

## Paying for the Past, Delaying the Future: A Longitudinal Study of Student Loans and Millennial Homeownership

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### Abstract

This study examines the relationship between student debt and homeownership of Millennials in the United States, focusing on how student debt influences both the timing and likelihood of entering homeownership. Using longitudinal data, we combine descriptive analysis with fixed-effects and multinomial logit models to distinguish between short-term constraints and longer-term outcomes. The results indicate that student debt is associated with a lower probability of homeownership at a given point in time, but does not substantially reduce the likelihood of becoming a homeowner. Instead, educational attainment emerges as the primary driver of homeownership outcomes, with college graduates significantly more likely to enter homeownership regardless of debt status. Differences between degree holders with and without student debt are relatively small, suggesting that debt does not meaningfully alter long-term outcomes within this group. These findings suggest that student debt primarily delays entry into homeownership rather than preventing it, and that broader factors associated with educational attainment play a more central role in shaping homeownership outcomes.

### Introduction

Student loan debt has become a defining financial challenge for Millennials (born 1981–1996), with over 40 million Americans currently carrying education-related debt (Hanson, 2024). As this generation navigates early adulthood, concerns have emerged about how student loans may influence key life milestones, particularly homeownership. Homeownership is not only a marker of financial stability but also a significant driver of wealth accumulation in the United States, raising questions about whether this form of borrowing delays or deters entry into the housing market.

Existing research offers mixed evidence on this relationship. Some studies find that student loans modestly reduce the likelihood of homeownership by limiting disposable income or affecting creditworthiness (Mezza et al., 2020). Others suggest that the effects are more nuanced, shaped by factors such as income, marital status, and broader economic conditions (Houle et al., 2015; Letkiewicz & Heckman, 2018; Scott et al., 2021). These mixed findings raise an important question: whether student debt is the primary constraint on homeownership, or whether other structural differences play a more central role.

This study examines this question using longitudinal data that follow individuals from ages 30 to 40, a critical period for transitions to homeownership. Rather than focusing solely on whether individuals own a home at a given point in time, we examine both the timing and likelihood of entering homeownership. Using a combination of descriptive analysis, fixed-effects models, and multinomial logit models, we distinguish between short-term constraints that may delay homeownership and longer-term outcomes that determine whether individuals ultimately become homeowners.

By employing fixed-effects models, we account for within-individual changes over time, allowing us to estimate the impact of student debt and other time-varying factors while controlling for unobserved, time-invariant characteristics. We complement this analysis with multinomial models that examine

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differences across individuals and pathways into homeownership. Specifically, we explore how student loan debt influences the timing of entry into homeownership and whether it represents a short-term constraint or a longer-term barrier. Given that homeownership is a valuable institution to build wealth and provide financial security (Goodman & Mayer, 2018), these findings contribute to ongoing discussions about the barriers to homeownership and how financial challenges evolve during early adulthood.

### Literature Review

The relationship between student loan debt and homeownership among young adults, particularly Millennials, has been widely studied. While evidence confirms that student loans influence homeownership decisions, the nature and extent of this impact remain complex, as other financial, demographic, and contextual factors also play significant roles.

Several studies identify a modest negative association between student loan debt and homeownership rates. For example, Houle et al. (2015) show that while student loans discourage homeownership among young adults, broader economic indicators such as the recession and delayed transitions to adulthood have a stronger effect. Similarly, Hutaeruk (2018) finds that student debt, though significant, is not a primary predictor of declining homeownership rates.

Research in Korea shows that the burden of student loans affects not only whether Millennials purchase homes but also what they purchase. Kim (2022) highlights that rising student loan amounts lead Millennials, particularly in Korea, to favor rental housing or lower-cost properties like row houses and multi-family units. In the United States, Scott et al. (2021) find that having student loans increases the likelihood of buying a house by 15%, but that individuals with student loan debt buy homes that are, on average, 39% less expensive and accumulate 58% less equity compared to those without debt.

