INSTITUTE FOR FINANCIAL LITERACY®

2007 Annual Consumer Bankruptcy Demographics Report

A Report Published by the

Center for Consumer Financial Research

a division of the

Institute for Financial Literacy, Inc.

June, 2008

Final Version

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About the Institute

The Institute for Financial Literacy is a non-profit financial literacy organization. The Institute's mission is to make effective financial literacy education available to all American adults. The Institute accomplishes its mission by developing financial literacy educational materials, publishing the National Standards in Adult Financial Literacy Education, maintaining the Library of Personal Finance and providing professional development and training through the Center for Financial Certifications.

About the Center

The Center for Consumer Financial Research was established as a division of the Institute for Financial Literacy® in 2007. The mission of the Center for Consumer Financial Research is to expand and disseminate the body of independent, unbiased research within the field of financial literacy. The Center accomplishes this mission by objectively assessing the effectiveness of financial education efforts, researching consumer financial behavior and publishing its findings.

FINDINGS AND EXECUTIVE SUMMARY

- The average American who is in financial distress and seeking credit counseling and financial education is:
  Caucasian, married, employed, between the age of 35-44 years old, has at least a high school education if not some college, and makes no more than $30,000 per year.
- The primary reasons for their financial distress include:
  Overextended on credit, reduction of income or job loss, illness or injury.
- Areas of growing concern include:
- The increasing filing rates for men
- That women still file bankruptcy at higher rates then men
- Bankruptcy filing rates of Middle-Aged Americans
- Identity Theft's role in bankruptcy filings
- What role educational attainment plays in bankruptcy

RECOMMENDATIONS

- Research should be conducted to study the bell curve effect which is presenting around the age of financial distressed and bankrupt individuals; policymakers should look to implement potential solutions to assist a population (35-54 yrs old) which may not be financially prepared for its retirement years.
- Policymakers, law enforcement, businesses and financial educators must continue to work in their respective fields to protect and educate consumers on the issue of Identity Theft.
- Research should be conducted to study why women are filing bankruptcy at greater rates than their population representation, and why male filing rates are now starting to increase; policymakers should look to implement potential solutions.
- Policymakers, businesses and financial educators may wish to more closely examine the relationship between bankruptcy and those who only have completed some college and determine if changes need to be made in the current system of higher education and its funding structure.

About The Institute for Financial Literacy
Headquartered in Portland, ME, the Institute for Financial Literacy is a non-profit organization whose mission is to make effective financial literacy education available to all American adults. The Institute accomplishes its mission by developing financial literacy education programs, partnering with non-profit, educational and governmental organizations to integrate these programs into their existing services, and publishing the National Standards in Adult Financial Literacy Education. For more information at the Institute visit its website at http://www.financiallit.org or call them at 1-207-221-3613.

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Written by:

Leslie E. Linfield, Esq. Executive Director, Institute for Financial Literacy

Edited by:

Shannara Gillman, Director of Program Services, Institute for Financial Literacy

Acknowledgments

The Board of Directors of the Institute for Financial Literacy, for their continued support of the mission of financial education, the many wonderful clients who even in their darkest financial hours were willing to participate in this research, and the fine staff of the Institute who on a daily basis go above and beyond to help improve the financial literacy of those they serve.

Mission

The **Institute for Financial Literacy** is a 501(c)(3) nonprofit organization whose mission is to make effective financial literacy education available for all American adults.

Institute for Financial Literacy
PO Box 1842
449 Forest Ave
Portland, ME 04104

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Introduction

In April 2006, the Institute for Financial Literacy released the first of what has become an annual report on consumer bankruptcy demographics. The genesis of this research came after the enactment of the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 (BAPCPA). This report is the third demographics report published by the Institute for Financial Literacy.

This report looks at a full year's demographic information covering the period from January 1, 2007 through December 31, 2007. The results will be compared against the findings from prior years' reports.

