

SUNDAY
THE MORNING CALL

SUNDAY, MAY 22, 2005

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REAL ESTATE



Making your kitchen more functional
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Mayfair: A festival in transition
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The passion of entrepreneurship
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Bethlehem parade honors armed forces
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LEHIGH VALLEY COLLEGE: AN EXCLUSIVE REPORT



"They've ruined her life. She's just starting out. She'll never own a home."

JAN FRISBY,
mother of former LVC student Iiesha Leon



Michael Kubel The Morning Call

IIESHA LEON of Bethlehem and her mother, Jan Frisby, look over paperwork used in the processing of some of the seven loans Leon took out to attend Lehigh Valley College. A customer service representative earning about \$25,000 a year, Leon is to pay up to \$553 per month on her loans through 2020.

School steers students to backbreaking loans

Some say they didn't notice high interest rates until it was too late. College and lender say information was provided.

By Sam Kennedy
Of The Morning Call

Iiesha Leon of Bethlehem never expected her one-and-a-half year stint at Lehigh Valley College could cost her \$92,910.47.

That's what she's on track to pay — seven student loans totaling \$37,514, plus \$55,376.47 in interest. In its quest for tuition money,

LVC is steering some students to high-interest loans.

The Center Valley college, which changed its name from Allentown Business School this year, is setting up young adults for a future of suffocating debt, bad credit and tough-talking bill collectors. Unpaid student loans also can lead to the loss of credit necessary to buy homes and cars or to return to school later in life.

Most of the loans in question are private loans carrying 15.375 percent interest — a rate normally associated with credit cards, not historically cheap student loans. Financial aid advisers at several other schools in the Lehigh Valley said they had never heard of student loans with rates so

high. Three to 7 percent interest is common today, they said.

Leon's mother, Jan Frisby, said she feels a combination of guilt and anger at her daughter's plight.

"I was the one pushing school. I kept saying, 'Education, education, education,'" she said. "I never dreamed an educational institution would take advantage of [her] naivete."

The Morning Call reported last month that LVC engages in hard-sell sales tactics to boost enrollment. High tuition and fees — \$30,400 to \$37,500 for an associate degree, compared with \$5,400 to \$5,640 at the area's

STUDENT LOANS PAGE A20

HIGH COST OF HIGH INTEREST

One of the loans Iiesha Leon took out to attend Lehigh Valley College carries an interest rate of 15.375 percent. A typical private student loan in this area carries a rate of 7 percent or lower. The interest and total Leon would have to pay on her \$15,594 loan over a 15-year period at a rate of:

Interest	Loan amount	Interest paid	Total
7%	\$15,594	\$9,636	Total: \$25,230
15.375%	\$15,594	\$24,415	Total: \$40,009

Source: Morning Call research

Larry Printz The Morning Call

Hello, sunshine: Vitamin D called key

Doctors buck trend, say time outdoors sans sunscreen fights cancer.

By Marilyn Marchione
Of The Associated Press

Scientists are excited about a vitamin again.

But unlike fads that sizzled and fizzled, the evidence this time is strong and growing.

If it bears out, it will challenge one of medicine's most fundamental beliefs: that people need to coat themselves with sunscreen whenever they're in the sun. Doing that may actually contribute to far more cancer deaths than it prevents, some researchers think.

The vitamin is D, nicknamed the "sunshine vitamin" because the skin makes it from ultraviolet rays. Because sunscreen blocks vitamin D's production, some scientists are questioning the long-standing advice to always use it.

The reason is that vitamin

VITAMIN D PAGE A4

Karzai wants detainees

Afghan president to demand that U.S. let his forces take charge.

By Paul Watson
and Halima Kazem
Special to The Morning Call

KABUL, Afghanistan | Shocked by a U.S. Army report detailing prisoner abuses in Afghanistan, President Hamid Karzai said Saturday he will demand control over detainees during an upcoming visit to Washington, D.C.

Army investigators cited numerous witness accounts of brutal abuses of Afghan prisoners, including at least two deaths, in a 2,000-page confidential U.S. Army file on their criminal investigation that first was reported by The New York Times on Friday.