The amount of student loan debt also appears to matter. Mezza et al. (2020) estimate that every \$1,000 increase in student loan debt lowers the homeownership rate by approximately 1.8 percentage points for public college graduates in their mid-20s, causing a delay of four months. Additionally, Scott et al. (2021) emphasize that larger loan burdens hinder wealth accumulation through reduced home values and equity. Demographic and economic factors remain critical predictors of homeownership. Marital status, education, and income strongly influence housing tenure decisions (Letkiewicz et al., 2018). Broader economic conditions, including labor market strength and housing affordability, also shape Millennials' ability to transition into homeownership (Houle et al., 2015).

The broader economic environment amplifies the challenges posed by student loans. Kern (2016) notes that student loan repayment reduces Millennials' ability to save for a down payment or qualify for mortgages. Additionally, rising rents and the lingering effects of the recession contribute to delayed homeownership, creating a multifaceted barrier for Millennials entering the housing market.

While student loan debt has a measurable impact on Millennials' homeownership rates and housing choices, it is only one piece of a larger puzzle. The evidence suggests that other factors—such as income, marital status, and local housing market conditions—play equally significant roles in shaping homeownership outcomes. Additionally, the broader economic context, including the lingering effects of the recession and rising rental costs, further complicates Millennials' ability to enter the housing market. This study builds on this existing literature by examining longitudinal data to clarify how student loan debt and other life circumstances influence homeownership as Millennials transition into their mid-thirties.

### Theoretical Framework

This study is grounded in the neoclassical theory of housing demand, which applies consumer theory to housing decisions (Megbolugbe et al., 1991). Within this framework, individuals allocate resources between housing and other goods to maximize utility, subject to constraints such as household income, housing prices, and individual preferences. The decision to own or rent housing is determined by

the interaction between these constraints and the individual's demand for housing, which is shaped by both economic factors and demographic characteristics that serve as proxies for preferences, such as marital status, education, and household composition (Drew, 2014).

A central implication of this framework is that homeownership outcomes depend on preferences for housing, but also on the ability to overcome financial constraints. Higher income facilitates access to homeownership by easing borrowing constraints and enabling down payment accumulation, while financial obligations, such as student debt, may limit access to credit or delay entry into the housing market. In this sense, student debt operates as a potential constraint within the broader set of factors influencing housing tenure decisions.

While the neoclassical model is often applied to static decisions made at a single point in time, it can also be extended to account for changes in constraints and preferences over the life course. Life course approaches have been widely adopted in housing research because they are flexible enough to capture the diverse and complex trajectories of individuals' lives (Coulter, 2023). Life course approaches emphasize the importance of adopting longitudinal perspectives to capture temporal interdependencies within individuals' lives, as well as between individuals and their evolving social contexts (Bernardi et al., 2019). As individuals age, their income, family structure, and financial obligations evolve, altering both their preferences and their ability to achieve homeownership. These dynamics are particularly relevant between ages 30 and 40, a period during which individuals commonly experience income growth, changes in household composition, and reductions in outstanding debt.

This study applies the neoclassical theory to examine how financial constraints, particularly student loan debt, interact with individual and economic characteristics to influence homeownership outcomes over time. By adopting a life-course perspective, the analysis distinguishes between short-term constraints that may delay entry into homeownership and longer-term outcomes that determine whether individuals ultimately become homeowners.

## Methods

### Date and Sample

Data for this study come from the 1997 National Longitudinal Survey of Youth (NLSY97), a nationally representative longitudinal survey sponsored by the U.S. Department of Labor. The NLSY97 consists of approximately 9,000 respondents born between 1980 and 1984 (Bureau of Labor Statistics, 2010). The survey oversamples at-risk populations, and all descriptive statistics are weighted using the provided sampling weights to ensure representativeness.