The Institute for Financial Literacy is a non-profit financial literacy organization based in Portland, Maine. The Institute's mission is to make effective financial literacy education available to all American adults. The Institute accomplishes its mission by working with organizations to incorporate financial education into their existing services. The Institute also provides direct delivery of financial counseling and education to the general public. As the national authority on adult financial education, the Institute advances professionalism and effectiveness in the field of financial literacy by setting the National Standards for Adult Financial Literacy Education™, hosting the Annual Conference on Financial Education™, maintaining the Library of Personal Finance™, and administering the Center for Financial Certifications™ and the Center for Consumer Financial Research™.

The Center for Consumer Financial Research was established as a division of the Institute for Financial Literacy. The mission of the Center is to expand and disseminate the body of independent, unbiased research within the field of financial literacy.

Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 (BAPCPA)

The Institute for Financial Literacy expanded its mission with the passage of the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 (BAPCPA). BAPCPA incorporated a requirement that individuals must first complete mandatory credit counseling in order to be eligible to file a consumer bankruptcy case under the bankruptcy code[1]. This section reads as follows; "an individual may not be debtor under this title unless such individual has, during the 180-day period preceding the date of filing of the petition by such individual, received from an approved nonprofit budget and credit counseling agency described in section 111(a) an individual or group briefing (including a briefing conducted by telephone or on the Internet) that outlined the opportunities for available credit counseling and assisted such individual in performing a related budget analysis."[2]

In addition, the law requires that certain debtors in the bankruptcy system complete a mandatory financial management instructional course in order to receive a discharge of their debts.[3] A married couple filing a joint bankruptcy petition must each complete credit counseling prior to filing and a financial management instructional course prior to discharge as a result of the law's application of these requirements to "individuals."[4]

The Institute for Financial Literacy was approved to provide the mandatory credit counseling under section 111(a) in all 94 judicial districts covered by both the United States Trustees Program as well as the six Bankruptcy Administrator[5] districts in the fall of 2005[6]. Likewise the Institute for Financial Literacy was also approved as a provider of the mandatory financial management instructional courses. It should be noted that the 94 judicial districts cover all 50 states as well as the US territories.

Methodology

During the years prior to the passage of BAPCPA there was much rhetoric and little comprehensive research cited with regard to the demographics of consumer bankruptcy. As a result, the Institute for Financial Literacy recognized the importance of establishing a comprehensive, neutral research program to better understand those individuals contemplating bankruptcy, as well as those who eventually seek bankruptcy protection.

The Institute for Financial Literacy, through its Center for Consumer Financial Research, has annually published the results of its demographic survey. The Institute will also monitor any substantive changes in those results and encourage the research and academic community to use this data to find the causes of and possible solutions to America's ever growing debt problem.

During the development of its credit counseling service and financial management instructional course, the Institute for Financial Literacy incorporated a research component into its delivery platforms to allow large scale data collection and facilitate the establishment of such a study.

This report will look at a sampling of demographic information gathered during the second full calendar year since BAPCPA's enactment, a time period covering January 1, 2007 through December 31, 2007. It includes a combination of respondents accessing the credit counseling services only, the financial management instructional course only, or both programs. It is not known how many respondents who sought credit counseling services actually filed for bankruptcy as of the date of this writing. It is worth noting that, pursuant to section 109(h)(1), any certificates issued by an approved non-profit budget and credit counseling provider are valid for a 180-day period from the date of delivery. Therefore, a consumer who sought out credit counseling on December 31, 2007 would have until June 28, 2008 to file a bankruptcy petition before being required to retake a credit counseling session.

Development of Sample

The Institute for Financial Literacy has been approved to provide mandatory credit counseling by telephone and Internet as allowed in section 109(h)(1). The Institute is also approved to provide credit counseling in person in its home district of Maine.[7]

Clients learn about the availability of approved providers from one of several sources. The bankruptcy clerks maintain lists of approved providers for their districts and distribute these lists to the general public upon request.[8] The Bankruptcy Administrators and the United States

Trustees Program also maintain updated lists of approved providers on their respective websites.[9] Clients may also learn about the new requirements and obtain a list of approved providers in their district during their initial consultation with an attorney.

Data Collection Instrument

During the development of the credit counseling and financial management instructional course programs, the Institute incorporated a voluntary survey tool. At the beginning of the respective programs, the survey gathers demographic information from participants. If a client receives both services from the Institute, the survey information is only gathered once.

