



Clockwise from top left, Courtney Greenstein; then-President Johnson signing the Higher Education Act in 1965; Christopher Fausone. CLOCKWISE FROM TOP LEFT: COURTNEY GREENSTEIN; ASSOCIATED PRESS; JOVELLE TAMAYO FOR WSJ

Student-Loan Debt Is Strangling Gen X

Borrowers hoped for upward mobility. Many were left instead with regret: 'I'm going to be working until the day I die.'

BY OYIN ADEDOYIN

One of the most enduring relationships of Rick Betancur's adult life is with his student debt.

The federal loans have followed him for more than 26 years, longer than he's been married. While his family has doubled with the addition of two children, his \$74,000 in graduate school debt has more than quadrupled to \$300,000.

When the 55-year-old New Jersey chiropractor looks at his current balance, he is stupefied. He's made enough payments toward the loan throughout the years to cover the initial amount he borrowed, but it's been buried in decades of mounting interest.

His balance continues to accrue interest— and repercussions, most recently the denial of a home-equity loan application. Decades of payments meant Betancur wasn't able to save for retirement until later in life. Today he has a little over \$200,000 saved, a fraction of the seven times one's salary Fidelity Investments recommends workers have by 55.

Note

Gen X is barreling toward retirement with an excruciating student-loan burden. The six million-plus borrowers aged 50 to 61 have the highest average balance of any age group, at \$47,857, according to Federal Student Aid data. Now, as parents and grandparents, they

are passing along a skepticism toward higher education and its hefty price tag, part of the broader unraveling of America's "college for all" ideology.

The oldest Gen Xers were born in 1965, the same year the Higher Education Act created the modern student-loan system. The baby boomers older than them didn't have the same access, and the millennials younger than them had greater awareness of the long shadow debt can cast. But for a brief window when the "forgotten generation" was reaching college age, student loans conveyed all of the promise of American upward mobility with none of the pitfalls.

"Back then college was a must," said Betancur. "You were either going to college or sweeping floors."

Decades later, the promise is an albatross for many. And it's becoming more burdensome as the instability of America's student-loan apparatus comes into sharp focus.

The Education Department under President Trump has threatened to confiscate wages from millions of borrowers if they haven't made payments since the pandemic, when the Biden administration extended the pause on student-debt repayment. A new tax-and-spending law, signed in July, restricts some borrowing and repayment plans, marking a retreat from federal student lending.

"Repaying federal student loans is not a political football— it's the law," an Education Department spokesperson said. "The Trump Administration is providing borrowers with clarity and consistency."

It has been a particularly jarring shift from the Biden era, when monthly loan payments for low-income borrowers were reduced and a sweeping student-loan forgiveness plan briefly raised hopes for a reprieve before it was blocked.

"Ten to 15 years ago it was widely accepted that student loans were a good form of debt," said James Kvaal, under secretary of education during the Biden administration. "A lot has changed."

Expanding access

The unpaid federal studentloan balance has swelled to \$1.66 trillion, from \$516 billion nearly two decades ago. For millions, the loans helped them earn degrees that lifted their earnings potential, making the debt burden more than worth it. But paying it down has strained borrowers of all ages.

That wasn't what policymakers had in mind 60 years ago when President Johnson signed legislation that opened access to loans, allowing students to sign up for a degree without worrying about whether they could afford it.

Betancur, whose parents immigrated to the U.S. from South America when he was a toddler, was the first in his family to attend college. He got a full scholarship to study English literature at the College of New Jersey. Later, when he was deciding whether to go to graduate school, a tour guide at Life Chiropractic College West in California encouraged him to take out loans to finance his degree.

"I was excited," Betancur said. "I was looking at the education and what I was going to do with it, and I wasn't really thinking about the money."

That money was especially free-flowing when he was a student. Federal loans went from being a tool for lower-income families to a standard way many people paid for higher education.

A 1981 law had extended the loans to independent undergraduate, graduate and professional students. Two other key changes came in the 1990s: The government introduced direct lending to students, signaling a shift from federally backed loans from private banks. Unsubsidized loans were also added to the mix. While available to everyone regardless of income, the loans put borrowers on the hook for interest accrued while they were in school.

Since Betancur's parents weren't helping him pay and he was pursuing graduate school, he was eligible for higher borrowing limits. Betancur took the maximum allowable and added private loans to cover the rest. He wasn't alone. Between 1990 and 2000, when many Gen Xers were in college, student debt more than doubled, according to the American Council on Education. It also took on a longer life.

When Betancur opened his chiropractic practice in the early 2000s, a loan servicer advised him to put his federal student loans into a payment pause to get his business off the ground, he said. Betancur focused instead on his private loans, which took about 10 years to pay off.

He spent 15 years in and out of forbearance, deferment and repayment on his federal loans. In the years when his business did well, he would make payments toward the debt. When money was tight, he was advised to pause or defer those payments. All the while interest was accruing on his seemingly unchanged balance.

