

How Student Debt Can Ruin Home Buying Dreams

By **Natalie Kitroeff**

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When Rebecca Wills pictures the home she would like to buy, it looks like the one she grew up in: Small house. Big backyard. Enough grass for the family to lie out on when the New Jersey summers cooperate.

“A place where you can come take your kids to swim, or do a barbecue,” she said. “Somewhere where we can have people, have a lot of family, over.”

She doesn’t expect to live out that fantasy anytime soon. At 28, Ms. Wills has spent all of her adult years wrestling with student loans. She figures she has paid around \$30,000 to the government and private lenders since she graduated from Rutgers University.

That has helped make a healthy dent in her loan bill. It has also sucked away all of the money she would have otherwise put into a savings account, earmarked for her big backyard.



Ms. Wills lives in a one-bedroom rental in Jersey City and hasn’t allowed herself to think about where she might like to buy a home. Stefano Ukmar for The New York Times

Ms. Wills might already have a mortgage if she had gone to college a decade earlier, when it wasn't quite so expensive. Instead, she is stuck in limbo, like hundreds of thousands of other young Americans who have delayed buying a home because of the ever-growing cost of tuition.

Homeownership among Americans in their 20s and 30s is hovering near a three-decade low. Just 35 percent of households headed by someone younger than 35 owned a home in 2017, down from 41 percent in 1982, according to census data. Now, they are much more likely to be living at home with their parents or elders.

At the same time, the nation's student loan bill has soared to \$1.4 trillion, surpassing credit cards to become the largest source of personal debt outside mortgages.

A broad set of headwinds is holding millennials back from buying homes. Underwriting standards have become stricter in the last decade, making it more difficult to get a mortgage. Many young people are moving to cities where they can only afford to rent — a problem that has been compounded as home prices have soared while wages have barely outpaced inflation.

Adrienne Naylor, 34, has close to \$300,000 in student debt. She shares a three-bedroom home with two college students in Cambridge, Mass. Tony Luong for The New York Times

And recent research suggests that the explosion in tuition costs and student debt is another significant force keeping many millennials out of the home buying market. An analysis published by the Federal Reserve Bank of New York last year suggests that student debt was responsible for up to 35 percent of the decline in homeownership among people between the ages of 28 and 30 from 2007 to 2015. (Homeownership for people under 28 tends to be low.)

If student debt levels had stayed where they were in 2001, more than 360,000 people in that age group would have owned a home in 2015, according to those findings.

“If people had the same levels of student debt as about 20 years ago, they probably would be buying a lot more homes than they are buying now,” said Wilbert van der Klaauw, an economist at the New York Federal Reserve and an author of the study.

In an alternate universe where Ms. Wills might have graduated without much debt, and where the financial crisis had never happened, her father would never have been laid off and he would have kept chipping in to help pay her tuition bill. She wonders about who she would be if that had been her life.

“I don’t know if I would have been the kind of person who would save every penny so I could own a home,” she said. She might have traveled, or frittered her paycheck away on other things that tempt you in your twenties. “I might have chosen a completely different lifestyle if I had been free of this debt.”

Of course, Ms. Wills’s father did lose his job as a financial manager. Ms. Wills dropped out of the University of Massachusetts Amherst after a semester, moved back home, and took classes at a local community college before moving on to Rutgers.

She had some debt from her first undergraduate stint, and collected more the second time. During college, she waited tables at Ruby Tuesday, then at an Italian restaurant and then at a diner. She sent a hundred dollars here and there to her creditors. When she got her diploma, her loan bill was \$60,000.

It is not as if she is scared of all kinds of borrowing. She knows that she can pay things off. She has a steady job as an analyst at the New Jersey Department of Education. She has been sinking more than \$600 into paying off her loans every month since graduating. To improve her credit, she bought a new Hyundai Accent and paid it off in six years.

Matthew McCabe, who teaches at the Columbus State University, in Georgia, is a renter who had hoped to own a home by now. “Maybe I am pulling too much on my middle-class expectations,” he said, “but that’s what you’re supposed to do.” Johnathon Kelso for The New York Times

But a home loan comes with more zeros. And Ms. Wills said she is not exactly jumping at the prospect of “taking out another massive amount of debt and being trapped forever.”

Her boyfriend proposed to her about a month ago. She giggles when she talks about it. They rent a one-bedroom in Jersey City for \$1,350 a month.

