

A Family Affair

The Effects of College on Parent and Student Finances

Bhargava · Black · Denning · Fairlie · Gurantz

NBER Working Paper 33497 · February 2025

Discussion by Christopher Wheat

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§ 1 BACKGROUND

The “family vs. student debt” in prior research

WHAT PRIOR WORK ESTABLISHED

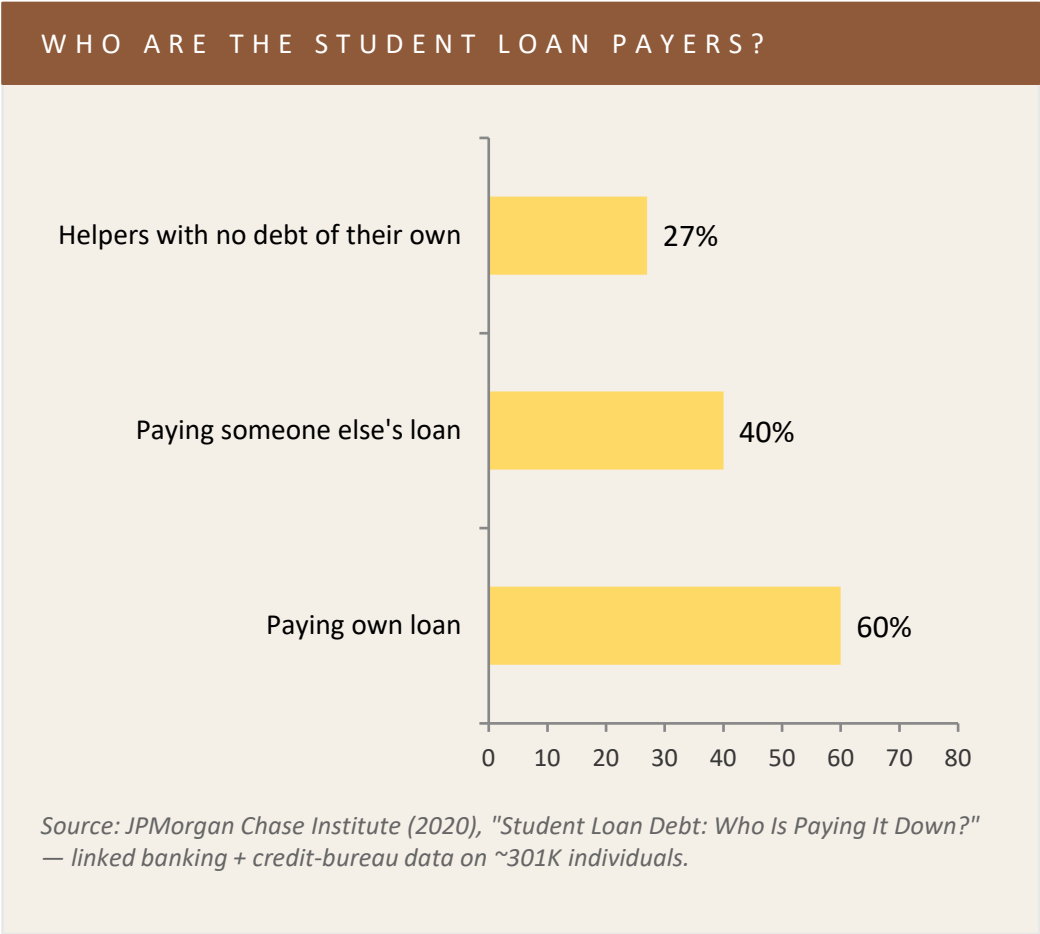
Parents pay ~48% of college costs
Sallie Mae's annual survey has been steady on this share for over a decade.

\$108B in Parent PLUS outstanding
About half the size of undergraduate federal borrowing — parents are a first-order channel.

~40% of student-loan payers pay someone else's loan
JPMCI (2020) shows repayment is a household activity, not a borrower activity.

Parent home equity ↔ student loans substitute
Amromin, Eberly & Mondragon document MSA-level substitution — the household portfolio is real.

The household framing is not new
Zaloom (2019), Kelchen (2021), Walsemann & Ailshire (2017) all describe college debt as a family portfolio.



