

# ***Debt's Grip: Risk & Consumer Bankruptcy***

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# Debt's Grip – Overview

## Road to Bankruptcy



## Seeking a Financial Reset



## Demographics of Bankruptcy



## Dealing with Legal Woes



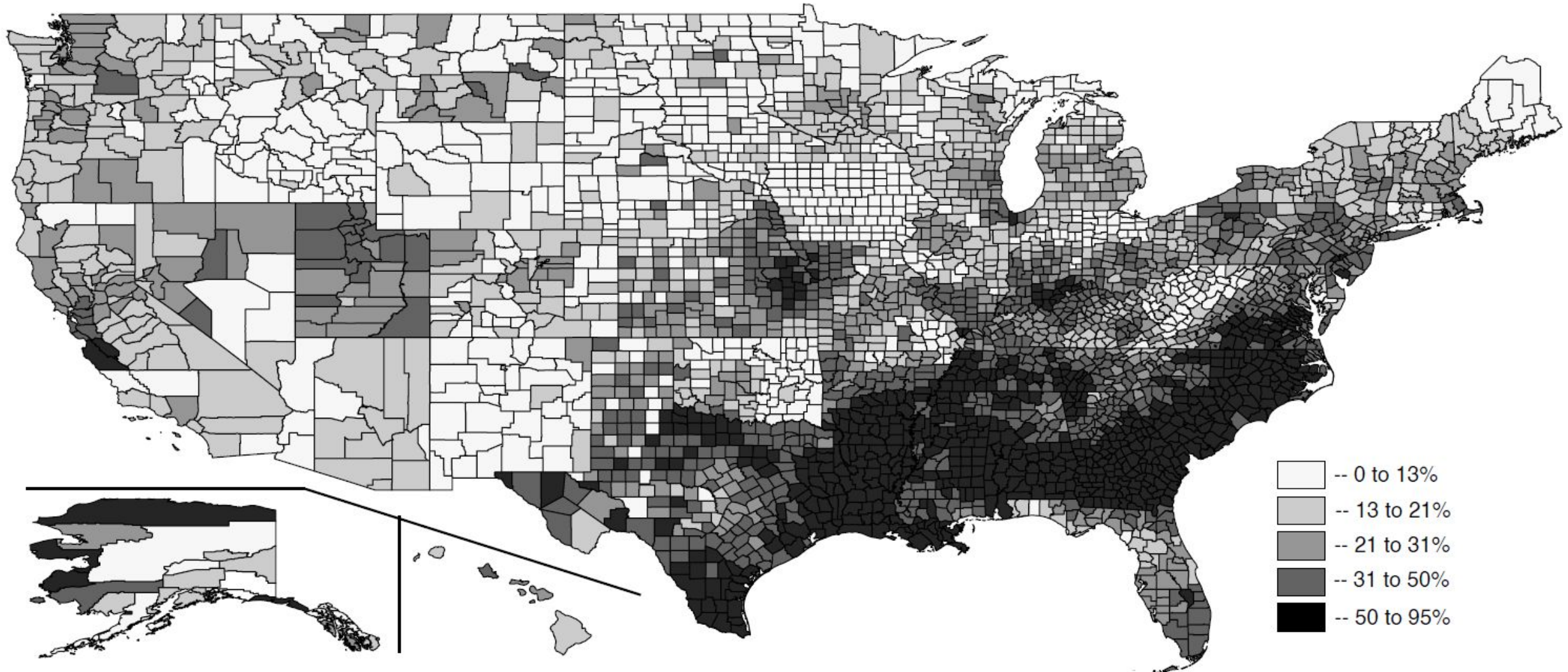
# ***Methods Used to Find a Lawyer***

<u><b>Method</b></u>	<u><b>Percent</b></u>
Searched for lawyer on Google or Yelp	44
Lawyer's office was near home or work	31
Lawyer recommended by friend or relative	31
Saw an ad for lawyer on television, internet, or billboard	29
Did not shop around for a lawyer	28
Compared how much different lawyers charged	23
Met with more than one lawyer	15
Had used or worked with lawyer in the past	14
Lawyer was someone filer knew	9
Lawyer was provided by legal aid	3

# ***Financial Profile of All Bankruptcy Filers***

	<b><u>Median</u></b>
Total assets	\$35,411
Real property	\$0
Homeowner	49%
Home value if own home	\$168,196
Personal property	\$17,886
Total debts	\$101,912
Secured debts	\$23,544
Priority debts	\$0
Unsecured nonpriority debts	\$44,707
Annual income, pretax	\$49,956