Clients taking a program through the Internet for the first time are presented with the Client Survey page before proceeding. Here they read the following statement:

> "Before we begin your session we would like to collect some information from you. This information will not be used to personally identify you in any way. The information will be used for statistical research purposes as we evaluate our program."

Should a client choose not to complete any part of the survey, they simply move to the next page and begin their respective program.

Clients receiving their services by telephone are informed by counselors that the Institute is conducting on-going research, and that the clients are not required to answer any of the questions. Counselors also explain that the information gathered will have no impact on the outcome of the counseling or education session.

If the client agrees to participate, the counselor will read a confidentiality statement and collect the data from the client. The counselor will first identify the category and then read all answer choices in that category. The client then identifies their response and the counselor marks the choice into the data collection instrument.

The categories being surveyed included: Gender, Age, Ethnicity, Educational Background, Personal Income, Employment, Marital Status and Causes of Financial Distress.

Core Sample

The Institute for Financial Literacy is approved to provide BAPCPA related credit counseling and financial management education in all 50 states and US territories. The sampling for this report contains respondents from all 50 states.

Thirty six thousand nine hundred and seven (36,907) clients volunteered to complete the survey in whole or in part this year, an increase of 53.5% over last years survey participation of twenty four thousand and thirty eight (24,038.) The survey response rate this year was 80.3%. If all 36,907 clients who participated in the survey were compared with the 822,590 new non-business bankruptcy cases filed nationally between January 1, 2007 and December 31, 2007[10] and if all respondents filed bankruptcy petitions[11], this would represent 4.5% of all new cases filed for the period. It is therefore a relevant and statistically significant sample.

It should also be noted that not all respondents answered all of the survey questions. For purposes of statistical analysis, 100% of the survey participants gave gender information (36,907 responses) while only 95%

answered the income question (35,069 responses) and 99% responded to the Highest Level of Education Completed question (36,492 responses.)

Protection of Confidentiality

The Institute for Financial Literacy maintains a client confidentiality policy. Counselors are trained that all information, whether gathered for research or the credit counseling or financial management instructional courses, is to be held in the strictest of confidence.

The Institute for Financial Literacy does not report out demographic information individually, only in the aggregate. Clients' names or other obvious personal identifiers have been changed or removed to protect clients' privacy.

Findings

This year's report will compare prior years' findings for the purpose of beginning to see what demographic trends are emerging since the enactment of BAPCPA. It should be noted that the first report covered the first six month period of BAPCPA's enactment and therefore there is a three month overlap of data between that report and the 2006 report. Because the first report consisted of 4,645 clients who participated in the survey and the 2006 report consisted of 24,038 it is the thought that the statistical differences were insignificant.

Gender

A total of 36,907 participants answered the gender question, a 100% response rate. Of these, 52.8% (19,481) indicated that they were female, while 47.2% (17,426) were male. In comparison, the current population of the United States is estimated at 301,621,157,[12] and of that 51% (152.9 million) are female and 49% (148.6 million) are males. [13]

Table 1 compares the findings from the first report published by the Institute, with the results from 2006 and 2007. The Table also compares these finding against US population statistics.

Table 1: Gender

Gender	Percentage of Debtors IFL-1st Report	Percentage of Debtors IFL-2006	Percentage of Debtors IFL-2007	Percentage of US Population
Male	46.2	46.4	47.2	49
Female	53.8	53.6	52.8	51

When comparing the first report with the most recent report, there is a 1% increase in men seeking services and a 1% decrease in service rates for women. The question here is why are more males seeking services now then in 2005-2006?

What is also of interest is the difference between the percentages of women seeking counseling and/or education (52.8%) as compared to their representation of the US population (51%). The question becomes why are women financially struggling at greater rates then their male counterparts?

Age

A total of 36,783 participants answered the age question, a 99% response rate. Of these, 2.7% (985) identified as 18-24 years of age; 20.3% (7,450) identified as 25-34 years of age; 29.8% (10,963) identified as 35-44 years of age; 25.4% (9,363) identified as 45-54 years of age; 14.3% (5,279) identified as 55-64 years of age; and 7.5% (2,743) identified as 65 years of age or older.