Whether the source is a bank, credit bureau, survey, or federal file — student debt is part of a family debt story.

§ 2 CONTRIBUTION

Four headline findings

\$0 change

in total parent balances

Total debt is roughly unchanged around a child's FAFSA — masking masking composition shifts.

\$3,000 increase

in parent education loans, 5y out

Offset by declines in credit-card and auto loans. Higher-income parents mostly rebalance.

10-12% reduction

in parent balances at RD cutoff

Cal Grant cuts Parent PLUS \$935 and HELOC \$866. Student loans do not loans do not move.

12% reduction

in parent 90-day delinquency

Grant aid lowers parent delinquency by 0.9pp on a 7.8pp base — grant — grant policy shows up in family cash flow.

Source: Bhargava et al. (2025), NBER WP 33497. Peak magnitudes; delinquency = ≥90 days past due.

§ 2 CONTRIBUTION

This paper closes a specific gap

WHAT'S NEW

Dyadic household linkage

Parent and child observed on the same balance sheet, in credit-bureau data, at population scale.

Both sides of the debt portfolio

Not just Parent PLUS. Auto, credit card, mortgage, HELOC, delinquency, bankruptcy, and credit score move together.

Causal identification of a price effect

The Cal Grant RD delivers a clean estimate of what happens to parent debt when the price of college falls.

CONCEPTUAL CLAIM / EMPIRICAL MEASURE

Conceptual claim:
the effect of college on *family finances*.

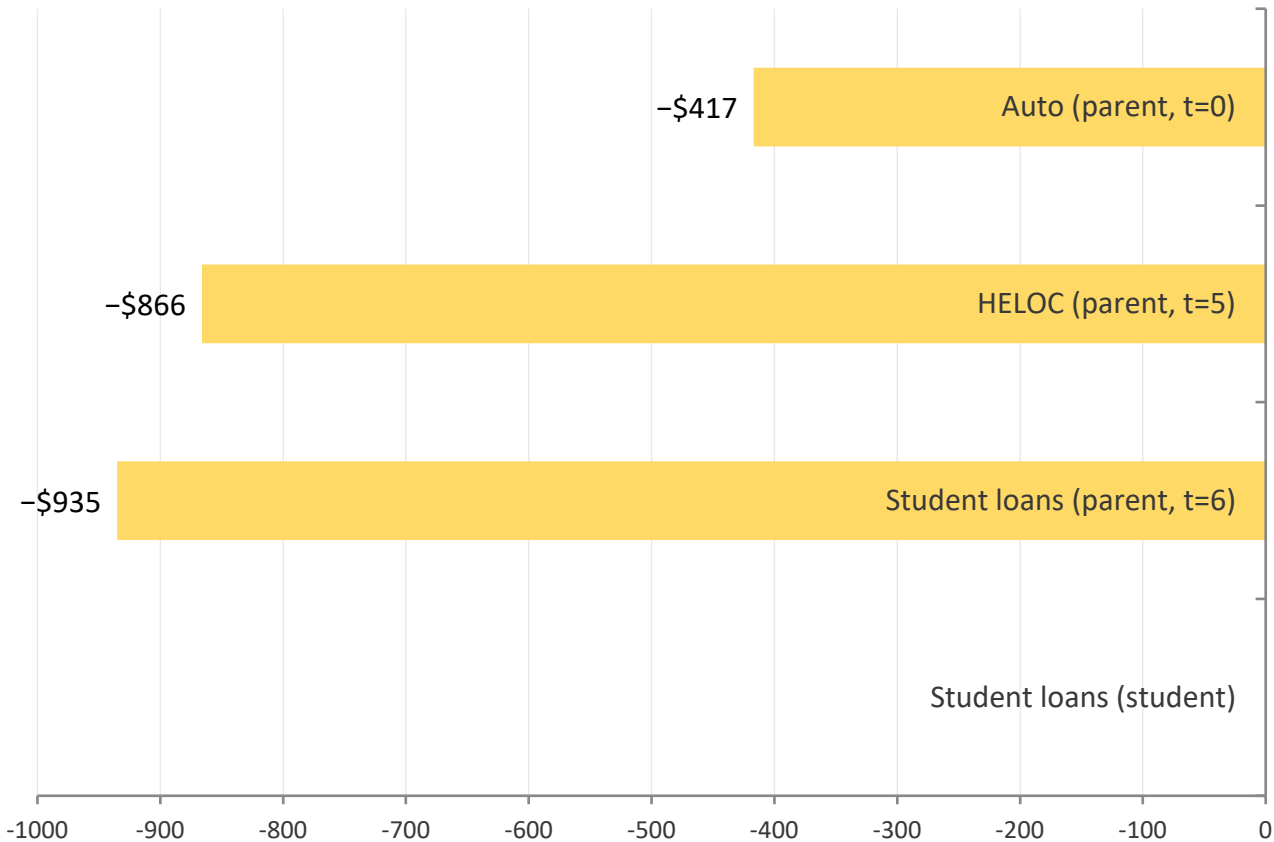
Empirical measure:
the effect of college on the *family credit-bureau ledger*.