# *Percentage of Cases Filed as Chap. 13, by County*



# ***Finances of Bankruptcy Filers, by Race and Chapter***

	<u><b>Black Filers, Chapter 7</b></u>	<u><b>Other Filers, Chapter 7</b></u>	<u><b>Black Filers, Chapter 13</b></u>	<u><b>Other Filers, Chapter 13</b></u>
Total assets (median)	\$20,103	\$27,112	\$33,174	\$134,686
Homeowner	30%	34%	45%	64%
Home value	\$140,000	\$157,448	\$129,580	\$167,400
Home equity	\$5,000	\$15,214	\$33,552	\$21,397
Car owner	77%	86%	88%	92%
Total value, all cars	\$8,500	\$8,401	\$12,429	\$13,311
Equity, all cars	\$0	\$1,805	(\$654)	\$969
Total debts (median)	\$92,362	\$94,572	\$88,390	\$162,196
Owe student loans	43%	24%	30%	25%
Student loans	\$42,610	\$31,553	\$44,058	\$31,047
Annual income (median)	\$42,822	\$42,468	\$47,742	\$61,332

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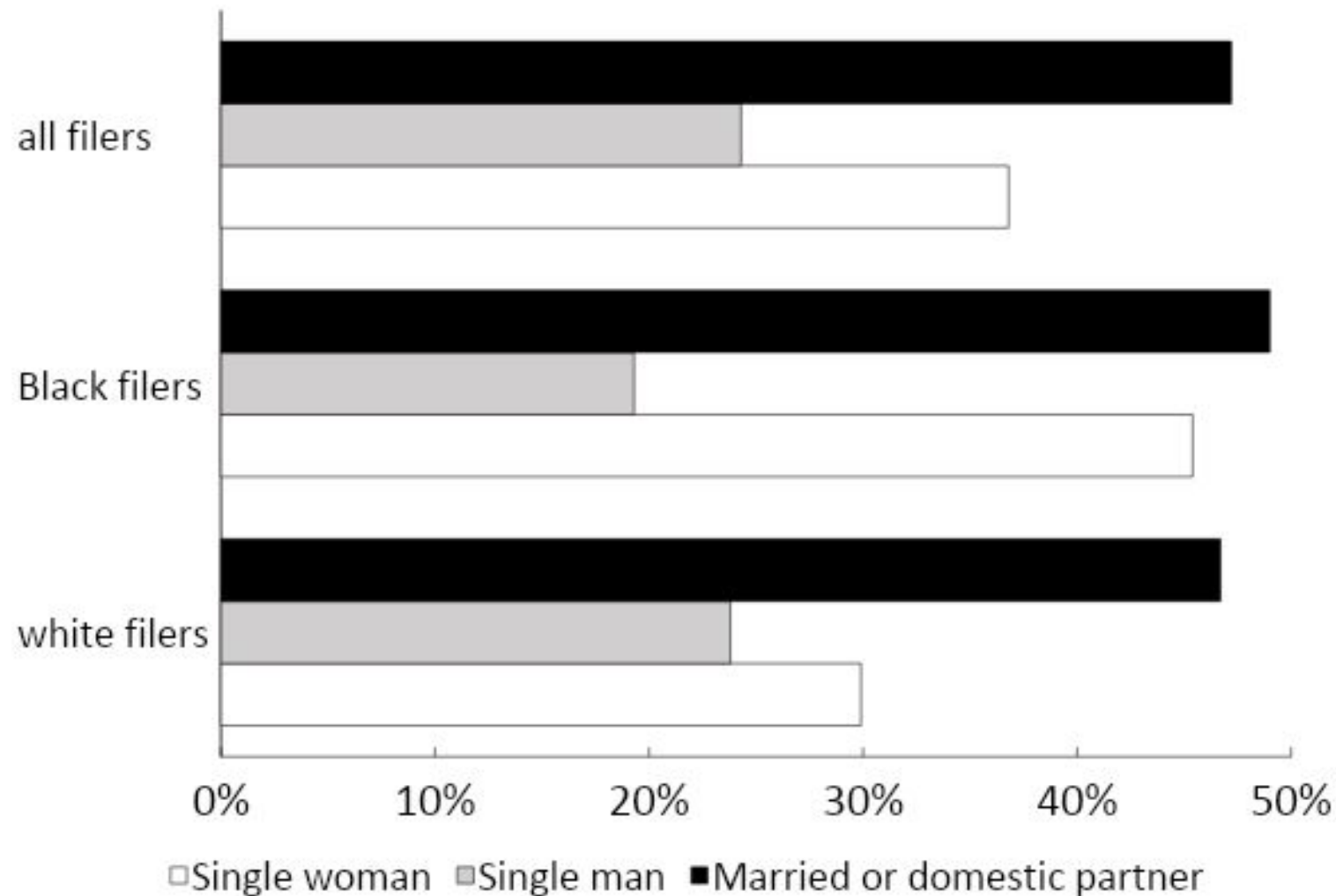
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## ***Percentage of Filers, by Relationship Status and Race***

