Diverging Paths:
Youth Debt, College, and Family Background

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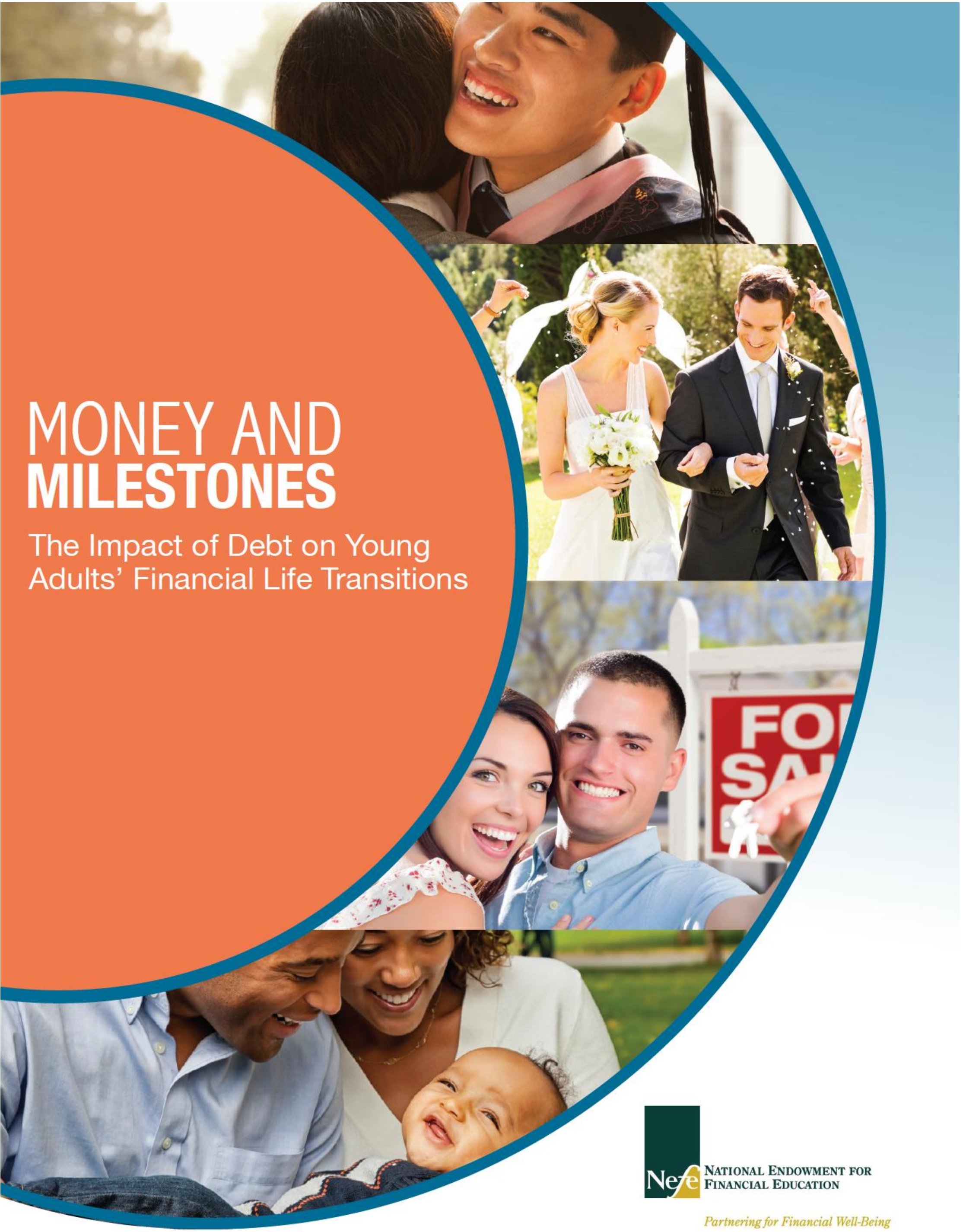
Millenials

Variable pathways to adulthood.

Economic squeeze

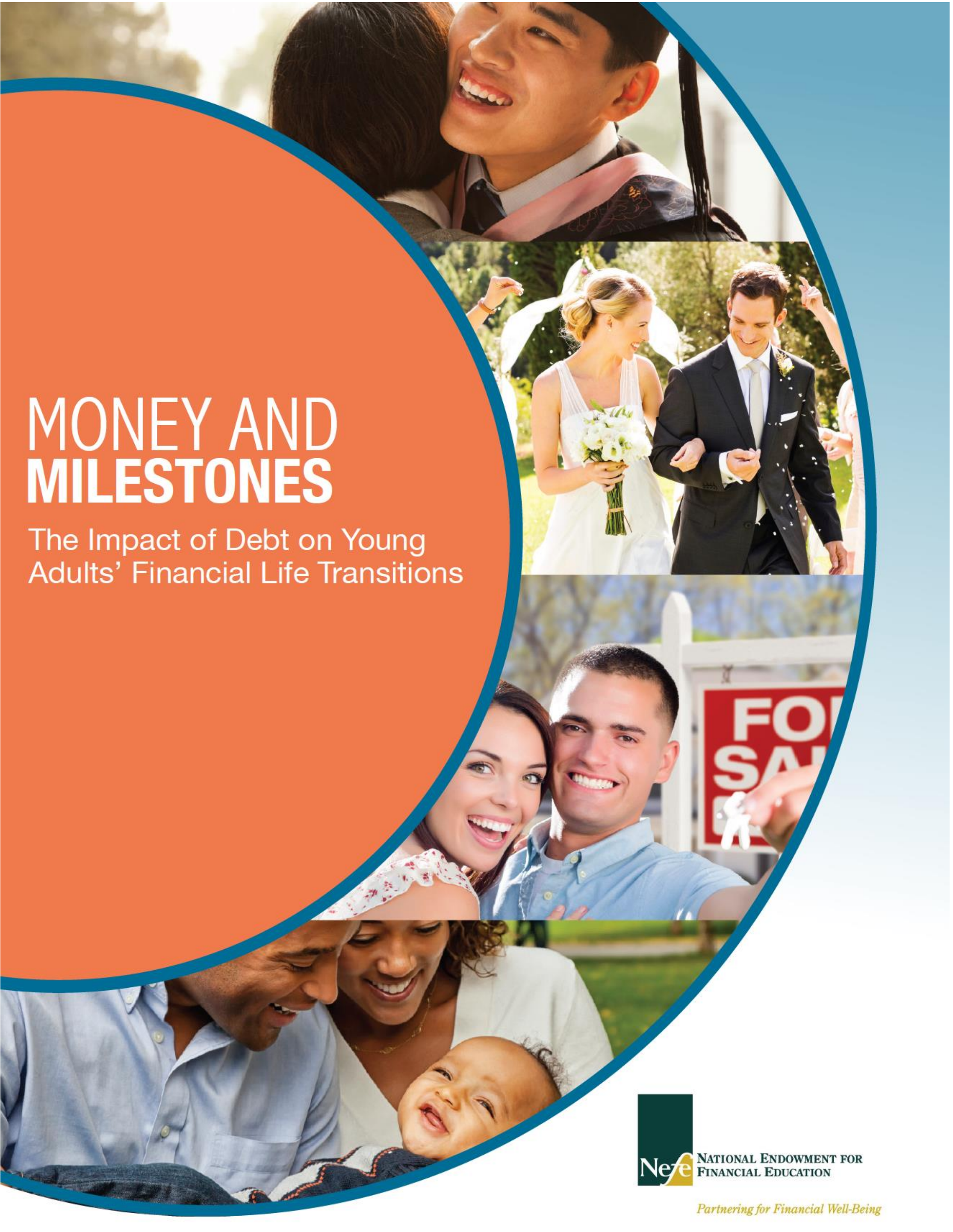
US system of financed attainment



The transition to adulthood in the 21st century is a transition to debt.

What's new: **unsecured debts**.

Youth debt both facilitates and constrains milestones.



