Indebtedness in the United States has increased dramatically over the past few decades. Specifically, more households are carrying some form of debt, ownership of non-collateralized debt is increasing, and the ratio of debt to income shows steady growth, at the same time as household savings have declined (Draut and Silva 2004; Ritzer 1995). Similar patterns have been documented across a number of industrialized nations (Betti, Dourmashkin, Rossi, and Yin 2007; Debelle 2004; Girouard, Kennedy, and André 2006; Mote and Nolle 2005), prompting much research about the possible causes and consequences of rising household indebtedness.

To date, explicit explorations of household debt have been relatively absent from sociological work on stratification and the life cycle. Incorporating measures of debt is a fruitful area for stratification research. Much like wealth, debt is clearly related to an understanding of life chances, that is, "the chances an individual has for sharing in the socially created economic or cultural "goods" that typically exist in any given society" (Giddens 1973: 130-1). For individuals who lack wealth, debt may facilitate access to the aforementioned "goods" from which they would otherwise be excluded. While debt is more equally distributed across households than wealth, it remains highly stratified.

The forms of debt held by households vary dramatically across wealth subgroups (see **Table 1**) and the most expensive forms of debt, such as payday loans and rent-to-own contracts, are concentrated among low income, low wealth households (Bates and Dunham 2003; Caskey 1994; Stegman and Faris 2003). Even within the same form of debt, low income and minority households continue to pay more: they are more likely to hold subprime mortgages, have higher APR on their credit cards, and be denied access to mainstream financing options (Apgar, Calder, and Fauth 2004; Belsky and Calder 2005; Hudson 1996; Hurd and Kest 2003; O'Loughlin 2006). In this way, debt may function to decrease the life chances of already disadvantaged population segments (Ford 1988).

[TABLE 1 HERE]

Holding debt is inherently risky, and while debt can be used to facilitate social mobility, for many Americans, "one missed mortgage payment or one chronic injury might be enough to push them into the class that has been left behind" (Fischer, Hout, Jankowski, Lucas, Swidler, and Voss 1996: 3). This paper explores processes of debt accumulation and decline across the life course and how they are patterned by extant social stratification.

Drawing from recent research on differentiation in retirement timing, I propose a conceptual model of debt that focuses on three specific mechanisms of differentiation in patterns of indebtedness (see **Figure 1**): 1) *institutional context* (deregulation of financial markets, democratization of credit, and shifting patterns of risk and instability across time); 2) *social heterogeneity*, particularly class, gender, race, and household composition; and 3) *patterned disadvantage*, or *structural risk*, that is, the extent to which the risks from life course shocks such as unemployment, marital dissolution, and medical crises are structured by existing patterns of stratification (Williamson and McNamara 2003: 88; see also Han and Moen 1999).

[FIGURE 1 HERE]

The data used for analysis are drawn from the National Longitudinal Survey of Youth 1979, a panel study of a nationally representative sample of 12,686 men and women aged 14-22 when first surveyed in 1979 (born between January 1, 1957, and December 31, 1964, representing the Late Baby Boomer cohort). The cohort was interviewed annually from 1979 until 1994 and has been interviewed biennially since 1994. As of 2004, the total sample size was 7,646. The NLSY79 data cover asset and liability holdings of respondents as they age from 20-28 to 39-47 (1985-2004), providing detailed information about household dynamics at the point in their life cycle where they are most likely to be entering into and accumulating debt. The NLSY79 data are particularly well-suited for studying patterns of indebtedness, as the respondents were entering adulthood during extensive deregulation of financial markets that expanded access to credit.[1]

The key dependent variables for analysis in this paper are debt ***form***, ***timing***, and ***burden***. ***Form*** of debt indicates the type of debt owned by a household. The analysis is focused on the ownership of three forms of household debt: *home-secured*, *vehicle-secured*, and *non-collateralized, non-revolving debt*. Dichotomous state indicators (yes/no) will be constructed for each of these forms of debt. ***Timing*** of debt is tied to the form of debt and consists of *onset* and *duration* of ownership of a specific form of debt. *Onset* is indicated by the respondent's age (in years) during the wave in which a respondent first reports ownership of a form of debt. *Duration* is the length of time (in years) that a respondent reports continuous ownership of a specific form of debt. A given household may experience onset of one or more forms of debt simultaneously and the same household may experience repeated events of the same form of debt. Lastly, ***debt burden*** is a constructed measure of the ratio of total household debt to yearly household income (a common indicator of debt burden, see Dynan and Kohn 2007). It can also be a form specific measure of debt burden – that is a ratio of the total value of either home-secured, vehicle-secured, or non-collateralized, non-revolving debt to yearly household income.

A variety of covariates will be introduced to capture institutional context (period, lagged macroeconomic indicators), social heterogeneity (assets, household income, education, gender, race/ethnicity, age, marital status, and number and presence of dependent children), and patterned disadvantage or structural risk (unemployment, marital dissolution, disability).

[1] The credit card industry was deregulated in 1978 and regulatory changes in 1982, 1983, and 1986 significantly affected the mortgage industry.