Based on interviews with interpreters and U.S. soldiers, the Army report described

AFGHAN PAGE A2

Right to Know requests meet with many a 'no'



Poll finds public information often kept private by police, municipalities despite law.

First of a two-day series

By Josh Drobnik
Of The Morning Call

Staff at many public agencies are still unsure of how the state's open records law works and often wrongly deny access to public information, according to a survey by The Morning Call of 70 public offices in Northampton, Lehigh and Carbon counties.

The survey, coordinated by The Associated Press for a report on the state's open records' laws, was conducted in late February and revealed that staff at municipal offices, school districts, district judges and police stations often do not release information that they are required to by law.

The state's Right to Know Law, enacted in 1957 and recently amended, says that "every public record of an agency shall, at reasonable

MORE INSIDE
Local governments often restrict information, poll finds.
PAGE A3



Michael Kubel The Morning Call
COLONIAL REGIONAL POLICE headquarters in Bath. Police departments fared poorly in complying with the Right to Know Law.

RIGHT TO KNOW PAGE A3



—adv.—
Patio & Log Planters \$10.99 & up, Shrubs Annuals, Waves Dan Schantz Greenhouse W. Union Blvd., Beth & Lehigh St. at I-78

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It's for people like you. Log onto mergedigital.com

STUDENT LOANS
FROM PAGE A1

Some will pay
four times what
was borrowed

community colleges — then leave students with heavy debt.

High-interest student loans are another piece of the equation.

The sales tactics extend to financial aid, according to LVC's former dean of admissions, a former financial aid director of another college owned by LVC's parent company and 10 students who independently contacted The Morning Call about their high-interest loans.

The students said LVC advisers took control of financial aid matters, guiding them toward a variety of loans. But, the students said, the advisers rushed them through the process, giving them little opportunity to consider the fine print and no warning of the consequences of high interest rates.

Students said they were later shocked by their bills. Some are now struggling — and failing — to make monthly payments of \$500 or more. LVC and Sallie Mae, the company that has processed loans for the school in recent years, said they did their part to inform students and to comply with the law. The 1968 Truth in Lending Act requires lenders to disclose interest rates and finance charges.

Such information is provided over the phone at the time loans are approved, said Sallie Mae spokesman Tom Joyce. Employees, he said, follow a telephone script instructing them to do so.

But even if the employees followed the script, students said they did not hear or understand the information.

The rates and charges are also sent in the mail to students upon the disbursement of funds, Joyce said. The students then have the option of canceling loans by returning the money, according to the promissory note students initially sign.

"Anyone who tells you they were somehow 'surprised' by what they ultimately needed to pay back isn't being truthful or simply failed to read their contract," Kurt Praschak, a spokesman for the school, said in an e-mail.

The arrangement between LVC and Sallie Mae, the nation's No. 1 student loan lender, is simple enough: Sallie Mae, which buys the loans after they are originated by a bank, collects the interest. LVC's corporate parent, Career Education, gets tuition money, its primary source of revenue.

It's part of an efficient money-making machine that grinds away without regard for students, according to the former financial aid director. He said Career Education's objective has been to "package" enrollees with loans as quickly as possible — before they have a chance to change their minds.

"You don't want them thinking about it twice. You want them signed, sealed and delivered," he said.

Today, former students said the struggle to make ends meet is only getting more difficult. Their loans have variable rates, which mean they go up during periods of rising interest.

Already, they are missing payments. Some let the phone ring because they don't want to talk to the bill collector again. At least one has turned to a bankruptcy lawyer.

A theme of disillusion emerges from the comments of former Lehigh Valley College students with high-interest loans:

■ Josh Kemmerer, 24, of Kuhnsville said he remembers the day, in the fall of 2002, that he enrolled at LVC and signed up for financial aid: "It was very, very confusing. They had me bouncing around to all different people."

He said he didn't realize he had a high-interest loan — for \$9,058 — until about a month after enrolling. He then quit to enroll at a community college, but he's stuck with the loan.

"I feel angry, and I feel

"Oh my God, where am I going to get the money for my student loans?"

NICOLE JULIANO
on her first thought each morning



LEHIGH VALLEY COLLEGE graduate Nicole Juliano, 23, of Warren, N.J., and her father, Pat Juliano of Stroudsburg, with the paperwork from loans for her tuition. One of her loans, for \$9,312, has turned into a projected \$30,867 obligation because of the high interest rate.

stupid," he said.