Inequality in effects

Effects are largely not at the averages

Effects are not all the time

DIVERGING PATHS

Effects are largely not at averages → Disadvantage

Effects are not all the time → Risk

DIVERGING PATHS

Effects are largely not at averages → Disadvantage

↕

Effects are not all the time → Risk

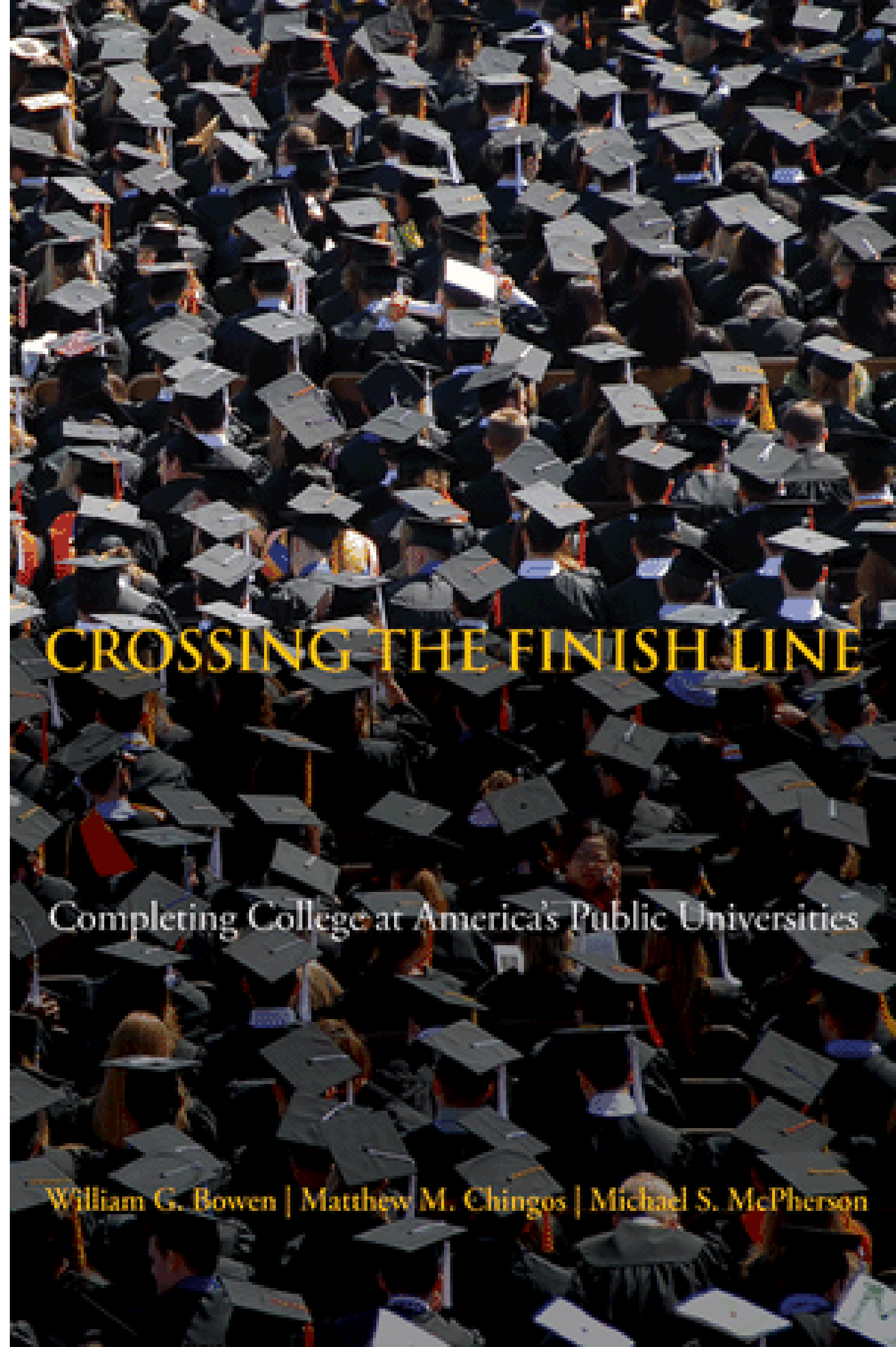
College

Increasingly shapes youth disadvantage and risk

valuable

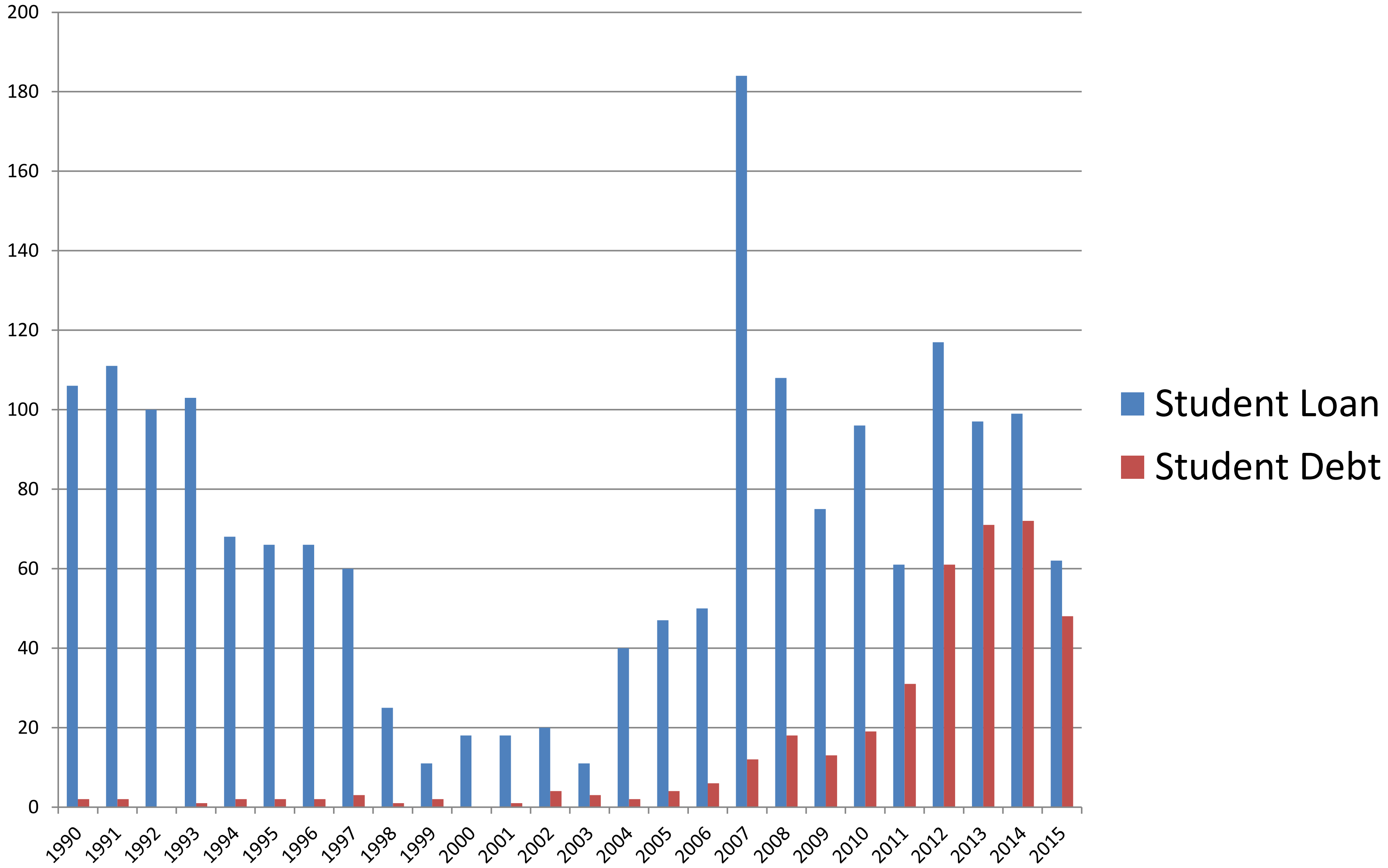
diverse

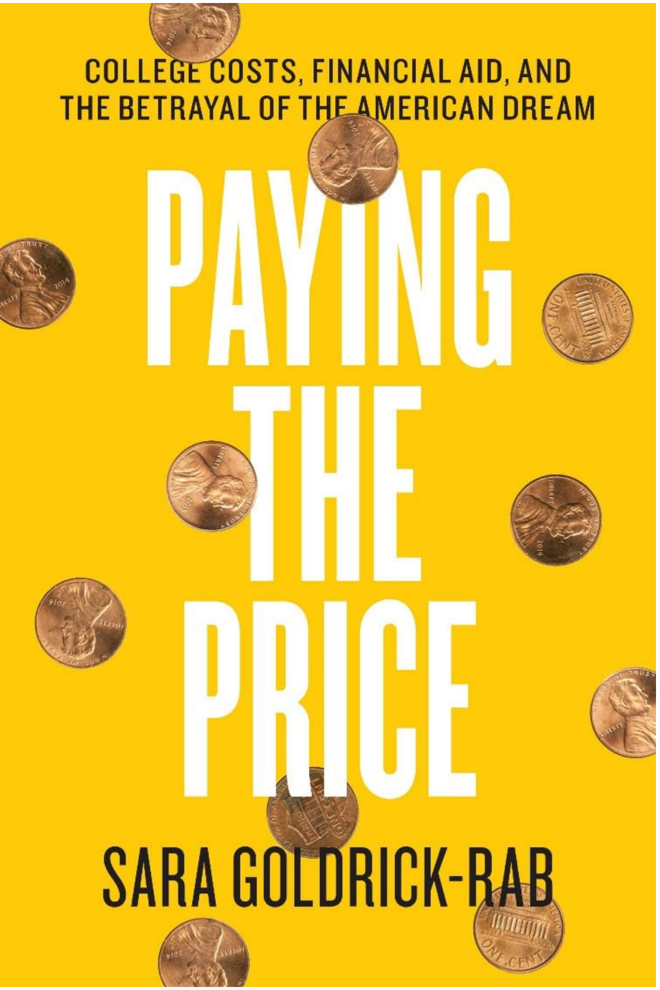
debt financed

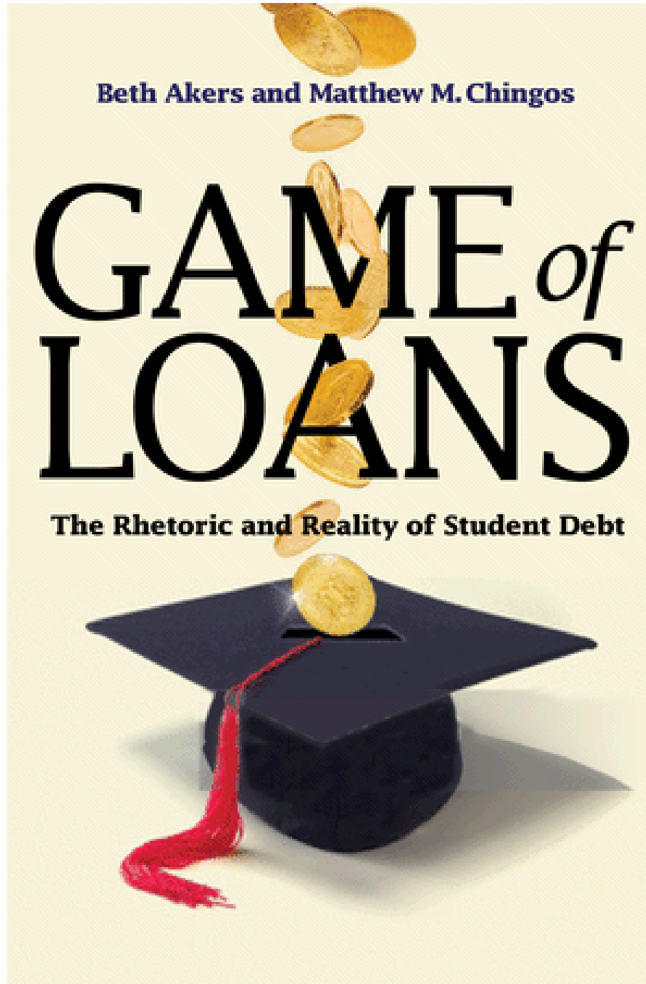


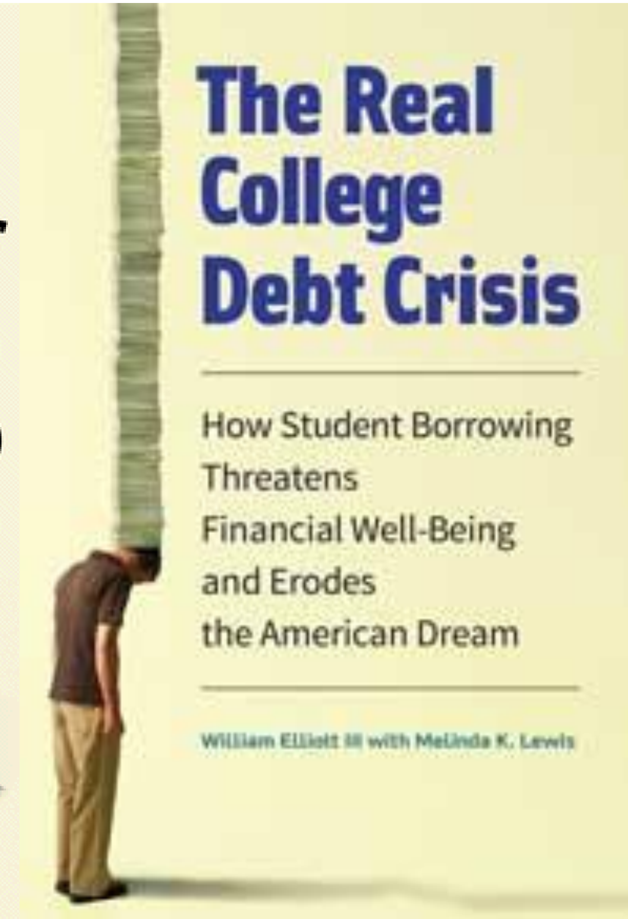
College debt crisis?

New York Times articles mentioning student loans vs student debt, 1990-2015




COLLEGE COSTS, FINANCIAL AID, AND
THE BETRAYAL OF THE AMERICAN DREAM
PAYING
THE
PRICE
SARA GOLDRICK-RAB


Beth Akers and Matthew M. Chingos
GAME of
LOANS
The Rhetoric and Reality of Student Debt


The Real
College
Debt Crisis
How Student Borrowing
Threatens
Financial Well-Being
and Erodes
the American Dream
William Elliott III with Melinda K. Lewis

My argument:

These mixed effects are a necessary consequence of having a credit system embedded in system of educational attainment.

Open credit system combined with institutional diversity in a college-for-all context.

BUT understand in context of transition to adulthood, not just education.

How does the system of student loans spread risk for young adults?

Debt by Degrees

Student Debt and Financial Precarity

Financial Risk and College in Context

Where and when do the risks concentrate?

Data

Millennial cohort:

National Longitudinal Survey of Youth, 1997 Cohort

Household exposure to loans:

Survey of Consumer Finances

Sources on postsecondary education system:
IPEDS, state policies.

National Longitudinal Survey of Youth 1997 Cohort

Born in 1980s Oldest Millenials

Come of age in the 2000s.

Interviewed every year since 1997
teenagers- late 20s

Survey of Consumer Finances

Household survey

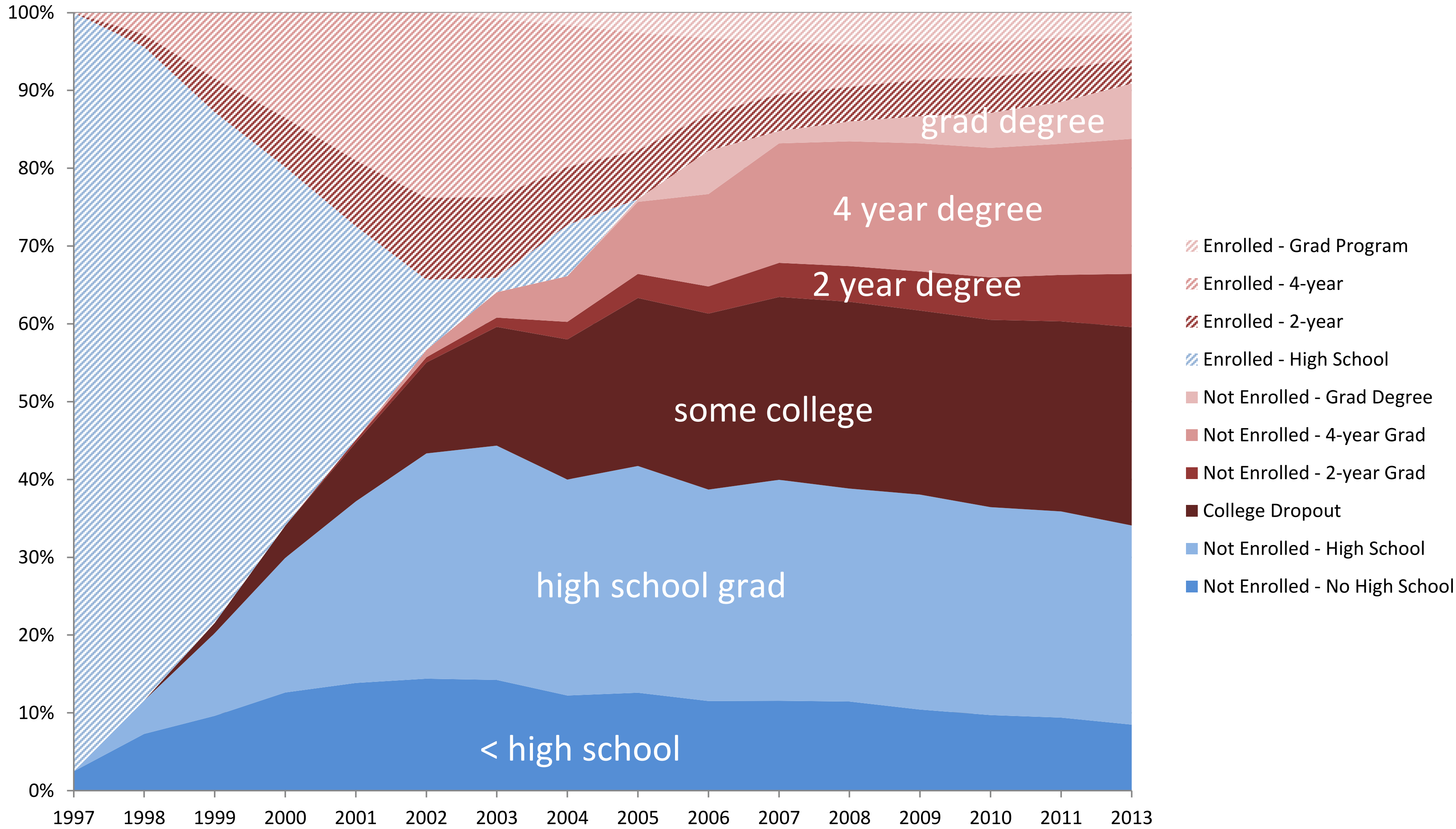
Demography of student loan-holding across life course

