

Student debt and economic hardship

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Students who come out of college with debt—especially larger amounts—are more likely to face hardship and financial difficulty during their lives, finds a new study from Washington University in St. Louis.

"Loan amounts only partially predict hardship, and [borrowers](#) who make their current loan payments have lower chances for hardship than non-payers," said Michal Grinstein-Weiss, professor at the Brown School and co-author of the study, "Student Debt and Hardship: Evidence From a Large Sample of Low- and Moderate-income Households."

"Hardship among the low-income population is already common," said Grinstein-Weiss, who is also associate director of the Center for Social Development and director of the Envolve Center for Health Behavior Change.

"However, we find that among low-income households with student debt, those who aren't able to make regular payments and those without college degrees have even greater social and economic disadvantages."

As the cost of college has risen in recent years, so have concerns about student debt. Nearly 70 percent of college students in the United States borrow to finance their degree, with an average loan burden of \$28,950 for four-year graduates. Cumulative student debt in this country is estimated to be more than \$1.2 trillion.

"We know from previous research that certain subgroups of borrowers

can be impacted more significantly by student debt," Grinstein-Weiss said. "Odds of student loan default are greatest among black and Hispanic borrowers compared to white borrowers, as well as those from low-income families and borrowers with dependents.

"The purpose of this study was to examine that association between student debt and material, health and [financial hardship](#) among low- to moderate-income borrowers," she said. "We looked at whether having student debt—and the amounts of student debt and monthly payments—increase the odds of experiencing hardship, including difficulty meeting needs for shelter, food, medical care and other basic needs."

Data for the study was derived from the Refund to Savings program, the largest savings experiment—in terms of sample size—ever conducted in the U.S. The initiative is a collaboration between Washington University researchers and Intuit Inc., the maker of TurboTax tax preparation software.

"Though hardship was common throughout our entire sample, we found that hardship and [financial difficulty](#) were far more common and burdensome for participants with student debt than for those without," Grinstein-Weiss said. "In these cases, having [student loan debt](#) was associated with difficulty meeting basic needs and managing finances."

Though college graduates in the sample did fare better than non-graduates, most did experience hardship.

"The picture that emerges from this study is that hardship and financial difficulty are a common experience for low- to moderate-income families, and are more likely if one has [student debt](#), especially higher loan amounts," Grinstein-Weiss said. "Even though borrowers making payments had many advantages relative to borrowers not making

payments, hardship was still common."

More information: Mathieu R. Despard et al. Student debt and hardship: Evidence from a large sample of low- and moderate-income households, *Children and Youth Services Review* (2016). [DOI: 10.1016/j.chidyouth.2016.09.001](https://doi.org/10.1016/j.chidyouth.2016.09.001)

Provided by Washington University in St. Louis

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