Round 1 of the survey was conducted in 1997, and participants have been interviewed annually or biennially since, with the most recent data collection in 2023 (Wave 21). This study focuses on data from the Assets 30, Assets 35, and Assets 40 modules, which were administered in the first survey round after respondents reached ages 30, 35, and 40, respectively. This analysis is limited to respondents born between 1980 and 1982, as they are the only cohorts with asset data available at age 40 at the time of this study.

The primary variables of interest include whether or not the respondent owned a home or had student loans at ages 30, 35, and 40. Homeownership was measured by asking respondents if they own their home and, if so, whether it is a house, ranch, mobile home, or other type of residence. If respondents identify owning any of these dwellings, the variable for homeownership was coded as 1 (0 otherwise). The percentage of the sample owning a home increased at each five-year interval. At age 30, 33% of the sample reported owning a home, increasing to 43% at age 35. In 2021, when the sample was approximately age 40, 53% of the sample reported owning a home, which is in line with the statistics released by the U.S. Census Bureau for this population in 2020 (U.S. Census Bureau 2023). The median house value for those who own a home is \$286,400, and the median house debt is \$187,000.

The student loan variable was calculated as the current amount of student loan debt reported by the household (respondent and spouse/partner). In 2021, just under 24% of the sample reported having student loan debt. Mean student loan debt increased over the 10-year period. In 2010, the average amount of student loan debt was \$29,040, and in 2015, it increased to \$35,060. In 2021, the mean balance was \$50,100, and the median balance was \$30,000. For the analysis, the variable for student loan debt was transformed by taking the natural log to reduce right-skewness and stabilize the variance.

The demographic variables included in the model are marital status (single or married/cohabitating), race (Black, Hispanic, and non-Black/non-Hispanic), education, urban area as classified by the U.S. Census Bureau, and whether or not the household has children. Education was coded as either no post-secondary degree, post-secondary degree (2-year or 4-year degree), or graduate degree.

### Empirical Analysis

This study employs a combination of descriptive and econometric approaches to examine the relationship between student debt and homeownership over the life course. Rather than focusing on a single point in time, the analysis is designed to capture both the timing of homeownership and the factors associated with transitions into ownership.

First, a descriptive analysis is conducted to examine pathways into homeownership. Individuals are categorized into four groups based on the timing of homeownership: early (age 30), mid (age 35), late (age 40), and never. These pathways allow for comparisons across education and debt groups, providing insight into who becomes a homeowner and when.

Second, fixed-effects models are estimated to analyze within-individual variation over time. This approach isolates the effects of changes in key variables such as income, student debt, marital status, and family characteristics on the likelihood of homeownership while controlling for unobserved, time-invariant individual characteristics (e.g., race, gender, and family background). Standard errors are clustered at the individual level to account for within-person correlation over time. Random-effects models are estimated to capture between-individual differences and to incorporate time-invariant characteristics. A Hausman test is used to compare the fixed- and random-effects specifications, confirming that the assumptions underlying the random-effects model are violated and supporting the use of fixed effects as the primary specification.

Finally, a multinomial logit model is used to examine differences across homeownership pathways. The outcome variable categorizes individuals into early (age 30), mid (age 35), late (age 40), or never homeowners, allowing for direct comparison of how education, debt, and other factors influence different trajectories into homeownership.

## Results

### Descriptive Results

Table 1 presents homeownership descriptive pathways by educational attainment and student debt status at age 30. Among individuals without a college degree and no student debt, only 24.8% enter homeownership by age 30, and 49.7% never become homeowners by age 40. College graduates are much more likely to become homeowners early, with 46.5% of degree holders with debt and 49.1% of those without debt owning by age 30, and only about 17% in each group never entering homeownership.

The role of student debt varies by education. Among college graduates, differences by debt status are minimal: early homeownership rates are 46.5% for those with debt and 49.1% for those without, while non-ownership rates are nearly identical (17.4% vs. 17.5%). This suggests that student debt does not meaningfully prevent homeownership among degree holders.