■ Dustin Clark, 20, of Quakertown said that he received an e-mail instructing him to come to the front office at the end of class, and that he was told he needed to borrow more money.

"They basically just gave me the paperwork and said that's your last option," he said.

Clark eventually grew "disgusted" with the school and quit — but not before borrowing \$23,965 through four student loans, including one \$10,093 high-interest loan.

■ Nina Lewis, 21, of Allentown has an entry-level pagination job at The Express-Times newspaper in Easton.

After she pays her rent, car payment and insurance, the bulk of what's left over goes toward the \$416.85 monthly bill on her six student loans, including one high-interest loan.

"I'm taking vacation, and I'm pretty much spending it at home because I have no money to go out," Lewis said. "I pretty much work to pay my bills."

■ Adam Schaus, 23, of New Tripoli borrowed \$35,863 through seven private loans to get a degree in visual communications. Six of the loans have a variable rate currently at 15.375 percent.

The amount he was to repay was approaching \$100,000, with rising interest rates.

But Schaus, who works at a Home Depot, said he is going to file for bankruptcy. "I have to. There's no way I can make these payments."

As result, he has had to put off plans of marriage.

"This is a lot of money," he said. "Personally, I'm destroyed."

LVC President Virginia Carpenter said the school's financial aid department gives students the necessary information and assistance, including one-on-one counseling and a slide show, to enable informed financial aid decisions.

"I think we do a great job of that," she said. "They have ample time to ask questions and understand the process."

LVC invited The Morning Call to see its slide show. The presentation consisted of 19

slides. The one that would apply to high-interest loans didn't include specific rates, although the school official giving the presentation mentioned a range of 7 to 17 percent.

Former students who were asked about the slide show said they didn't remember sitting through it.

Carpenter also said interest rates are based on individual students' credit histories over which the school has no control. The number of LVC students with high-interest loans is a reflection of "the economic circumstances" of the school's student body, LVC spokesman Praschak later added. A disproportionately large part of LVC's student population consists of people who are the first in their families to go to college.

High-interest loans are used only when cheaper alternatives — federal student aid, parental loans, co-signed loans — have been exhausted, Carpenter said. In such cases, she said, the rates are justified.

"It's absolutely fine," she said, "if it's the only way they can finance their education."

LVC has 1,350 students at its two-year-old building. The school awards associate degrees after 18 months of study. Its programs range from computer networking to massage therapy.

Unlike traditional colleges, it's a for-profit school. Shares of parent company Career Education, based in Hoffmann Estates, Ill., trade on the New York Stock Exchange.

At the annual meeting Friday, Career Education shareholders rebuked the company's leadership after more than a year of scandal and falling stock prices. They voted to withhold support for three directors and approved a slate of reforms.

Career Education, which had revenues of \$1.7 billion last year, is the subject of a dozen lawsuits and investigations by the Justice Department, the Securities and Exchange Commission, the Education Department and the U.S. Postal Service. The company has been accused of, among other wrongdoings, falsifying student records to get financial aid money.

High-interest loans are a

new complaint.

LVC, Carpenter said, is not to blame. She said while LVC helps students understand the complexities of financial aid, ultimately it's the lender, not the school, that is responsible for disclosing the terms of a loan.

"That's between Sallie Mae and the student," she said.

Packaging students

Leon, whose mother told her education was the key to a better life, was 19 in late 2002 when a Lehigh Valley College recruiter repeatedly called her.

Finally, Leon responded, and she was sold on the school's criminal justice program. The recruiter told her the school would help her line up loans to cover tuition.

Leon went to the school and was directed into the financial aid office. There, an adviser dialed the number to the lender and handed her the telephone; the lender told her she was approved for a loan, she said.

Some paperwork was then presented to her, she said. "They told me what to put in [the blanks], because I didn't know anything."

Leon said the transaction took about 15 minutes, and she recalled no discussion of interest rates. "No, never," she said.

Leon's story meshes with the inside account provided by the former financial aid director of another school owned by Career Education. He said he did not want his name published because doing so could hurt his new career at a traditional college.

