Testimony of Rosemary Anderson to the Senate Committee on Aging
September 10, 2014

Thank you Chairman Nelson and Ranking Member Collins for the opportunity to tell my story before the Senate Special Committee on Aging.

My name is Rosemary Anderson. I am 57. I was a healthy married woman with one child and another on the way when I decided to go back to school in my 30s. By the time I had obtained both a bachelor's and master's degree to pursue my career goals, however, I was divorced and overcoming a debilitating illness. I owed $64,000 in student loans, but because I faced a variety of expenses that made me unable to pay down my debt, that figured has ballooned to more than $126,000. I will be indebted for life, and my growing concern is that when I reach the age to take Social Security, a sizeable portion of my check will be garnished to pay off that money.

I am originally from New Jersey – the middle of seven siblings – raised with faith, family, social and community responsibility and education as core values. My maternal grandmother and my mother were the only ones who graduated from college. It was an expectation that each of us would go on to college after high school and obtain a college degree. I was a bit rebellious in high school and after my freshman year was told if I wanted to continue attending private school, I would have to pay my own tuition. I got a job at 15 and did just that. I was raised with the notion that you paid for your mistakes and hopefully did not repeat them. I was accepted to Boston College and then made an impetuous decision to forego the college track and after graduating from high school, travelled instead to California in 1975 with an older sister and have called the West Coast home ever since.

I was married in 1982 and through hard work and the help of family we were able to purchase our first home in Watsonville, California, a home I still own today. I was working two jobs at that time to be able to afford our mortgage; part-time in the health care field caring for chronically ill and terminally ill patients, as well as providing respite for families with severely disabled children. My full-time job was first working with the developmentally disabled population and then with a non-profit organization that provided life skills and work skills training to developmentally disabled young adults with the objective of transitioning them to become more independent. This was my career for 16 years.

We brought our first daughter into the world on February 26, 1986. I returned to work full time after my maternity leave when Taylor was 3 months old. I had been promoted to run an independent skills training program in Monterey County.

I received a call at work one day in August of 1988 that my younger brother David had been taken to the hospital in New Jersey. He suffered from HIV and at this time he received an AIDS diagnosis. I flew to see him immediately. I took a leave of absence to care for him during his last few months of life. He died in June 1989, Within a few weeks, I was fired from my job and learned I was pregnant with my second child.

After all that emotional upheaval and financial impact on our family, I decided it was time to return to school and earn my college degree. I felt it would make me more marketable in the workplace with broader options in the future.

My second daughter was born on February 1, 1990. I was just beginning my last semester at community college the week she was born, I returned to class infant in tow and finished my courses on schedule. I completed all the requirements and credits needed to be admitted to a two year degree program through the University of San Francisco and graduated with my BS (with a perfect GPA) in Organizational Behavior in 1993. I chose this particular program because it was designed for older adults who were already well into their careers or were in the process of changing careers and had not yet earned a college degree. It fit with my time table; I could earn college credits for my life experience through their intensive portfolio writing option (which actually saved me thousands of dollars and classroom semester hours)

My then husband ran a custom woodworking business and was self-employed with no health benefits and the self-employment taxes were very high. I did the books and contracts and front office part of the business. Our medical coverage had a $5,000 deductible and was meant for catastrophic coverage only. We decided I had to return to the workforce.

I was hired by UC Santa Cruz in August of 1993 in an entry level position working three-quarter time and furloughed in the summer months. After child care expenses, parking (we have to pay to park on campus) and commute costs, I averaged about $1.75 an hour. But, we had excellent benefits. I could now provide medical, dental and vison coverage for the whole family, which was offered at no cost to employees at the time. We were finally able to start a retirement fund and plan for our financial future.   I had an opportunity to go on to earn my Master of Science in Organizational Development through the University of San Francisco and now that I was working and the program again was geared toward working adults, I felt it would be another great asset in finding better positions within the University.

During the time I sought my master’s degree, I became ill with what I later learned was Lupus, and that debilitated me for close to three years as I struggled to get that in control and in remission so I could resume a full time work schedule. I am very fortunate to work for an organization that provides full medical benefits and that was willing to alter my schedule so I could work part time until I got better. It delayed the completion of my degree program but I finally graduated in 2001.

I had a variety of loans to pay each month ranging from federal loans, to loans issued through the school, and I believe a couple of bank loans. I decided consolidation was a great option (making one payment as opposed to writing multiple checks a month would be a better way to track and pay) and at the time the interest did not seem unreasonable. It took almost a year to get the consolidation package completed and approved. I did not realize when I made that choice that I would never be able to refinance that loan.

In the meantime, my marriage began to fail and we spent a significant amount of money, time and energy in counseling to make it work. Unfortunately, that was not to be and we were divorced in December 2002.

