

BANKRUPTCY BY THE NUMBERS

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The Class of 2000:

For the third consecutive year we have obtained a large sample of chapter 7 no asset cases filed in the 84 federal judicial districts served by the United States Trustee Program. We started with a sample of 2,000 recently closed no asset cases. After eliminating business cases, and cases with missing schedules, we ended up with a sample of 1,931 no asset chapter 7 cases that were closed during 2000.

We have recorded certain information regarding income, debts, and expenses for each of the three years. Due to the costs of data entry, other information is recorded for only one year. This year for the first time we gathered information on car ownership and transportation costs, homeownership and housing costs, employment, credit card debt, and medical debt.

The overall financial profile of debtors looks similar to that of prior years. Generally, debt, income, and expense figures for debtors increased during 2000. Much of this increase is due to inclusion of two extremely large cases in our sample this year.

<u>CATEGORY</u>	<u>1998 & 1999 CASES AVERAGE</u>	<u>2000 CASES AVERAGE</u>	<u>1998 & 1999 CASES MEDIAN</u>	<u>2000 CASES MEDIAN</u>
SECURED DEBT	\$38,760	\$48,416	\$9,500	\$13,600
PRIORITY DEBT	\$2,528	\$1,490	\$ 0	\$ 0
UNSECURED DEBT	\$40,564	\$46,120	\$23,628	\$25,327
TOTAL DEBT	\$82,852	\$96,026	\$44,377	\$54,125
GROSS INCOME	\$27,324	\$30,108	\$23,484	\$26,400
NET INCOME	\$21,444	\$23,340	\$18,672	\$20,796
TOTAL EXPENSES	\$24,324	\$26,448	\$21,228	\$23,448

^{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.

We compared the makeup of debtor households with the U.S. population at large.

HOUSEHOLD TYPE	CHAPTER 7 DEBTORS	U.S. POPULATION^{2/}
- MARRIED COUPLE	41.8%	52.8%
UNMARRIED		
- MALE WITH DEPENDENTS	3.6%	3.8%
- FEMALE WITH DEPENDENTS	16.0%	12.1%
- MALE - NO DEPENDENTS	20.1%	14.0%
- FEMALE - NO DEPENDENTS	18.5%	17.2%

The above chart appears to show that married people are under-represented, and unmarried females with dependents and males without dependents are over-represented in the Chapter 7 debtor population.

The picture changes somewhat if one counts debtors instead of cases. Under this approach, joint filings would count twice. The following table compares the gender and marital status of Chapter 7 debtors with the adult U.S. population at large.

MALES	CHAPTER 7 DEBTORS	U.S. POPULATION^{3/}
- MARRIED	28.3%	28.0%
- SEPARATED	3.4%	1.7%
- DIVORCED	4.4%	4.2%
- SINGLE	10.6%	12.9%
- WIDOWED	.3%	1.3%
FEMALES		
- MARRIED	26.9%	28.0%
- SEPARATED	4.4%	2.0%
- DIVORCED	6.4%	5.6%

^{2/}Source: U.S. Census Bureau, Current Population Survey, March 2000

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- SINGLE	13.6%	10.7%
- WIDOWED	1.6%	5.6%

Based on this analysis, the proportion of married and divorced debtors is about what would be expected in the population at large. The number of separated debtors is about double the population at large, while widowed debtors are only about one-third as prevalent as in the population at large.

EMPLOYMENT: The vast majority of debtors (80.8%) were employed. Our sample from 1999 revealed that about 12% of chapter 7 debtors were either retired or disabled. Assuming this proportion is relatively constant from year-to year, relatively few debtors could be characterized as looking for work at the time of bankruptcy.

Of those who reported their job tenure, the average was 5.1 years. However, the median employment time for the debtors was only 2.0 years. Approximately one third of the debtors reported that they had been employed for one year or less. Among the joint filers, 63% of the spouses also reported that they were employed.