The former director said he had frequent conference calls with officials at Career Education's corporate headquarters near Chicago. Also on the call were the financial aid directors of other schools owned by the company, he said.

The financial aid directors had to report two figures, he said: the number of students enrolled and the number of students "packaged" — that is, the number who had signed up for financial aid.

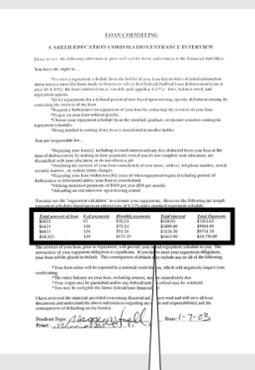
The expectation was that 90 percent of applicants would be packaged upon enrollment, he said. "If you get them enrolled, they better be

TRAIL OF A HIGH-INTEREST LOAN

Maggie Snell of Emmaus took out a \$14,840 loan to help her attend Lehigh Valley College. It will ultimately cost her \$61,565. Snell, who said she kept all paperwork, said she wasn't fully apprised of the total cost until a payment schedule she received after graduation.

Key dates and documents for the loan:

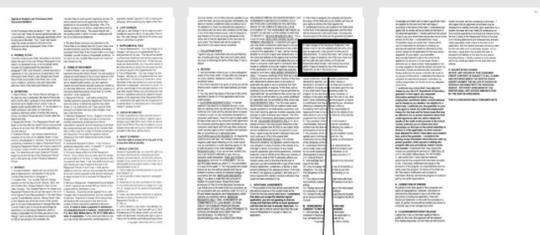
Jan. 7, 2003 LOAN COUNSELING



Lehigh Valley College's explanation of interest rates includes an example at 8.25 percent.

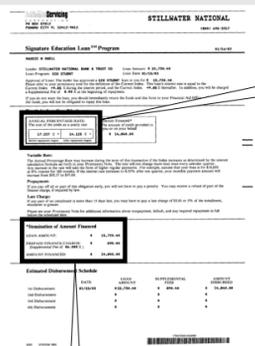
Total amount of loan	# of payments	Monthly payments	Total interest	Total Payments
\$2625	65	\$50.21	\$618.65	\$3263.65
\$6125	120	\$75.12	\$2889.40	\$9014.40
\$6625	120	\$81.26	\$3126.20	\$9751.20
\$14,125	120	\$173.25	\$6665.00	\$20,790.00

Jan. 7, 2003 PROMISSORY NOTE



This — the promise to pay — is among the paperwork LVC asks Snell to sign. It does not disclose the interest rate. Amid three pages of print is an indication that a "disclosure statement" will come.

Jan. 20, 2003 TRUTH IN LENDING DISCLOSURE



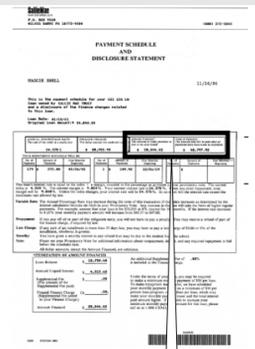
ANNUAL PERCENTAGE RATE: The cost of the credit as a yearly rate	
17.227 %	14.125 %
Before repayment begins	After repayment begins

The disclosure Snell receives from student loan company Sallie Mae on behalf of lender Stillwater National Bank seven days after her first Lehigh Valley College class starts. It indicates Snell is borrowing \$14,840, plus a 6 percent finance charge of \$890.40. It lists the interest rate (17.227 percent before the start of repayment, 14.125 percent afterward) but does not project the interest she will pay or the total cost of the loan.

***Itemization of Amount Financed**

LOAN AMOUNT:	\$ 15,730.40
PREPAID FINANCE CHARGE: (Supplemental Fee of 06.000 %)	\$ 890.40
AMOUNT FINANCED:	\$ 14,840.00

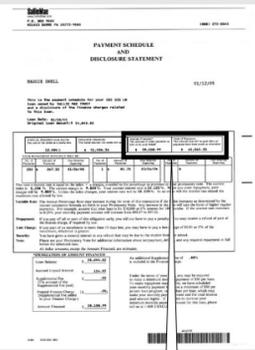
Nov. 14, 2004 PAYMENT SCHEDULE



Five months after graduating, Snell learns the total cost of the loan, which has been bought by Sallie Mae. Unpaid interest accrued while she was in school has increased the loan to \$20,044.02, then at a variable rate of 14.375 percent. She is to pay a total of \$48,797.92. The amount of interest she is to pay — \$28,753 — is about twice the amount she originally borrowed.

