

Some retirees still saddled with student loan debt

BY TAMMY LA GORCE
New York Times

When Patrick Donohue retired in May after a 20-year career in customer service at AT&T, he and his wife, Kay, didn't celebrate. Instead, they argued over which pension option was better: obtaining a large portion right away or scheduling small monthly payments.

At issue was whether the lump sum might free them from paying further interest on the \$97,932 they borrowed from the federal government so their four daughters could attend college, or if doing so would mean sacrificing their long-term financial stability. Ultimately, they settled on the monthly payments, guaranteed for both of their lifetimes.

"Kay's position was, we would outlive the lump sum," said Donohue, 64, of San Diego. His inclination to take it may have been just as practical, though: "After eight years of paying off loans, my concern was that we didn't have much of a cushion if we encountered a major expense."

It's a situation more U.S. retirees can relate to: While most borrowers are 18 to 39 years old, people over 60 are the fastest-growing segment of the population with student loan debt, according to a report by the Consumer Financial Protection Bureau.

In all, more than 2.8 million Americans over 60

are contending with student debt, a number that has quadrupled from 700,000 in 2005, according to the bureau. The cost is swelling, too: From 2012 to 2017, for those 60 and older, the average amount of student loan debt almost doubled, ballooning to \$23,500 from \$12,100.

The Donohues' situation is typical. According to that 2017 report, which uses the most recently available figures, 73% of borrowers over 60 are paying off student loans they either took out or co-signed to help children and grandchildren through college. Only 27% are chipping away at their own or their spouse's education.

Those numbers don't surprise Persis Yu, director of the National Consumer Law Center's Student Loan Borrower Assistance Project. "We're taught that sacrificing for our children is what we're supposed to do," she said. "What parent would say, 'No, I'm not going to provide this opportunity for my child to go to college, even if it's to my own financial detriment?'"

A 2019 AARP Public Policy Institute report found that 15 years ago, borrowers 50 and over held \$47 billion of the nation's \$455.2 billion in student loan debt. By 2018, that figure had risen to \$289.5 billion of an overall \$1.5 trillion.

There are big risks in taking on this debt, and painful consequences if

you fall behind: A person's Social Security benefits can be reduced up to 15% if the borrower defaults, not to mention serious quality-of-life issues.

The kind of issues Kimberly Wehl, 55, of Midland, Michigan, is facing, for instance. When Wehl took out a loan for her daughter to attend Saginaw Valley State University in 2007, she was already paying down \$60,000 of her own student debt. Now she owes \$77,000. Her daughter, who dropped out after two years at Saginaw State and is living at home, is working as a waitress and is not yet able to help with payments, which come to \$500 a month.

Wehl cannot foresee a future in which she is able to retire from her nursing job.

Like Wehl, the Donohues borrowed federal money in the form of Parent Plus loans. Another option for parents and grandparents is co-signing private loans. Both carry risks.

Parent Plus loans "basically fill the gap between what a child might qualify for on their own, which is usually not very much, and the cost of attendance," said Jessica Ferastoaru of Take Charge America, a nonprofit provider of student loan counseling for the National Foundation for Credit Counseling. Often, a student will max out federal student loans before turning to private or



Parent Plus loans. According to the Education Department, dependent students qualify for \$5,500 to \$7,500 in loans a year.

Parent Plus loans differ from private loans in a few important ways. First, there is no cap on loan amounts and, in Donohue's opinion,

not much in the way of warnings to discourage parents from asking for unmanageable sums.

Another way they differ from private loans is that the signing parent – grandparents are ineligible for Parent Plus loans unless they have adopted the

grandchild – is on the hook exclusively for repayment. In addition, “there's no way to transfer these loans to the student, and the interest rates can be quite high,” Ferastoaru said, adding that the current rate is about 7%.