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Young Adults, Student Debt and Economic Well-being

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About This Report

This report presents an economic and demographic portrait of households headed by persons younger than 40 and owing student debt. It compares them to similar households that do not have outstanding student loan balances. The analysis is based on the Survey of Consumer Finances, which also provides a richer demographic context than is available in credit report data.

This report is a collaborative effort based on the input and analysis of the following individuals. Alan Murray, the center's president, and Claudia Deane, the center's director of research practices, provided editorial guidance. Kim Parker, director of social trends research, provided editorial oversight and compiled the section on public opinion among young, college-educated adults. Richard Fry, senior economist, wrote the report and analyzed the Survey of Consumer Finances. Rakesh Kochhar, associate director of the Hispanic trends project reviewed the report and provided editorial guidance. Charts and tables were finalized by Eileen Patten, research analyst. Number-checking was done by Anna Brown, research assistant. The report was copy-edited by Marcia Kramer of Kramer Editing Services. Find related reports online at http://www.pewsocialtrends.org/topics/student-loans/

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A Note on Terminology

Throughout the report a “young household” or “young adult household” refers to a household headed by a person younger than 40 (including a small number of households with heads younger than 18).

Household characteristics are assigned on the basis of the characteristics of the head of the household.

A “college-educated” household refers to a household headed by a person whose highest education is a bachelor’s degree or more. A “not college-educated” household refers to a household headed by a person whose highest education is less than a bachelor’s degree.

A “student debtor” refers to a household owing outstanding education-related installment debt and includes loans that are currently in deferment as well as loans in their scheduled repayment period. The student debt of all household members is included in the household’s student debt.

“Net worth” and “wealth” are used interchangeably and refer to the difference between the value of assets owned by a household (such as home, stocks and savings accounts) and its liabilities (such as mortgages, credit card debt and loans for education).

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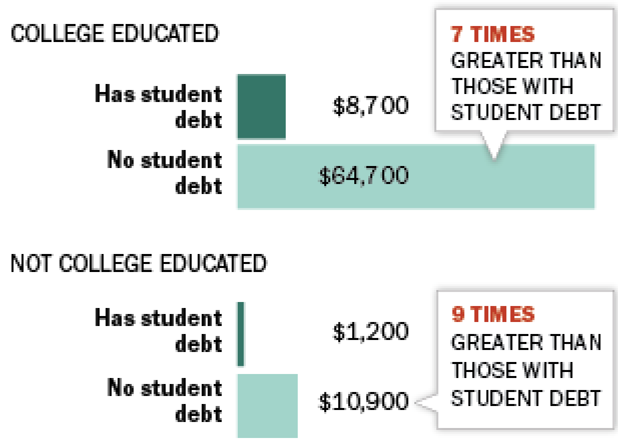
Overview

BY *Richard Fry*

Student debt burdens are weighing on the economic fortunes of younger Americans, as households headed by young adults owing student debt lag far behind their peers in terms of wealth accumulation, according to a new Pew Research Center analysis of government data. About four-in-ten U.S. households (37%) headed by an adult younger than 40 currently have some student debt—the highest share on record, with the median outstanding student debt load standing at about $13,000.

Young Student Debtors Lag Behind in Wealth Accumulation

Median net worth of young households



Note: Young households are households with heads younger than 40. Households are characterized based on the educational attainment of the household head. "College educated" refers to those with a bachelor's degree or more. Student debtor households have outstanding student loan balances or student loans in deferment. Net worth is the value of the household assets minus household debts.

Source: Pew Research Center tabulations of the 2010 Survey of Consumer Finances

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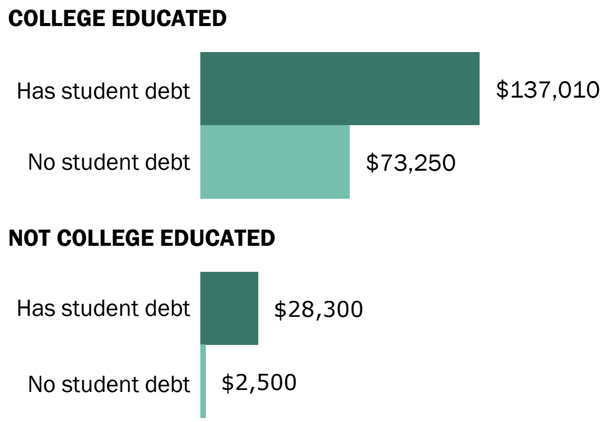
An analysis of the most recent Survey of Consumer Finances finds that households headed by a young, college-educated adult without any student debt obligations have about seven times the typical net worth ($64,700) of households headed by a young, college-educated adult with student debt ($8,700). And the wealth gap is also large for households headed by young adults without a bachelor's degree: Those with no student debt have accumulated roughly nine times as much wealth as debtor households ($10,900 vs. $1,200). This is true despite the fact that debtors and non-debtors have nearly identical household incomes in each group.

While these stark differences in wealth accumulation are accounted for in part by outstanding student debt, that's only part of the story. Since the typical young student debtor household has about $13,000 in outstanding student loan obligations and the overall wealth gap is much larger, clearly other factors are also at work. Specifically, student debtor households are accumulating less wealth, in part, because they tend to owe relatively large amounts of other debt as well, from car loans to credit card debt. Among the young and college educated, the typical total indebtedness (including mortgage debt, vehicle debt and credit cards, as well as student debt) of student debtor households ($137,010) is almost twice the overall debt load of similar households with no student debt ($73,250). Among less-educated households, the total debt load of student debtors ($28,300) is more than ten times that of similar households not owing student debt ($2,500).