Longitudinal study 2007-2009

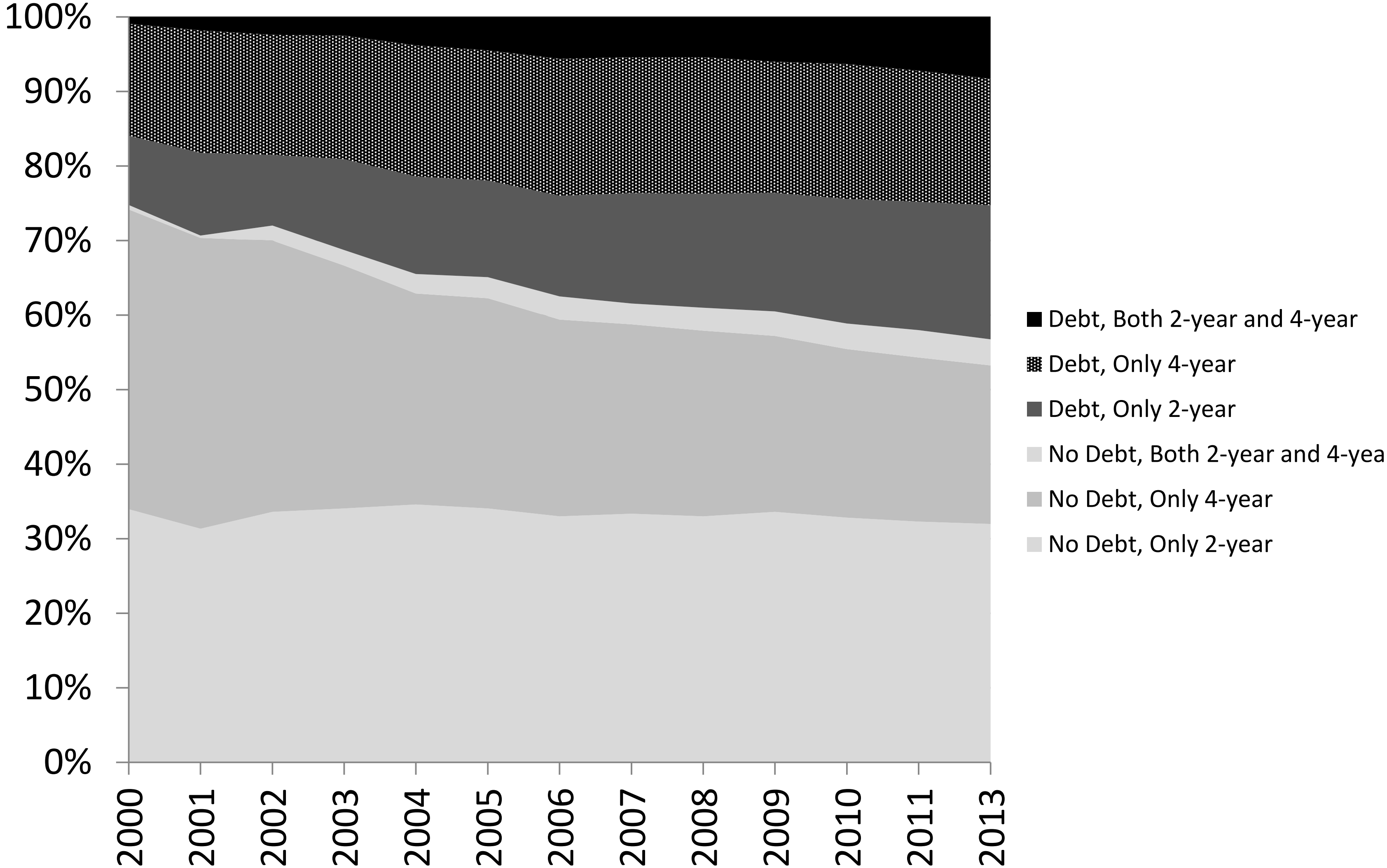
Debt by Degrees

RISK IN A COLLEGE-FOR-ALL SOCIETY

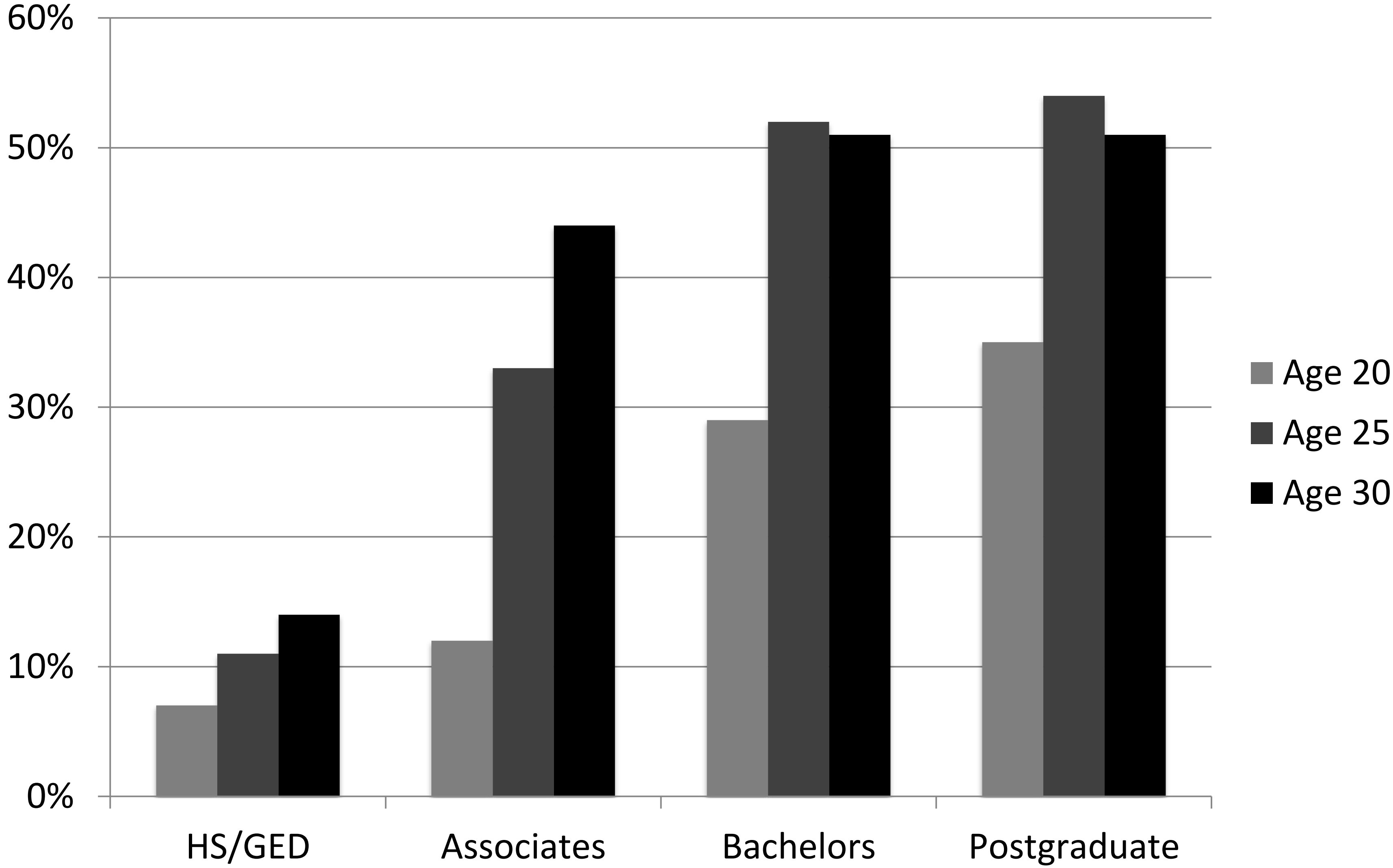
By Late 20s, 70% of Millennials Enrolled in Some Form of Postsecondary Education



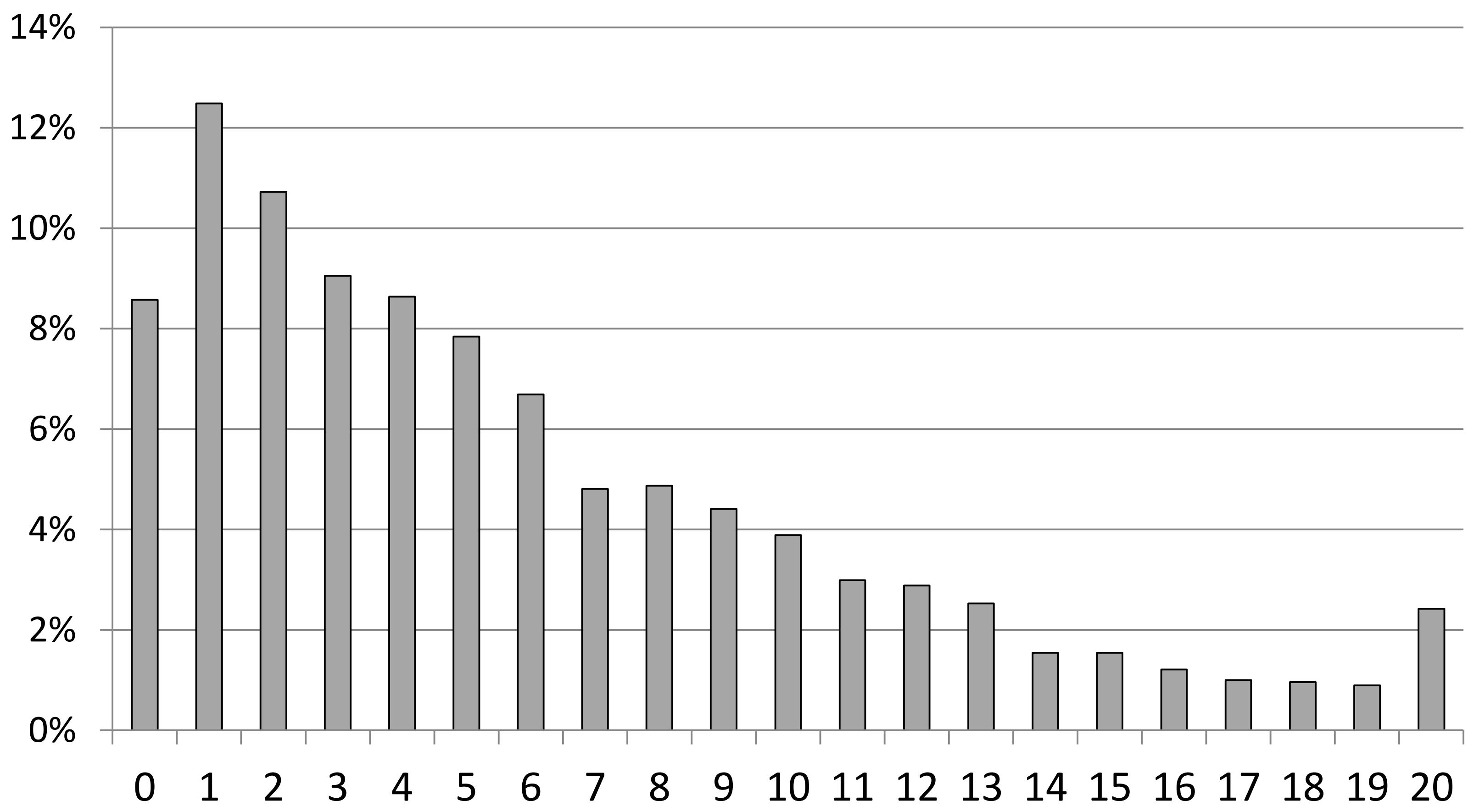
Almost Half of those with Some College but No Degree Carry Debt