Amount Financed:* The amount of credit provided to you or on your behalf	Total of Payments: The amount that will be paid after all payments have been made as scheduled
\$ 20,044.02	\$ 48,797.92

Jan 12, 2005 PAYMENT SCHEDULE



Because interest rates have risen and the duration of the loan has been extended, the total Snell is to pay has increased to \$61,565.35, about four times the amount she originally borrowed.

Amount Financed:* The amount of credit provided to you or on your behalf	Total of Payments: The amount that will be paid after all payments have been made as scheduled
\$ 20,158.99	\$ 61,565.35

Source: Morning Call research

The Morning Call

packaged before they leave the door," he said.

Pressuring customers to make an immediate decision is a defining trait of hard-sell sales tactics. Traditional colleges give students and their parents months to explore their financial aid options.

Career Education's methods benefit the company in two ways, the former director said: Students are less likely to

back out of plans to attend college if they've put their signatures on student loan forms. At the same time, the company gets the guarantee students will be able to come up with tuition money.

The former director, who said he quit the school because he came to believe Career Education did not have

STUDENT LOANS
FROM PAGE A20

Some face payments of \$500 monthly

the students' interests at heart, said few of the financial aid advisers who worked under him were well-trained or otherwise qualified to counsel applicants on student loans. Some did not have college degrees, he said.

Asked if he or the advisers were given incentives to package students, he responded: "If you would classify keeping your job as an incentive, then yes, there was a major incentive."

Career Education declined to comment on the issues raised by the former financial aid director. The company requested questions in writing; The Morning Call complied, but Career Education did not respond.

Back at Lehigh Valley College, Leon would be called out of class, informed that her account had run dry and told that she needed to sign for yet another loan to stay in school, she said.

Other students reported the same experience. Calling students out of class to attend to financial matters was a fairly common occurrence, said former LVC Dean of Academics Dani Phelps and former computer networking instructor Don Heiney.

Stephanie Azar, LVC's director of financial aid, denied that she or her staff calls students out of class to attend to financial aid matters. "We would never interrupt class to do that," she said.

During none of her meetings with LVC financial aid advisers, Leon said, did the subject of interest rates come up. She said she wasn't aware she had high-interest loans until after graduation, although Sallie Mae said rates are disclosed over the phone and in the mail.

LVC also requested a list of questions before speaking to The Morning Call, and it then invited the newspaper to the school to see its slide show and meet its financial aid staff. The staff disputed many of the details that Leon and other former students and faculty recounted.

Eddie Alkhal, assistant director of tuition planning, said financial aid advisers don't tell students what information to plug into their student loan forms. "It's really up to the students to finalize the paperwork," he said.

The school tells students before they sign any paperwork that private loans carry a variable interest rate ranging from 7 to 17 percent, Alkhal said. Further explanation is available to those who request it, said Tarek Richan, director of tuition planning. "We explain to them that this is a very high interest rate."

Richan also denied the school is under undue pressure to package students with financial aid. "We encourage them to go home and think about their options," he said.

WHO'S WHO

LEHIGH VALLEY COLLEGE
What: A for-profit college that awards associate degrees and technical certificates. Changed its name from Allentown Business School this year.
Location: Center Valley
Students: 1,350
Founded: 1869
President: Virginia Carpenter

CAREER EDUCATION CORP.
What: Owner of Lehigh Valley College since 1995. It is a publicly traded company with \$1.7 million in revenues last year.
Headquarters: Hoffman Estates, Ill.
Students: 101,500 at 82 campuses worldwide
Founded: 1993
Chief executive officer: John M. Larson

Leon, however, said she only grasped the magnitude of her debt after graduating from LVC last year. She had borrowed a total of \$37,514 through seven student loans.