This distinction matters. It is a strong result — but it is a subset of household resources, and the subset it excludes (cash, 529s, brokerage, gifts) is not evenly distributed.

The dyadic, causal, admin-data estimate adds empirical heft to previous work with a household/family framing. See appendix A2.

§ 2 CONTRIBUTION

Parents — not students — adjust borrowing to price (increased grant aid) aid)



Source: Table 5 in Bhargava et al. (2025). Reduced-form RD estimates at peak year post-FAFSA.

WHAT WE LEARN

Zero effect on student borrowing
Matches Bettinger et al. (2019) and Denning, Marx & Turner (2019) — students at the margin do not respond.

Meaningful reductions on parent side
~10–12% off Parent PLUS and HELOC balances at peak. The response is exclusively parental.

Family crowd-out is 25–35%
Once parents are included, the earlier "no crowd-out" reading extends into meaningful family-level substitution.

Homeowners vs. non-homeowners diverge
Homeowners substitute HELOCs; non-homeowners substitute PLUS. Same shock, different balance sheets.

§ 3 POLICY IMPLICATIONS

What the paper could imply for policy

AID DESIGN

Score aid on family finances

A dollar of grant aid moves Parent PLUS, HELOC, and parent delinquency. delinquency. That invites evaluating aid on family financial health, not only not only on student enrollment and completion.

PARENT PLUS

PLUS is a lightly-cushioned federal instrument

Parent PLUS has the thinnest IDR cushion of any federal student loan — no direct RAP access, IBR only via consolidation — and OBBBA tightens that further for the lower-income families most likely to hold it.

HOUSING

Home equity is functioning as a college-finance instrument

Homeowners substitute HELOCs roughly one-for-one for Parent PLUS. That PLUS. That shifts a portion of college risk onto the family home in a way way current disclosure regimes do not yet fully reflect.

FRAGILITY

The parent balance sheet acts as the cushion

Parents absorb the household's student-loan shock through credit cards, cards, HELOC balances, and cash flow. Retirement wealth is not priced into priced into current aid design.

§5 revisits each of these four implications through the lens of the questions raised in §4.

