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End big banks' subsidies and bet on community colleges

BY [GAIL MELLOW](#)
Friday, September 25th 2009, 4:00 AM

When [President Obama](#) went to [Hudson Valley Community College](#) in upstate [New York](#) this week, all eyes were on the political drama playing out between him and [Gov. Paterson](#).

Lost in the controversy was the President's real message: that community colleges are poised to play a pivotal role in preparing the state's and nation's workers for the 21st century economy.

That must not fall through the cracks, because federal legislation that would vastly improve community colleges here in [New York](#) and across the country - and, in turn, profoundly impact our very economic well-being - is being vigorously opposed by the banking industry.

Earlier this year, President Obama called for an overhaul of the lucrative role banks now play in the student loan industry. It's about time, because the status quo is unacceptable. Banks currently collect hefty taxpayer-funded fees on loans they make to students - loans that are, in essence, risk-free because the government guarantees repayment up to 97%.

Under Obama's plan, these subsidies would end in favor of direct loans made by the government.

The majority of the savings would be used to expand federal financial aid programs for the neediest students. As importantly, \$12 billion would be allocated to improve our community colleges, which now enroll almost half of all undergraduate students.

The plan would fund proven strategies to increase graduation rates, especially in areas of high demand like nursing and accounting, and develop new online, open-source courses as educational pathways for students. And in the first major federally funded community college construction project since the 1960s, some \$2.5 billion a year would help build new classrooms and laboratories to meet rising enrollment.

We need this plan and we need it badly. Community colleges are bursting at the seams; for the first time, institutions like mine are having to shut our doors to students because of skyrocketing enrollment from traditional aged students, workers who have lost their jobs or fear losing them, veterans who need a new start in civilian life and those who want to upgrade their skills to survive in this tough economy.

Here at [LaGuardia Community College](#), enrollment has jumped 23% just since last year.

But the banks are standing in the way of progress. Their lobby is quietly pushing Congress to oppose the legislation that would result in enhanced student financial aid and more funding for community colleges. Though it passed the House last week, special interests have it bottled up in the Senate.

Incredible, isn't it? The very same industry that has gotten billions of dollars in bailout money from the federal government is not ready to loosen its grip on the cash cow that is the private student loan industry.

As Obama said when he proposed the American Graduation Initiative: "Time and time again, when we placed our bet for the future on education, we have prospered as a result."


Congress should take the odds. For me, it's a sure-fire bet.

Mellow is president of LaGuardia Community College and co-author of "Minding The Dream: The Process and Practice of the American Community College."

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