

## Easing the Squeeze on Young Families

Democrats inherited one of the worst economic crises in our nation's history, a crisis that is putting extraordinary stress on millions of American families struggling to pay their bills and invest in their children's futures. The road to recovery will be long, but Congress has worked quickly with the Obama Administration to ease the pressure on working families by advancing an economic policy agenda aimed at restoring broad-based growth, reducing the high costs of health care, improving retirement security, and increasing prosperity for all Americans.

### **The Bush Legacy: The Squeeze on Young Families**

#### **Falling Incomes, Rising Expenses**

- Median annual income for young families, those headed by 25-34 year olds, fell \$3,073 to \$54,279 between 2000 and 2007, the most recent year for which data is available.
- The average family health insurance premium increased by 48 percent between 2000 and 2008, to \$12,680.
- The average cost of college tuition at a four-year public university increased by 47 percent between 2000 and 2007.
- The average cost of full-time child care for one child in 2008 was \$6,094.

#### **Disappearing Jobs**

- The number of workers between the ages of 25 and 34 years old with a job has dropped by 1.5 million since the recession began in December 2007.
- Over 3.2 million young workers are unemployed, twice as many as in December 2007.
- The unemployment rate for young workers has increased from 4.8 percent to 9.7 percent over the course of the recession, well above the national unemployment rate of 8.9 percent in April 2009.

#### **One-Fifth Of All Young Families Lived in Poverty in 2007**

- Nationwide, nearly 2 million young families with children under 18 years old and headed by someone aged 25 to 34 (19.8 percent of all young families) lived below the poverty line in 2007, up from 16.2 percent in 2000.

#### **Over 10 Million More Uninsured Young Americans in 2007**

- The number of working-age young Americans (aged 25 to 34) with no health insurance increased by 2.0 million to 10.3 million in 2007, the most recent year of available data. Over a quarter (25.7 percent) of all young Americans had no health insurance coverage in 2007.

#### **Skyrocketing Debt**

- Young families were forced to rely heavily on debt financing in order to pay their bills in the face of grim earnings and employment prospects. Average total debt amongst young households shot up by 58 percent (from \$68,864 to \$108,773) between 2001 and 2007, the most recent year of available data.
- During the sub-prime boom, predatory lenders targeted first-time homebuyers with high cost subprime mortgage loans. Over 354,000 new homeowners used these high-risk loan products to finance their first homes in 2006. The Joint Economic Committee estimates that the number of subprime foreclosures for 2009 will be 830,000, and a disproportionate share will impact on first-time homeowners.
- Average credit card debt for young households grew by 5 percent, from \$2,977 to \$3,116 between 2001 and 2007. Variable interest rates and other credit card practices mean that young households are diverting an increasing share of their incomes toward servicing their credit card debt, which puts a further strain on family finances.
- Average education-related debt for young headed households increased 111 percent to \$9,981 between 2001 and 2007 as families struggled to keep up with rising college tuition costs.

# Easing the Squeeze on Young Families

While the problems are enormous, the 111<sup>th</sup> Congress and the Obama Administration have worked swiftly to chart a course toward a stronger economic future. The American Recovery and Reinvestment Act is designed to turn our economy around, and it includes many provisions that will put money in younger workers' pockets today and help them invest in their futures. In addition, the FY2010 budget provides a blueprint for a policy agenda that invests in the economic well-being of young families.

## **Putting money in the pockets of those who need it most.**

The Making Work Pay Tax Credit, an extended Child Tax Credit and an expanded Earned Income Tax Credit are already putting money in the wallets of young working families. A refundable Child Tax Credit and expanded saver's credit will provide a boost to millions saving for their families' futures.

## **Protecting the most vulnerable.**

The Recovery Act will help protect the health of low income families by helping states avoid cuts in Medicaid enrollment and services, and boosting funding for food stamps, WIC, and food bank programs that serve as critical sources of healthy food for struggling young families across the country.

## **Investing in America's future through job training and education.**

Congress and the Administration have committed substantial funding towards job training in high-growth sectors, including "green jobs," expanded Trade Adjustment Assistance expansion to cover training programs for workers displaced from the service sector, and created a State Fiscal Stabilization Fund to help prevent teacher layoffs and cuts in other key service.

## **Making college affordable.**

The American Opportunity Tax Credit and increased Pell Grants are making college more affordable for millions more young people, and the FY2010 Budget proposes an expansion of the Federal Perkins loan program and a new College Access and Completion Fund.

## **Helping families stay in their homes.**

Stabilizing the housing market is central to restoring the American economy, and Democrats have worked quickly to put in place policies that will ease the burden on working families. The Helping Families Save Their Homes Act of 2009 will provide lenders and homeowners with key tools and incentives to modify unfair loans and to avoid foreclosures. Coupled with the Administration's actions to help families refinance into lower interest rate loans if they have mortgages issued or guaranteed by Fannie Mae and Freddie Mac and owe more on their houses than their current value, this critical piece of legislation will halt the steep decline in home prices and keep the dream of homeownership alive for millions of American families.

## **Making child care affordable.**

The Recovery Act funded Child Care and Development Block Grants that support quality child care services for low-income families, additional funding for Head Start and Early Head Start over the next two years.

## **Making quality health care coverage affordable.**

With the reauthorization of the Children's Health Insurance Program, the Democrats expanded children's access to health insurance, and the FY2010 Budget includes a budget-neutral reserve fund that will facilitate the passage of health insurance reform that achieves America's shared goals of constraining costs, expanding access, and improving quality.

Sources: U.S. Census Bureau; Kaiser Family Foundation; National Association of Child Care Resource & Referral Agencies; College Board; Bureau of Labor Statistics; Center for Responsible Lending; JEC calculations from the Survey of Consumer Finances, the Mortgage Bankers Association's National Delinquency Survey, the Bureau of Labor Statistics, and Global Insight.