	<u><b>All Filers</b></u>	<u><b>Black Filers</b></u>	<u><b>White Filers</b></u>
Single woman	37%	51%	30%
Single man	16%	15%	16%
Married or partnered	47%	34%	53%

# *Percentage of Filers with Dependents, by Household Type and Race*



# ***Finances of Single Bankruptcy Filers, by Race***

	<u>All Single</u>	<u>Single Black</u>	<u>Single White</u>
	<u>Women</u>	<u>Women</u>	<u>Women</u>
Total assets (median)	\$25,232	\$21,654	\$28,368
Homeowner	34%	31%	37%
Total debts (median)	\$82,548	\$79,381	\$87,334
Owe student loans	31%	42%	25%
Student loans	\$40,767	\$50,713	\$30,544
	<u>All Single</u>	<u>Single Black</u>	<u>Single White</u>
	<u>Men</u>	<u>Men</u>	<u>Men</u>
Total assets (median)	\$20,958	\$13,464	\$21,047
Homeowner	29%	27%	28%
Total debts (median)	\$69,332	\$65,267	\$67,918
Owe student loans	20%	28%	17%
Student loans	\$31,274	\$28,874	\$33,855

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# The Golden Age of Retirement: Last Half of the Twentieth Century

Social policies at that time ensured a functional social safety net for seniors:

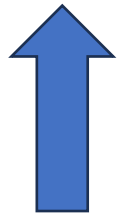
- Social Security
- Medicare and Medicaid
- Pensions

And it was pretty darned good, until...






## Percentage of U.S. Bankruptcy Filers by Age Group

Age group	<u>1991</u>	<u>2001</u>	<u>2007</u>	<u>2013-17</u>	<u>2018-23</u>
<b>18-24</b>	8.7%	5.3%	4.2%	2.2%	2.0%
<b>25-34</b>	36.7%	26.1%	21.9%	14.9%	15.4%
<b>35-44</b>	30.6%	33.7%	28.1%	22.4%	20.9%
<b>45-54</b>	15.8%	23.2%	23.6%	26.2%	22.7%
<b>55-64</b>	6.1%	7.2%	14.7%	22.8%	20.3%
<b>65+</b>	2.1%	4.5%	7.6%	11.4%	18.7%



## Financial Circumstances of Bankruptcy Filers—65 Years & Older and Under 65 (median)

	<u>65 Years &amp; Older</u>	<u>Under 65 Years</u>
<b>Annual Income</b> 	\$37,380	\$47,070
<b>Total debt</b>	\$94,753	\$101,183
<b>Total debt-to-income ratio</b>	2.3:1	2.2:1
<b>Total secured debt</b>	\$30,188	\$19,841
<b>Total unsecured debt</b> 	\$35,730	\$48,683
<b>Retirement savings</b> 	\$0	\$0

# So What Happened?

## **Not Enough Money: (70 percent)**

- 1) Income Decline: No longer employed
- 2) Income Decline: Inadequate Social Security
- 3) Income Decline: No or inadequate retirement savings. Stripped retirement accounts to pay bills

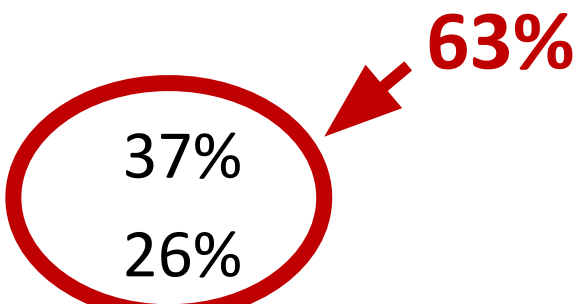
## **Medical Bills or Missed Work Because of Medical Problems: (43 percent)**

- 1) Medicare or Medicaid Deficiencies
- 2) Declining Health

# ***“Before bankruptcy, how long did you seriously struggle with your debts?”***

	<u>2007</u>	<u>2013-2023</u>
<i>Short Strugglers</i>		
Not at all	3%	3%
Less than 6 months	7%	4%
<i>Modest Strugglers</i>		
6 months to 1 year	20%	10%
1 to 2 years	27%	20%
<i>Long Strugglers</i>		
2 to 5 years	31%	37%
More than 5 years	13%	26%

