

Testimony of  
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Before the House Committee on the Judiciary  
Subcommittee on Commercial and Administrative Law

Hearing on:  
H.R. 5043, the "Private Student Loan Bankruptcy Fairness Act of 2010"

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My name is Valisha Cooks. When I took out private student loans I had no idea that I was condemning myself to a lifetime of ruined credit, harassment by collection agencies, and the hopelessness of endless debt. I assumed that I would be better off with a college degree. But after college my loan payments were \$1,150 a month, \$750 of which was for the private loans. That amounts to more than half of my take-home pay. I filed for bankruptcy, but that only resolved about \$10,000 in other debt. Now, even though I have a good job, I can't afford to pay all my bills in any one month, I go to food banks to feed my son, and I will never be able to buy a house.

While my high school classmates were going to prom and playing sports, I was working as a waitress and studying. I went to community college and one year of a private nonprofit university while working all the time. It was a struggle, but I always paid my rent, my car payments, and other bills on time, and I had excellent credit. It's always been a point of pride for me to be financially responsible and independent.

After some time away from college, The University of Phoenix was one of the few schools that fit my work schedule. I took out as much as I could in federal loans, but it wasn't enough. The financial aid officer said I either had to take out private loans or drop out, and I wanted to stay in school. He steered me to Wachovia for a private loan, and told me it was just like a federal loan. I knew that this wasn't free money, and I only borrowed what I absolutely needed. University of Phoenix also told me that I would have 30 years to pay the loans back at a reasonable monthly rate, but it turns out that wasn't true for the private loans.

I paid the interest on my private loans while I was in school, and the interest rates rose by 1% or .5% every single month. That's when I realized these were not the same as federal loans, but it was too late. These loans seemed like the only way I could get my degree, and I thought that that would make it worthwhile.

I graduated with about \$41,000 in federal loans and \$36,000 in private loans. In just 3 short years, the lender for my private loans has tacked more than \$16,000 onto my principal balance, which is now \$53,000.

About five months after I graduated in 2007, I got a job at UCLA as an Education Coordinator. Shortly after that, I became pregnant. As I began to prepare for my maternity leave my student loan bills started coming due. I immediately asked for a forbearance or deferment. The lenders for my federal loans accommodated immediately, but Wachovia repeatedly lost my paperwork for the forbearance on my private loans. They made me fax and mail it over and over, saying it was misplaced, never received, or missing a date – there was always an excuse. They were constantly transferring my calls, never let me talk to a supervisor, and I couldn't get the same person on the phone more than once. I spent months trying to get a forbearance from them, until I thought it finally went through.

I was diagnosed with preeclampsia and was on bed-rest, and my son was born five weeks early. He weighed three pounds. Even though I thought I had a forbearance, collection agents started calling me. They called from 5am to 9pm. They said they didn't know anything about my forbearance. It was a nightmare, and the stress made it hard to focus on keeping myself and my son healthy.

I had about \$10,000 in other personal debt from credit cards, my car loan, and medical bills. I decided to file for bankruptcy because I knew I could never pay that back on top of the student loan debt.

This was not a decision I made lightly. Filing for bankruptcy was expensive and humiliating. I was raised to work hard, pay my bills, and be responsible. My mom worked three jobs so she wouldn't have to be on welfare, and raised me the same

way. After working so hard to pay my own way, I never imagined I'd face such a painful choice.

I attempted to include the private education loans in the bankruptcy, but they were not discharged. I had already paid \$2,000 for the attorney. It would have cost even more to try to file for an undue hardship discharge, which my lawyer told me I probably couldn't get anyway. So after the bankruptcy, I still owed over \$1,000 a month on my student loans.

I recently consolidated my federal loans and signed up for Income-Based Repayment. My federal loan payments went from \$400 a month to \$124 a month. This is affordable for me, and I'm so grateful that this program exists.

But my private education loans are in default. They are asking for \$627 a month, and the collection agency is unwilling to give me forbearance or take a lesser payment. I send them whatever I can afford each month – usually about \$120 – but they still call and threaten to send my account for wage garnishment. They refuse to negotiate an affordable plan that would allow me to repay my loans. I live in constant fear that the hammer will one day drop and ruin my life and any hope for my son's future. It's a scary, hopeless feeling.

Bankruptcy is supposed to help people manage their debt, but I am worse off after my bankruptcy than before. My brother and I tried to buy a house together, but they wouldn't allow me to co-sign a mortgage because of my bankruptcy. I know how to build my credit score back up, but I can't as long as I'm in default on these private loans. I think part of the reason my lender refuses to help me is that they know that I am stuck with the loans no matter what.

I didn't go to college to borrow a bunch of money and then shirk my responsibilities. I earned my degree to better my life and set an example for my son, and I ended up bankrupt and still crushed by private loan debt with no way out and no light at the end of the tunnel.

Thank you for your time.