For individuals without a college degree, homeownership rates are substantially lower overall. Early ownership ranges from 24.8% to 31.2%, while non-ownership remains high, between 39.8% and 49.7%, regardless of debt status. Taken together, these findings indicate that educational attainment is

the primary determinant of homeownership outcomes, while student debt plays a more limited role, influencing timing rather than the likelihood of ever becoming a homeowner.

### **Multivariate Results**

The results reveal a consistent pattern across descriptive (Table 1), fixed-effects (Table 2), and multinomial logit (Table 3) analyses: student debt does not meaningfully reduce the likelihood of homeownership over the life course, but it does affect the timing of entry into homeownership.

Across all models, educational attainment emerges as the dominant factor associated with homeownership outcomes. College graduates are substantially more likely to become homeowners than individuals without a degree, regardless of student debt status. Multinomial logit results indicate that degree holders are approximately 3.3 to 3.5 times more likely to become early homeowners and roughly 2.8 to 3.2 times more likely to enter homeownership at any stage compared to individuals without a degree. These differences persist even after controlling for income and other covariates, suggesting that education captures advantages beyond earnings alone.

In contrast, student debt plays a more limited role. While fixed-effects models indicate that higher levels of student debt are associated with a lower probability of homeownership at a given point in time, the pathway analysis demonstrates that these effects largely reflect delays rather than permanent barriers. Over time, individuals with student debt, particularly those with a college degree, still transition into homeownership at high rates. Multinomial logit results further support this interpretation, showing minimal differences between degree holders with and without student debt in their likelihood of becoming homeowners. However, there is some evidence that debt shifts individuals toward later entry, as the relative likelihood of early homeownership declines slightly among those with debt when educational attainment is the same.

Other factors exhibit expected and consistent relationships with homeownership. Marriage is one of the strongest predictors, with married individuals approximately 6.3 times more likely to become early homeowners, although this effect diminishes somewhat over time. Income also plays an important role, particularly in facilitating earlier entry into homeownership, but its effect weakens by age 40, suggesting that income primarily accelerates, rather than determines, homeownership. In contrast, having children is associated with a lower likelihood of entering homeownership across all pathways, indicating that family formation may delay transitions into ownership.

### **Discussion**

This study examines the relationship between student loans and homeownership using a life-course perspective that distinguishes between short-term constraints and long-term outcomes. The findings suggest that student debt is not the primary determinant of homeownership outcomes. Instead, the most substantial differences are driven by educational attainment and the broader economic advantages associated with it. While student debt is associated with a lower probability of homeownership at a given point in time, this effect reflects delays in entry rather than a permanent reduction in the likelihood of becoming a homeowner.

Consistent with the neoclassical framework, homeownership decisions are shaped by both demand factors and financial constraints. The results indicate that educational attainment plays a central role in determining long-term outcomes, like reflecting differences in income, employment stability, access to credit, and financial preparedness. College graduates are significantly more likely to become homeowners than individuals without a degree, regardless of student debt status. This finding is consistent with prior research on baby boomers' homeownership trajectories (Shiffer-Sebba & Park, 2021). Although student debt status was not included in their analysis, Shiffer-Sebba and Park (2021) found that, until age 30, baby boomers with a college education had lower homeownership rates than those without a college education; however, this pattern reversed after age 30. Our study included

student debt status in the model, but the differences between degree holders with and without student debt are relatively small, suggesting that debt does not meaningfully alter long-term homeownership.

At the same time, the fixed-effects results highlight the importance of short-term constraints. Within individuals, higher levels of student debt are associated with a lower likelihood of homeownership, particularly at earlier ages. However, when considered alongside the pathway analysis, these results indicate that individuals with student debt, especially those with a college degree, still transition into homeownership at high rates later in life. Taken together, the evidence suggests that student debt operates as a timing constraint, delaying entry into homeownership rather than preventing it.