In comparison, the current population of the United States shows that 7% (21 million) are age 20-24; 13.5% (40.5 million) are age 25-34; 14.3% (43.1 million) are age 35- 44; 14.6% (43.8 million) are age 45-54; 10.9% (32.7 million) are age 55-64; and 12.6% (37.8 million) are 65 years or older.[14]

Table 2 compares the findings from the first report published by the Institute, with the results from 2006 and 2007. The Table also compares these finding against US population statistics.

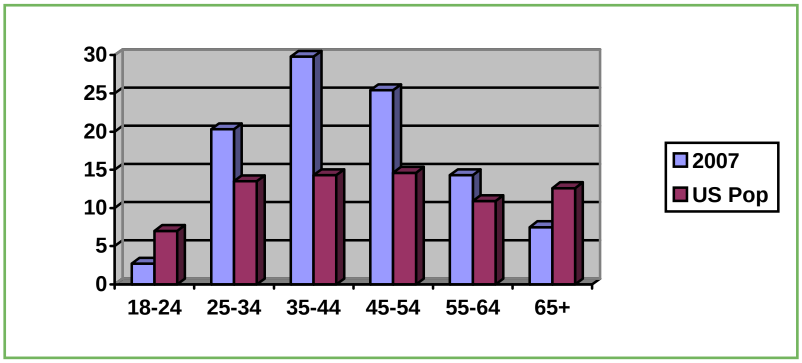
Table 2: Comparison of Age Group Data

Age Range	Percentage of Debtors IFL-1st Report	Percentage of Debtors IFL-2006	Percentage of Debtors IFL-2007	Percentage of US Population
18-24	3.6	3.3	2.7	7[15]
25-34	22.7	21	20.3	13.5
35-44	28.6	29	29.8	14.3
45-54	22.4	24.9	25.4	14.6
55-64	13.8	14	14.3	10.9
65+	8.9	7.8	7.5	12.6

Compared to the Institute's first report there has been a shift downward within the 18-24 and 25-34 age cohorts. This is of interest as these two age cohorts are identified as the "Generation X &Y" age groups. These groups are often portrayed by mass media as being spendthrifts and financially illiterate. Conversely the 35-44 and 45-54 age cohorts have seen a significant shift upwards. Additionally the 65+ age cohort has also seen a decrease since the first report.

The distribution of the age cohorts demonstrates a bell curve effect around those seeking credit counseling and financial education as is demonstrated by the graph below.

Figure 1: Age Bell Curve (2007)



What is of interest is the US population does not demonstrate the same bell curve effect between the ages of 25 and 54 but remains rather constant at approximately 14%. The question therefore becomes why we are seeing these elevated levels of financial distress peeking with the 35-44 cohort? What has caused this group to seek out assistance and possibly protection in bankruptcy at twice the rate of their representation of the US population? Additionally why does this rate increasing annually for the age cohorts of 35-44 and 45-54?

Ethnicity

A total of 35,877 participants answered the ethnicity question, a 97% response rate. Of these, 14.6% (5,225) identified as African American/Black; 72.1% (25,866) identified as Caucasian/White; 6.9%

(2,488) identified as Latino/Hispanic; 2.6% (959) identified as Asian; .9% (304) identified as Native American; and 2.9% (1,035) identified as Other.

In comparison, the current population of the United States shows that 13.5% (40.7 million) Americans identified as African American/Black; 81% (245.3 million) identified as Caucasian/White; 15% (45.5 million) identified as Latino/Hispanic; 5% (15.1 million) identified as Asian; 1.5% (4.5 million) identified as Native American; and 1% (1 million) identified as Other .[16]

Table 3 compares the findings from the first report published by the Institute, with the results from 2006 and 2007. The Table also compares these finding against US population statistics.