§ 4 a QUESTIONS: MEASUREMENT

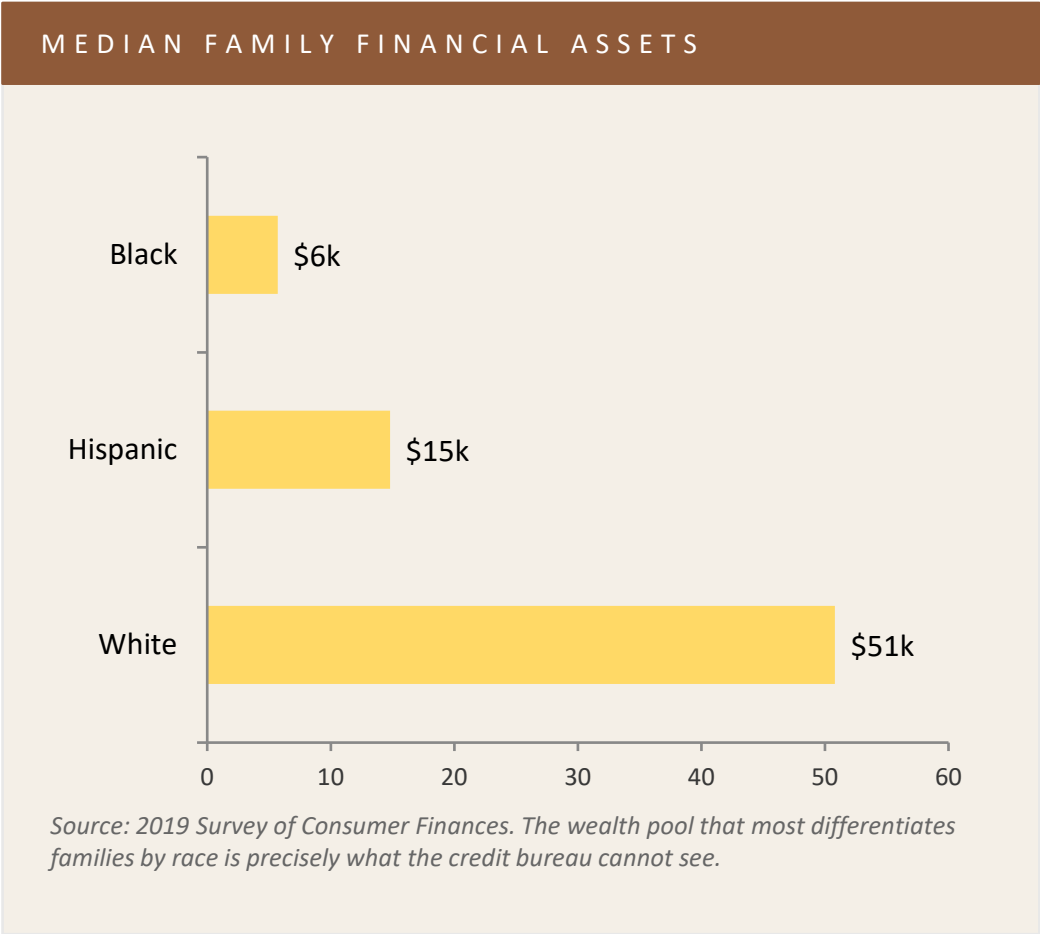
What the credit-bureau lens can and cannot see

TWO PLACES THE LENS IS PARTIAL

The credit bureau has a wealth-shaped blind spot
It sees Parent PLUS but not the 529 that funded four years of school. 65–70% of 529 assets sit in the top income quintile.

Additional scope for outcome differences by race
2019 SCF: the typical White family has \$45k more in financial assets than the typical Black family — a gap the credit bureau cannot see.

The welfare of Parent PLUS substitution is unspoken
PLUS is expensive, non-dischargeable, and — with SAVE wound down — has almost no IDR cushion. Substitution is not obviously good.



Averages tell part of the story. "No change in total debt" is a credit-ledger statement, not a household-resource one.

§ 4 b QUESTIONS: IDENTIFICATION

How to read the empirical claims

TWO IDENTIFICATION CONCERNS

The event study as modeled assumes no anticipation

Callaway–Sant’Anna requires an explicit window δ under anticipation. I didn’t see a specification in the paper — but FAFSA is anticipated 10–15 years out.

The RD bundles more than a price effect

Crossing 3.0 GPA also shifts some students from community college to CSU (~2.5pp). Fuzzy RD scaling could isolate the pure price channel.

The bias direction differs by outcome

PLUS balances are unbiased; credit-card, auto, and delinquency stories are the most exposed to anticipatory financial preparation.

ANTICIPATION HORIZON

10–15 yrs

of anticipation from child's birth to FAFSA filing filing

Longer and more predictable than the birth-timing horizon in the Kleven–Landaís–Søgaard child-penalty framework the paper is modeled on.

Under anticipation, some of the event study's post-FAFSA effects could be pre-existing financial preparation that the estimator misattributes.

Potential fix: report event study with $\delta = 3$ and $\delta = 5$, 10-year pre-period, age-of-oldest-child controls. Full detail in appendix A1.

§ 4 c Q U E S T I O N S : G E N E R A L I Z A B I L I T Y

How the findings might travel beyond California

THREE FEATURES CALIFORNIA DOESN'T SHARE

Cal Grant is unusually generous
First-stage subsidy at the cutoff is larger than nearly any other state aid program. Crowd-out magnitudes may not travel.