Student Debt Common and Persistent

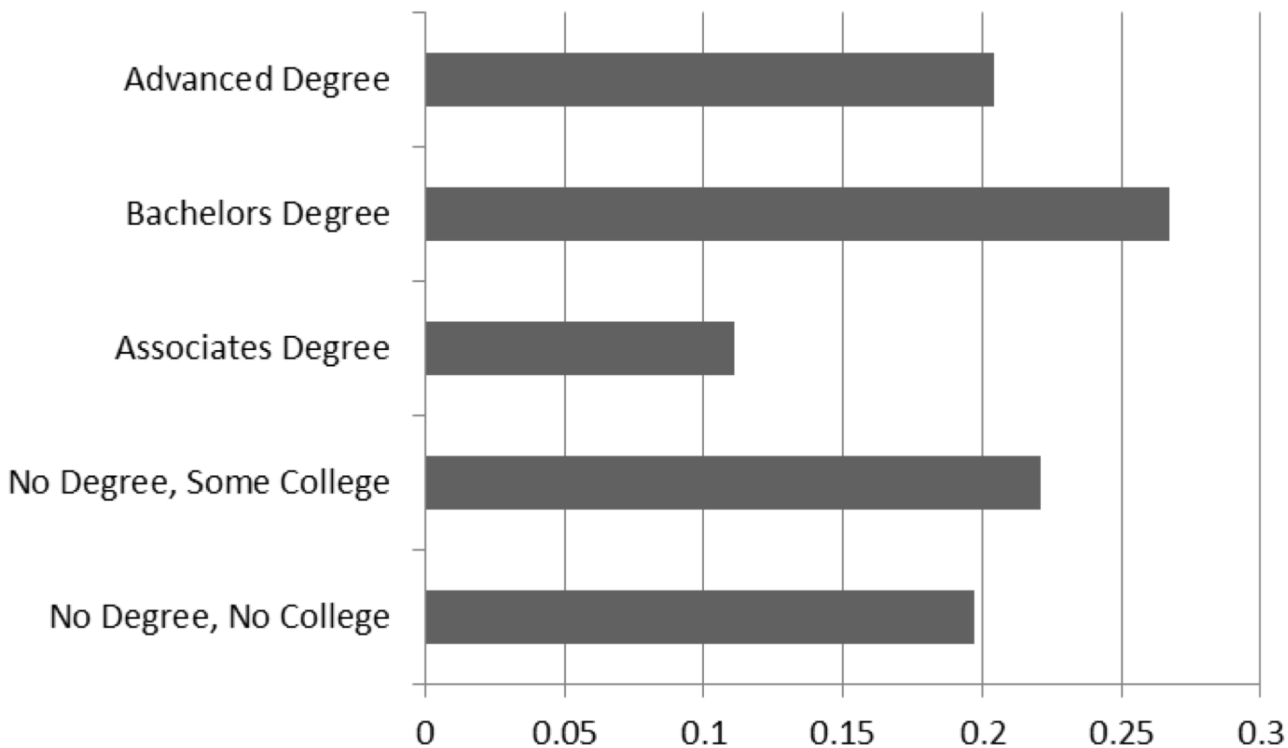


Percent of Loans by Years Since Origination



Student Debt Spreads Risk Across Diverse Households

Educational Status of Head among Families with a Member Repaying Student Loans, 2013



Authors' analysis of *Survey of Consumer Finances* data.

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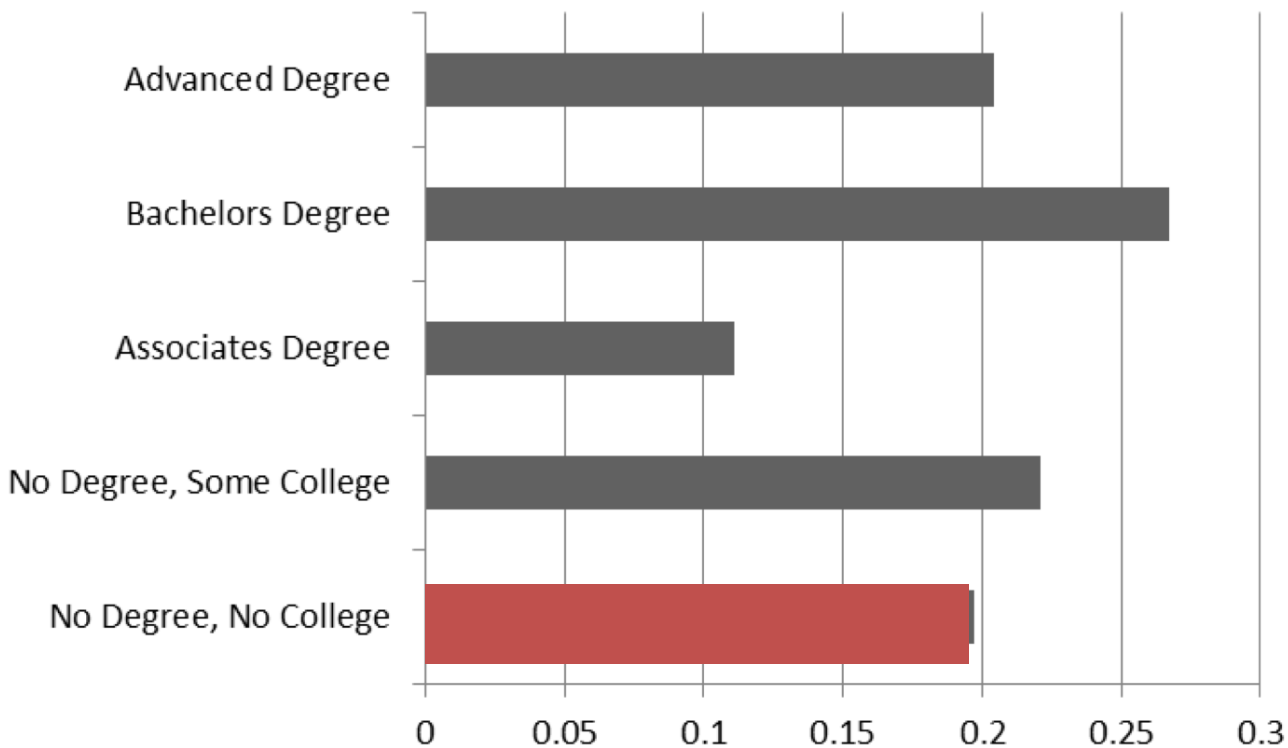

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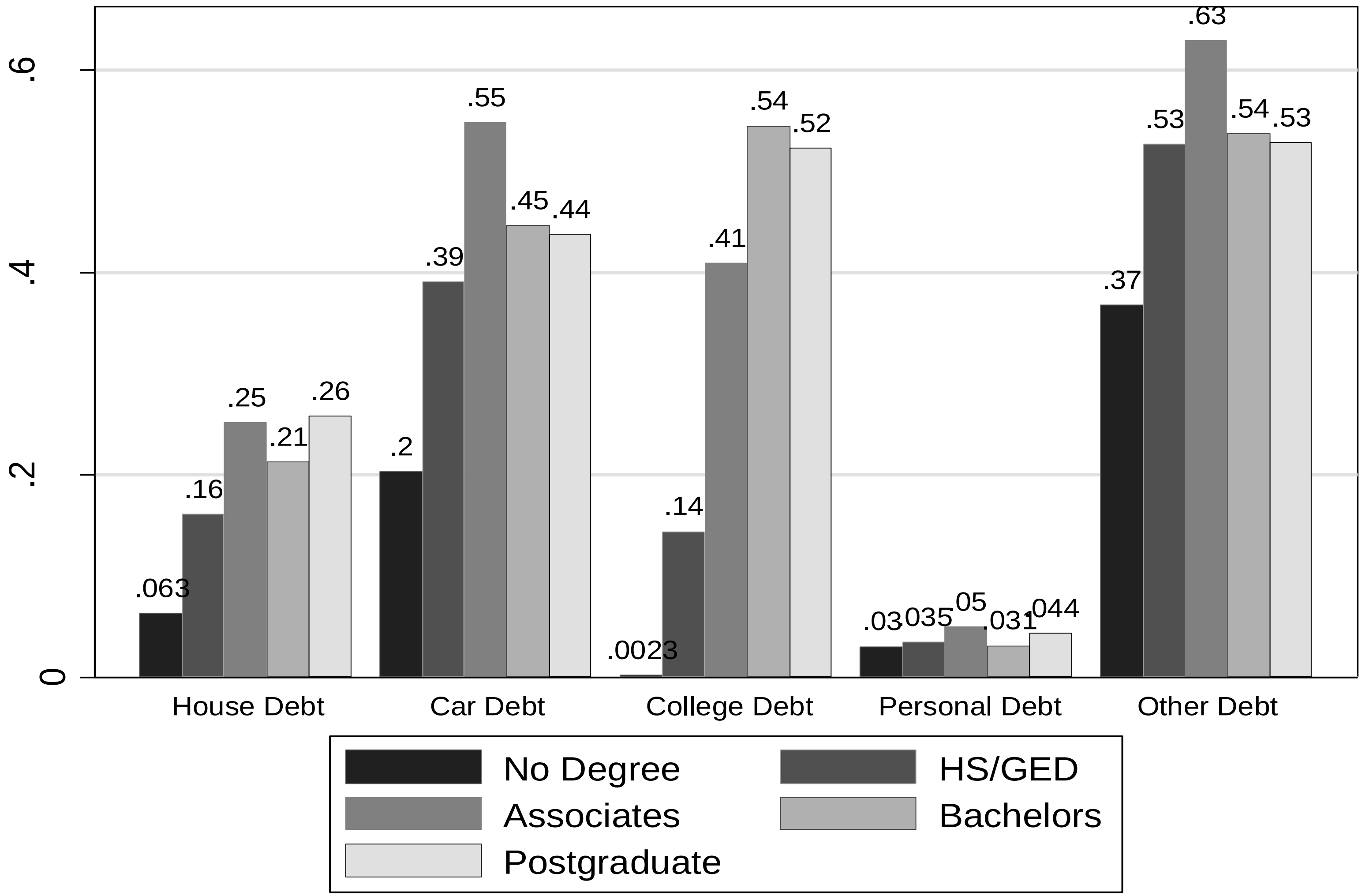
Student Debt and Financial Risk