Table 3: Ethnicity

Ethnicity	Percentage of Debtors IFL-1st Report	Percentage of Debtors IFL-2006	Percentage of Debtors IFL-2007	Percentage of US Population
African American /Black	15.4	15.3	14.6	13.5
Caucasian/White	72.9	72.6	72.1	81
Latino/Hispanic	6.1	6.6	6.9	15[17]
Asian	2.0	2.1	2.6	5
Native American	1.1	1	.9	1.5
Other	2.5	2.4	2.9	1

There appears to be a statistically significant variation between bankruptcy filings and proportion of the population for both the Caucasian/White and Latino/Hispanic categories. However, this variation may be a result of differences in the data collection instruments, as the Institute respondents may choose only a single ethnicity category, while the US Census Bureau allows those of Hispanic origin to choose a second appropriate ethnicity category.

The interesting question which arises from this data is why do certain races/ethnic groups experience lower financial distress as compared to their population representation? For example the Asian population, though we have seen a .5% increase in the past year, is still only experiencing financial distress at 50% of their population representation. On the other hand the African American/Black population, which has seen a .8% decrease since the first report, is still experiencing financial distress disproportionate to their population representation.

Education

A total of 36,492 participants answered the question asking their highest level of education completed, 99% response rate. Of these, 5.3% (1,917) identified at the Graduate level; 11.3% (4,133) identified at the Bachelors level; 8% (2,921) identified at the Associates level; 29.8% (10,897) identified at the Some College level; 39.6% (14,458) identified at the High School/GED level; 5.3% (1,929) identified at the Primary School level; and .7% (237) identified themselves as having no education.

In comparison, the current population of the United States shows that 8% of Americans identified as having attained the Graduate level; 18% identified as having attained the Bachelors level; 8% identified as having attained the Associates level; 19% identified as having attained the Some College level; 41% identified as having attained the High School/GED level; 5% identified as having attained the Primary School level; and 1% identified themselves as having no education.[18]

Table 4 below compares the findings from the first report published by the Institute, with the results from 2006 and 2007. The Table also compares these finding against US population statistics.

Table 4: Education

Education Level	Percentage of Debtors IFL-1st Report	Percentage of Debtors IFL-2006	Percentage of Debtors IFL-2007	Percentage of US Population
Graduate	4.7	4.9	5.3	8
Bachelors	10.7	11.2	11.3	18
Associates	7.6	8	8	8
Some College	30.8	29.9	29.8	19
High School/GED	39.7	39.7	39.6	41
Primary School	6.2	5.9	5.3	5
None	.3	.4	.7	1

There appears to be a statistically significant correlation between educational level and financial distress. The incidence of financial distress amongst individuals with more advanced education is lower than their proportion of the US population. This evens out when the Associates level cohort is examined. A dramatic shift occurs with the Some College educational attainment cohort. Here 29.8% of the respondents indicate they are financially distressed as compared to their U.S. population representation of 19%. The question arises as to why? Is it perhaps that these individuals start college, taking on student loan debt but then for one reason or another are unable to finish school? Unfortunately they then have to support the debt associated with schooling without the benefit of increased wages that advanced education brings. Because of the disparity in the statistics for this category further research is strongly recommended.

Income

A total of 35,069 participants answered the income level question, a 95% response rate. Of these, 38.4% (13,449) identified as earning less than $20,000 per year; 23.2% (8,123) identified as earning $20,000 to $30,000 per year; 15.9% (5,600) identified as earning $30,000 to $40,000 per year; 10.1% (3,538) identified as earning $40,000 to $50,000 per year; 5.5% (1,957) identified as earning $50,000 to $60,000 per year; and 6.9% (2,402) identified as earning more than $60,000 per year.

In comparison, the current population of the United States shows that 43.8% of Americans earn less than $20,000 per year; 14.7% earn between $20,000 to $30,000 per year; 11.6% earn between $30,000 to $40,000 per year; 8.2% earn between $40,000 to $50,000 per year; 5.9% earn between $50,000 to $60,000 per year; and 15.8% as earning more than $60,000 per year[19]

Table 5 compares the findings from the first report published by the Institute, with the results from 2006 and 2007. The Table also compares these finding against US population statistics.

