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Our Universities: Bankruptcy – Financial and Moral

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Our Universities: Bankruptcy – Financial and Moral

Bankruptcy is a form of renewal available to those who have tried to do something worthwhile but failed. If borrowing power is earned by experience and potential performance thank God for bankruptcy's protection. If borrower or lender enter into a consensual contract in ignorance, without qualification, or with illegitimate purpose God help us. Propriety lives in the intentions and motives of borrower and lender.

"Those who made the laws have apparently supposed, that every deficiency of payment is the crime of the debtor. But the truth is, that the creditor always shares the act, and often more than shares the guilt, of improper trust."

Samuel Johnson, **Idler #22**, 1758.

Last week the **Center for American Progress** (CAP) unveiled a study suggesting that bankruptcy should be available to student borrowers. Tyler Kingkade of **The Huffington Post** reported that 7 million student borrowers are in arrears, only 40% can pay what they owe, coupled with CAP's plan this is a national travesty.

Similarly, good intentions and thoughtful risk-taking bottomed out in the early 21st century domestic mortgage industry. Financing was provided while banker and borrower knew onerous, maybe impossible, obligations were incurred. Salary to mortgage debt ratios broke families' backs. Everyone feared it. However, there was physical property that could be sold after bankruptcy. And to able buyers benefit houses could be had at "fire-sale" prices.

Not so with education. There is no property. No "good deal" for someone else. No rescue or renewal for banker or borrower. Only broken promises.

A diploma represents personal experience, skill, ability and intelligence. Personal responsibility laundered through liquidated loans for learning compounds calamity. Ultimately education is informed personal responsibility for thought and deed. Bankruptcy laws won't change that.

The Denver Post reported on August 22, 2013, Colorado's students' default 10% of the time topping national averages by a percentage point. More troubling, defaults soar at 2 year schools. Otero Junior College and Lamar Community College have 25% non-repayment rates.

Institutions and lenders carry a share of the responsibility for loans littering the landscape with family, social and economic devastation. However great this sin, it pales in comparison to the transgression of universities and lenders hoodwinking underprepared or minimally motivated students in the name of progress. Access to a bag of cash puffed with promises is dishonorable hot air. These shackles are the cruelest debtors' prison of all, making the infamous medieval establishments look like 5 star hotels.

The Post claims Colorado's expensive flagships, Colorado State and the University of Colorado, have default rates of less than 4%. Too high, but nowhere near the community college low-water mark of 25%. And some for-profits are more egregious. The effective workforce preparation and/or college readiness missions of community colleges are being diminished by bad debt. Handwringing histrionics doesn't help.

The Otero Community College website sports a picture of a baseball player, in a batting cage: A pastime that spikes the cost of attendance for all, including the one in four who defaults. To what end? And too many universities are in the same league. Colorado's flagships have expensive athletics programs paid for with borrowed funds too. Lower default rates yes, but two wrongs don't make a right.

Education is a personal choice. When choice becomes public promise, institutions must guard mission and fiduciary responsibility. The most serious debt of all, disdain for learning fueled by foolish fiscal finagling, is a "Mickey Finn" of relaxed or non-existent standards and inevitably increasing costs. CAP's proposal is treacherous.

Our universities must do better. President Obama should herald strong leadership for higher education, not a performance criteria matrix for all 4495 higher education institutions. Complex federal criteria are ripe for manipulation by vested/special/narrow/self-interest profiteers and bureaucrats, in counting houses and statehouses, while too many students are holding the bag, full of dashed dreams and dreadful debt.

Like the mortgage industry all over again — bankruptcy, financial and moral.