While taking on debt to fund a college degree is associated with having a lower net worth, a more complete financial profile suggests a bachelor's degree does pay off in other ways, particularly in terms of household income. The typical household income of college-educated student debtors ($57,941) is nearly twice that of households whose heads do not have a bachelor's degree ($32,528). And as a recent Pew Research report found, the income gap between today's young college graduates and those without a college degree is much wider than it was for previous generations of young adults.

Student Debtors Carry a Heavier Overall Debt Load

Median total indebtedness of young households



Note: Total indebtedness includes all types of debt: mortgage debt, vehicle loans, credit cards, other debt, as well as student debt. Young households are households with heads younger than 40. Households are characterized based on the educational attainment of the household head. "College educated" refers to those with a bachelor's degree or more. Student debtor households have outstanding student loan balances or student loans in deferment.

Source: Pew Research Center tabulations of the 2010 Survey of Consumer Finances

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This analysis of student debt does not address the broader question of which factors may be leading student debtors to carry more overall debt. It may be the case that the burden of student debt makes it more difficult for young adults to gain financial traction in other areas of their lives. It may also be the case that with the rising share of young adults enrolling in college these days, economic gaps between those who borrow for college and those who do not may be widening.

Recent Pew Research Center survey findings echo the link between student debt and individual economic well-being.[1] Among young adult college graduates, those who took out loans to finance their education are less satisfied overall with their personal financial situation than are those who

[1] These findings are based on a Pew Research Center survey conducted Oct. 7-27, 2013, among 2,002 adults nationwide. In this context, "college graduates" include both associate and bachelor's degree holders. For full survey results, see "The Rising Cost of Not Going to College," Feb. 11, 2014.

did not borrow money for college. Young adults who borrowed for college are also less likely to see an immediate payoff for the investment they made in their education.

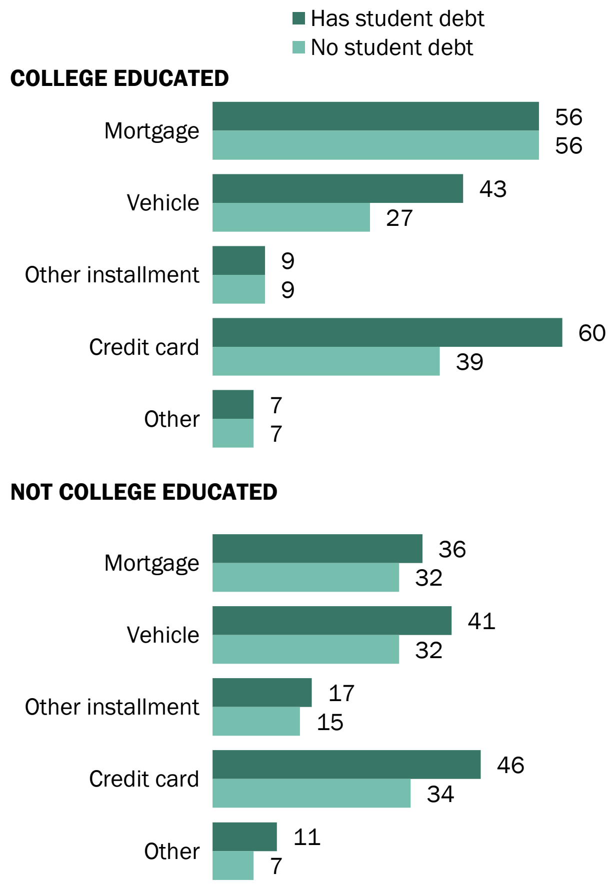
Student Debt and Other Types of Debt

Comparing young households with similar levels of education, student debtors in many cases are more likely to owe other specific kinds of debts. For example, among college-educated households, student debtors are more likely to owe vehicle debt (43% vs. 27%) and credit card debt (60% vs. 39%). Though the differences are somewhat less dramatic, a similar pattern holds among less-educated young households.

Though student debtor households tend to have larger total debt loads, indebtedness needs to be assessed in the context of the household's economic resources. In other words, households with greater income and assets may be able to take on more debt. Using the conventional total debt-to-income ratio, where debt is measured as a share of income, college-educated student debtors are by far the most indebted.[2] The median college-educated student debtor has total debt equal to about two years' worth of household income (205%). By comparison, college-educated households without student debt and less educated households with student debt have total debts

Student Debtors More Likely to Owe On Cars, Credit Cards

% of young households carrying each type of debt



Note: Young households are households with heads younger than 40. Households are characterized based on the educational attainment of the household head. "College educated" refers to those with a bachelor's degree or more. Student debtor households have outstanding student loan balances or student loans in deferment. Mortgage debt includes debt for other residential properties, for example, vacation homes, as well as mortgages and other borrowing on a primary residence. "Other installment debt" refers to loans that have fixed payments and a fixed term, excluding student loans or vehicle loans. The "other debt" category includes loans on cash value life insurance policies, borrowing against pension accounts and borrowing on margin accounts, as well as open-ended lines of credit other than a home equity line.

Source: Pew Research Center tabulations of the 2010 Survey of Consumer Finances

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[2] The debt-to-income ratio reported is based on dividing each household's total debt by its household income. (Households reporting zero income are assigned $1 of household income so that the ratio can be calculated.) The median of the distribution of the debt-to-income ratio is reported.

