

BANKRUPTCY BY THE NUMBERS

BY: ED FLYNN
& GORDON BERMANT

Executive Office for United States Trustees^{1/}
Burke, Virginia

Edward.Flynn@usdoj.gov
gbermant@erols.com

Chapter 7 Debtors - From 19 to 92:

Debtors are not required to report their age on Schedule I of their bankruptcy petitions, but some do. Our research database contains 1,931 no asset Chapter 7 cases that were closed in 2000. Debtors in 390 of these cases reported their age on Schedule I. Including joint debtors we obtained the ages of 539 debtors or joint debtors of the 2,595 in our database.

With only about a 20% age reporting rate, we cannot be sure that the debtors who reported their age are representative of the debtors who did not. However, as noted in the following table, their financial profile was fairly close to that of the typical no asset chapter 7 debtor. The main difference is that joint debtors were somewhat more likely to report their ages than non-joint filers. This resulted in our sub-sample having a higher proportion of homeowners, and a slightly larger average family size.

<u>CATEGORY</u>	<u>AGE REPORTING DEBTORS AVERAGE</u>	<u>ALL DEBTORS AVERAGE</u>	<u>AGE REPORTING DEBTORS MEDIAN</u>	<u>ALL DEBTORS MEDIAN</u>
SECURED DEBT	\$49,958	\$48,416	\$19,896	\$13,600
UNSECURED DEBT	\$37,813	\$46,120	\$24,479	\$25,327
REAL PROPERTY	\$41,139	\$37,676	0	0
PERSONAL PROPERTY	\$16,301	\$16,193	\$9,970	\$8,955
GROSS INCOME	\$30,396	\$30,108	\$27,600	\$26,400
CREDIT CARD DEBT	\$17,172	\$17,891	\$10,429	\$10,587
% JOINT FILINGS	40.5%	34.4%		
% HOMEOWNERS	45.6%	41.4%		
FAMILY SIZE	2.55	2.39		

^{1/} All views expressed in this article are those of the authors, and do not necessarily represent the views of the Executive Office for United States Trustees or the Department of Justice.

The average age of the debtors was 40.9 years. Their median age (one-half were older and one-half were younger) was 39. The youngest reported age was 19, and the oldest was 92. The following chart compares the age of the reporting debtors with the distribution of ages of the adult population in the United States. The final column is computed by dividing the second column (percent of debtors) by the third column (percent of U.S. adults) and multiplying the result by 100. Values of under 100 reflect fewer than expected debtors in that age category, and values of over 100 reflect a greater than expected number of debtors in that age group.

AGE RANGE	PERCENT OF DEBTORS	PERCENT OF U.S. ADULTS	ACTUAL/ EXPECTED (100 = AVERAGE)
18 - 24	5.4%	13.0%	42
25 - 29	15.2%	8.6%	177
30 - 34	14.7%	9.5%	155
35 - 39	15.0%	10.7%	140
40 - 44	16.3%	11.1%	147
45 - 49	10.2%	9.8%	104
50 - 54	9.1%	8.6%	106
55 - 59	7.6%	6.5%	117
60 OR MORE	6.5%	22.2%	29

The data indicate that the ages of 25- 44 are the peak years for filing bankruptcy. People between the ages of 45 and 59 file at about the rate that would be expected by their proportion in the population at large. Filings in the 18-24 age range are less than one-half the expected rate, and the rate for people aged 60 or more is less than one-third the expected amount. These figures are consistent with those developed by Professors Sullivan, Westbrook, and Warren that were cited in a recent report by the General Accounting Office.²

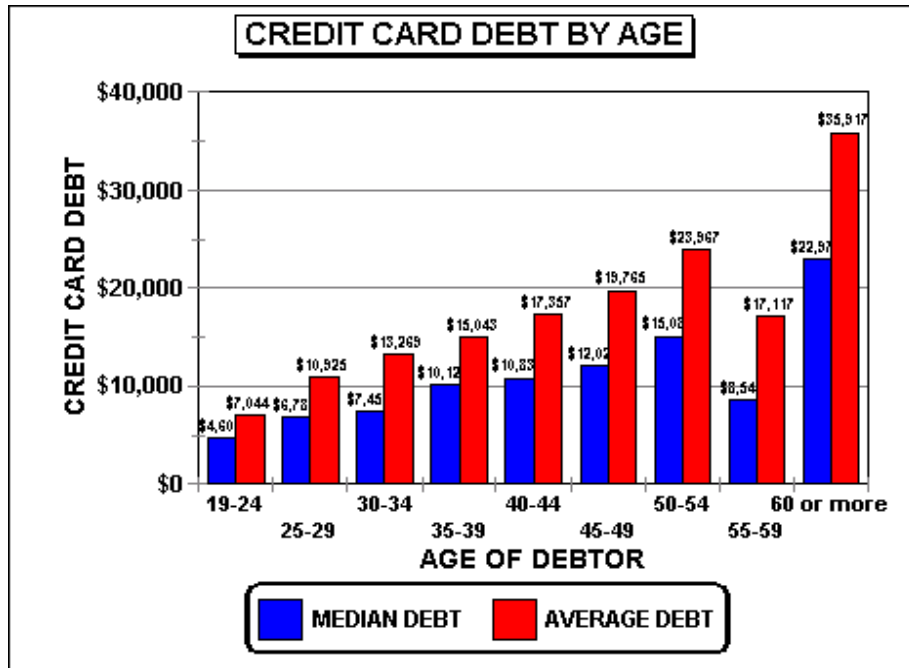
² General Accounting Office, College Students and Credit Cards, GAO 01-773, June 2001.