Table 5: Self Identified Income of IFL Respondents

Income Level	Percentage of Debtors IFL-1st Report	Percentage of Debtors IFL-2006	Percentage of Debtors IFL-2007	Percentage of US Population
Less than 20K	44.6	41.1	38.4	43.8
20k-30k	24.4	24.5	23.2	14.7
30k-40k	14.4	15.1	15.9	11.6
40k-50k	7.7	8.8	10.1	8.2
50k-60k	4.2	5	5.5	5.9
More than 60k	4.7	5.5	6.9	15.8

What does appear to be emerging from the data being collected is most of those who are in financial distress and possibly seeking bankruptcy protection fall below the median income as reported by the US Census Bureau. The median individual income for the United States in 2006 was $26,414.[20] It is important to note that this is not directly relevant with regards to the new Means Testing requirement that BAPCPA put into effect which measure median household income.[21]

Another emerging pattern is higher income clients are seeking services, as demonstrated from the first report through the 2007 report. There has been a shift in the economic profile of the financially distressed; in 2005 69% of those who where surveyed earned less then $30,000 yet in 2007 that percentage dropped to 61.6% a decrease of 7.4%. Conversely in the 2005 report 16.6% of those surveyed earned more then $40,000. In the 2007 report this higher income group has grown to 22.5% an increased of 5.9%.

What is causing this shift? The majority of those seeking assistance are still below the median income, yet a greater number of higher income individuals are seeking refuge at the bankruptcy court. Clearly more in-depth research is needed to identify the causes of these trends.

Employment

A total of 36,767 participants answered the employment question, a 99% response rate. Of these, 64.2% (23,585) identified themselves as employed; 12.6% (4,637) identified themselves as unemployed; 8.9% (3,288) identified themselves as retired; 9% (3,311) identified themselves as self-employed; 4.4% (1,633) identified themselves as a homemaker; and .9% (313) identified as a student.

In comparison, the current population of the United States shows that 74.4% of Americans are employed (this included self-employed individuals)[22]; 3.6% are unemployed (the actual unemployment rate published for 2007 was 4.6% but when you factor this group in comparison with employed, students and retirees the percentage drops.)[23]; 15.8% are retired (collecting social security benefits is the closest gauge we have for defining retirement in this country)[24]; and 6.2%[25] are enrolled as full time students.

Table 6 compares the findings from the first report published by the Institute, with the results from 2006 and 2007. The Table also compares these finding against US population statistics.

Table 6: Employment

Employment	Percentage of Debtors IFL-1st Report	Percentage of Debtors IFL-2006	Percentage of Debtors IFL-2007	Percentage of US Population
Employed	61.8	63.7	64.2	74.4
Unemployed	13.7	13.1	12.6	3.6
Retired	10.5	9.4	8.9	15.8
Self-Employed	7.7	8.3	9	n/a
Homemaker	5	4.5	4.4	n/a
Student	1.3	1	.9	6.2

Because the government doesn't collect employment data in the same way the Institute does it would be difficult to draw direct comparisons for all categories. However those who are unemployed are clearly far more likely to be financially distressed and file for bankruptcy. Does length of unemployment impact this, or is it a lack of a financial safety net? More in-depth research should be done to understand what causes this disproportionate result and what possible preventative measures can be taken for those who find themselves with income disruptions.

Another interesting result is the decreasing trend amongst students. Since the first report there has been a decrease of .4% in the student cohort which is significant because this cohort is such a small percentage of the U.S. population. The media image of a spendthrift generation may not be bearing out in the numbers. One may wonder does this group carry their burden until a later age and then file for bankruptcy?

Marital Status

A total of 36,763 participants answered the marital status question, a 99% response rate. Of these, 59.7% (21,934) identified themselves as married; 20.2% (7,431) identified themselves as single; 15.6% (5,754) identified themselves as divorced; 3.6% (1,304) identified themselves as widowed; and .9% (340) identified themselves as cohabitating.

In comparison, the current population of the United States shows that 52.7% of Americans indicate that they are married; 30.5% are single: 10.5% are divorced; and 6.3% are widowed.[26] It is important to note that the U.S. Census Bureau does not track cohabitation as a category and conversely 2.3% of those who are part of the Census Bureau's 'married' category are actually 'separated but married', a category the Institute's survey does not capture.