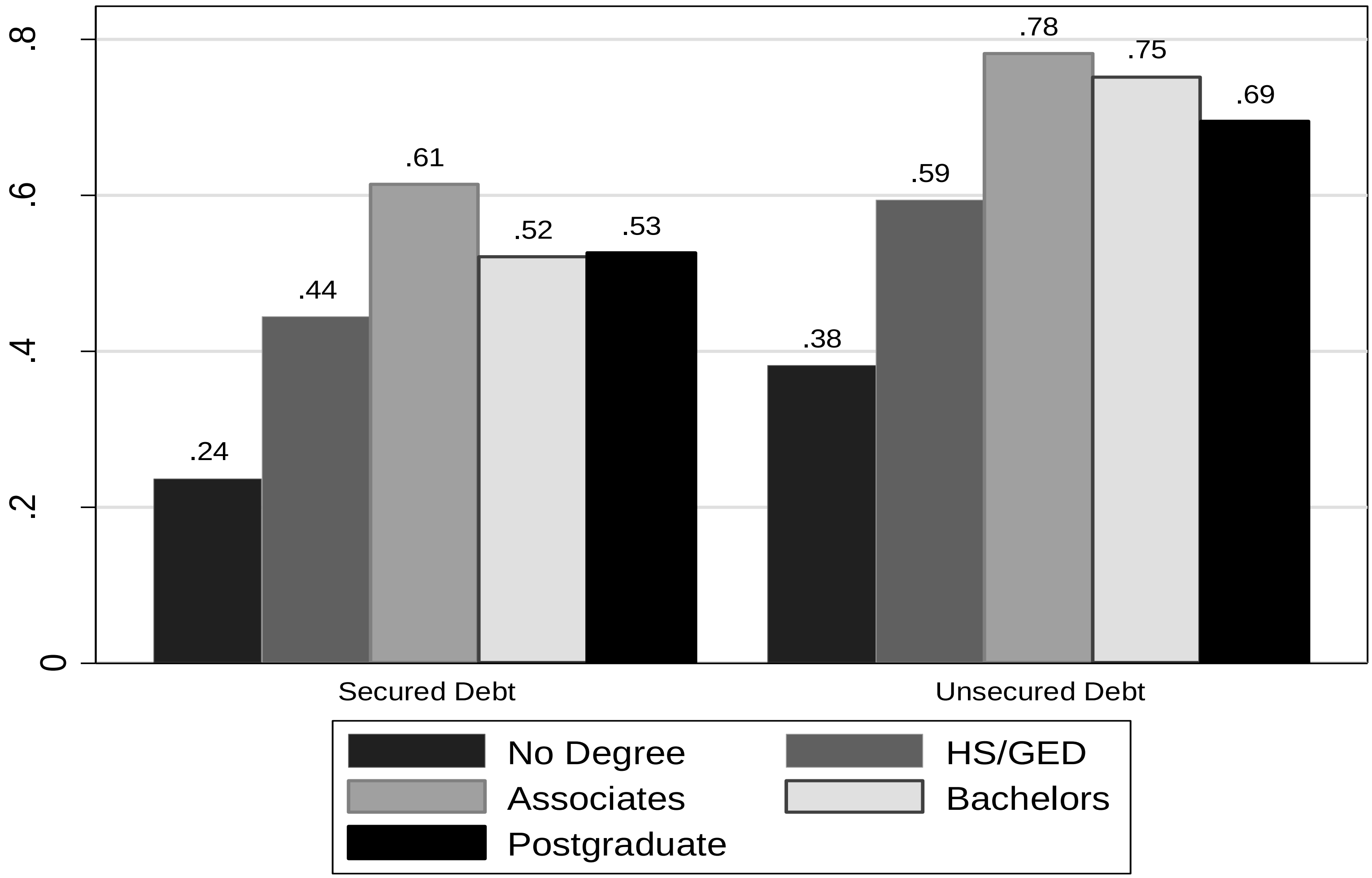
YOUTH FINANCIAL PRECARITY

Spreading financial precarity: disadvantage

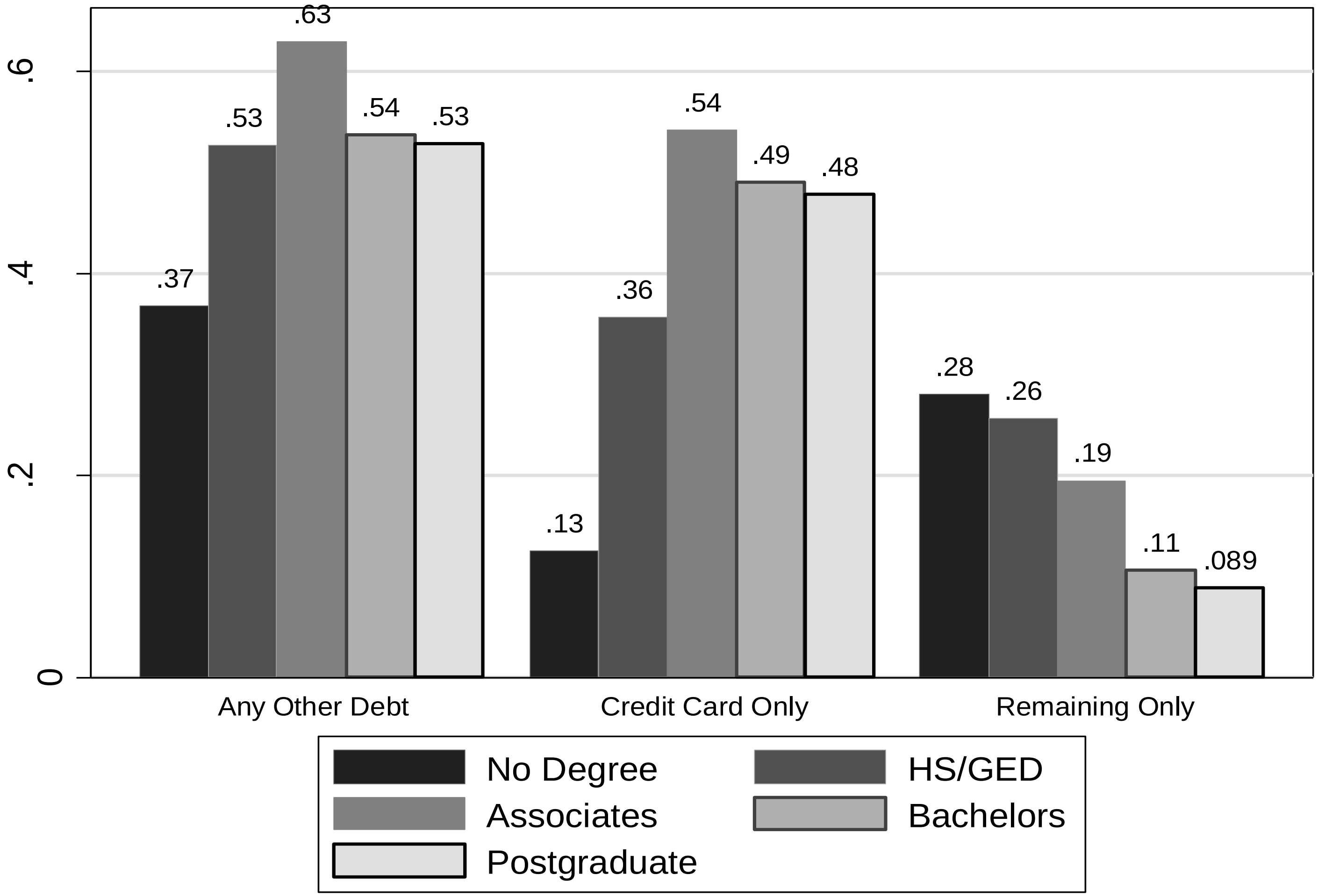
Exposure to Debt Highest Among 2 Year College Degrees