California housing is atypical
Appreciation in the sample window created HELOC capacity that lower-appreciation states do not have. Substitution channel varies.

FAFSA filers skew lower-SES
Higher-income non-filers finance college largely from savings — a channel this design cannot see, and one that dominates in some states.

WHAT DIFFERENT ANSWERS WOULD MEAN

If the CA setting is idiosyncratic
Then the crowd-out magnitudes are a ceiling, but the substitution mechanism itself still travels.

If housing capacity is what matters
Then the HELOC ↔ PLUS margin is largest in high-appreciation MSAs and smallest in stagnant ones — a testable next-paper claim.

If FAFSA-filer selection dominates
Then the paper describes the lower-SES tail well and misses higher-SES families whose response is on the invisible-savings side.

The mechanism the paper identifies is not California-specific — but the magnitudes may be.

§ 5 SYNTHESIS

How the answers reshape the policy implications

Score aid on family finances

The direction of this implication looks robust across the §4 questions. The magnitude — how much of family financial capacity to weight in an EFC-style formula — depends on resolving the credit-bureau blind spot in §4a. Adding §4a. Adding FAFSA asset fields (if available in the extract) would let this rest on a household-resource view rather than a debt-only view. JPMCI (2020) points (2020) points the same direction: ~75% of borrowers over 60 pay for a child.

Parent PLUS is a lightly-cushioned instrument

Reads differently once you note that Parent PLUS has the thinnest IDR cushion of any federal student loan, and OBBBA narrows it further for exactly the families this paper identifies.

Home equity as a college-finance margin

This is the paper's most California-dependent policy implication. If housing capacity drives the HELOC ↔ PLUS margin (§4c), the substitution mechanism travels but its magnitude is concentrated in high-appreciation MSAs. Disclosure and underwriting implications will depend on how much of the mechanism generalizes.

The parent balance sheet as the cushion

The direction looks robust; the size of the cushion depends on what a credit-bureau credit-bureau lens cannot see. If anticipation inflates the lower-income "credit health improves" narrative (§4b), the true cushion may be smaller than the paper implies. JPMCI (2020) adds a cash-flow read: 1 in 4 families spend families spend >11% of take-home pay on student loans in a payment month.

JPMCI (2020) reappears as an out-of-sample check that lands the paper's policy read from the cash-flow side.

CLOSING

The conversation the paper opens

A new picture of the household ledger around college.

The paper gives us the first admin-data view of both generations' balance sheets around a child's college enrollment. That reframes what we should be measuring — and what aid programs should be evaluated on.

The next round of the conversation.

How big are the pieces we cannot see yet — savings, wealth, cross-generational transfers — and how much of the mechanism travels beyond California? Those are the questions that will shape whether the paper's implications guide national aid design or a California-specific one.

I look forward to hearing the authors think out loud on all of the above.

Technical materials

Reference slides for the authors.

- A1 · Callaway–Sant'Anna and the anticipation problem
- A2 · The novelty claim, precisely stated
- A3 · Grant-aid RD: dollar effects on parent balance sheets
- A4 · Heterogeneity by family income
- A5 · Six technical suggestions for revision
- A6 · Extended discussion questions

APPENDIX

A1 · METHOD

Callaway–Sant'Anna and the anticipation problem

WHAT CS (2021) REQUIRES

Parallel trends in untreated outcomes
The control group's untreated trajectory must match what the treated group would have done.

No anticipation — or a specified window δ
If treatment is anticipated, δ shifts the baseline back so anticipatory changes are absorbed into the control.

Non-ambiguous treatment date
First FAFSA works well as a clean, observable event.

This paper: *chooses not-yet-treated controls but does not specify δ , does not re-baseline, and does not empirically audit for anticipatory finance.*

LIKELY BIAS BY OUTCOME

Education loans (PLUS)
Unbiased. The instrument is unavailable pre-enrollment, so no anticipation shows up here.

Auto and credit card
Biased toward the reported finding. Anticipatory belt-tightening reads as a post-FAFSA decline.

HELOC / mortgage
Understated. A decade of anticipatory equity preservation nets against a short post-FAFSA drawdown.

Delinquency / bankruptcy / score
Modestly biased. The lower-income "+5-pt credit-score" narrative is the most exposed to this critique.