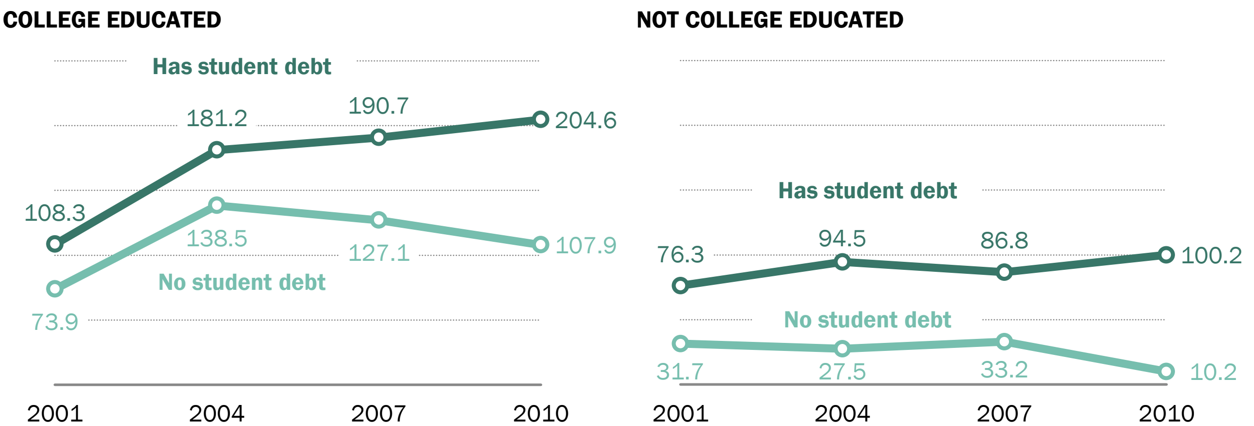
on the order of one year's worth of household income (108% and 100%, respectively).

Aggregate household debt among all households peaked in late 2008 in the aftermath of the financial crisis (Federal Reserve Bank of New York, 2014). The Survey of Consumer Finances shows that younger households were reducing their overall indebtedness at a faster clip than older households between 2007 and 2010 (Fry, 2013). This is very consistent with the large declines in homeownership among younger households since 2005 (Emmons and Noeth, 2014).

Even as younger households were outpacing their elders in total debt reduction, however, the outstanding volume of student debt rose over the course of the recession. By the end of 2009, student debt eclipsed credit card debt as the second-largest type of debt owed by American households, after mortgages.

Median Debt-to-Household-Income Ratio Much Higher for Student Debtors

Median total debt as % of household income, among young households



Note: Young households are households with heads younger than 40. Households are characterized based on the educational attainment of the household head. "College educated" refers to those with a bachelor's degree or more. Student debtor households have outstanding student loan balances or student loans in deferment. The debt-to-income ratio is tabulated for each household. The median ratio is reported. Households reporting zero income were reset to $1 of income in order to compute the ratio.

Source: Pew Research Center tabulations of the 2001 to 2010 Survey of Consumer Finances

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The puzzle of declining total indebtedness in the face of rising student loan debt can be resolved by examining debt burdens among younger households. Judged at the median, young households without student debt have indeed experienced declining debt burdens since 2007. For example, among college-educated households lacking student debt, the median debt-to-income ratio fell from 2007 (127%) to 2010 (108%). But the decline in indebtedness has not been uniform among young households. Debt-to-income ratios have tended to increase among student debtors, whether college educated or not.

The remainder of this report analyzes the economic well-being and satisfaction of young student debtors as well as their demographic characteristics. Section 1 presents the basic economic outcomes of student debtor households and looks at total indebtedness in the context of household income and assets. It concludes with recent Pew Research survey findings of young college graduates on their financial well-being. Section 2 turns to demographics and highlights the greater education and occupational prestige of young households owing student debt.

About the Data

Findings in this report are based on the Survey of Consumer Finances (SCF), which is sponsored by the Federal Reserve Board of Governors and the Department of Treasury. It has been conducted every three years since 1983 and is designed to provide detailed information on the finances of U.S. households. The most recent data are from the 2010 SCF. A virtue of the SCF is that it has detailed demographic information on the head of the household. Additional detail on the collection and nature of the SCF is available in Bricker, *et. al*., 2012. The SCF sample typically consists of approximately 4,500 households, but the most recent survey included about 6,500 households. This report focuses on the finances of the 1,711 households whose heads are younger than 40. All results are appropriately weighted. By education and student debt status, the unweighted counts of young households are as follows:

Unweighted Sample Sizes

	Has student debt	No student debt
College educated	295	305
Not college educated	313	798

Note: Among households with heads younger than 40. Households are characterized based on the educational attainment of the household head. "College educated" refers to those with a bachelor's degree or more. Student debtor households have outstanding student loan balances or student loans in deferment.

Source: Pew Research Center tabulations of the 2010 Survey of Consumer Finances

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Among the college educated, the mean age of the student debtors is about a year younger than households not owing student debt (30.8 vs. 31.9). Among households without at least a bachelor's degree, student debtors are about 1.5 years younger on average (29.0 vs. 30.7).