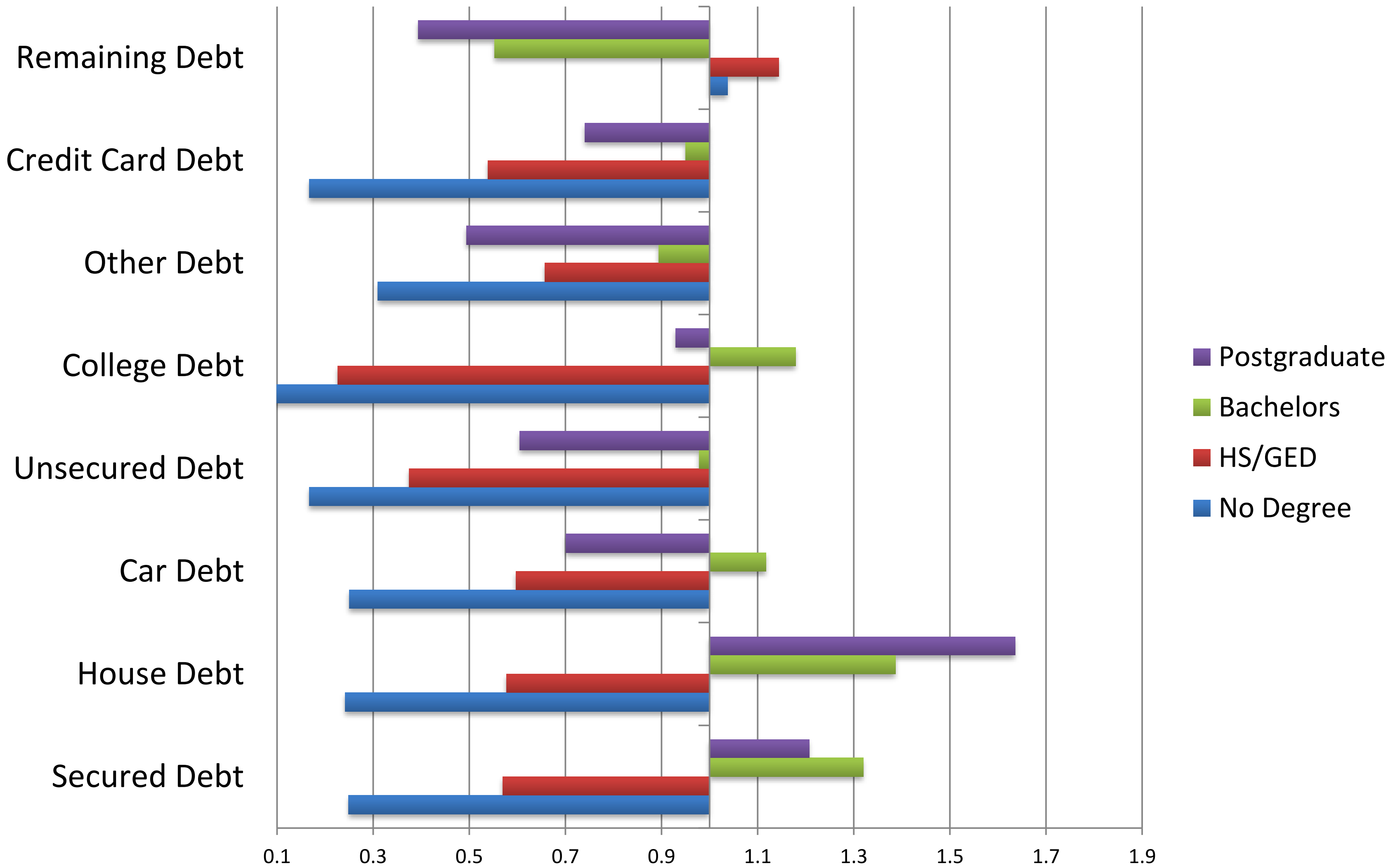
Both Secured and Unsecured Debts



Unsecured Debts: From Bad to Worse

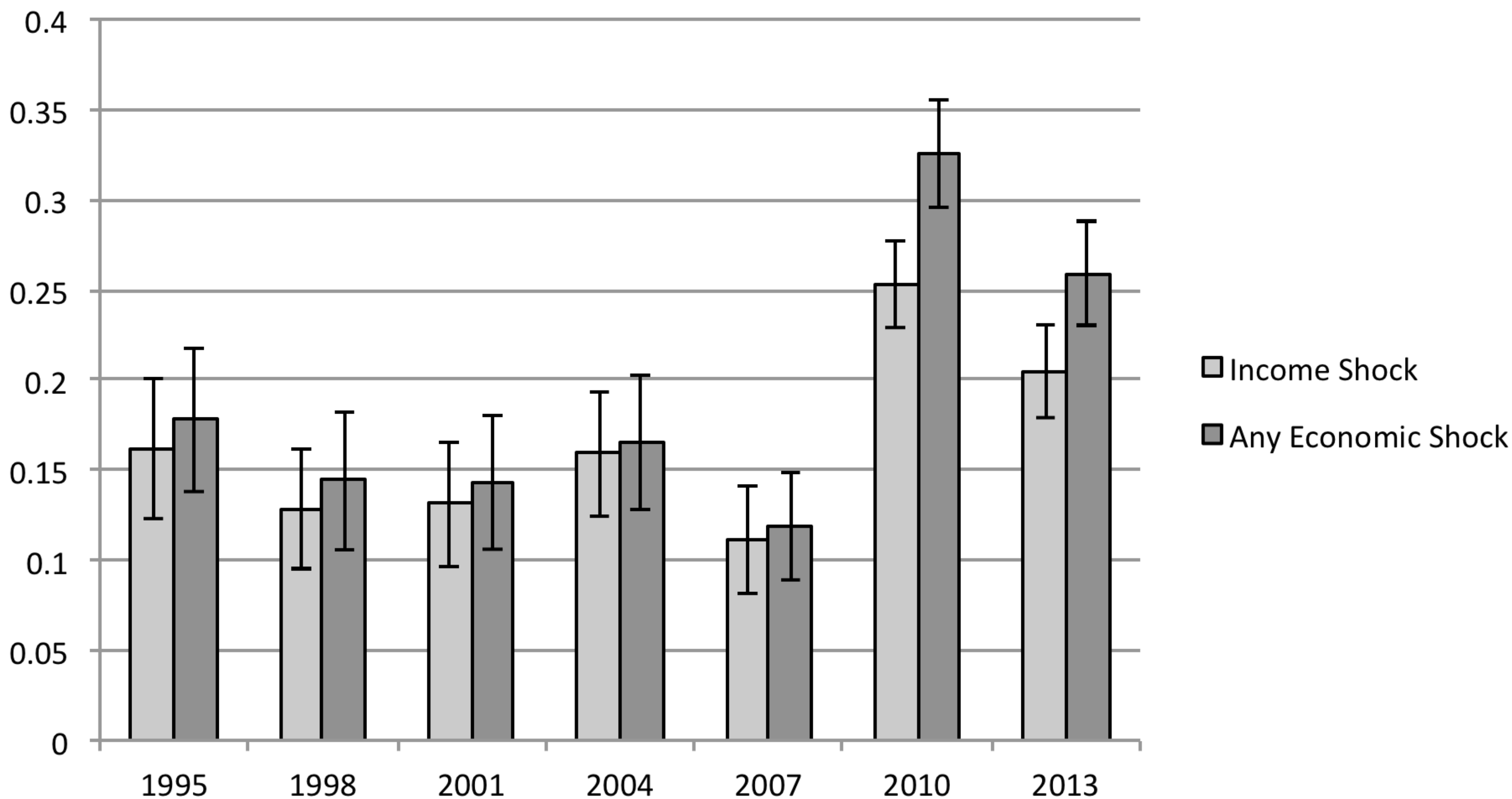


Debt Precarity Highest for 2 Year Degreed

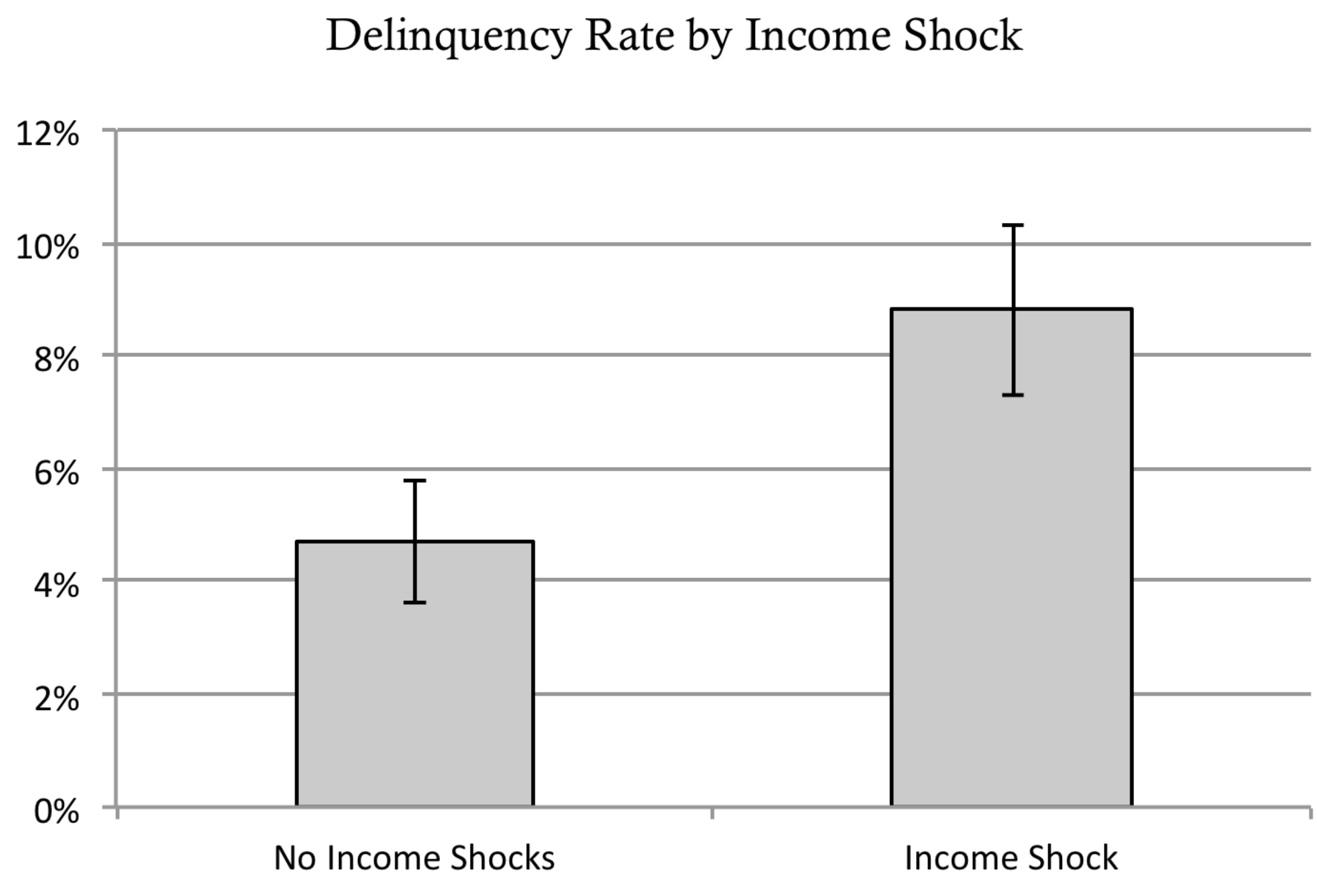


Spreading financial precarity:
risk in uncertain times

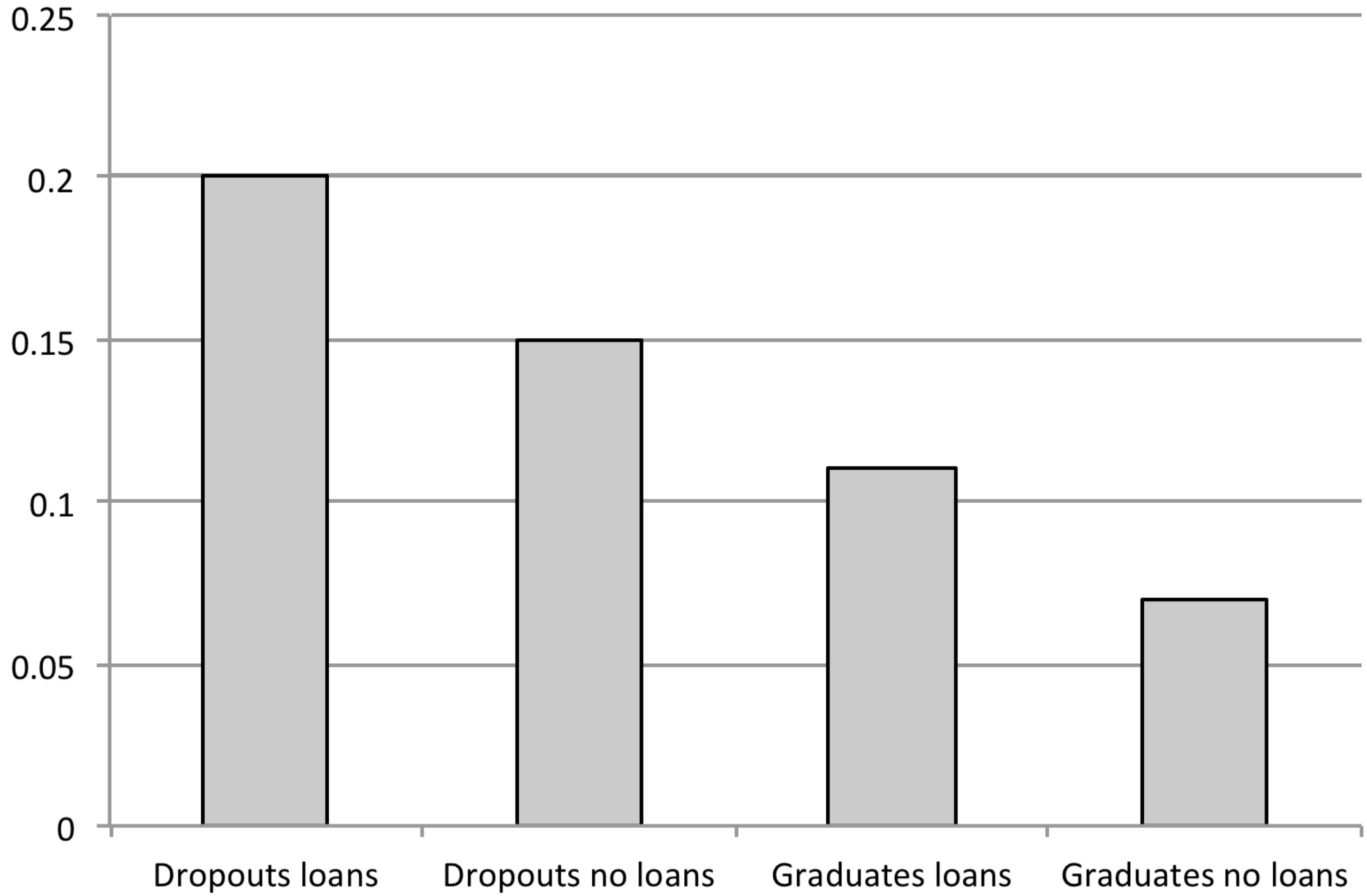
Percent of Households with a Member Paying Down Student Loans Experiencing Economic Shocks



Authors' analysis of *Survey of Consumer Finances* data.


Delinquency Rate by Income Shock
12%
10%
8%
6%
4%
2%
0%
No Income Shocks
Income Shock

Financial Problems among Former College Attenders in 2009

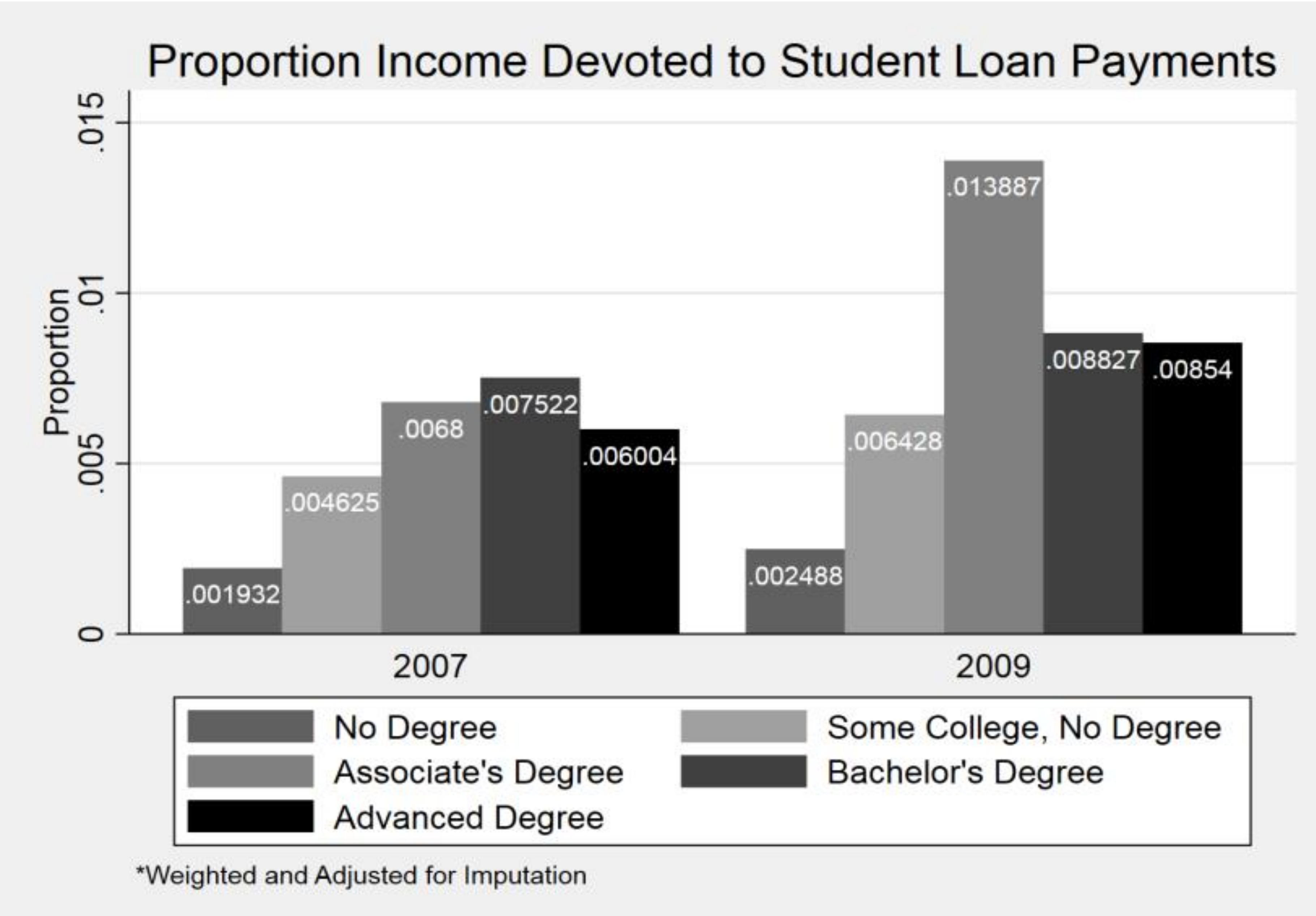


Authors' analysis of *National Longitudinal Survey of Youth, 1997 Cohort*.