This paper seeks to gain insight into the life-course demography of debt—the way in which sociodemographic characteristics structure indebtedness and how these effects change over time. Household indebtedness is complex; depending on the household, debt may be part of the process of asset accumulation or it may signal financial crisis. The three forms of debt I propose to study appear conceptually distinct. Home-secured debt (predominantly mortgage debt) is concretely linked to asset-building. Vehicle-secured debt, in contrast, is less clearly tied to asset-building. Although paying down the debt provides ownership of the vehicle, the value of the vehicle depreciates over time. Lastly, non-collateralized, non-revolving debt is not tied to any asset and potentially suggests economic constraints. Of course, with the recent crisis in subprime mortgages, we have seen that the meaning of the same debt for a given household can change across time.

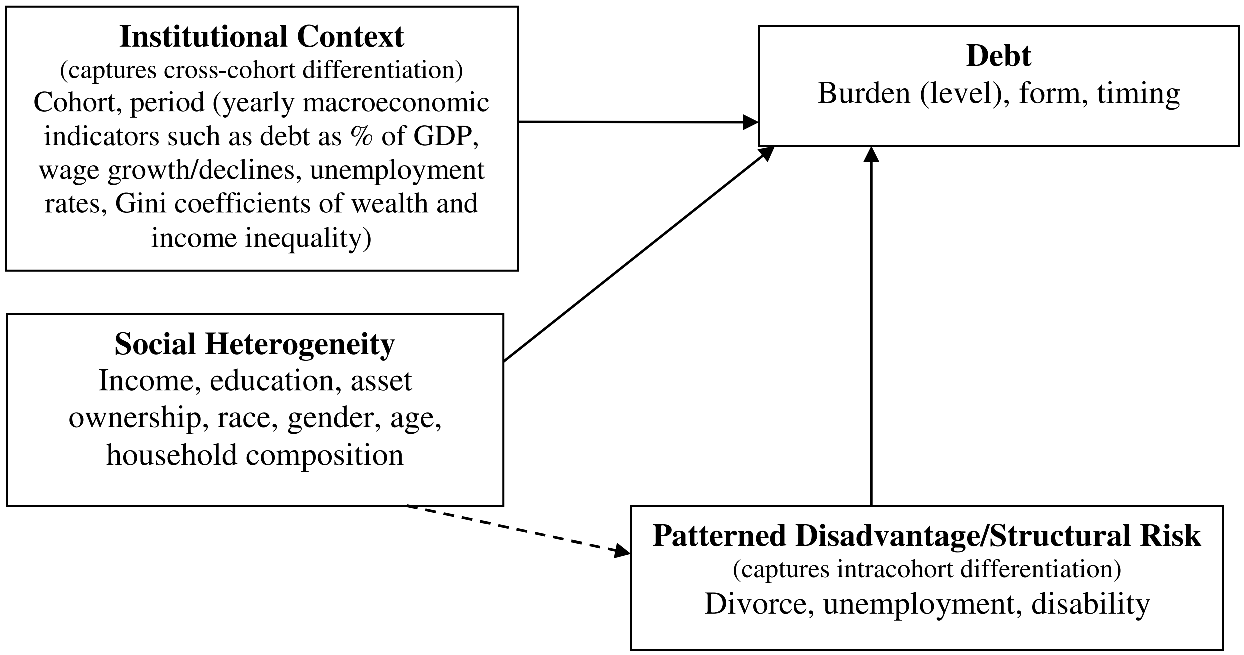
The analysis will use multilevel latent models (nonparametric hierarchical modeling, e.g., Vermunt 2003) to explore whether there are distinctive trajectories of debt burdens across households. I will do specific analyses of the debt burden trajectories for each form of debt—home-secured, vehicle-secured, and non-collateralized, non-revolving debt—as it is expected that they will exhibit distinctly different trajectories as well as an analysis of the trajectory of total debt burden. Utilizing latent class software, this paper will identify latent trajectories of household debt burden. Possible trajectories of debt burden include: stably declining, stably growing, chronically high, and chronically low. Fit statistics, such as the Bayesian Information Criterion (BIC) or log-likelihood, will be used to determine how well the resulting models fit the data and the number of latent classes represented in the data. Lastly, the paper will examine predictors of membership in the identified trajectories. Onset of indebtedness and the form of debt a household holds are expected to be significant predictors of trajectory membership. Early onset home-secured debt might be related to stably declining debt burden, for example, whereas early onset non-collateralized, non-revolving debt might be more strongly associated with chronic patterns of indebtedness.

Table 1. Percent of outstanding debt attributable to various purposes, by wealth group, 2004

	Wealth percentile group					
	All	**0-50**	**50-90**	**90-95**	**95-99**	**99-100**
Home purchase	67.6	66.8	75.3	68.4	51.6	43.2
Home improvement	2.8	2.0	3.2	2.5	3.8	1.4
Other residential real estate	9.7	1.3	5.2	16.6	29.7	27.1
Investment	2.3	0.2	0.7	1.9	5.3	16.1
Education	3.2	8.1	2.0	1.4	0.4	0.3
Vehicle purchase	6.7	10.5	7.1	3.4	3.1	1.8
Goods and services	7.1	10.0	6.1	5.0	5.3	9.2
Other	0.6	1.1	0.2	0.7	0.6	0.8

Source: Kennickell (2006) using Survey of Consumer Finance data

Figure 1: Conceptual Model of Debt



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