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## Feds crack down on South Florida student loan defaulters

May 12, 2012 | By Scott Travis, Sun Sentinel

As a growing number of Floridians fail to repay their student loans, the federal government is aggressively filing lawsuits in hopes of recouping taxpayer money.

Nearly three dozen such suits have been filed in South Florida during the past month alone. The number has been climbing for several years, with 189 suits filed in Florida's Southern District Court last year, a slight increase from the year before and twice as many as 2009.

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Most seek repayment on federal Stafford loans taken out more than two decades ago. In most cases, the interest has surpassed the initial amount of the loan.

More lawsuits are likely as default rates rise, and the government looks to increase its coffers and prove it's being a good steward of taxpayer money, experts say. But borrowers who have been out of work or underemployed in recent years say they have no means to repay the money.

Florida has the ninth worst student loan default rate in the country. About 19,279 people, or 10.5 percent of those required to start repaying loans in 2009, defaulted within the first two years, federal figures show. The national average is 8.8 percent.

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Nationally, one in every five government loans that was required to be paid back in 1995 has gone into default, according to a 2010 [analysis](#) by the Chronicle of Higher Education, an academic magazine. The default rate was 40 percent at for-profit colleges, where tuition is higher and graduation rates and job prospects are generally lower than at public and nonprofit universities, the magazine found.

Robert Murphy, a consumer rights lawyer in Fort Lauderdale, said the government issues loans without any regard to a person's likelihood to repay them. He said many people graduate from law schools today with \$120,000 in debt and are only making \$40,000 to \$50,000. They end up having to use a quarter of their salary just to pay off debt and can barely survive, he said.

"There is a growing sense that the student loan problem is going to explode," Murphy said. "And I'm not sure people have really sat down and considered what a huge effect it can have on the economy to have such a large number of student loan borrowers defaulting."

And it could become worse after July 1, when the current 3.4 percent interest rates are expected to double. Although lawmakers in both parties support freezing the current rate, they disagree on how to pay for it. The Senate rejected an interest rate freeze on Tuesday. The 6.8 percent interest rate would apply only to new loans, not existing ones.

Fort Lauderdale resident Alexander Rizzo, 65, said he was surprised when he received a summons recently about an unpaid student loan taken out in 1989.

He said he may have co-signed a loan for one his four [children](#). With interest, he now owes \$11,548 on the \$4,564 loan, according to the lawsuit.

"I don't know what to do," he said. "I can't pay it. I'm out of work, and I have no money."

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Unlike credit card debt, student loans can't be forgiven through bankruptcy.

"It's called the eternal student loan problem," Murphy said. "There's no statute of limitations."

The U.S. Department of Education said it has taken steps to help people manage their debt, allowing them to repay based on income. And it implemented a regulation which can prevent schools with continued high default rates from receiving federal dollars.

But at the same time, it's aggressively trying to collect old debts. Last year, the feds sued 4,328 people nationwide, a 43 percent increase from 2010.

While the government has always had the right to seek action through the courts, it hasn't been used often, experts say. More common are calls from debt collectors, the garnishment of employment wages and withholding funds from federal government-issued checks, such as tax refunds.

"This is a last resort for them," said Mark Kantrowitz, publisher for Finaid, a financial aid website. "Maybe they're finding the borrowers are capable of paying but unwilling, and this is a matter of physically making them."

If someone ignores a court order to pay money, their house and other assets can be seized.

Staff researcher *Barbara Hijek* contributed to this report.

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