Table 7 compares the findings from the first report published by the Institute, with the results from 2006 and 2007. The Table also compares these finding against US population statistics.

Table 7: Marital Status

Marital Status	Percentage of Debtors IFL-1st Report	Percentage of Debtors IFL-2006	Percentage of Debtors IFL-2007	Percentage of US Population
Married	54	57.1	59.7	52.7
Single	24	21.9	20.2	30.5
Divorced	17	15.9	15.6	10.5
Widowed	5	3.9	3.6	6.3
Cohabitating	0[27]	1.2	.9	n/a

There has been shift upwards within the married category from the first report through 2007 report. It is also of interest that those who are married are more likely to be financially distressed then when compared against their representation of the U.S. population. One question is why are married couples struggling financially? Also, is their any correlation to the data presenting which demonstrates that those who are divorced will be 5.1% more likely to experience financial distress then their U.S. population representation?

Also the Institute tracks how many of its clients are intending to file a bankruptcy petition as an individual filer or as a joint filer (an option available to heterosexual married couples.) In 2007, 69.9% of client's were individuals while 30.1% were joint filers. This statistic is compared with the number of actual joint bankruptcy petitions filed in 2007 of 30.4%.[28]

What is curious is that 59.7% of the debtors are married yet only 30.1% actually file joint petitions. Is this because there is some strategic advantage to file as a single filer in bankruptcy? Or have married people not integrated themselves financially after marriage and this shows itself particularly in cases of bankruptcy when one has to publicly 'bare their financial soul'?

Causes of Financial Distress

During the credit counseling process, clients are asked to pick from a list of common causes of financial distress to self-describe the causes for their current financial situation. Clients are encouraged to choose more than one cause when describing their situations, if applicable, and therefore the percentages will equal more than 100%. Over the course of this data collection period clients have on average chosen three causes for their financial distress.

Table 8 below compares the findings from the first report published by the Institute, with the results for all of 2006 and 2007.

Table 8: Causes of Financial Distress

Cause of Financial Distress	Percentage of Debtors IFL-1st Report	Percentage of Debtors IFL-2006	Percentage of Debtors IFL-2007
Overextended on Credit	55.2	62.8	69.2
Unexpected Expenses	52.3	57.2	59.9
Reduction of Income	46.3	52.2	56.7
Job Loss	32.9	36.1	38.1
Illness/Injury	30.9	32.7	35.9
Divorce	15.2	15.4	16.9
Birth/Adoption of Child	7.9	8.7	9.6
Death of Family Member	7.8	8.3	8.4
Retirement	4.8	5.4	5.6
Identity Theft	2.1	2.3	3
Total Responses to Category	13,737	75,403	117,188
Total Survey Participation	4,645	24,038	36,907
Average # of Causes	2.9	3.1	3.2

There has been increase in all categories since the first report, but there have been significant increases in several categories. With a 14% increase in the Overextended on Credit category and a 10.4% increase in the Reduction of Income category since the first report clearly the clients' situations are becoming increasingly more financially dire. Other categories of concern include Job Loss as the economy weakens, and Illness/Injury as the health care debate continues.

Though statistically smaller it is worth noting the Retirement category. Retirement has increased by .8% since the first report, and the concern becomes the economic stability of our older population. Additionally 7.5% of respondents indicated they are 65 years of age or older and 8.9%

indicated that their employment status is "retired". This raises questions about the overall financial health of the average American senior citizen, and what becomes of those seniors after they file for bankruptcy. A basic tenant of bankruptcy is that consumers are afforded an economic 'fresh start' by the discharge of their debt. Therefore, after receiving their discharge, they are able to apply future earnings toward their own economic vitality. However, in modern times the question arises whether older individuals exiting the bankruptcy system have sufficient earning power and/or retained assets to recover their self-sufficiency. Additional research regarding why older Americans file bankruptcy and the long term effect on their financial situation is necessary.

