

Falling home ownership, equity, affect college enrollment

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Sagging college enrollments may be the next symptom of the sub-prime mortgage mess, according to a University of Michigan economist.

"Our analysis shows a clear connection between parents' home ownership and home equity, and adult children's college attendance," said U-M researcher Frank Stafford, who directs the Panel Study of Income Dynamics at the U-M Institute for Social Research (ISR).

For the analysis, Stafford and colleagues examined data from a nationally representative sample of young adults ages 18 to 20 in 2005.

"This was during the happy days of the economy," Stafford said.

"Mortgages were easy to obtain and rapidly rising home equity led a lot of parents to feel that it was possible to help their children with college expenses."

Stafford found that parental home ownership was a major predictor of children's college enrollment among the 745 families sampled, even after controlling for parental education. "About 64 percent of the children of home-owners were enrolled in college," he said, "compared with about 33 percent of renters."

The amount of home equity among parents who owned their own homes also clearly predicted adult children's college enrollment. About 51 percent of children whose parents had less than \$25,000 of home equity enrolled in college, compared with 88 percent of those whose parents had \$350,000 or more of home equity.

Parental finances are just one of the factors likely to affect college enrollments, notes Stafford. Data from the ISR study confirm that personal characteristics also play a major role. "Young adults' self-concepts and their self-discipline---in terms of cutting back on hours spent watching television in high school---are also strongly linked to college attendance," he says.

For example, teens who went on to college watched television about 45 minutes less on weekdays than teens who did not attend college.

The analyses are part of a proposed new project on the transition to adulthood. "The years between 18 and 28 have become a distinct period of life between adolescence and adulthood," Stafford said. "Even before the current economic problems reached critical proportions, young people were taking longer than in the past to establish themselves and to strike out on their own.

"Some evidence suggests that this period is particularly hard for minority and poor youth, but we need more information about the personal and social characteristics that facilitate or impede progress through this period into productive adulthood," he said. "We currently have a very limited understanding of how American youth actually pass through this period, and we know almost nothing about how this passage is related to the youths' families of origin."

Source: University of Michigan

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