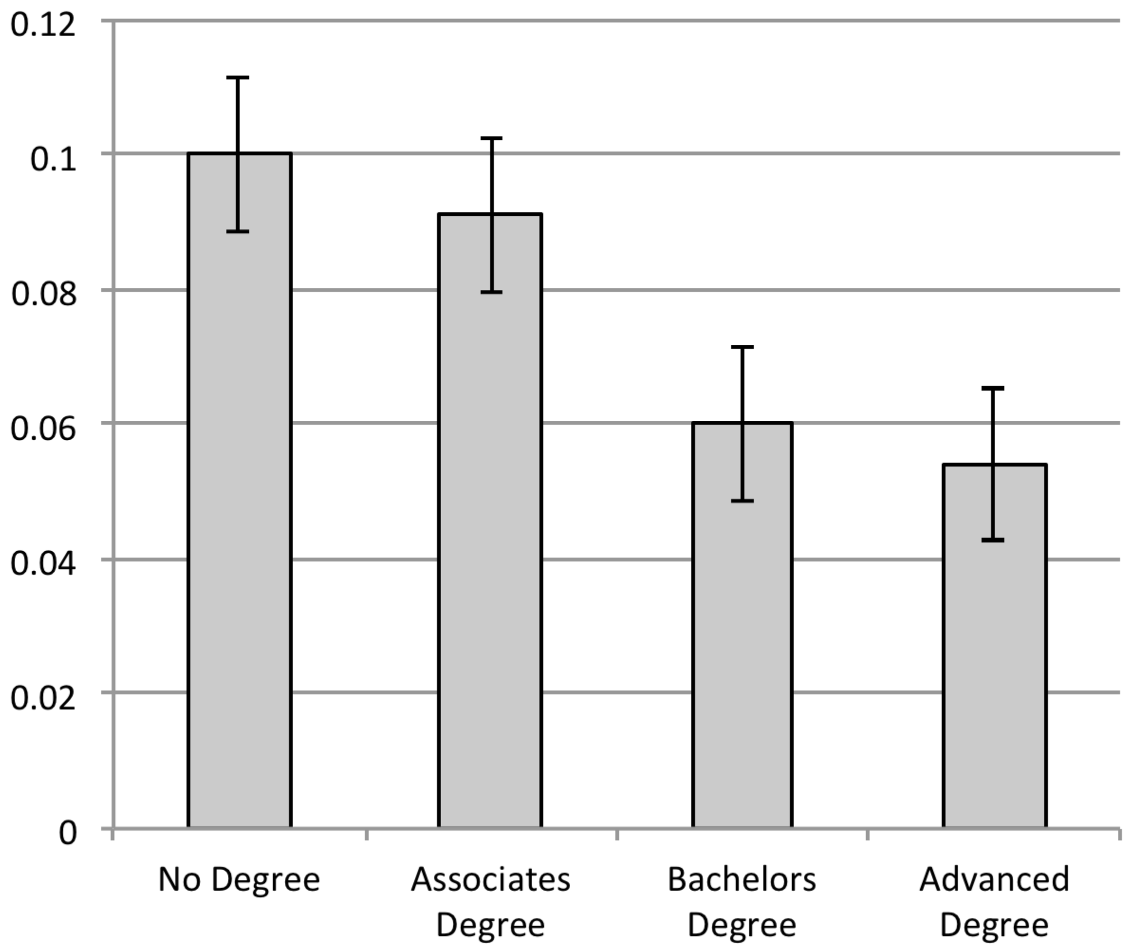
Student Loans Increase Financial Vulnerability in Hard Times

Odds ratios	Hardship	Behind loan	Revolving balance	Revolving store	Rarely pays bal	Payday loan
Student loan-holding	2.675***	2.306***	2.354***	2.017***	1.806***	1.382
Amount of student loans, ($1000s)	1.018***	1.012***	1.017***	1.013***	1.013***	1.005
Amount of monthly payments	1.002***	1.001*	1.002***	1.001***	1.001***	0.999
Monthly payment to loan ratio	2.000***	1.150***	5.510***	4.60***	9.170**	1.240

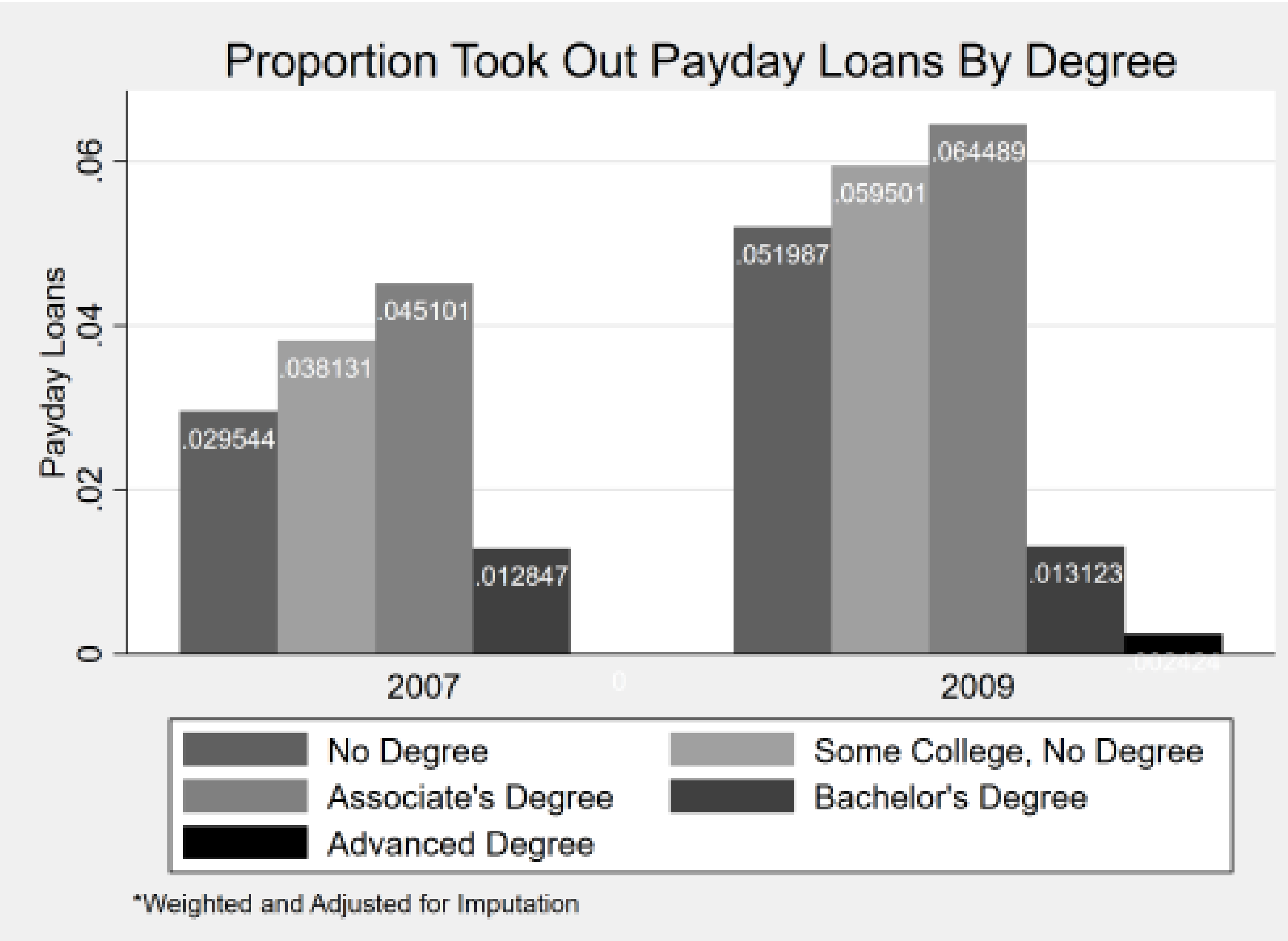
Effects worst for those with some college but less than a bachelor's degree.


Proportion Income Devoted to Student Loan Payments
Proportion
0
.005
.01
.015
.001932
.004625
.0068
.007522
.006004
.002488
.006428
.013887
.008827
.00854
2007
2009
No Degree
Some College, No Degree
Associate's Degree
Bachelor's Degree
Advanced Degree
*Weighted and Adjusted for Imputation

Delinquency by Education of Head



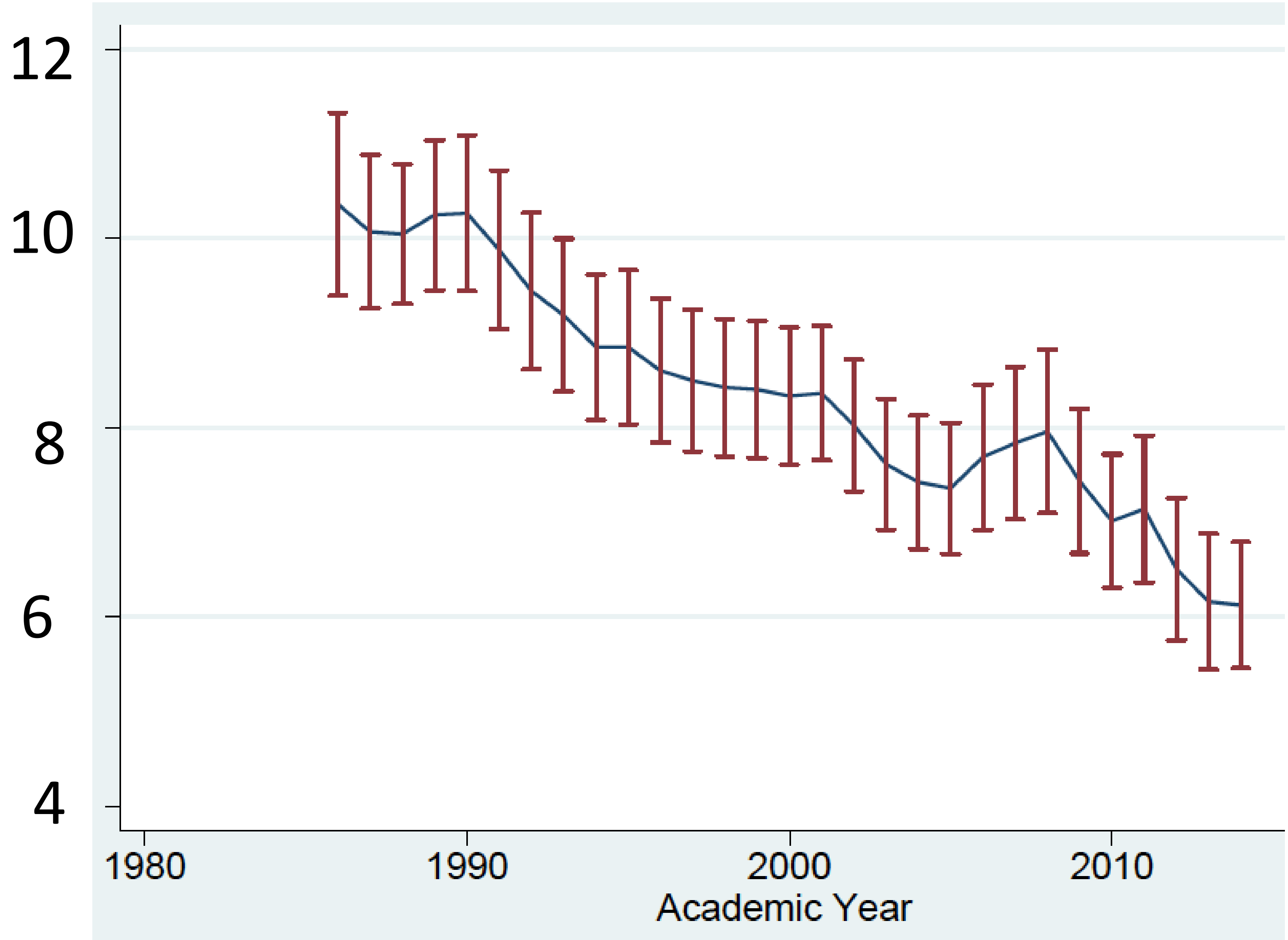
Authors' analysis of *Survey of Consumer Finances* data, pooled 1995-2013.