Last, the category of Identity Theft has seen an increase of .9% since the first report. The Federal Trade Commission reported that 255,000 Americans were the victims of Identity Theft in 2005. This represents approximately .1% of the American adult population. Although a small percentage of the population may be affected by this problem, the personal financial consequences for them can be devastating. Policymakers, law enforcement, businesses and financial educators must continue to work in their respective fields to protect and educate consumers about this issue. No one should ever have to file for bankruptcy due to this crime.

Conclusion

The data presented in this report does not lend itself to drawing final conclusions about any topic or issue. It is intended to identify issues requiring additional research and analysis, and to serve as a catalyst for discussion of the causes and effects of financial distress among the academic, legal, governmental, consumer and financial sectors. We now have a good idea what consumer debtors look like and will continue to track this data annually. The long-term goals of the Institute for Financial Literacy are to construct and maintain a substantial demographic baseline, monitor any substantive changes in the results and annually report out the findings. The research and academic community are encouraged to use these findings as a starting point for exploring the causes and crafting solutions for America's ever growing debt problem.

END NOTES

[1] Title 11 USC
[2] 11 USC sec. 109(h)(1)
[3] 11 USC sec 727(a)(11) and 1328 (g)(1)
[4] 11 USC 302
[5] The states of North Carolina and Alabama and their six respective judicial districts are not under the authority of the United States Trustees Program, but rather individual Bankruptcy Administrators (BA). Each BA has set its own approval process in place for the approving of a nonprofit budget and credit counseling agency as is required under section 111(a).
[6] The Institute for Financial Literacy has subsequently been re-approved as a provider for a one year period of time, as the initial approvals were for a six-month probationary period only.
[7] For purposes of this research the sampling of in person sessions was statistically insignificant.
[8] 11 USC sec. 111(a)
[9] The United States Trustees Program website is located at www.usdoj.gov/ust. The six Bankruptcy Administrators maintain their own individual website, but they can be accessed by a link maintained by the United States Courts at www.uscourts.gov .
[10] The US Courts reported a total of 850,912 cases filed in 2007. Of these 28,322 were business filings and exempt from the credit counseling and financial education requirement.
[11]Over 90% of credit counseling clients received a recommendation to consult an attorney based upon their financial condition. All financial management education clients are already bankruptcy debtors.
[12] Source: Annual Estimate of Population for the U.S, Population Division, U.S. Census Bureau Release Date December 27,2007
[13] Source: Annual Estimate of Population by Sex and Five-Year Age Groups for the U.S., Population Division, U.S. Census Bureau Release Date May 1, 2008.
[14] See Note 13.
[15] US Census Bureau collects data from ages 15-19 and 20-24, only the 20-24 data was used.
[16] Source: Annual Estimate of Population by Sex, Race and Hispanic Origin for the U.S., Population Division, U.S. Census Bureau Release Date May 1, 2008.
[17] Census Bureau allows people of Hispanic origin to self select other race categories as well, the percentages therefore will not total 100%.
[18] Source: Annual Social and Economic Supplement, Educational Attainment of the Population 18 Years and Over:2007, U.S. Census Bureau, Release Date January 10, 2008.
[19] Source: U.S. Census Bureau, Current Population Survey, 2007 Annual Social and Economic Supplement.
[20] *Id.*
[21] The Means Testing is a mathematical calculation which determines whether a debtor may file in either chapter 7 (total liquidation of their debt) or chapter 13 (some repayment of their debts) bankruptcy. There was much concern prior to the enactment of BAPCPA that this new requirement would significantly shift the percentage of debtors away from chapter 7, and into chapter 13.
[22] Labor Force Statistics from the Current Population Survey, U.S. Department of Labor, Bureau of Labor Statistics, 2007
[23] *Id.*
[24] Source: Social Security Administration, Master Beneficiary Record, 100 percent data, December 2006
[25] Source: U.S. Census Bureau, Current Population Survey, Type of College and Year Enrollment for College Students 15 years Old and Over, October 2006.
[26] Source: U.S. Census Bureau, 2006 American Community Survey, Sex by Marital Status by Age for the Population 15 years and over.
[27] Statistically .008% of the first sample the Institute compiled.
[28] Provided by the Administrative Office of the United States Courts, 2007 joint filings were 249,936 cases.