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FAST Facts

What Happens When Families Take on Student Loan Debt but Don't Obtain a Degree?

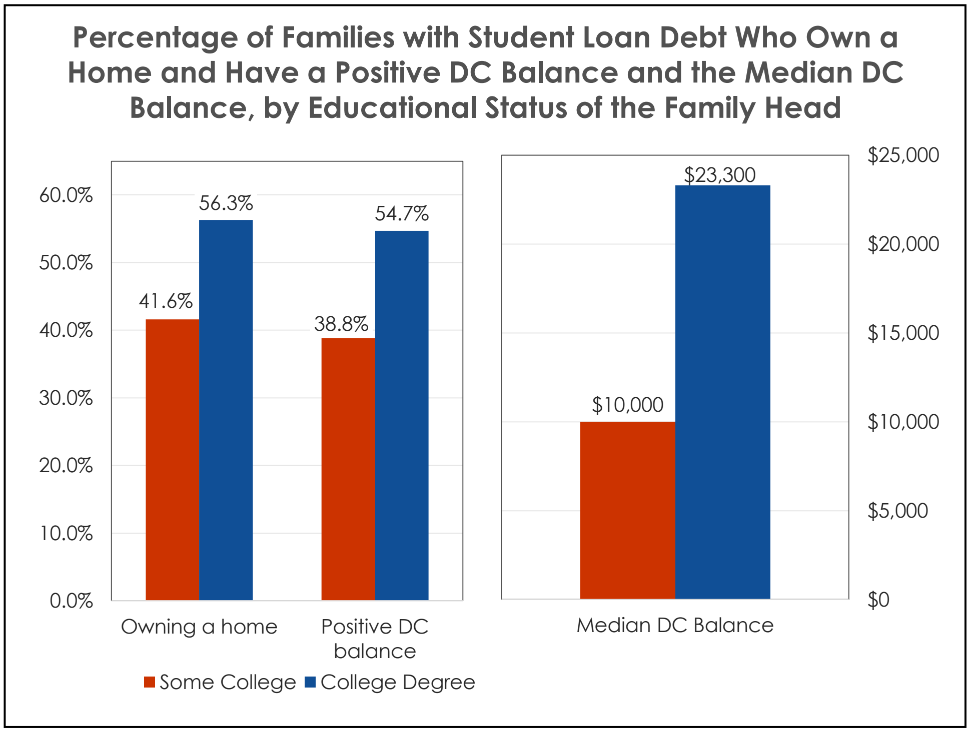
Student loan debt can be considered an investment that helps individuals obtain a better job with higher earnings that may not be reached without the college degree. However, for those who don't finish the degree, such debt can place them in a worse situation—more debt without a better job. This can impact their ability to own a home and to save for retirement.

Using data from the Federal Reserve's Survey of Consumer Finances EBRI's *Issue Brief* "Student Loan Debt: Trends and Implications" examines the incidence of student loan debt and families' accumulation of assets—comparing families with heads having a college degree to those who did not complete college. The Federal Reserve dataset has the most comprehensive data on the wealth of American families with breakdowns of all assets and debts.

Of the families with student loan debt, 20.8 had a head with some college only in 1992. This number had jumped to 35.6 percent by 2016. In contrast, the percentage of families with student loan debt that had a head with a college degree declined from 36.7 percent to 26.9 percent between 1992 and 2016. The median amount of student loan debt for those families whose head had some college only increased by 238 percent between 1992 and 2016—from $4,525 to $15,300. This compared with a growth in student loan debt of 255 percent for those families whose head had a college degree over the same period—from $6,201 to $22,000.

In terms of overall debt, families having student loan debt with heads that had some college only had a lower median debt than the families having student debt but whose head had a college degree—$41,060 vs. $102,000. However, the median ratio of debt to assets was significantly higher for those without a degree than those with one: 0.853 for those with some college only compared with 0.695 for those with a college degree. In other words, families with student debt whose head had some college only had amassed significantly less in assets given the amount of debt assumed.

The results are particularly troubling when examining two of the potentially most important assets for demonstrating financial stability: owning a home and having a defined contribution (DC) plan through employment. The data show that the families with student loan debt whose heads had some college only were less likely to own a home, had a lower likelihood of having a positive DC plan balance, and had a significantly lower median DC balance when they did have a plan balance than families with student loan debt that had a head with a college degree.



Consequently, for those who obtain student loans but do not finish their degree, the pillars of financial stability appear to be significantly lower than for those who have obtained a college degree. These families appear to end up with many of the costs but not the benefits of obtaining a college degree.

The EBRI report, "Student Loan Debt: Trends and Implications," is published as the July 9, 2018, *EBRI Issue Brief*, and is available online here.

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