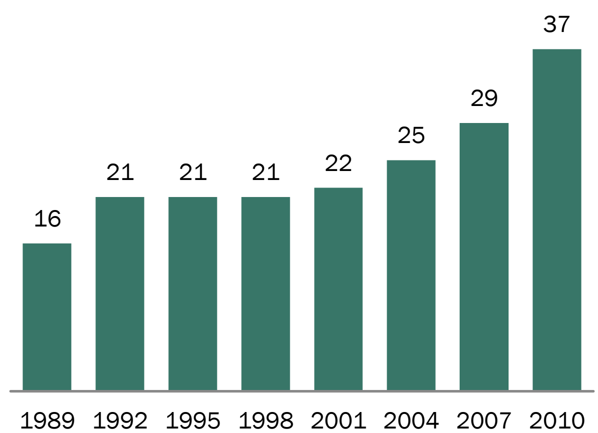
Section 1: Student Debt and Overall Economic Well-being

According to the most recent Survey of Consumer Finances, 37% of households headed by an adult under age 40 have outstanding student debt obligations (including loans in deferment as well as those currently being paid off), the highest share on record. The typical or median amount owed on all outstanding student loan balances is about $13,000 among young households with such debt.[3] This comports closely with other recent student debt figures. Using credit report data, the New York Federal Reserve Bank reports that the median outstanding student debt balance was $12,800 per borrower owing student debt as of the third quarter of 2011 (Brown, *et. al.*, 2012).

This new analysis by the Pew Research Center creates an overall economic profile of that record share of young households owing student debt. The analysis is unique in that rather than simply comparing households owing student debt with households that lack student debt, it takes into account educational attainment, which has an obvious impact on overall economic well-being. Households owing student debt are de facto better educated and tend to have higher incomes than households without student debt. About half of young households owing student debt are headed by a college graduate, while only 35% of young households overall are college educated.

Record Share of Young Households Owe Student Debt

%



Note: Young households are households with heads younger than 40. Student debtor households have outstanding student loan balances or student loans in deferment.

Source: Pew Research Center tabulations of the 1989 to 2010 Survey of Consumer Finances

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In addition, households not owing student debt are composed of two very different groups of people: those who are college educated but either never borrowed to finance their education or borrowed and paid off their debt, and those who have never pursued postsecondary education.

For these reasons, throughout much of the report student debtor households are compared with households with no student debt within the broad education groups of households with a college-

[3] This is the outstanding student debt balance for all members of the household. See Fry (2012) for an analysis of the trends over time in the incidence and amounts of student debt among households based on the SCF.

educated head and households not headed by a college graduate. Doing so alleviates the tendency to conflagrate the role of student debt with the higher incomes of student debtors.

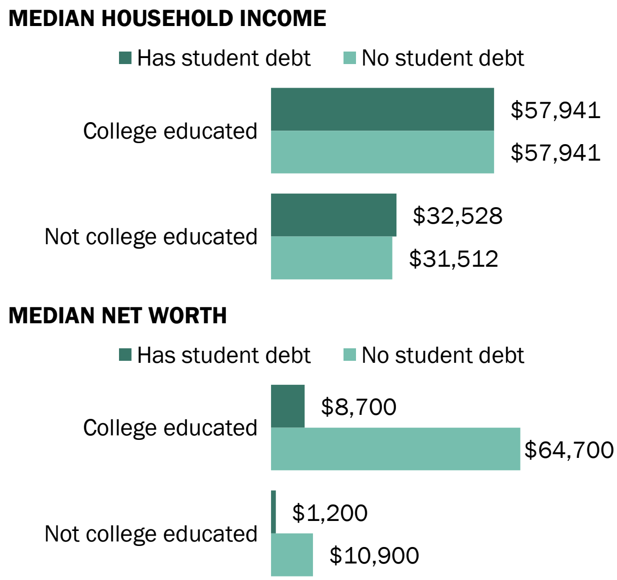
The Income and Wealth of Student Debtors

The typical household income of student debtor households within these broad educational categories is virtually identical to households without student debt. The median household income of the young and college educated is about $58,000 regardless of student debt. Among less-educated households, median household income is approximately $32,000 regardless of student debt obligations.

But there is a second important metric in understanding a household's overall economic situation: its net worth. While income is what a household receives annually, net worth is the household's nest egg, or what it has accumulated over time. Formally, net worth is the value of the household's assets (both nonfinancial assets, for example, homes and cars, as well as financial assets) minus the value of all the household's debts, or what it owns minus what it owes.

Income Doesn't Differ by Student Debt Status; Net Worth Does

Among young households



Note: Young households are households with heads younger than 40. Households are characterized based on the educational attainment of the household head. "College educated" refers to those with a bachelor's degree or more. Student debtor households have outstanding student loan balances or student loans in deferment. Net worth is the value of the household assets minus household debts.

Source: Pew Research Center tabulations of the 2010 Survey of Consumer Finances

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Most young households have very modest amounts of wealth because it takes time to accumulate assets. But young student debtor households have much less wealth than their peers not owing such debt. Among the college educated, those lacking student debt had a median wealth of $64,700 in 2010.[4] By comparison those owing student debt had a median wealth of only $8,700. Among households headed by a young adult without a bachelor's degree, those with no student debt had a median net worth of $10,900, while those with student debt had about a tenth of that ($1,200).

[4] The national median wealth level for all households of all ages was $77,000 (Bricker, *et. al.*, 2012).

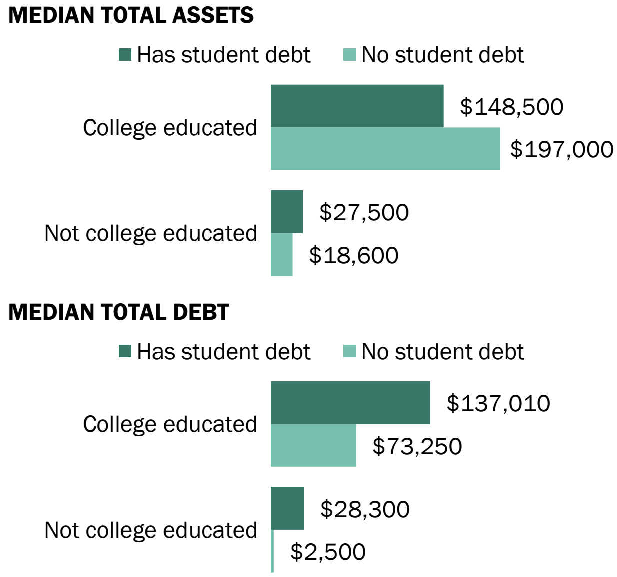
In sum, student debtors have very similar incomes but much lower net worth than households not owing student debt.