Two of the loans — totaling \$6,125 — are low-interest Stafford loans which, because they are subsidized by the federal government, have an interest rate of 3.37 percent. The other five are private loans with variable interest rates ranging from 7 to 15.375 percent.

She sought relief through loan consolidation only to find out that private loans, unlike Stafford loans, cannot be consolidated at a lower interest rate.

According to the repayment plan devised by her lender, she is to pay up to \$553.60 in monthly installments totaling \$92,984.42 through 2020.

But that's an unlikely best-case scenario. Leon, a bank customer service representative who earns about \$25,000 a year, doesn't make enough to stick to that schedule. She has missed payments and requested deferments. Interest rates, meanwhile, are climbing.

She is likely to have to repay more than \$100,000. "They've ruined her life," said Leon's mother, Frisby, of Houston, Texas. "She's just starting out. She'll never own a home."

Asked to respond, LVC President Carpenter said: "I don't know any students who specifically have that much of a loan to pay back."

Jesse Passwaters, 26, of Dover, Del., is scheduled to repay Sallie Mae \$106,784.91 in principal and interest.

Because Passwaters, a 2003 LVC graduate who now earns \$22,500 a year as a Web designer, was unable to pay his student loan bills, he was granted a temporary deferment. But interest accrued all the while, piling on top of the \$39,617 he originally borrowed to go to school.

"I should have been a little smarter, but I feel like I was taken advantage of," he said.

Unusual practices
Lehigh Valley College's practices, as described by former students, stand in stark

contrast to those of other colleges in the area.

Financial aid advisers at several other public and private colleges said the best practices of their field include: explaining to students the difference between fixed and variable interest rates; discussing the impact of high interest; and urging students to examine all their options, such as shopping around for loans.

At least one local private college goes so far as to discourage students from enrolling if they can't get loans with good interest rates.

The advisers expressed shock upon hearing about 15 percent interest rates.

"It breaks my heart — for a student, as hard as it is, to have to come out and pay back those loans," said Cindy King, financial aid director for Northampton Community College.

John Futchko, 19, of Roseto called LVC after seeing a TV advertisement. He got a call back a few days later and was patched into a conference call with a lender who approved him for a loan over the phone, Futchko said.

He was 18 last year when his mother, on her way to work, dropped him off at LVC's orientation. There, he said, his financial aid adviser told him what to fill out and where to sign. He said he thought he was getting low-interest loans.

Although Sallie Mae said it discloses rates up front, Futchko said he only realized later that one of his loans, for \$6,450, had such a high interest rate — 15.65 percent. He is to pay back \$20,722, or more than three times the amount he borrowed.

"They took advantage of him because he is young," said his mother, Darlene Dunbar.

Tony Campetti, LVC's former director of admissions, said school officials avoid talk of interest rates and repayment at all cost.

"No, you never want to bring up a negative. Negatives are bad when you're selling," he said.

Campetti was fired from LVC in late 2000 after eight years of work at the school. He subsequently sued parent company Career Education for sexual discrimination, according to court documents. The case was settled. The Allen Township resident now owns TanTastic Salon at the Westgate Mall in Bethlehem.

"Nobody would go to the school if they knew how much they were going to have to pay," he said. "You sort of sweep that under the carpet."

Jennie Finken, 24, of Bethlehem has a high-interest loan for \$1,685. When she enrolled at LVC in 2001, a financial aid adviser walked her through the paperwork and told her what to fill out and where to sign, she said.

"They really pushed it on you," she said. "I didn't know what I was doing. I was new to this, and I trusted them."

Many of the students' private loans came from Stillwater National Bank of Stillwater, Okla.

Career Education, LVC's parent company, hired Stillwater two years ago to provide loans to high-risk borrowers at its schools nationwide. Because some students never

"They took advantage of him because he is young."

DARLENE DUNBAR
mother of former Lehigh Valley College student John Futchko



JOHN FUTCHKO, 19, of Roseto, shown with his mother, Darlene Dunbar. For one of Futchko's loans, he is to pay back three times the amount he borrowed because of a high interest rate.

had credit cards, they had no credit history — which, for practical purposes, is about the same thing as having bad credit. (This is why many colleges ask parents — who are more likely to have good credit — to sign for student loans, and why some colleges provide grants and other assistance to students who do not have parental support.)