Potential fix: rerun event study with $\delta = 3$ and $\delta = 5$, extend the pre-period to 10 years using youngest cohorts, and add age-of-oldest-child controls.

APPENDIX

A2 · POSITIONING IN THE LITERATURE

The novelty claim, precisely stated

The household-portfolio framing is not *entirely* new. What is first-of-its-kind is the intersection: a causal, dyadically-linked, admin-data estimate of both estimate of both generations' full debt portfolios.

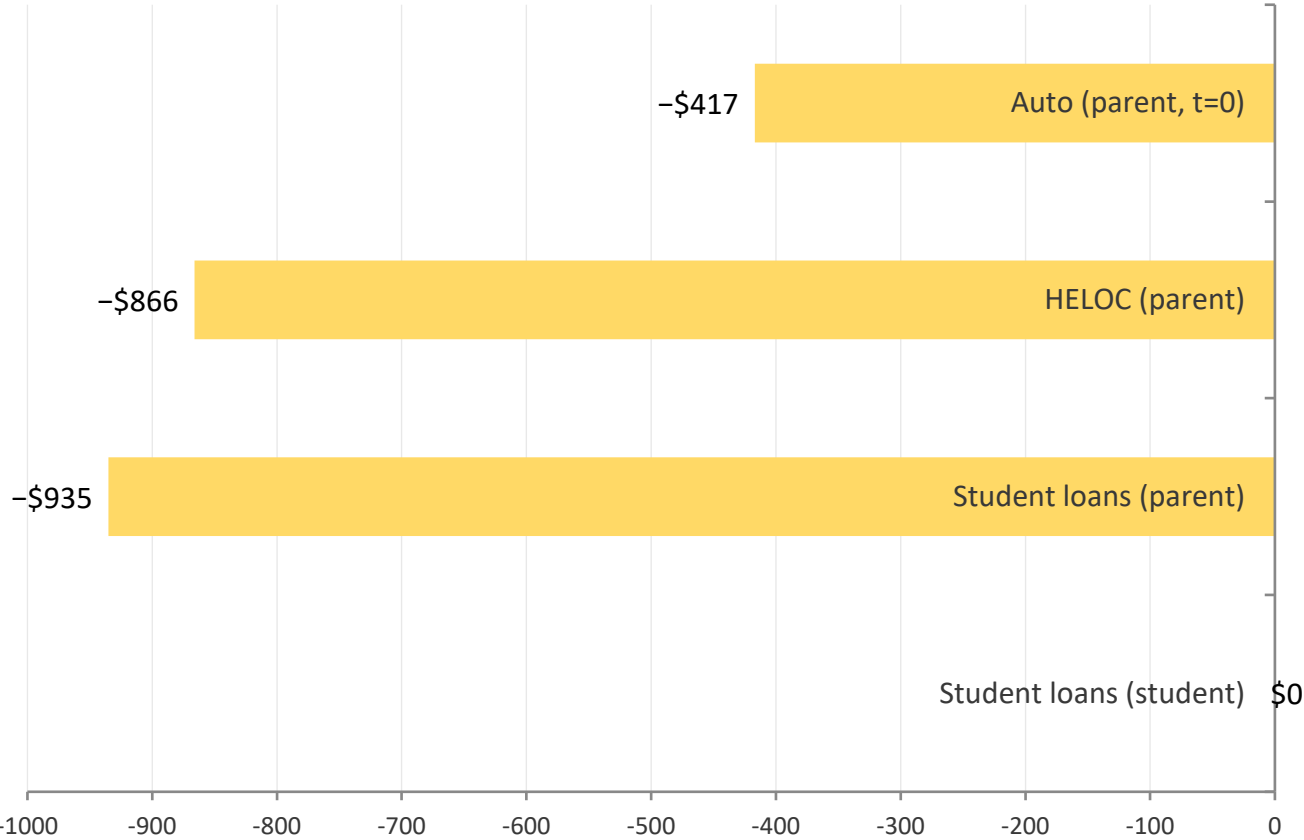
Precedent	Data / method	Portfolio	Dyadic	Causal	Admin
Kelchen (2021)	College-level averages	●	—	—	—
Walsemann & Ailshire (2017)	NLSY79 survey	—	—	—	—
Zaloom (2019)	Ethnography; qualitative	●	—	—	—
Abbott et al. (2019, JPE)	Structural OLG	●	—	—	—
Bulman et al. (2021, AER)	IRS parent–child link	—	●	●	—
Catherine & Yannelis (2023)	Admin PLUS loan-level	—	—	—	●
Amromin et al. (unpub. WP)	MSA housing ↔ loans	●	—	partial	●
This paper (2025)	CA FAFSA × UC-CCP	●	●	●	●