The Assets and Debts of Student Debtors

Do student debtors have less wealth because they have more debts, fewer assets, or both? Student debtors clearly tend to have a higher overall debt load than those without any outstanding student debt, and their greater indebtedness is only partly attributable to their student loans. The typical young household owing student debt has about $13,000 in outstanding education debt. The differences in total indebtedness surpass that amount.

The typical total indebtedness of young, college-educated households owing student debt ($137,010) is nearly twice that of their counterparts not owing student debt ($73,250). These debts include all types of debt: mortgage debt, vehicle loans and credit card debt, as well as student debt. Among young less-educated households, the difference in indebtedness is even more stark. Less-educated student debtors owed about $28,300 in total, compared with $2,500 among those without education debt.

Total Assets and Total Debts of Young Households, by Student Debt Status



Note: Young households are households with heads younger than 40. Households are characterized based on the educational attainment of the household head. "College educated" refers to those with a bachelor's degree or more. Student debtor households have outstanding student loan balances or student loans in deferment. Total debt includes mortgage debt, other installment debt and credit card debt, as well as outstanding student debt. The medians are calculated among all households, including those without any assets or without any debt.

Source: Pew Research Center tabulations of the 2010 Survey of Consumer Finances

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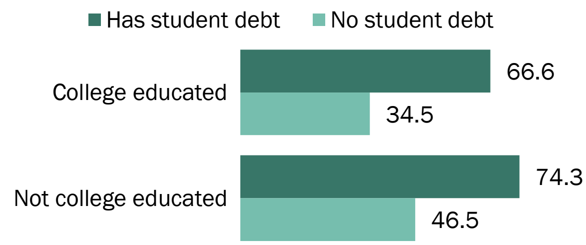
On the asset side, the median differences are not uniform. Among college-educated households, student debtors own fewer total assets ($148,500) than those lacking student debt ($197,000). But among households headed by a young adult without a bachelor's degree, student debtors tend to have more total assets ($27,500) than those without student debt ($18,600).

Debt Measures

Indebtedness should be evaluated in the context of the household's wider finances. One common measure is the leverage ratio, a simple comparison of outstanding debts to household assets. Younger households tend to be more highly leveraged than older households, and student debtor households tend to be more leveraged than households that do not owe student debt.[5] Among the young and college-educated, student debtor households are nearly twice as leveraged as their counterparts lacking student debt—67% vs. 34%. Overall, leverage is higher among younger households whose heads do not have a bachelor's degree. And within those households, those owing student debt are more highly leveraged than those not owing student debt (74% of total assets vs. 47%, respectively).

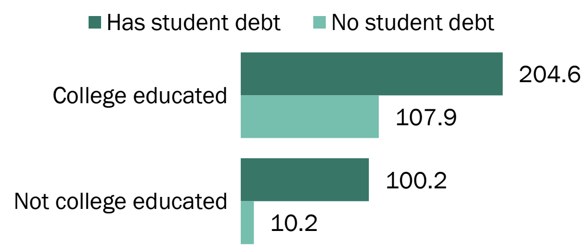
Total Debts Compared with Total Assets of Young Households, by Student Debt Status

Leverage ratio



Total Debts Compared to Household Income of Young Households, by Student Debt Status

Median total debt-to-household-income ratio



Note: Young households are households with heads younger than 40. Households are characterized based on the educational attainment of the household head. "College educated" refers to those with a bachelor's degree or more. Student debtor households have outstanding student loan balances or student loans in deferment. The "leverage ratio" is the sum of the total debt of all households as a percent of the sum of their assets. Debt-to-household income is tabulated for each household. The median of the distribution is reported. For households reporting zero income their household income was set to $1 in order to compute the ratio.

Source: Pew Research Center tabulations of the 2010 Survey of Consumer Finances

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This leverage ratio is a group-wide average that does not take account of the distribution of debt among households.[6] An alternative approach would be to compare each household's debts to its income and examine the median debt-to-income ratio. In other words, how many years of income would the typical young household require to pay off all its debts? If the household head is college educated and owes student debt, it would take a little over two years of household income (205%) to retire all debts. For the typical college-educated household with no student debt, it would take about half this time (a little over a year of its income, or 108%). Among less-educated households owing student debt the typical household

[5] For all households of all ages the national leverage ratio is 16% (Bricker, *et. al.*, 2012).

[6] If, for example, one household owed all the outstanding debt and owned all the assets, the leverage ratio (as constructed) would be the same.

has indebtedness exactly equal to a year's worth of household income (100%). Their counterparts without student debt would need only a tenth of a year of household income to retire all debts (10%).

