NATIONAL ENDOWMENT FOR FINANCIAL EDUCATION

Partnering for Financial Well-Being

Quick Takeaways

Diverging Paths: Youth Debt, College and Family Background
The Ohio State University
Principal Investigator: Rachel Dwyer, Ph.D.
Primary Purpose: To extend prior research on when, and why, debt becomes problematic versus fulfilling an educational investment, specifically among community college students that have received too little scholarly attention. The study examines student loan debt along with secured and unsecured consumer debt to illustrate the broader financial risk experienced by young adults with education ranging from high school diplomas to graduate degrees.
Publication Date: 2019

Key Findings

- Financial precarity is much broader than just student loans. The overall portfolio of debt holding likely contributes to the difficulty of managing student loan debt. The composition of one's debt portfolio is a key indicator of financial precarity.
- At age 25:
    - Individuals who have an associate's degree have the highest exposure to vehicle and credit card debt.
    - Bachelor's and graduate degree holders have the highest student debt exposure.
    - House debt exposure is highest for those with graduate degrees and is only slightly less for those with associate's degrees.
- When examining debt over time (from age 20 to 30), debt portfolios between degree pathways begin to diverge even further.
- Individuals with associate's degrees are more likely to have experienced other major life events, such as marriage and childbearing, during the same period that they are pursuing educational credentials. In fact, associate's degree holders on average experience a clustering of life events—with first marriage, first child and degree earned—happening at roughly the same time. Terminal associate's degree holders also earn that degree later than those who complete bachelor's degrees. Getting married, going to school and having children at the same time have profound, long-term effects of debt holding and financial precarity.
- Student loans, though an individual decision, have a household impact. Nearly 1 in 5 households headed by an individual with no postsecondary education contain a member paying off student debt.
- Households headed by an individual with less than a bachelor's degree have higher rates of loan delinquency. Additionally, these households are more likely to pay higher interest rates on student loans.

- Debt holding heighten a household's vulnerability to economic shocks, whether personal or societal. When compared with other degree holders, households headed by an associate's degree holder were hardest hit during the Great Recession. These households were the most prevalent users of payday loans in both 2007 and 2009.
- Most data and assumptions about college focus on bachelor's degrees, but these are not universally translatable to two-year degree pursuers. Individuals seeking an associate's degree are a distinct group that deserve consideration.

Part of understanding the results of a research project is knowing how not to interpret the findings. For this research study, causal inferences cannot be drawn about the value of an associate's degree versus a bachelor's degree, nor what has led to the difference in debt profiles. Instead, view the results as a series of snapshots. Notice differences in observed outcomes, but do not draw conclusions as to what caused them.

For more information and to read the executive summary, visit www.nefe.org.