In the transcript of a conference call to financial analysts in October, Career Education Chief Financial Officer Patrick Pesch explained the allure of Stillwater:

Career Education's marketing efforts generate "leads from a broad pool," Pesch said, using sales jargon — "leads" — in reference to prospective students. In the past, Career Education lent money to those who might not otherwise qualify for loans, he said. Now, the company has "outsourced" that role to Stillwater.

A lawyer for Stillwater's parent company, Southwest Bancorp Inc., also of Stillwater, Okla., said the bank could not comment for this article for an unrelated reason. Southwest is in the process of issuing new stock, during which time it and its subsidiaries are restricted from public communication, he said.

Sallie Mae's ironic new role

Nicole Juliano, 23, of Warren, N.J., recalled the day she met with a financial aid adviser. "It was so fast," she said. "They take care of it, and you just sign the papers."

Like some other students,

she said she was under the impression she was getting low-interest student loans. But interest of 15.375 percent has turned one of her student loans — for \$9,312 — into a projected \$30,867 expense.

Juliano was awarded her business degree last year. Now, she said, she wakes up to the same thought every morning: "Oh my God, where am I going to get the money for my student loans?"

Ironically, Juliano's high-interest loan, like those of many other students, are held by SLM Financial, a subsidiary of Sallie Mae, which was created by the U.S. government in 1972 to help college students get low-interest loans. After originating from Stillwater National Bank, the loan was bought by Sallie Mae. Stillwater is what Sallie Mae refers to as a "lending partner."

Originally, Sallie Mae, of Reston, Va., was a hybrid public-private enterprise like mortgage lenders Fannie Mae and Freddie Mac. Sallie Mae was subject to oversight by government regulators even though its shares are traded on the New York Stock Exchange.

Sallie Mae lobbied for independence for years, and the government eventually acquiesced. It became a private company — SLM Corp. — like any other last year, four years ahead of the transition plan put into place by the Clinton administration.

With privatization assured, Sallie Mae and other lenders showered campaign contributions upon political candidates who supported a bill that would rewrite bankruptcy regulation. The new rules, which President Bush signed into law last month and which will take effect in October, make it nearly impossible for students to shed private student loans through bankruptcy.

At the same time, Sallie Mae expanded its private student loan business though SLM Financial. By the end of last year, it had \$1.3 billion in outstanding private student loans, or nearly a third of the total private student loan market in this country. Just last month, the company launched a new product — the Continuing Education Loan — aimed at for-profit school students.

"A lot of us view Sallie Mae as one of the worst predators out there," said Ira Rheingold, executive director of the National Association of Consumer Advocates in Washington, D.C.

Sallie Mae spokesman Joyce bristled at that characterization.

"We're very proud of the financing we provide to 7 million borrowers in the United States," the company's vice president of communications said.

He noted that the interest rate on a private loan is largely based on the borrower's creditworthiness. Without such

loans, some students would not be able to attend college, he said.

As for the hard-sell tactics described by former Lehigh Valley College students and faculty, Joyce said they did not square with what LVC has reported to Sallie Mae about its financial aid practices.

"We have an understanding of what they're doing: extensive entrance counseling, extensive exit counseling," he said.

That is what Sallie Mae expects of the schools to which it provides lending services, he said. "We would certainly expect any of the schools to provide a range of touch points [so that] a student understands the obligation they would be undertaking."

Fighting back

Maggie Snell, 21, of Emmaus recalled the day she enrolled at LVC and applied for financial aid.

The school told her what to fill out, she said, "and they had me sign." There was no talk of interest rates or cheaper alternatives, she said. "No, none."

Sallie Mae said it discloses interest rates over the phone and in the mail, but Snell said she did not understand how much money was involved until after graduation last year. Because one of her student loans, for \$14,840, has a variable rate currently at 15.375 percent interest, she is to pay back a total of \$61,565 over 19 years, or more than four times the amount she originally borrowed.

Today, the visual communications major makes \$7 an hour doing customer service at an embroidery shop. Her student loan bills total \$408.47 a month.

"I'm planning on getting married, but I can't have a wedding or buy a house because I can't afford it," she said. "I need help."

Snell called LVC about her loans. The college, she said, told her she had signed the paperwork and was now on her own.