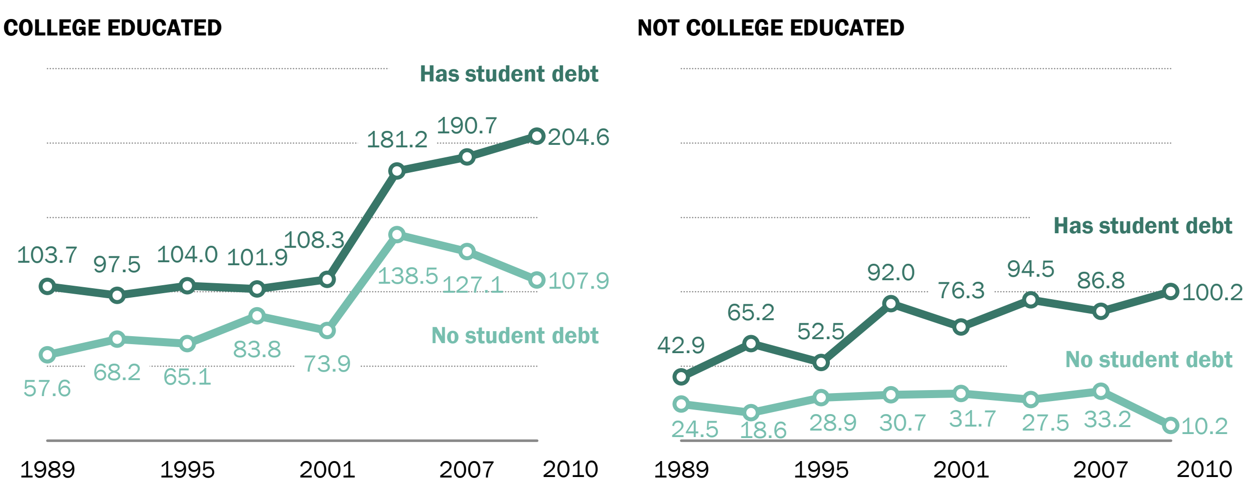
Trends in Overall Indebtedness

Aggregate household debt over all households peaked in 2008 (Brown, *et. al.*, 2010). In spite of rising student debt, it has been younger households who have been in the vanguard of reducing debt in the aftermath of the Great Recession (Fry, 2013). A basic reason for this is that the retreat from homeownership since 2004 has been led by younger families (Emmons and Noeth, 2014). If the family does not own its home, it does not have a mortgage and is therefore free of the largest component of household debt.

Judged on the basis of the typical debt-to-income ratio, the decline in household indebtedness among younger households has not been uniform. Among college-educated households owing student debt, the typical debt-to-income ratio increased from 191% in 2007 to 205% in 2010. By contrast, the debt-to-income ratio of college-educated households without student debt

Median Total Debt to Household Income for Young Households, by Student Debt Status, 1989-2010

Median total debt as % of household income



Note: Young households are households with heads younger than 40. Households are characterized based on the educational attainment of the household head. "College educated" refers to those with a bachelor's degree or more. Student debtor households have outstanding student loan balances or student loans in deferment. Debt-to-household income is tabulated for each household. The median of the distribution is reported. For households reporting zero income, their household income was set to $1 in order to compute the ratio.

Source: Pew Research Center tabulations of the 1989 to 2010 Survey of Consumer Finances

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obligations fell from 127% in 2007 to 108% in 2010. A similar divergence in the trends in indebtedness is evident among less-educated households. The only young households that have experienced a decrease in their debt-to-income ratio since 2007 are those without student debt.

Financial Distress

By a number of benchmarks, young student debtors appear to be experiencing greater financial stress than comparable households lacking education debt.

Common Measures of Financial Distress of Young Households, By Student Debt Status

%

	----------COLLEGE EDUCATED----------		-------NOT COLLEGE EDUCATED-------	
	Has student debt	*No student debt*	*Has student debt*	*No student debt*
Monthly debt service to income exceeds 40%	15	17	9	14
Making late payments on debt	9	3	18	15
Total debt exceeds the value of assets	41	5	47	8
Among homeowners, underwater	21	11	17	15

Note: Young households are households with heads younger than 40. Households are characterized based on the educational attainment of the household head. "College educated" refers to those with a bachelor's degree or more. Student debtor households have outstanding student loan balances or student loans in deferment. Monthly debt service is the estimated minimum amount monthly that the household pays to service its debt (including interest payments and minimum repayment of principal). Making late payments on debt refers to the share of debtors who were 60 or more days late with their payments on any of their loans in the preceding year. An underwater household has negative home equity in its primary residence.

Source: Pew Research Center tabulations of the 2010 Survey of Consumer Finances

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The median young household with debts spends about 18% of monthly household income to service those debts. A common benchmark of financial distress is when households must devote more than 40% of monthly income to repay debts (Bricker, *et. al.*, 2012; Chiteji, 2007). Under this criterion, student debtors do not seem to be disproportionately burdened. Among young, college-educated households, about 15% of student debtors exceed the 40% threshold. Among those lacking student debt, 17% of households exceed the 40% threshold. Among young and less-educated households, those lacking student debt are more likely to be devoting large amounts of their monthly income to debt service (14%) than student debtors (9%). Student debtors include households whose student loans are currently deferred, however. The monthly debt payments of student debtors currently in repayment is not available.

Student debtors do seem to have more difficulty making timely debt payments. About 9% of college-educated student debtors were 60 or more days late with their payments on any of their loans. By comparison, only 3% of similarly educated debtors lacking student debt were late in their payments.

In theory, a household can liquidate its assets in order to pay off outstanding debts. By this measure, young, heavily leveraged student debtors are clearly in a more financially precarious position than other young households. About four-in-ten college-educated student debtors possess total debts exceeding the value of their assets, hence asset liquidation will not entirely meet their outstanding debts in the event of job losses and other unforeseen economic shocks. Among their counterparts without student debt, only 5% have outstanding debts in excess of current assets. Similar wide divergence in the incidence of negative net worth (debts in excess of assets) is apparent among less-educated young households (47% versus 8%).