I was unprepared for how drastically my life would change going from a dual salary household to a single wage earner. When child support for my children ended when they turned 19, I was still providing for their educational costs, health care costs and miscellaneous expenses and my slide toward major indebtedness began.

The $1,600 in child support did not cover the increases in living costs over time. I should have admitted then that I could not afford to continue supporting my daughter after her child support ended, while covering the increased expenses for my youngest at the same time. I began using my home equity to pay bills and necessary expenses. I was essentially robbing Peter to pay Paul. I began paying for major expenses like tuition and other critical bills by borrowing money on top of the support to make it all work. My last child support payment for my youngest daughter was February 1, 2009. By this time, my total debt was out of control.

My expenses continued to rise and my salary did not. In 2010, my house was worth less than half of what is was worth three years prior. We had numerous foreclosures and short sales in our neighborhood, exacerbating the weak real estate market. The value of my house was $200,000 less than what I owed on it, and although I did not want to move, selling it was not an option. I was in debt to two creditors and those accounts became delinquent. I did settle two credit card accounts with Bank of America in the summer of 2009.

As a state employee, I took a drastic reduction in pay and was furloughed 18 days over the year. I netted $3,298.55 a month + $1,000 in alimony. My mortgage payment (with taxes and insurance) was $3,470. I don't have to state how bad an equation that was.

I had always paid my bills on time and do not live extravagantly. I did not want to declare bankruptcy or lose my house. I explored debt settlement and actually contracted with a service and then found it would only make my situation worse. I tried to negotiate interest rates with long term credit accounts (per Suze Orman) which resulted in getting all credit cards cancelled and a nightmare of debt to pay down (it was my major epiphany of just how financially crippled I was - prior to that I was juggling so many balls in the air I didn't take the time to actually look at where I was) I was paying more with less and was living as a single spending like a couple. It was a life changing event I thought would do me in but turned out to be a saving grace.

Thankfully, the Obama Making Home Affordable Program was introduced and after 18 months of wading through the onerous bureaucracy to complete the eligibility, I became a recipient of that relief. It restructured my mortgage and reduced the payment on my home to something I could afford at a lower interest rate with the terms changing every few years. My mortgage payment now is $2,200 a month (the interest rate is 2% and changes every 3 years to a cap of 5.75%)

I sold just about everything I had of value to help with the credit card debt buy-down and to make ends meet. This took seven years, but I did it. I have taken on extra jobs to generate revenue and have rented rooms in my house for the past six years. My monthly lifetime alimony of $1,000 a month (which I was legally entitled to) ended December, 2013.

In January 2013 I took a five year loan of $10,000 against my retirement account to fund one daughter's wedding and help my other daughter finish her last year of college.

My net monthly income is $3,618. I divert part of my salary pretax to my university retirement account as I have no savings and no other assets except my home. My monthly expenses are roughly $3,661 with no room for anything unexpected.

Today the interest rate for my consolidated student loans is 8.25 percent. Given my financial constraints, I have not been able to pay anything toward my loans for close to eight years. Every year I go through an elaborate exercise of which program will keep me in 'good standing' without making a payment and thereby avoiding default.

If I enter into a negative amortization contract for the next year, my new terms of agreement starting next spring for my current student loan debt has me paying $526 a month for 24 years. I will be 81 and under those terms will pay $87,487 more than my original loan amount.

I am not eligible for income-based repayment plans because they do not take net earnings and actual expenses into consideration when they factor your payment amount. My overall pay is high, but my take-home pay is not, and even though I can prove that, my expenses are not factored in.

It is frustrating that in this one area, there is no real relief for me or people like me. I was able to use the real estate bailout for my underwater home but have no real way to see my loan debt forgiven. Even if I wanted to file for bankruptcy, which I don't, my student loan debt would not be forgiven.

I find it very ironic that I incurred this debt as a way to improve my life, and yet I sit here today because the debt has become my undoing.

And I am one of the lucky ones. I have a house to live in, a job that has excellent benefits and a retirement plan to pay into – although realistically I will be working for the rest of my life. I do not want this debt to define me. I am proud of my ability to survive and maintain and through all of the above and have made and continue to make significant contributions to my community in volunteer leadership roles.

Senator Warren’s Bank on Students Emergency Loan Refinancing Act would offer relief for many mired in this student loan debt crisis, including parents with loans. It is an important first step. It doesn’t however address the accumulation due to the interest on those loans and for those of us in our mid to late 50’s and older will never live long enough to pay off our debt unless some interest forgiveness program or legislation is introduced.

I thank you for the opportunity to be a voice for this critical issue. It is my sincere hope that this Committee, as it has throughout its fifty-year history, will be able to influence much needed changes so that aging Americans can cease living in fear for their financial future.

I look forward to answering your questions.