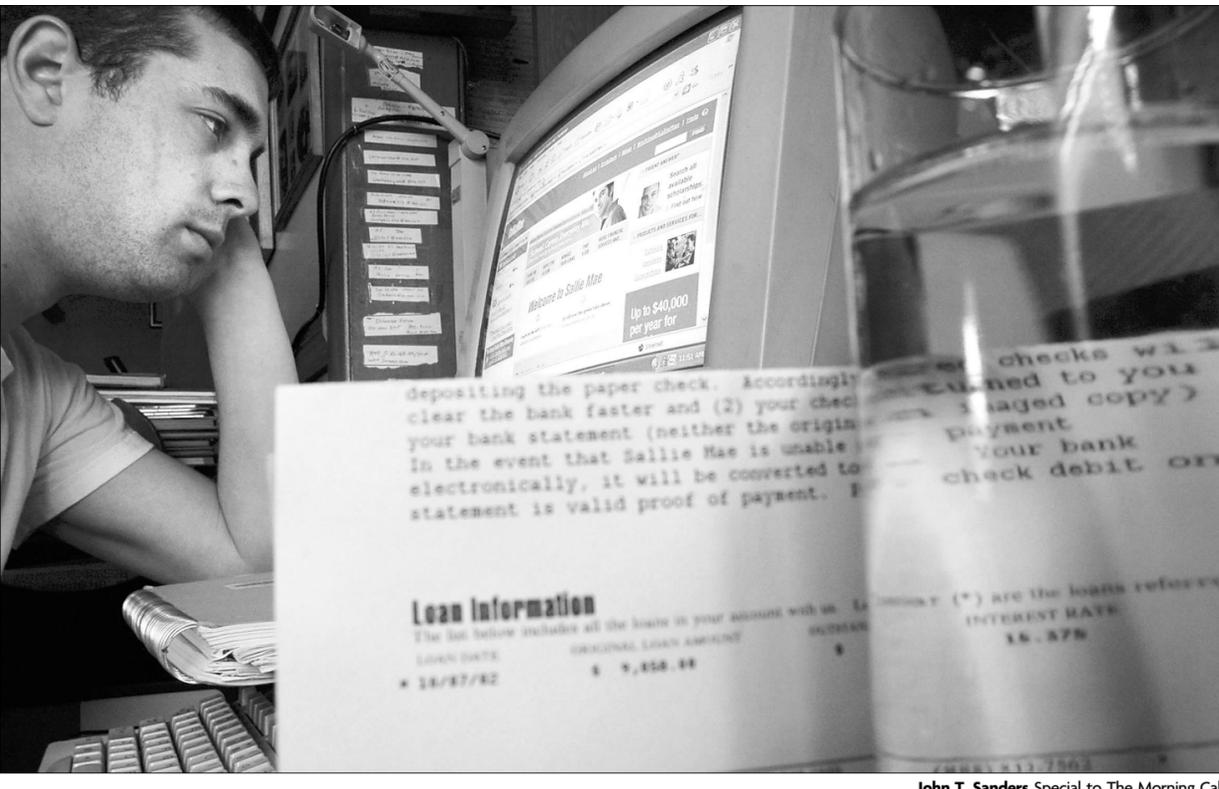
She sent letters to the state attorney general's Bureau of Consumer Protection and the office of U.S. Rep. Charles Dent, R-15th District. One of Dent's aides sent a letter to the U.S. Department of Education on her behalf.

The response from the Education Department's Federal Student Aid division said: "If Ms. Snell believes that LVC misinformed her about these loans, she should contact an appropriate school official."

On Thursday night, Snell went back to LVC. She said she asked why the school didn't warn her about high interest and what it could do to help her now. Afterward, she described the encounter: "They just said, 'There's nothing we can do.'"

"I feel angry."

JOSH KEMMERER
former Lehigh Valley College student



JOSH KEMMERER, 24, of Kuhnsville will soon be paying off a college loan at an interest rate of 15.375 percent, a rate he says he did not realize was so high until about a month after enrolling in classes at Lehigh Valley College.

John T. Sanders Special to The Morning Call

sam.kennedy@mcall.com
610-820-6517