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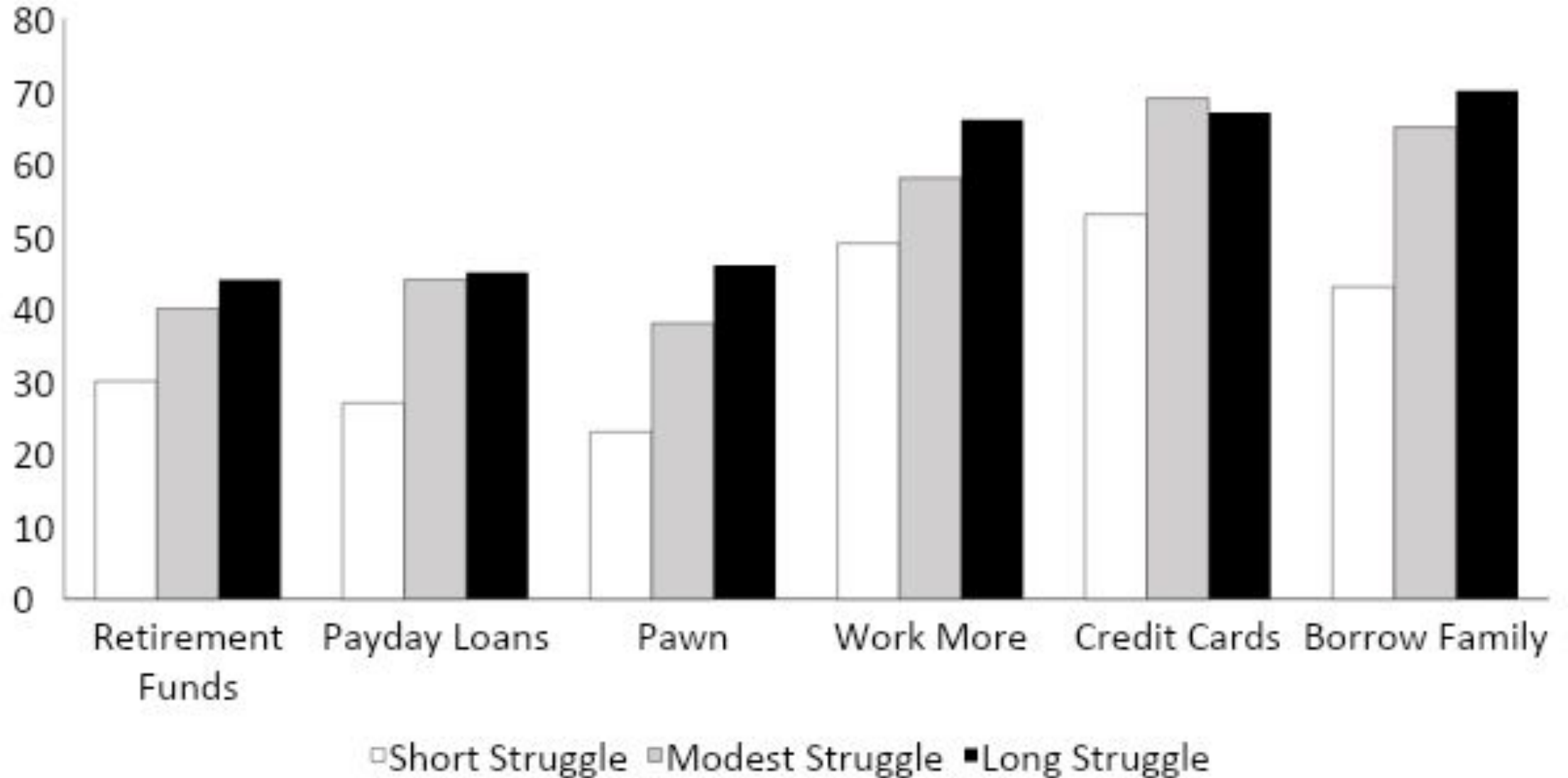


63%

# ***Financial Characteristics, by Length of Struggle (medians)***

	<b>Long Strugglers</b>	<b>Modest Strugglers</b>	<b>Short Strugglers</b>
Total assets	\$28,707	\$44,597	\$40,803
Secured debts	\$18,503	\$31,711	\$27,214
Unsecured debts	\$51,791	\$41,668	\$40,564
Total debts	\$102,769	\$100,640	\$100,675
Annual income	\$47,334	\$45,792	\$49,014
Total debts / assets	2.42	1.72	1.74