The analysis also reinforces the importance of other key factors. Marriage remains one of the strongest predictors of homeownership, particularly for early entry, reflecting the economic and social advantages associated with partnership. Income plays an important role in facilitating earlier transitions into homeownership, although its effect diminishes over time, suggesting that income primarily accelerates rather than determines homeownership outcomes. In contrast, having children is associated with a lower likelihood of entering homeownership, indicating that family formation may delay transitions into ownership.

These findings have important implications for how the relationship between student debt and homeownership is understood. While student debt is frequently cited as a major barrier to homeownership, the results suggest that this focus may be overstated. Although debt imposes short-term financial constraints, the more persistent differences in homeownership outcomes are associated with educational attainment and related structural factors. This suggests that policies aimed solely at reducing student debt may have limited effects on long-term homeownership rates.

More broadly, the findings highlight the importance of distinguishing between delays and permanent barriers in financial decision-making. A delay in homeownership does not necessarily imply a long-term disadvantage if individuals ultimately transition into ownership. However, persistent differences across education groups suggest that broader structural factors, such as income, employment stability, and access to mortgage credit, play a more central role in shaping long-term outcomes.

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**Table 1**  
*Homeownership pathways by education and student debt status*

Pathway	No Degree / No Debt	No Degree / Debt	Degree / Debt	Degree / No Debt	Total
Early (30)	701 24.8%	272 31.2%	392 46.5%	258 49.1%	1,623 32.0%
Mid (35)	424 15.0%	158 18.1%	201 23.8%	109 20.8%	892 17.6%
Late (40)	295 10.5%	69 11.0%	104 12.3%	66 12.6%	561 11.1%
Never	1,404 49.7%	347 39.8%	147 17.4%	92 17.5%	1,990 39.3%
<b>Total (N)</b>	<b>2,824</b>	<b>873</b>	<b>844</b>	<b>525</b>	<b>5,066</b>

**Table 2**  
*Fixed effects model on homeownership*

Variable	Fixed Effects Logit		
	$\beta$	Std. Error	p-value
Log Student Debt	-0.074	0.015	<.001
Log Income	0.090	0.020	<.001
Children	0.300	0.042	<.001
Married	1.295	0.095	<.001
GED/HS	1.387	0.569	0.015
Associate	2.551	0.629	<.001
Bachelor's	3.534	0.648	<.001
Graduate Deg.	4.794	0.691	<.001
Retirement Savings	0.331	0.074	<.001

Note. N = 5,799 (2,097 individuals). Results are robust to clustering standard errors at the individual level using conditional logit models.

**Table 3***Multinomial results on the timing of entering homeownership*

Variable	Early vs. Never		Mid vs. Never		Late vs. Never	
	RRR (SE)	p-value	RRR (SE)	p-value	RRR (SE)	p-value
No degree / debt	1.15 (0.12)	0.172	1.28 (0.15)	0.033	1.24 (0.17)	0.119
Degree / debt	3.33 (0.40)	<.001	3.18 (0.41)	<.001	2.77 (0.42)	<.001
Degree / no debt	3.49 (0.51)	<.001	2.80 (0.45)	<.001	2.89 (0.52)	<.001
Log Income	1.46 (0.06)	<.001	1.25 (0.04)	<.001	1.01 (0.02)	0.714
Children	0.89 (0.03)	<.001	0.86 (0.03)	<.001	0.84 (0.04)	<.001
Married	6.33 (0.55)	<.001	2.21 (0.22)	<.001	1.66 (0.19)	<.001
Constant	1.15 (0.12)	<.001	1.28 (0.15)	<.001	1.24 (0.17)	<.001

Note. RRR = Relative Risk Ratios. Reference category: No degree / no debt; Base outcome: Never owner  
 N = 4,910; Pseudo R<sup>2</sup> = 0.109