Proportion Took Out Payday Loans By Degree
Payday Loans
0
.02
.04
.06
.029544
.038131
.045101
.012847
.051987
.059501
.064489
.013123
2007
2009
No Degree
Some College, No Degree
Associate's Degree
Bachelor's Degree
Advanced Degree
*Weighted and Adjusted for Imputation

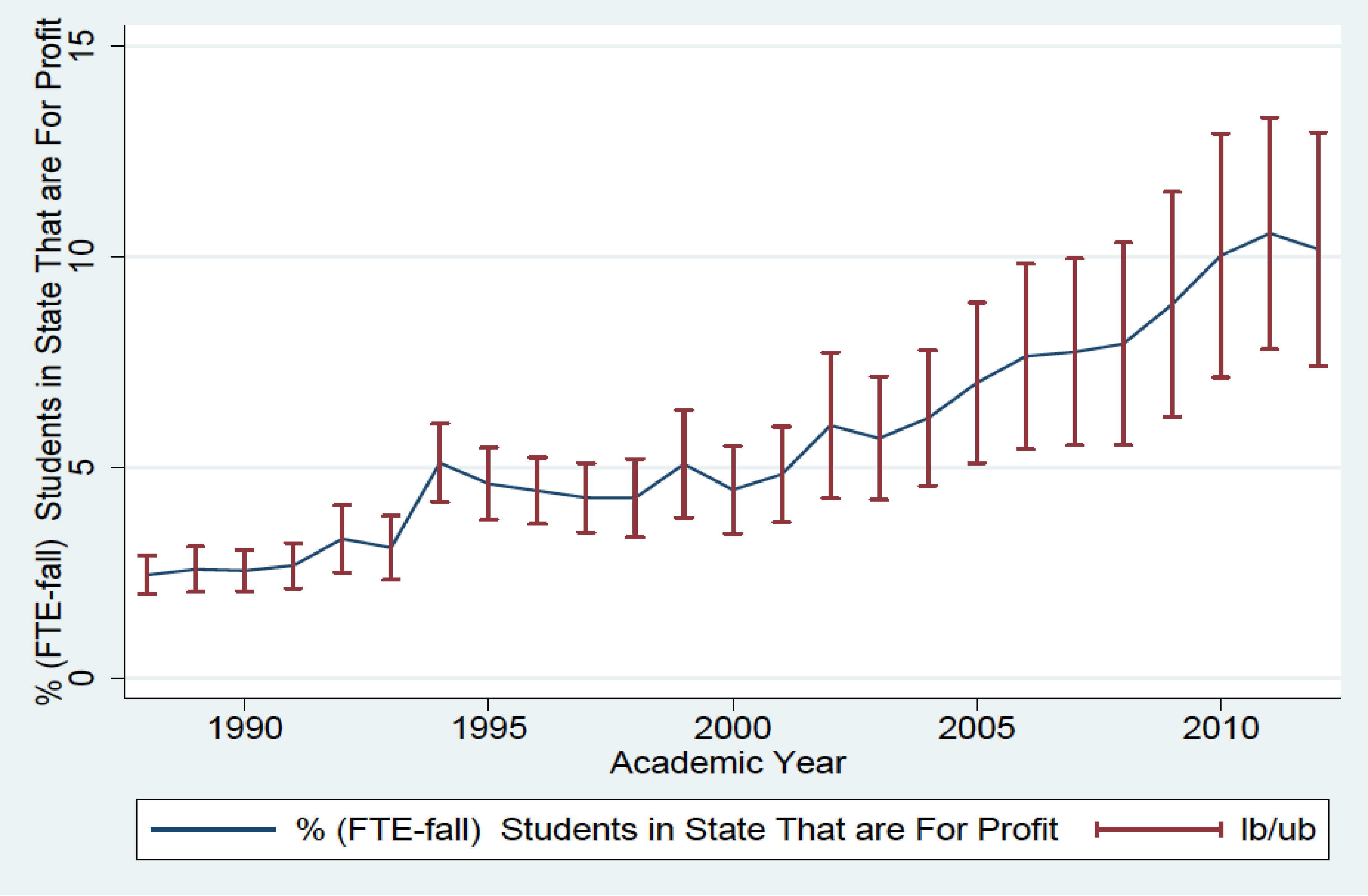
Financial Risk and College in Context

INSTITUTIONS AND THE GROWING IMPORTANCE OF STATES

State Higher Ed Appropriations Declining



For-Profit Enrollment Increasing



Preliminary results

Aggregate level:

States with declining investments in higher ed see rising for-profit enrollments.

Individual level:

Students with fewer high-quality local educational opportunities take on more risk.

IMPLICATIONS FOR INSTITUTIONAL CHANGE

What would be useful?

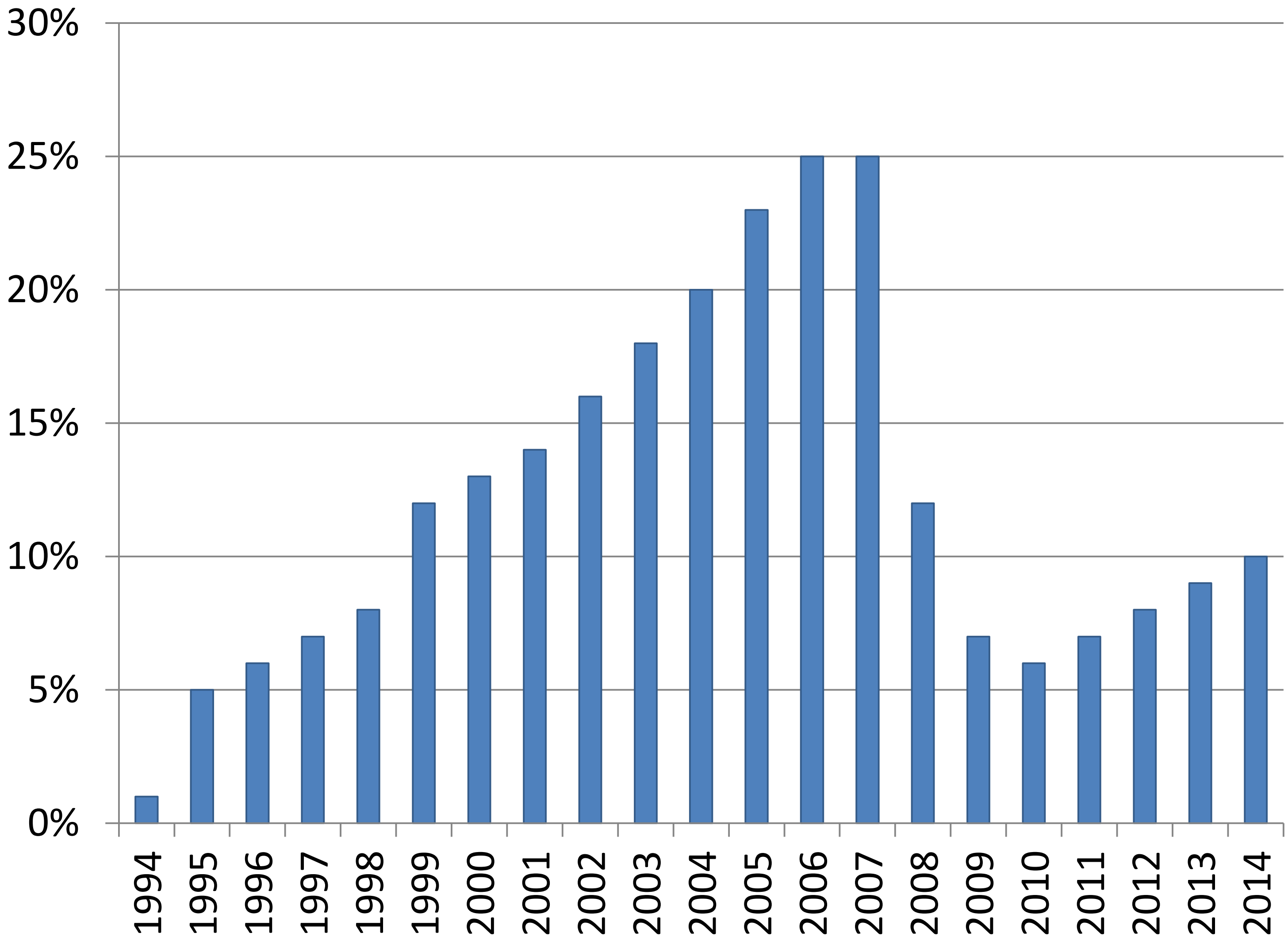
- Change existing system: reduce risk in loan-holding

  already have moved toward some reforms

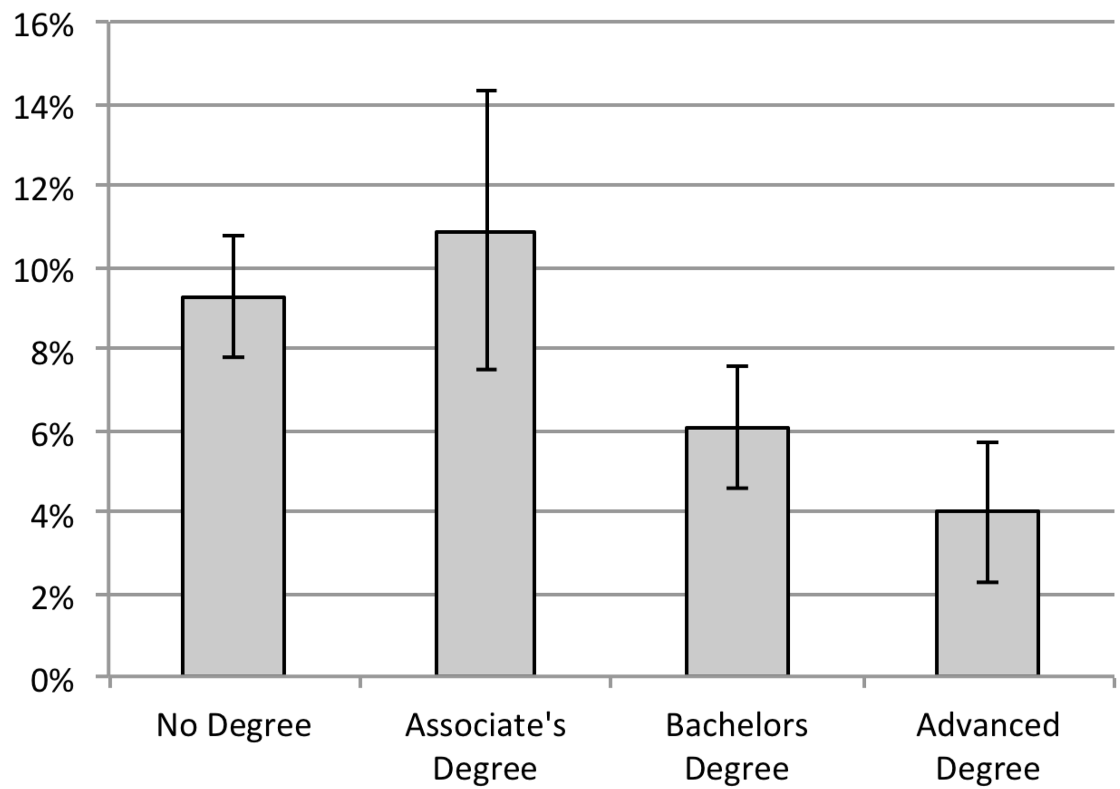
- New system: recommitting to public goods

  some conversations toward

Percent of Student Loans Direct from Private Lenders



Percent of Borrowers Paying 10% or Greater Interest Rates
for Student Loans by Education of Head



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IMPLICATIONS FOR FINANCIAL EDUCATION

What do we DO with these findings?

Even if many issues are at the system level, individuals still must make choices.

How to help individuals track their way through the system as it exists… even while also advocating for system change?

Could better informed choices influence the structures?

Targeted and systemic at the same time

Less than bachelor's group particularly financially precarious

Key to capability: contextual education– make literacy relevant to circumstances

- Models: medical education, police education

Financial education often fundamentally about risk, but discussions about student loans often paint with a very broad brush.

Understand the institutional risks associated with different credit instruments– my sense is this is underdeveloped for student loans relative to other credit instruments.

Back to individuals

No matter what, increases complexity and requirement of financial capability.

But there are limits to what individuals can plan.

Our findings suggest that an important policy goal should be to provide insurance against the risks for some.


EDUCATE
OR
DIE
YOU ARE NOT A LOAN

The Ohio State University

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