheck, they're skipping monthly student loan payments.

"If they can't get a job, they don't have money to pay back the debt," said Mark Kantrowitz, a student aid expert who runs the Web site FinAid.org.

The latest federal data reflects loans that entered repayment between October 2006 and September 2007 and had gone into default by September 2008.

Some of the findings:

- Over the last three years tracked, Texas' default rate has climbed from 5.8 percent to 7.1 percent to 9.3 percent.
- The national rate over that period rose from 4.6 percent to 5.2 percent to 6.7 percent.
- Those who attended for-profit schools are most likely default on loans. In Texas, the latest rates are 16.5 percent at for-profit colleges, 7.7 percent at public colleges and 4.9 percent at private, nonprofit institutions.
- Several Texas colleges – nearly all of them for-profit – had more than 20 percent default on their federal loans. At some local community colleges, default rates ran in the high teens.

Texas has particularly high rates for several reasons, experts say.

For starters, Texas has a greater share of low-income students, the very ones who tend to have more trouble repaying loans.

Texans also have to rely more on federal loans because the state offers relatively less aid, Torres said.

About two-thirds of all student aid in Texas comes in the form of federal student loans, while the national average is 54 percent.

Some colleges say it's unfair to judge them by default rates. But Kantrowitz said that colleges play a role in helping students graduate and find jobs – two factors linked closely to a student's ability to repay loans. A third major factor is interest rates on federal loans, which are set by the government.

People who default on their loans risk all kinds of trouble. They can have their wages garnished. It hurts their credit ratings. Professional licenses in law, real estate, cosmetology and the like may not be renewed.

"Defaulting should be absolutely the last resort," Kantrowitz said.

And many who default don't have to.

"If a student wants to pay the debt but is unable to, there are a lot of tools to avoid default," Kantrowitz said. For instance, they can apply for a deferment if they lose a job or can't find one.

Some critics say that for-profit schools deserve closer scrutiny because they have such high default rates.

Julie Johnson, a Dallas attorney, said some proprietary schools promise more than they deliver.

"The graduates can't go out and get a job and pay their loans. It costs a lot more to go there than it does to a nonprofit [college]," she said, so "you're already starting off behind the eight ball."

Among the for-profit colleges with some of the highest default rates are those belonging to Kaplan Higher Education. Its Southeastern Career Institute in Dallas, for instance, has seen its default rate jump from 11.3 percent to 16.5 percent to 23 percent in the last three years.

"It's something we take extremely seriously," said Michele Mazur, a spokeswoman for Kaplan Higher Education. "Even after they leave campus, we're here to work with them."

Among the efforts: spending more time and staff to prevent default; making sure students understand their financial responsibilities; and teaching students how to budget, save and understand their credit scores.

Mazur said the school also checks up on students who miss class and helps them find child care, housing and other things to keep them in school.

Texas Guaranteed also runs several programs to help borrowers repay loans and avoid default.

"It's everyone's responsibility," Torres said.

HOW TO MANAGE STUDENT LOANS

- Borrow as little as possible. Default rates increase with overborrowing. If your total debt will be more than twice your expected starting salary, you're borrowing too much. Consider a less expensive college.
- Make a checklist of all your loans, including name and number of lender, loan type and amount, interest rate, and due dates or deadlines. Make copies of letters, canceled checks, and any forms you sign.
- Seek help as early as possible if you have difficulty repaying your loan – don't wait until you default. Consider applying for a deferment or forbearance on your loans. Your lender may also suggest alternate repayment options that reduce monthly payments but increase the loan term.
- Consider a consolidation loan to combine all of your student loans into one big loan.
- Keep credit card debt to a minimum or avoid it completely.
- Consider making nominal student loan payments while in school. This will reduce the amount you owe after graduation.

SOURCES: FinAid.org; Texas Guaranteed Student Loan Corp.

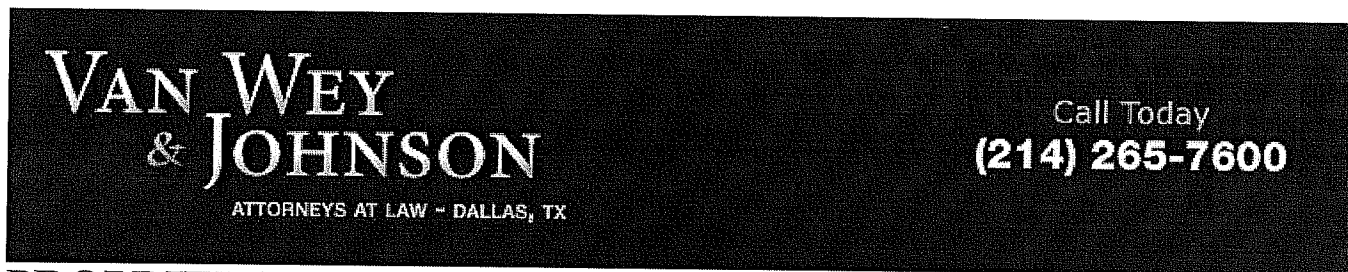
DALLAS-AREA COLLEGE LOAN DEFAULT RATES

A sampling of recently released college loan default rates for area colleges:

College	City	School type	2008 default rate
ATI Technical Training Center	Dallas	For-profit	27.2%
Iverson Business School and Court Reporting	Arlington	For-profit	23.9%
Southeastern Career Institute	Dallas	For-profit	23%
ATI Career Training Center	Dallas	For-profit	22.8%
ATI Career Training Center	North Richland Hills	For-profit	21.9%
Mountain View College	Dallas	Public	17.5%
Eastfield College	Mesquite	Public	17.2%
Richland College	Dallas	Public	15.7%
Tarrant County College District	Fort Worth	Public	10.7%
Collin County Community College	McKinney	Public	10.1%
Brookhaven College	Farmers Branch	Public	10%
National Beauty College	Garland	For-profit	9.5%
Art Institute of Dallas	Dallas	For-profit	8.9%
El Centro College	Dallas	Public	8.2%
University of North Texas	Denton	Public	6%
University of Texas at Arlington	Arlington	Public	5.4%

Texas Woman's University	Denton	Public	4.6%
University of Texas at Dallas	Richardson	Public	4%
Southern Methodist University	Dallas	Private	3%

SOURCE: U.S. Department of Education



PROPRIETARY SCHOOL FRAUD - EVEREST COLLEGE

Texas School Fraud Attorney

Van Wey & Johnson is currently handling cases against Everest College. They have campuses throughout the United States. We represent a number of students who enrolled in Everest College's Medical Assisting and Medical Coding programs.

The dream of obtaining an education and good training that could allow you to go forth and get a well paying job so that you don't have to settle for a minimum wage job is something that we all have. Unfortunately, schools often misrepresent facts concerning potential jobs, starting salaries and the schools own placement services offered to graduating students. Proprietary schools often misrepresent their accreditation status. Students spend their time and money on programs that they discover will not even transfer over to other schools.

School admissions representatives are sometimes nothing more than cheap sales representatives who make huge commissions on each person they get signed up and whom apply for student loans. Enrolling a large number of students and obtaining federal funds is the proprietary schools main goal and many students are stuck with student loans that they cannot pay.

Related News: [Ex-Students Sue For-Profit Everest College](#)

At Van Wey and Johnson we are committed to helping students fight back. Please [contact us](#) immediately if you feel that you are a victim of proprietary school fraud.

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