Finally, we can examine distress in the housing market. A minority of young adult households own their primary residence. But, when they do, student debtors are more likely than households without student debt to be "underwater," i.e., the outstanding mortgage balance as well as other loans secured by the primary residence exceeds the value of the residence. For example, 21% of college-educated student debtors are underwater on their primary residence, compared with 11% lacking student debt.[7]

[7] Among all the nation's homeowners regardless of age, 8% were underwater (Bricker, *et. al.*, 2012).

The Specifics of Debt

A household's total debts can be broken down into six major debt categories: debt secured by residential property, vehicle loans, student loans, other installment debt, credit card debt, and other debt. Without exception, young student debtors are at least as likely as young non-student debtors to owe each type of debt, and they are often more likely to have such debts.

Among young households headed by a college graduate, those with student debt are more likely than non-student debtors to have outstanding vehicle debt (43% vs. 27%), significantly more likely to have credit card debt (60% vs. 39%), and just as likely to have housing-related debt (56%).

Young Households Owing Specific Types of Debt, by Student Debt Status

%

	----------COLLEGE EDUCATED----------		-------NOT COLLEGE EDUCATED-------	
	Has student debt	*No student debt*	*Has student debt*	*No student debt*
Any debt	100	79	100	65
Type of debt				
Secured by residential property	56	56	36	32
Vehicle loans	43	27	41	32
Student loans	100	---	100	---
Other installment debt	9	9	17	15
Credit card debt	60	39	46	34
Other debt	7	7	11	7

Note: Young households are households with heads younger than 40. Households are characterized based on the educational attainment of the household head. "College educated" refers to those with a bachelor's degree or more. Student debtor households have outstanding student loan balances or student loans in deferment. Debt secured by residential property includes debt for other residential properties, for example, vacation homes, as well as mortgages and other borrowing on a primary residence. "Other installment debt" refers to loans that have fixed payments and a fixed term, excluding student loans or vehicle loans. The "other debt" category includes loans on cash value life insurance policies, borrowing against pension accounts and borrowing on margin accounts, as well as open-ended lines of credit other than a home equity line.

Source: Pew Research Center tabulations of the 2010 Survey of Consumer Finances

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Among young households whose heads lack at least a bachelor's degree, student debtors are more likely than those without student debt to owe on vehicle loans, credit card debt and other types of debt and are just as likely to have a mortgage and other installment debt.

In regard to the outstanding amounts of debt, there do not appear to be notably large differences between student debtors and others in the specific types of debt. Obviously student debtors owe student debt and others do not, but for the other five types of debt, differences at the median in the outstanding balances are modest.[8]

Median Debt Amounts Owed Among Young Households Carrying That Debt, by Student Debt Status

	----------COLLEGE EDUCATED----------		-------NOT COLLEGE EDUCATED-------	
	Has student debt	*No student debt*	*Has student debt*	*No student debt*
Type of debt				
Secured by residential property	$162,000	$167,000	$95,000	$105,000
Vehicle loans	$12,400	$11,000	$11,000	$8,500
Student loans	$19,400	---	$9,000	---
Other installment debt	$2,780	$7,000	$2,900	$2,400
Credit card debt	$3,300	$2,500	$1,480	$1,480
Other debt	$2,000	$6,000	$2,300	$2,000

Note: Young households are households with heads younger than 40. Households are characterized based on the educational attainment of the household head. "College educated" refers to those with a bachelor's degree or more. Student debtor households have outstanding student loan balances or student loans in deferment. Debt secured by residential property includes debt for other residential properties, for example, vacation homes, as well as mortgages and other borrowing on a primary residence. "Installment debt" refers to loans that have fixed payments and a fixed term, such as student loans, and loans for consumer durables, such as automobiles, furniture and appliances. The "other debt" category includes loans on cash value life insurance policies, borrowing against pension accounts and borrowing on margin accounts, as well as open-ended lines of credit other than a home equity line.

Source: Pew Research Center tabulations of the 2010 Survey of Consumer Finances

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[8] The underlying sample sizes for the other installment debt and other debt categories should be noted. Since about 10% of young households owe these kinds of debt and, for example, roughly 300 households represent the college-educated student debtors and 300 households represent non-student debtors, the medians for these two debt categories are based on roughly 30 households each.

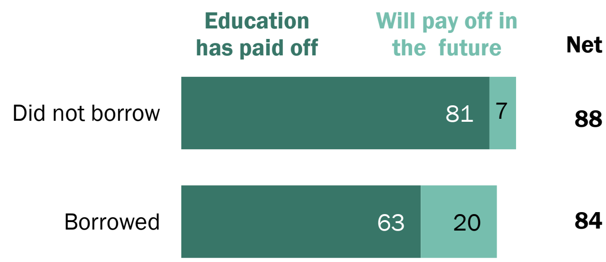
Public Opinion Findings

A Pew Research Center survey conducted in late 2013 found a significant link between student debt and economic well-being. Young adults who took out loans to finance their educations are less satisfied overall with their personal financial situation than are those who did not borrow money for college.

Among adults ages 18 to 39 with two- or four-year degrees who borrowed for college, 70% say they are satisfied with their personal financial situation. Fully three-in-ten (29%) are not satisfied with their personal finances. By comparison, 84% of young, college graduates who did not take out student loans say they are satisfied with their personal financial situation, while only 14% are dissatisfied.

Most Young Adults Who Borrowed for College See Eventual Payoff

% who say …



Note: Based on adults ages 18-39 with a two-year or four-year college degree not currently enrolled in college (n=493). Figures may not total to net due to rounding.

