The recent recession has increased interest in understanding the effect of credit markets on individual decision-making. Prior to "the great recession", most Americans experienced almost thirty years of unprecedented availability and access to both unsecured and secured credit markets (Lyons, 2003; Athreya, 2001). Many individuals, in particular those with little to no assets- the low-income and young- who would have previously been shut out of these markets or found little benefit in participating (Weller, 2010; Mann, 2009) were able to obtain credit as companies diversified their risks across households and offered more attractive products to increase their market share. (Mann, 2009; Watkins, 2000) Consequently, along with increased credit access and utilization came large debt loads as households borrowed against the future to finance present consumption. (Sun & Xiao, 2007; Bird, Hagstrom, & Wild, 1999) The rise of credit card usage and consumer debt among the young (Scott, 2010) and especially, college-aged population, over this period did not go unnoticed (Manning, 2004; Lyons, 2008), with concern over the amount companies allowed these young inexperienced consumers to borrow with little to no recourse for their ability to repay.

Economic theory on life cycle consumption behavior posits that early adulthood is the period in which individuals would be most likely borrow heavily against their future expected earnings, amassing a large debt load to be paid down in later life stages (Baek & Hong, 2004). Coincidentally, young adulthood is also the period in the life course when most individuals first have independent contact with credit markets and assume the role of a debtor (Chiteji, 2007; Lyons, 2008). These early financial behaviors, practices, and beliefs about credit and debt and may have consequences that reverberate throughout other stages in the life course (Baek & Hong, 2004). Thus, it is surprising that the literature on initial access to and utilization of credit markets by young adults is so scarce. What is much less understood is the interaction between debt accumulation and demographic trends, especially at early points in the life course. Apart from Chiteji (2007), no study has explored the role that debt plays as a factor in the transition to financial and economic independence and its subsequent impact on coresidential union formation.

Drawing from two distinct literatures, the transition to adulthood and consumer finance, this study examines the effect that debt has on transitioning into two types of union formation, first cohabitation, a fairly recent trend, and first marriage, a more traditional one. The research question of interest is whether the acquisition of consumer debt (relative to one's assets) that a young person assumes as they enter adulthood significantly affects the probability of a coresidential union transition. I first examine the debt holdings of the youth along several demographic and socio-economics measures to provide a picture of the sample cohort as they enter young adulthood. I then analyze the association between several measures of debt holdings at two separate points in early adulthood, ages eighteen and

twenty, to analyze the effect on the probability of transitioning into first cohabitation or marriage by age 25.

Given that the theoretical predictions of acquiring debt to consumption smooth during young adulthood are relatively ambiguous given its dependence on the timing, quantity, and quality of the debt (Chiteji, 2007), and based on existing research that suggest that the economic and financial "underpinnings" for cohabitation and marriage may not necessarily be congruent (Kravdal, 2010; Sassler, 2004, Arnett, 2004; Clarkberg, 1999), I hypothesize that a large debt load may act as a precursor to cohabitation but as a hindrance to marriage. The sample population studied is especially well suited for this period, as the respondents are turning twenty at the millennium. The most recently released data is from 2008, just prior to the start of the recession. The goal of this study is to provide a better understanding of how early exposure to credit markets and the acquisition or non-acquisition of consumer debt influences the transition to residential romantic relationships.

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Financial Standings by Transition Status										
	Full Sample		Transitioned to first cohabitation				Transitioned to first marriage			
			Transitioners		Non- Transitioners		Transitioners		Non- Transitioners	
	Coef.	Std. Err.	Coef.	Std. Err.	Coef.	Std. Err.	Coef.	Std. Err.	Coef.	Std. Err.
Transitioned to first cohabitation	0.500	0.008	1.000	0.000	0.000	0.000	0.609	0.014	0.448	0.010
Transitioned to first marriage	0.323	0.008	0.393	0.011	0.252	0.010	1.000	0.000	0.000	0.000
Holds outstanding debt at 18	0.255	0.010	0.273	0.015	0.238	0.011	0.285	0.015	0.241	0.011
Value of debt at 18	280.06	19.86	297.02	29.53	263.07	27.15	299.06	31.17	270.99	24.21
Holds outstanding debt at 20	0.436	0.008	0.483	0.011	0.389	0.011	0.517	0.014	0.398	0.010
Value of debt at 20	3098.97	122.51	3441.07	191.85	2734.22	151.76	4029.36	214.14	2638.75	147.73
Has negative net worth at 20	0.138	0.006	0.135	0.008	0.141	0.008	0.140	0.010	0.137	0.007
Has positive financial assets at 20	0.559	0.008	0.543	0.011	0.574	0.011	0.615	0.014	0.532	0.010
Has positive non-financial assets at 20	0.958	0.003	0.966	0.004	0.950	0.005	0.960	0.006	0.956	0.004
Holds outstanding debt at 25	0.685	0.008	0.704	0.010	0.667	0.011	0.762	0.012	0.648	0.009
Value of debt at 25	12510.10	314.59	12875.00	476.08	12122.80	421.25	15379.80	614.04	11125.80	357.52
Has negative net worth at 25	0.344	0.008	0.339	0.011	0.349	0.011	0.339	0.013	0.347	0.009
Has positive financial assets at 25	0.608	0.008	0.592	0.011	0.623	0.011	0.669	0.013	0.578	0.010
Has positive non-financial assets at 25	0.937	0.004	0.944	0.005	0.930	0.006	0.958	0.006	0.927	0.005
Data: NLSY97; Imputed Dataset; All Figured adjusted to 2008 Dollars										