# *Coping Strategies Prior to Bankruptcy, by Length of Struggle*



# ***Privations Prior to Bankruptcy, by Length of Struggle***

	<b>Long Strugglers</b>	<b>Modest Strugglers</b>	<b>Short Strugglers</b>
Any health care	77%	67%	54%
Dental care	68%	57%	42%
Medical attention	56%	57%	42%
Prescriptions	45%	37%	22%
Mental health therapy	33%	22%	15%
Car maintenance	74%	66%	45%
Late mortgage or rent	68%	57%	39%
Retirement savings	53%	46%	33%

# Debt Collection Before Bankruptcy

## *Bankruptcy contributor on survey*

House was in foreclosure	18%
A car was repossessed	30%
Pressure from debt collectors	77%
Any of the above	81%

## *Lawsuits disclosed in bankruptcy records*

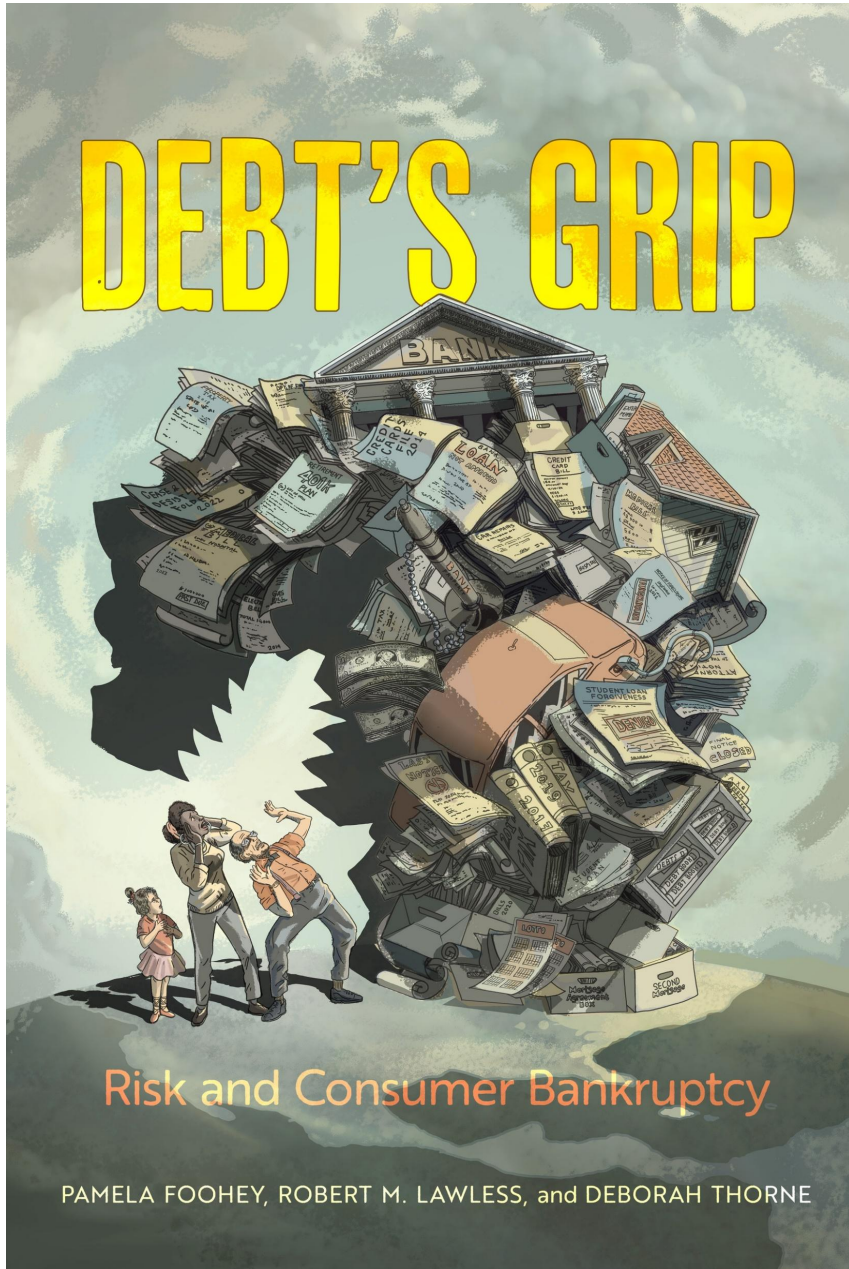
Foreclosure involving home	5%
Lawsuits on other property	12%
All other lawsuits	40%
Any of the above	49%

# “Brought to Law”

<u>Time struggling?</u>	<u>Percent sued in yr. before bkr.</u>
Less than two years	41
Two years or more	52

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<u>Represented?</u>	<u>Percent sued in yr. before bkr.</u>
Pro se	35
Attorney	50



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