His loans were held by Navient, one of the country's largest student-loan servicers. Last year, the Consumer Financial Protection Bureau banned Navient from servicing federal student loans, saying it misled borrowers, processed their payments incorrectly and steered those who may have qualified for income-driven repayment plans into forbearance instead. The company agreed to pay a \$120 million fine, but said it didn't agree with the CFPB's findings.

Betancur's federal studentloan payments were always part of an income-driven repayment plan. Though he paid the recommended amount, it was never enough to beat the interest. He resigned himself to the idea that he'd be paying off his student loans for the rest of his life.

Promise, past due

In 2006, the federal government once again expanded borrowing, allowing graduate and professional students to take out loans up to the total cost of attendance. It coincided with a rise in nontraditional students seeking degrees. That included people older than 24, those employed full-time outside of school and parents like Christopher Fausone.

Fausone got his bachelor's degree in applied behavior analysis when he was in his 30s to help him as he homeschooled his son, who has autism. Nearly a decade later, he received an M.B.A., hoping it would advance his career.

But the higher-paying roles he dreamed of slipped through his grasp because they required years of work experience, he said. Today, the 49-year-old lives in Marysville, Wash., and works in commercial pest control. He makes \$80,000 a year, and owes around \$130,000 in student loans.

Like many borrowers, he hasn't been paying his loans since the pandemic pause. He focused instead on paying off his car and other debt.

When the pause ended last year and he failed to resume payments, his credit score dropped more than 200 points. Fausone was surprised when he received a notification saying he'd fallen six months behind. He put his loans in a 3month forbearance.

About five million of the 44.7 million student-loan borrowers are more than 90 days past due, according to Federal Student Aid data. Borrowers who are 50 and older are more likely than other age groups to be seriously delinquent, according to the New York Fed.

Fausone says he regrets going to graduate school and taking out student loans. He has --nothing saved for retirement and doesn't think he will be able to afford to buy a house.

Now out of forbearance, he worries he won't be able to keep up with his monthly loan payments and may have some of his paycheck withheld by the government. Loan holders can instruct employers to hold up to 15% of a defaulted

borrower's paycheck.

"I'm going to be working until the day I die," he said.

Spiraling debt

Now decades into their adult lives, many Gen Xers have accumulated other types of debt, often causing student-loan payments to fall down the priority list after credit cards and auto and personal loans. The middle- age crunch of caring for both children and parents has added to the load.

Gen X had a median nonmortgage debt of \$26,207 as of this year, higher than all other generations, according to a LendingTree analysis of people in the largest 100 metro areas. They also held the highest average creditcard debt last year, at \$9,557, according to Experian.

Courtney Greenstein's budget has been stretched thin by payments on credit cards, a personal loan and rent. The 50-year-old senior employeebenefits analyst also supports her two adult children, who live with her.

With little left over, Greenstein hasn't made studentloan payments on her \$40,000 in debt since she finished her business degree in 2018, decades after first trying college. She had earlier pursued a pharmacy degree at the University of Connecticut, but soon learned that she didn't enjoy the field and failed out. By the time she went back to school, she was also juggling motherhood.

"I took every student loan I could possibly take," Greenstein said. "Not only was it helping me pay for school, but it was supporting me and my family."

If her wages were to be withheld over nonpayment, she said, she would have to get a second job to make ends meet. On a \$123,000 salary, she has barely been able to save for retirement.

Amassing retirement savings has been hard for Gen Xers, who launched their careers just as a shift in American work culture was beginning. They have navigated companies moving from pensions to employee-driven 401(k)s, the flattening of middle management and upheavals driven by globalization and tech. Student loans have only made it more difficult.

In a 2023 analysis, the National Institute on Retirement Security found that Gen Xers who graduated from college had higher incomes than those who didn't, and were more likely to work for an employer that offered a work-sponsored retirement plan. But those who took on student loans had an overall lower net worth than their peers who didn't.

"Having student-loan debt is kind of a double-edged sword," said Tyler Bond, research director at the institute. "Just the presence of that debt in and of itself is going to reduce their net worth, and they are also more likely to fall short of their retirement savings targets."

During the Biden administration, the Education Department announced policies aimed at assisting longtime student-debt holders and borrowers with low balances and those affected by forbearance steering. In 2022, it said longtime borrowers who consolidated their loans may be eligible for forgiveness under a one-time policy.

Betancur, the chiropractor, had been in repayment for over two decades at that point, and hoped to get his loans forgiven. Those plans stalled because of litigation over the Biden-era incomedriven repayment plan he's enrolled in. He applied to move to a different incomedriven plan last year, but hasn't heard back.

Another painful hitch: When Betancur consolidated his loans to help qualify for loan forgiveness, his unpaid interest was added to the principal, pushing his balance to over \$300,000. Interest started to accrue again on Aug. 1.

"I have nonstop fear, worry and anxiety over these loans," he said. "It's just been a big strain mentally on a daily basis."

Betancur wants something better for his children, now 13 and 8. He plans to encourage them to start with community college or attend a state school. "I would want them, in a perfect world, to have zero student loans, to completely stay away from that system and not even touch it."