The financial profiles vary somewhat according to the age of the debtors. The following table compares the circumstances of debtors of different ages. In this table, for joint filings the age category is based on the age of the first listed debtor. All financial figures represent the mean or average figure. We also computed, but do not show here, the median figures. The medians follow the same basic patterns as the means, with one exception. The median unsecured debt for debtors age 60 or more is higher than the median for all other age cohorts.

AGE RANGE ----->	20 - 29	30 - 39	40 - 49	50 - 59	60 or more
- CASES	74	115	99	71	29
- AVG. FAMILY SIZE	2.57	3.06	2.69	1.94	1.52
- % HOMEOWNERS	36.5%	40.0%	54.5%	46.5%	58.6%
- % EMPLOYED	89.2%	88.7%	81.8%	69.0%	24.1%
- GROSS MONTHLY INCOME	\$2,501	\$2,646	\$2,723	\$2,493	\$1,618
- REAL PROPERTY	\$28,530	\$36,768	\$57,649	\$37,730	\$42,636
- PERSONAL PROPERTY	\$13,140	\$16,197	\$18,161	\$18,562	\$12,898
- SECURED DEBT	\$41,130	\$47,001	\$66,815	\$44,323	\$40,465
- UNSECURED DEBT	\$30,458	\$31,643	\$47,150	\$41,027	\$41,311
- CREDIT CARD DEBT	\$9,824	\$14,148	\$18,233	\$20,591	\$35,917

Debtors in their 20s were nearly all employed, and reported somewhat lower asset and debt levels than other debtors. Employment levels were also high for debtors in their 30s, and they had the largest average family size for any age cohort. Compared to debtors of other ages, the debtors in the 40s have the highest gross incomes, and the highest amounts of real and personal property and secured and unsecured debt. Average family size and employment levels begin to drop for debtors in their 50s. Additionally, slightly lower homeownership rates in this age cohort led to lower real property and lower secured debt. Relatively few debtors aged 60 or older are employed, so gross monthly income is much lower. Homeownership is high, and many have some equity in their homes because they are the only age cohort whose average real property is worth more than their secured debt. Nearly all of their general unsecured debt is from credit cards, and total credit card debt is nearly twice their annual income.

Credit card debt by age: Credit card debt levels increased steadily based on the age of the debtors. Credit card debt levels were relatively low for debtors under the age of 25. However, these amounts were twice as high for debtors in their mid 30s, three times as high for debtors in their 50s, and about 5 times as high for debtors 60 or older.



Student debtors: There have been reports of high levels of credit card debt and financial distress among college students.³⁷ While many students may have become overextended or have overused the credit available to them, our data indicate that very few are filing for Chapter 7 bankruptcy. As noted above, filings were relatively low among the 19-24 year old portion of the population, and their credit card debt levels tended to be much lower than for other debtors. Moreover, out of 29 debtors aged 19-24 in our database, only two were students. In fact, most of the debtors in the youngest category were employed in clerical, sales, or blue collar jobs, and about one-half reported having one or more children. Only three of these debtors had any student loan debt, and there was no evidence on the remaining petitions that any of the other debtors in this age group had dropped out of college.

Conclusion: Our data, which we can not be certain is representative of all Chapter 7 debtors, indicates that:

- The peak bankruptcy years are 25-45;
- Average incomes of debtors are about the same for all ages, except for debtors aged 60 or more;
- Nearly 90% of debtors under age 40 are employed;
- Debt, asset, and income levels are highest for debtors in their 40s;
- Credit card debt increases with age, and accounts for the vast majority of total unsecured debt reported by debtors 60 or older.
- Chapter 7 filings by college students are infrequent.

³⁷ For example, one widely quoted statement from an Indiana University administrator was: “We lose more students to credit card debt than academic failure.” The Chicago Tribune, 16 August 1998.

