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Senior citizens are trapped in children's student loan debt

Most seniors are struggling in their retirement years to make ends meet as their retirement income and nest eggs are stretched to the limit in today's economy. However, many seniors who took out federal loans or co-signed college bank loans to help children and grandchildren with their education now find themselves in a situation that they never anticipated: calls from debt collectors, garnishment of Social Security wages, and loss of a formerly stellar credit rating. *The Columbus Dispatch* in an article on December 17 by Mike Wagner and Jill Riepenhoff (http://www.dispatch.com/content/stories/local/2012/12/17/more-seniors-trapped-in-childrens-student-debt.html, "More Seniors Trapped in Children's student debt" a Dispatch Investigation), the plight of seniors who took out loans to help children but never fully understood the long term impact. As one man stated that the older generation "paid our dues…worked all our life and tried to do right by our kids…but these loans can come back and haunt you in ways that you never think about."

Wagner and Riepenhoff report that although there are no statistics on how many parents and grandparents have assumed their children's and even grandchildren's student loan debt; however, the number of borrowers over 60 years old has tripled since 2005 according to statistics from the Federal Reserve Bank of New York. Additionally, the number of those who have fallen behind in payments has also tripled from 63,000 to 198,000. For the most part, these are parents and grandparents who signed federal parent PLUS loans or co-signed on a private student loan from a bank, assuming that the college graduate they intended to help would make the payments. The demand for help by would-be students continues, since last year about 90 percent of borrowers who took out a private student loan had a co-signer, up from 55 percent in 2005.

The issue is that borrowing for a college education for someone else carries significant risks, risks that are not obvious at the outset. These loans are largely exempt from discharge in bankruptcy court. Federal parent loans lock borrowers into a 7.9 percent interest rate; parents cannot consolidate loans into one payment, and are ineligible for the government's income-based repayment plan, even if the borrower is now on a lower, fixed income. Seniors who are looking to retire and living on a fixed income carry an average loan balance of nearly $20,000, about $6,000 less than the average debt load of a new graduate with a bachelor's degree. What if the new graduate cannot find work? Parents are often struggling to make payments that directly affect their own credit ratings and ability to find housing and re-finance mortgages. As one man who was interviewed stated, "My credit being ruined hurt the most. I took great pride in that, and now, in my retirement, all my hard work is tarnished."

Mark Kantrowitz, an expert on financial aid and publisher of the websites FinAid.org and Fastweb.com, says that the federal government should eliminate parent loans, and base all loans on the student's ability to re-pay while allowing the poorest of the students to attend college for free. At the very least, some government leaders are recommending changes in the interest rate and consolidation rules. This might not be a high priority for our government leaders right now, but it is becoming an increasing burden on seniors who did not realize what they were signing on for.