

Private Loan Borrower Stories

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Cheri Parrag (FL)

Cheri came from a very low-income family and was the first in her family to go to college. She went to NYU, her dream school, trusting at eighteen that attending a prestigious university would open the doors to a successful future. Prior to her freshman year, both of Cheri's parents filed for bankruptcy, making them ineligible for federal Parent PLUS loans. When grant aid and work-study did not cover the full cost, she took out in federal loans and on the recommendation of the school's financial aid office (which did not make all the differences in terms and costs clear), private student loans as well. She graduated in 2005 with \$30,000 in federal loans and \$100,000 in private loans, with the help of three family friends who served as co-signers for different private loans. No one told her how these loans would affect her co-signers' credit scores. While she never missed a payment and has maintained excellent credit, she met with opposition when she first tried to release her co-signers, although she was eventually able to do so after considerable effort.

Married in 2009, Cheri and her husband found themselves struggling as newlyweds. They moved in with her father when they faced a stint of unemployment. Worried about her outstanding debt, Cheri began to look into repayment options. She was thrilled to learn about the Income-Based Repayment program, which became available in July 2009. She also began to understand the stark differences between her federal and private loans when she realized that private loans are not covered by IBR or the other repayment plans, forgiveness programs, and consumer protections that come with federal loans.

Two years later, Cheri considers herself lucky to have found a good job with a decent salary, but she cannot save for retirement or more than a month of emergency expenses because of her private student loan debt. Through careful budgeting Cheri has been able to pay off over \$17,000 in the credit card debt she accrued to keep up with her private loan payments in tougher times. She calls renting an apartment with her husband the only "luxury" in her life. She is frustrated at not having any retirement savings, and not knowing when they will be able to afford to have children has been stressful for her marriage.

Cheri considers private student lenders predatory, relying on the naiveté of young adults who don't realize how this risky debt can affect their options later in life. During her early struggles to find a good job, Cheri used up the limited forbearances available for her private loans, for which she had to pay an additional fee. She says, "What if I lose my job or get sick and can't make my private loan payments, or if interest rates start rising again? I have no options left and no way out – not even bankruptcy."

Stephanie Holstein (MT)

Stephanie was her high school's valedictorian and yearbook editor, going on to attend a prestigious private nonprofit college in the hopes of working in the nonprofit sector to give back to her community. Choosing to take out private student loans to spare her single mother from taking out a Parent PLUS loan, she didn't realize her mother's credit would be affected when she co-signed for her loans, and was prompted by her school's financial aid office to take out private loans through Citibank who partnered with her university. Stephanie was led to believe these co-branded private loans were a good deal, and in the end Stephanie took out over \$70,000 in student debt, with \$40,000 in private loans for her undergraduate degree. Knowing what she knows now, she wishes she had just taken out PLUS loans and repaid them for her mother each month.

After eight years on on-time payments, Stephanie's mother found opposition with her mortgage company when trying to purchase a home because of the "huge, looming" student loan payments still in her name.

Stephanie worked for five years in the public sector, but a wife and a mother of twins, she's now in law school with her husband getting his PhD in math, as they hope that advanced degrees will mean more money for their family in the future. Knowing that going to law school means she's taking on more federal debt with her private student loans accruing interest every day during her in-school deferment, she hopes that the possibility of doubling her earning capacity will balance everything out. Even though Stephanie and her husband are both taking on more debt, they've vowed to never take out another private student loan, and because all of their credit card debt has been paid down, they are hopeful that student loans will be their only outstanding debt after graduation.

After using up both of her allotted six-month forbearances during her pregnancy, Stephanie's only available relief from her private student loans came at a high cost. She knows firsthand how tricky private student loan terms can be after fighting her lender when they tacked on an additional .25% interest rate that was originally reduced from her loan for on-time payments, and even though they owe more in federal loans, Stephanie and her husband are doing all they can to pay off their private loans first because "I am fearful that at any time in the future, the rates will climb once again," making the "pay-down unbearable."