MEDICAL DEBT: We reviewed the Schedule F of each case to determine the amount of medical debt for each debtor. Overall, medical debt did not seem to be a major factor in the vast majority of cases. The average medical debt listed per debtor was \$2,582, or about 5.6% of the total general unsecured debt⁴. More than one half (53.6%) of the debtors reported no medical debt at all. Joint filers (56.2%) were more likely to have at least some medical debt than male filers (38.3%), or female filers (43.7%). Only 11.1% of debtors reported \$5,000 or more in medical debts, and in only 4.4% of cases did medical debt comprise one-half or more of total unsecured debt. .

The medical debt figures, however, were highly skewed by a few debtors with enormous medical debts. Our sample included 14 debtors with more than \$50,000 in medical debts, including one debtor who listed \$615,000 in medical debts. Although these debtors constituted less than one percent of our sample, they accounted for more than one-third of the total medical debt reported.

AUTOMOBILES: Based on the information reported on Schedule B of their petitions, most chapter 7 debtors do not appear to be riding around in great luxury. About one in seven (14.3%) debtors does not have a car. The cars owned by Chapter 7 debtors tend to be old. Only one-third of debtors have a vehicle less than five years old, while about one-quarter have cars that are at least 10 years old. At the other extreme, however, about one percent of debtors reported having at least two vehicles that were model years 1999 or 2000.

CREDIT CARD DEBT: The average bank-issued credit card debt in our sample was \$17,891, nearly 40% of all general unsecured debt. (This figure does not include the \$2,392 average per debtor store credit card debt). About two-thirds of all debtors had at least \$5,000 in bank credit card debt, and for about half of the debtors it comprised one-half or more of all general unsecured debt. As shown on the following chart, credit card debt levels tended to be lower for female debtors than joint or male debtors.

⁴ This would not include any medical debts that had been paid for by credit card and bank or personal loans.

	JOINT DEBTORS	MALE DEBTORS	FEMALE DEBTORS
AVERAGE	\$20,771	\$19,007	\$14,188
MEDIAN	\$12,837	\$10,478	\$8,700
% WITH NONE	9.9%	17.7%	12.6%
% OVER \$50,000	9.9%	8.4%	3.6%

There are considerable differences in credit card debt levels among various debtor sub-groups. For example, the average credit card debt level was much lower for unmarried females with dependents (\$10,168), than for either married females (\$14,386), or unmarried females with no dependents (\$17,427). Debtors who had been employed in the same job for at least 10 years had much higher credit card debt (\$21,052) than debtors with two years or less in their job (\$14,615).

HOME OWNERSHIP: Based on the information reported on Schedules A, B, and J, 41.8% of debtors were home owners at the time of bankruptcy (including mobile homes). This figure probably overstates the rate of ownership for several reasons. Some debtors appeared to be in the process of foreclosure at the time of bankruptcy, or otherwise indicated that they did not plan to keep their home. Also included in the figure for homeowners were a number of separated couples with one spouse an owner and the other a renter. Whatever the true figure for homeownership among chapter 7 debtors, it is far below the national average of 67.4%

The reported value of the homes was generally not high. Only 14.0% of debtors listed a home of \$100,000 or more on Schedule A, and only 2.2% had homes with a value of \$200,000 or more. Total housing costs were substantially higher for owners compared to renters. The average mortgage, utility & repair costs for owners was \$1,157, nearly double the \$669 average housing cost reported by renters.

CONCLUSION: Overall, Chapter 7 debtors are fairly representative of the population in terms of gender, marital status and family makeup. While exceptions exist, here is a general profile of debtors:

- The debtor is employed, but at a relatively low rate of pay, and often has had the present job for a short period of time;
- The debtor drives an older model vehicle;
- Debtors have a relatively low rate of homeownership;
- The market value of their homes is not high;
- They have little if any medical debt;
- They have substantial credit card debt;
- Most debtors have a negative net worth at the time of bankruptcy;