

Middle-income students at higher risk for student loan debt than their poorer peers

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Young adults from middle income families are more likely to rack up student loan debt—and in greater amounts—than students from both lower and higher income backgrounds, finds new research to be presented at the 107th Annual Meeting of the American Sociological Association.

"Many middle income families make too much money for their children to qualify for student aid packages," said study author Jason N. Houle, a Robert Wood Johnson Health and Society Scholar at the University of Wisconsin-Madison. "While at the same time, they may not have the financial means to cover the high costs of college."

Houle refers to the greater propensity of [students](#) from middle income backgrounds to incur student loan debt as the "middle income squeeze." The families of these young adults make too much money for their children to qualify for adequate financial aid benefits, but not enough to afford the rising costs of tuition, room and board, and additional university fees.

According to the study, nearly 41 percent of all students left school with some student loan debt, and the average debt among those students was more than \$22,000. "Young adults from middle income families are at the highest risk for student loan debt," Houle said. "As tuition costs continue to rise and outpace inflation, students increasingly use loans as the primary means of financial aid."

The study relies on a subsample of 4,414 participants in the 1997 National Longitudinal Study of Youth, which contains data on a nationally representative sample of young men and women from 1997, when they were ages 12-16, through 2009, when they were 24-28.

Among those who incurred student loan debt, Houle found that on average young adults from middle income backgrounds, whose families earned between \$40,000 and \$59,000 annually, left school with over \$6,000 more in student loan debt than their low income peers whose families made less than \$40,000 per year. Similarly, students from somewhat more affluent middle income backgrounds, whose families made between \$60,000 and \$99,000 annually, racked up nearly \$4,000 more in student loan debt than young adults whose families earned less than \$40,000 per year.

"There's a safety net in place for young adults from low income backgrounds," Houle said. "Financial aid distribution and postsecondary education financing seemingly play an important role in creating this non-linear relationship between income and student debt."

Over 90 percent of all Pell Grant recipients come from families with annual incomes of less than \$40,000. "Young adults whose families make just over \$40,000 are less likely to qualify for such student aid packages, and tend to suffer a disproportional burden of student loan debt," Houle said.

When compared to their peers from higher income families, young adults from middle income backgrounds also fared worse when it came to student loan debt. Most notably, on average among those who incurred student loan debt, students whose families earned \$40,000 to \$59,000 annually racked up over \$12,000 more in student loan debt than their peers whose families earned between \$100,000 and \$149,000 per year, and over \$17,000 more in student loan debt than young adults whose

families made more than \$150,000 annually. Additionally, students whose families earned between \$60,000 and \$99,000 incurred, on average, \$10,000 more in debt than young adults whose families made between \$100,000 and \$149,000 per year, and \$15,000 more than young adults whose families earned over \$150,000 annually.

According to Houle, young adults from upper income families are more often protected from student loan debt because their high-earning parents have more financial resources to pay for their children's college education, and are more likely to have saved for college.

Young adults from middle income backgrounds are not the only subgroup of students at increased risk for incurring student loan debt. For example, Houle found that young adults whose parents had less than a college degree had a higher risk for student loan debt than young adults whose parents had a college degree or more. African American students were also significantly more likely than their white peers to rack up student loan debt. In addition, he found that young adults with single parents or step families were more likely than students whose biological parents were together, to incur student loan debt.

As college graduates struggle to find high-wage jobs in today's economy, inflated student loan debt forces young adults to begin their careers at an increased risk of default and penalties for missed payments. Bankruptcy is not an option for students struggling to pay off their student loans, which, Houle said, makes student loan debt a very unique and dangerous liability.

"We value the American Dream and believe that achieving a college degree is all you need to overcome the disadvantages of [family](#) backgrounds," Houle said. "My study begins to challenge this idea. The fact that some [young adults](#) are starting their careers on an unequal footing just by virtue of how much money they owe, may ultimately

affect their capacity to save money and their ability to take a low or unpaid but career-advancing opportunity."

Provided by American Sociological Association

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