Source: Pew Research Center survey, Oct. 7-27, 2013 (N=2,002)

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Whether or not they borrowed money for college, most young college graduates say the investment they made in their education has paid off. However, the survey findings suggest the payoff may be more immediate for those who did not take out student loans. Survey respondents were asked whether their college education had paid off for them financially, given what they and their families paid for that education. Young adults who had taken out student loans to finance their education were less likely than those who did not borrow for college to say that their education has paid off.

Among young adult college graduates who borrowed money for college, 63% say the investment they made in their education has paid off. By comparison, among those who did not borrow money for college, 81% say college has paid off for them. Overall, 84% of young college graduates who borrowed money for school say that college has either paid off for them or will in the future.

Section 2: A Demographic Profile of Young Student Debtors

Among all households with heads younger than 40, 37% had outstanding student loans in 2010. Student debtor households tend to be younger. Among households in which the household head is younger than 25, 43% have outstanding student loan debt. Some 39% of households in which the household head is between the ages of 25 and 34 owe student debt, as do 29% of households headed by someone ages 35 to 39.

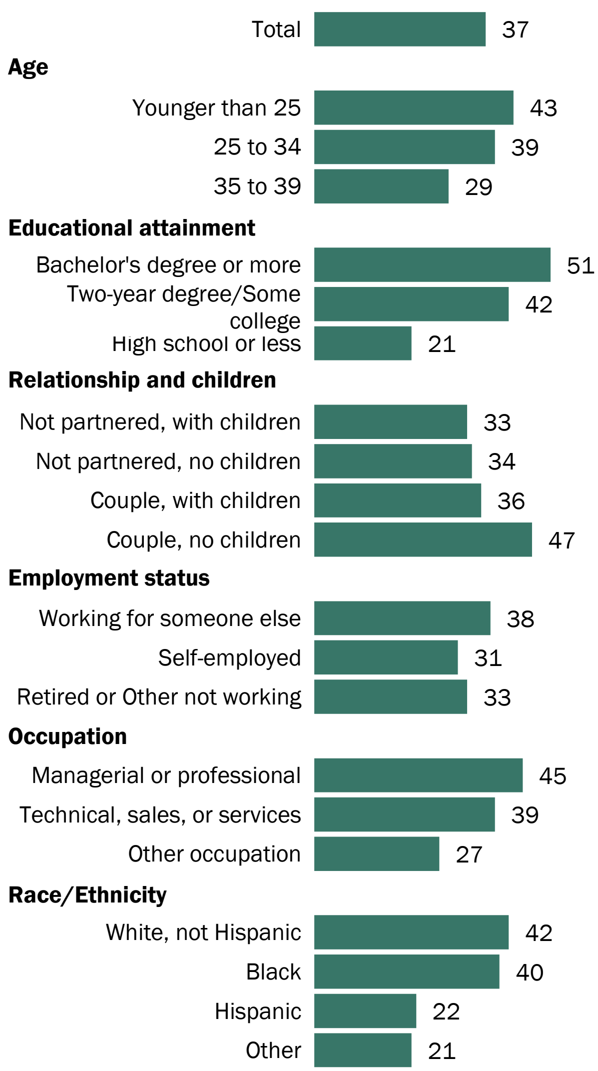
Not surprisingly, households owing student debt tend to be better educated and have higher occupational status than other young households. Among all young households, half (51%) of those in which the household head has at least a bachelor's degree owe student debt. By comparison, only 21% of households with no education beyond high school owe student debt.

Occupational differences are also apparent. Among young households headed by a manager or professional, 45% have some student debt. In contrast among young households headed by an individual in the other occupational category (including operators, laborers, farmers, and production/craft/repair workers) only 27% owe student debt.

College graduates are more likely than less-educated adults to be married or be living with a partner . Thus, in examining student debt by family structure, households headed by a married or cohabiting person without children

Which Young Households Owe Student Debt?

% with outstanding student loan balances or student loans in deferment



Note: Young households are households with heads younger than 40. Households are characterized based on the characteristics of the household head. "Other" race category includes Asians and small groups such as American Indians and those identifying as multiracial.

Source: Pew Research Center tabulations of the 2010 Survey of Consumer Finances

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(47%) are significantly more likely to owe student debt than households headed by those without a partner (about a third owe student debt).

Among racial and ethnic groups, young white and black households are most likely have education debt (42% and 40%, respectively), and young Hispanic households are about half as likely to owe such debt (22%).

The Assets of Student Debtors

Prior economic studies have examined the relationship between student debt and ownership of assets on the basis of credit report data (Brown and Caldwell, 2013). The limitation here is that credit report data do not directly measure asset ownership, while the Survey of Consumer Finances possesses detailed information on both nonfinancial and financial asset ownership. The most recent survey does not provide strong evidence that young student debtors are less likely to own homes or cars.

Asset Ownership of Young Households, by Student Debt Status

% owning asset

	------COLLEGE EDUCATED------		--NOT COLLEGE EDUCATED--	
	Has student debt	*No student debt*	*Has student debt*	*No student debt*
Primary residence	55	60	39	37
Vehicle	90	88	83	77
Business	10	12	8	8

Note: Young households are households with heads younger than 40. Households are characterized based on the educational attainment of the household head. "College educated" refers to those with a bachelor's degree or more. Student debtor households have outstanding student loan balances or student loans in deferment.

Source: Pew Research Center tabulations of the 2010 Survey of Consumer Finances

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Among households headed by those who do not at least have a bachelor's degree, student debtors tend to be more likely to own a vehicle. Otherwise, there are not many differences in asset ownership between student debtors and student debt-free households.

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