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LIFE & STYLE

Who Foots the Bill? Families Fight Over College Debt

As tuition increases outpace household incomes and parents face a battery of other financial pressures, conflict over college debt is intensifying among American families



PHOTO: MICHAEL GLENWOOD

By Erica Snow and Douglas Belkin

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Last year 25-year-old Chris Gannon realized he couldn't afford the \$500-a-month payments on his student loans on his own. The University of Michigan graduate asked his parents for help.

But his parents were facing their own financial pressures, including trying to save for retirement. "He, being so young, looks at us sometimes like, 'Well, you must not have made the best decisions. You should be in a better position than you are,'" says his mother, Mary Read, a chiropractor outside of Ann Arbor, Mich. "And I'm like, 'Well, yeah, wait til you're 63'...we did the best we could."

Conflict over college debt is intensifying among American families, say financial advisers, loan officers and school counselors. Tuition increases have outpaced household incomes just as parents are facing a battery of other financial obligations, including supporting their own parents, saving for retirement, health-care costs, and sometimes their adult children's living expenses. The consequence: tears, recriminations and blame.



Chris Gannon, center, asked his parents Mary Read (right) and James Gannon (left), for help repaying his student loans. PHOTO: CHRISTINE GANNON

Part of the tension stems from the difference between who is legally obligated to repay student loans, and who each member of the family believes is actually responsible for it.

Students sometimes sign up for federal loans in their name because they can get lower rates, with the expectation that their parents will actually make the payments. Other times, parents borrow in their own name through the federal “Parent Plus” program, under which they can borrow larger amounts than their children. In that arrangement, parents are legally responsible for the debt even if they expect their children to make the payments.

The problem often comes when financial circumstances change and one party can’t—or won’t—make the payments, or says they never promised to in the first place.

“I’ve had parents say ‘I’m going to take out the Parent Plus loan but [my son or daughter] is going to pay it back,’” said John Falleroni, senior associate director of financial aid at Duquesne University in Pittsburgh. “They ask, ‘What can I do to legally ensure that they pay it back?’ I tell them, ‘I would only hope that you raised your kids to be responsible.’ ”

The generation of parents who now have college-aged children started their families three years later than their own parents, government data indicate, leaving them less time after their kids leave home to prepare for retirement. They are also in worse financial shape than prior generations.

Parents who are currently saving for their children’s college believe they will be able to cover 37% of the cost from savings, but parents who are paying for children already in college actually cover just 10% from savings, according to a 2018 survey conducted by Sallie Mae. More than one-third of parents of children ages 13 to 17 haven’t discussed their child’s role in paying for college.

At Bishop McNamara High School, a Catholic school in Forestville, Md., counselor Alicia Oglesby has seen several students break down in tears as more parents refuse to take on significant college debt, which means telling their children some schools are off the table.

“We push this idea that as long as you get the grades you can go anywhere you want, and that’s not true,” she said.



Counselor Alicia Oglesby says she has seen students break down in tears amid tensions with parents over college costs.

PHOTO: VALERIE ROBINSON

Dr. Read and her husband set aside money for their son’s and daughter’s college educations. But a string of tragedies including the death of their daughter and a cancer diagnosis for Dr. Read forced them to spend some of the savings.

When it came time for their son Chris to attend college, his mom explained they would only be able to help a little. They didn't want to take out loans because they were trying to prepare for retirement.

"I said we cannot do a Parent Plus loan, we cannot go into more debt for you," Dr. Read said. "We have to take care of ourselves."

Chris attended two years of college at a relatively inexpensive state school, then lived at home and attended the University of Michigan. He accrued about \$28,500 in student loans.

After graduation in August 2017, he got a job in Washington, D.C., as vice president of the United States Student Association, an education advocacy group. His \$36,000 annual salary covers his \$1,300-a-month studio apartment and living expenses. Early last year, before he had to start making \$500-a-month payments on his student loans, he realized he wasn't going to be able to afford it. He called his mom for help.

"I was frustrated because I felt like I had done everything right," he said.

The conversations were tough, Dr. Read and her son say. Dr. Read and her husband, James Gannon, eventually decided to send Chris a monthly check for half his debt for a limited time. "He's our only child, is it really worth \$250 a month to not have a good relationship with your son?" Dr. Read said.

Rick Kahler, a financial therapist in South Dakota, said many families are dealing with what he calls outdated expectations that parents will pay for college because their own parents paid for them. But because household incomes haven't kept up with the cost of college, those expectations may no longer be realistic.

Many of Mr. Kahler's clients try cutting retirement savings, selling a house or car or borrowing more money than they should. The average annual borrowing amount for parents was \$16,100 in 2014, up from \$5,200 in 1990 in inflation-adjusted dollars, and default rates are rising, according to a paper last year by the Brookings Institution.

"They will do it until the pain becomes too great," Mr. Kahler said.

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