“We want to start making our own kind of home, where we would stay for a while,” she said. “But coming up with a plan where that’s feasible has been pretty difficult.”

For most people, college is still a relatively good bet. About half of the people who went to college own a home by the age of 33, compared to about a quarter of people who didn’t go to college, according to data compiled by the New York Fed.

A residential street in the Cambridgeport neighborhood, where Ms. Naylor would like to buy a home someday. Tony Luong for The New York Times

But student debt is one compelling reason that many millennials have stopped buying homes. Those who graduate with debt are less likely to own a home by age 33 than those who get away debt-free, the New York Fed data show. And thirty-somethings with more than \$25,000 in debt fare worse than people with smaller bills.

Adrienne Naylor turned 34 this month. She has a stable job at a university in Cambridge, Mass., where she lives. She has a girlfriend she loves. But she does not feel like she is getting any closer to buying a home.

Ms. Naylor remembers her guidance counselors in high school going on about how much she would make if she went to college (a lot) versus what she would earn if she didn't (much less). So she borrowed. And then changed colleges. And borrowed some more. Then she got a master's degree in history, with a focus on managing archives and records. Now she has close to \$300,000 in debt.

Eventually she fell behind on her payments and went into default, wrecking her credit score. No one wanted to hire her as an archivist, the focus of her graduate education. Before she got the university job, she made money however she could. She painted herself white and stood like a statue on a crate in Harvard Square, waiting for people to give her change. She worked the box office at a local theater. She collected garbage in Northampton for a stretch.

She now lives in a three-bedroom with two college students who sometimes have trouble remembering to replace the toilet paper.

“I would love to have a place that was just mine, but I don’t let myself want that too much,” she said. The university where she works recently offered employees a free seminar on home buying. A representative from Coldwell Banker rattled off the average price of a single-family home in the area (\$2.7 million) and a condo (\$800,000).

“I’m just like, ‘Oh my God, is this guy for real?’” said Ms. Naylor, who pays \$550 a month for her room. “It really brought home how incredibly out of reach this is for me.”

Ms. Naylor’s girlfriend is a preschool teacher — “she’s going to be poor forever”— who lives nearby, with her own roommates. The couple would like to live together eventually. “I do have fantasies about buying a duplex that my girlfriend and I can live in and only see each other when we want to,” she said.

Surveys that ask people about their student loans are hard to trust, as many people do not seem to know how much debt they have, research shows, let alone how interest works. But they reveal one thing: College loans have made mortgages a pipe dream.

More than 80 percent of millennials surveyed by the National Association of Realtors and the nonprofit group American Student Assistance said that student debt had forced them to shelve their plans to buy a home. And people who did not own homes estimated that the debt had forced them to put off buying by seven years.

The delay feels like it could be more open-ended for Matthew McCabe, who is staring down age 40 and long odds on ever owning property. He has paid about \$25,000 back to the government for his student loans, yet he still owes \$86,000 for the Ph.D. in music composition that he received in 2010.

“It’s stifling,” he said. “I feel like I am moving in the wrong direction.”

Mr. McCabe expected to own a little place by now. “Maybe I am pulling too much on my middle-class expectations, but that’s what you’re supposed to do,” he said.

He grew up in New Jersey, and lived in a house in the suburbs that his parents owned. His parents paid for him to go to a private high school, and for most of college. But Mr. McCabe had to take out loans for his doctoral degree in music. He makes \$55,000 a year teaching at the Columbus State University, in Georgia, and earns an extra couple thousand by giving summer classes.

He pines after the cute little houses in historic Columbus that he walks by on the way to work. The town’s quaint vibe suits him. It is relatively cheap to live there. His neighbors have told him they would prefer to have more owners in the area. There is no way he could pull together a down payment right now, though.

“I am not in a financial position to think about buying a house,” he said. “I don’t have a piece of land to build up on, a home base.”

In contrast, Mr. McCabe's brother didn't take out loans for graduate school. He started working right after college, and now he has two children and owns his home. Mr. McCabe could have gone that route, but he loves teaching music, and he offers that he has already paid plenty back to Uncle Sam.

He has made payments "like clockwork" every month, he said, because he thought he would qualify for a loan forgiveness program the government provides to public service employees. But he found out last summer that he would not be able to get a break on the debt.

Still, whenever he walks by a house on his block with a "for sale" sign, he can't help gazing longingly at it.

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