Amromin–Eberly–Mondragon ("Housing Crisis and the Rise in Student Loans") and its successor "Passing the Buck" remain unpublished. MSA-level result is the closest conceptual analog.

APPENDIX

A3 · CAUSAL RESULTS

Grant-aid RD: dollar effects on parent balance sheets



Source: Table 5 in Bhargava et al. (2025). Reduced-form RD estimates at peak year post-FAFSA.

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APPENDIX

A4 · INCOME HETEROGENEITY

Higher- and lower-income parents look different

HIGHER-INCOME PARENTS ($> \text{median}$)**Rebalance rather than borrow more.**

College opens access to Parent PLUS. Higher-income parents use it as a preferred credit channel and shed higher-cost debt in parallel — total leverage does not move.

- Larger increase in education loans
- Larger declines in credit card, auto, mortgage
- Total balances essentially unchanged
- No bankruptcy change; credit score flat/slightly up

LOWER-INCOME PARENTS ($\leq \text{median}$)**Financial health appears to improve.**

Consistent with a binding credit constraint being relaxed — but part of the pattern may be anticipatory financial preparation misattributed to college (see A1).

- Smaller rise in education loans (community college)
- Delinquency falls on HELOC, CC, auto, mortgage
- Chapter 7 bankruptcy declines
- Credit score +5 pts six years after FAFSA

Source: Figures 5–8 of Bhargava et al. (2025). Median income split $\approx$ \$45–50k varies by year.

APPENDIX

A5 · TECHNICAL FEEDBACK

Six technical suggestions for revision

IDENTIFICATION

Report a fuzzy RD scaled by grant \$

The reduced form bundles price, sector switch, and completion. Scaling by dollars received isolates the price channel.

WEALTH BLIND SPOT

Use FAFSA asset fields if available

The ISIR contains parent cash, 529, and business/farm net worth. If the DUA covers DUA covers them, a wealth split would sharpen the income-heterogeneity story.

EXTERNAL VALIDITY

California is not America

Rescale crowd-out to national net-price and HELOC availability so policy readers can readers can carry the finding.

ANTICIPATION

Re-baseline CS with $\delta = 3$ and $\delta = 5$

FAFSA is anticipated 10–15 years out. Extend the pre-period to 10 years using using youngest cohorts; add age-of-oldest-child controls.

MEASUREMENT

Bound the invisible flow

Sallie Mae suggests 20–30% of parental cost comes from savings. A one-page page bounding appendix would keep the "no total debt change" result from being from being over-read.

WELFARE

Rank the instruments

Compare expected present cost of Parent PLUS, HELOC, and 401(k) loans. Prevents Prevents "substitution" from being read as endorsement.

APPENDIX

A 6 · FOR THE AUTHORS

Extended discussion questions

Q3

Under CS with $\delta = 5$, how much of the low-income "credit score "credit score up, delinquency down" pattern survives?

Q5

Bound the off-balance-sheet flow (20–30% of parental costs per costs per Sallie Mae). What happens to the "no change in total in total debt" result?

Q7

With SAVE wound down and only RAP and IBR available, what is the case for a Parent-PLUS-specific IDR — and how would your lower-income "benefit" result move under such a reform?

Q4

Is your household result a microfoundation of Amromin–Eberly–Mondragon's MSA-level substitution — or does the direction differ?

Q6

JPMCI (2020): ~75% of borrowers over 60 pay a child's debt, debt, disproportionately White and higher-income. Does your CA Does your CA panel show the same pattern beneath the noisy noisy race proxy?

Q8

Will you extend the credit panel past 2023 (post-restart)? And do you have priors on how the 2024–25 FAFSA simplification's removal of the sibling-in-college adjustment changes parent debt allocation?