INSTITUTE FOR FINANCIAL LITERACY®

2009 Annual Consumer Bankruptcy Demographics Report

The American Debtor in the Great Recession

A Report Published by the

Institute for Financial Literacy, Inc.

June, 2010

2009 Annual Consumer Bankruptcy Demographics Report: American Debtors in a Recession

© 2010, *Institute for Financial Literacy*

Written by Leslie E. Linfield, Esq., Executive Director, 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.

About the Institute for Financial Literacy

The Institute for Financial Literacy is a non-profit financial literacy organization with the mission to make effective financial literacy education available to everyone. 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 for Consumer Financial Research

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.

INSTITUTE FOR
FINANCIAL LITERACY®

P.O. Box 1842
Portland, ME 04104
(207) 879-0389
www.FinancialLit.org

CONTENTS

SIGNIFICANT FINDINGS

- The average American filing bankruptcy is a 35- to 54-year-old married Caucasian with a high school degree or some college, is employed, and earns less than $30,000 per year.

- The following groups demonstrated noticeable changes as a percentage which may be attributable to the Great Recession:

  - ✧ Americans 55 years and older are filing at higher rates;
  - ✧ Asian Americans are now filing bankruptcy at double the rate they were in 2006;
  - ✧ African Americans are filing fewer bankruptcies than in 2006;
  - ✧ Americans with advance degrees are filing at higher rates;
  - ✧ Americans earning $30,000 or more make up 41% of filers;
  - ✧ Americans who are unemployed saw a jump in filings by 3.2% since 2008; and
  - ✧ Americans who are married have seen an 8% increase in filings since 2006.

- The percentage of Americans reporting *Reduction of Income* and/or *Job Loss* as a cause of financial distress increased.

- The other common causes of financial distress reported by Americans include *Overextended on Credit*, *Unexpected Expenses*, *Illness/Injury* and *Divorce.*

EXECUTIVE SUMMARY

According to the National Bureau of Economic Research (NBER), the United States officially entered a recession in December of 2007. The NBER's Business Cycle Dating Committee maintains a chronology of the U.S. business cycle. At a meeting on April 8, 2010 NBER reviewed the most recent data to determine the possible end of the recession. The committee concluded that, although there were indications of expansion in the economy, they were both preliminary and premature and that the recession had not yet ended. It also reconfirmed that the recession began in December of 2007.

This year's *Annual Consumer Bankruptcy Demographics Report* is the second year of research to capture information on American debtors filing bankruptcy during this recession (January 2009 through December 2009). While the data presented in this report does not lend itself to drawing final conclusions about any topic or issue, the 2009 data is compared with 2008 data to identify any changes in the demographics of debtors that may be attributable to the recession. These two years show 24 months of Americans filing bankruptcy during what has come to be known as the "Great Recession." This allows us to see what impact an economic cycle has on the bankruptcy process.

As in years past, **the average American in financial distress and seeking credit counseling and financial education is a 35- to 54-year-old married Caucasian with a high school degree or some college who is employed and earning less than $30,000 per year.** What differentiates the 2009 data from previous years' data is the increase in reported percentages of the following demographic groups:

- Americans 55 and older;
- Americans of Caucasian and Asian descent;
- Americans with bachelor's or graduate degrees;
- Americans earning $60,000 or more per year;
- Americans whose status is now unemployed; and
- Americans who are married.

Taken collectively, these individually measured demographic factors indicate that the 2008-2009 Great Recession is noticeably shifting more "middle class" Americans into bankruptcy.

This report is intended to serve as a catalyst for discussion among the academic, legal, governmental, consumer and financial sectors about the causes and effects of financial distress. Several years of accumulated data now give us a good idea of what consumer debtors look like. This data will continue to be tracked annually. The long-term goals of the Institute for Financial Literacy and the Center for Consumer Financial Research are to construct and maintain a substantial demographic baseline, monitor any substantive changes in the results and annually report the findings. The research and academic community are encouraged to use these findings as a starting point for exploring the causes of and crafting solutions for America's dynamic debt problems. This year's report gives us an opportunity to look at the American debtor during a recession and determine if there are trends unique to this turbulent economic situation.

INTRODUCTION

In April 2006, the Institute for Financial Literacy released "First Demographic Analysis of Post-BAPCPA Debtors." The report examined a sampling of demographic information gathered during the six months following enactment of the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 (BAPCPA). The period covered October 17, 2005 through March 31, 2006. The Institute publishes similar reports annually.

This report looks at a full year of demographic information covering the period from January 1, 2009 through December 31, 2009. The results are compared to the findings from 2008.

The Institute for Financial Literacy is a non-profit financial literacy organization based in Portland, Maine with a mission to make effective financial literacy education available to everyone. 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.

BANKRUPTCY ABUSE PREVENTION & CONSUMER PROTECTION ACT OF 2005 (BAPCPA)

The Institute for Financial Literacy expanded its mission with the passage of BAPCPA. BAPCPA incorporated a requirement that individuals must 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 certain debtors in the bankruptcy system to 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. This is a result of the law's application of these requirements to

1 Title 11 USC
2 11 USC sec. 109(h)1
3 11 USC sec. 727(a)(11) and 1328

"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 and the six Bankruptcy Administrators[5] in the fall of 2005.[6] 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 U.S. 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 debtors. 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 eventually seeking bankruptcy protection.

The Institute for Financial Literacy intends to publish the results of its demographic survey annually, 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.

The Institute for Financial Literacy incorporated a research component into its delivery platforms during the development of its credit counseling and financial management instructional course programs. This allows for large scale data collection and facilitates the establishment of such a study.

This report looks at a sampling of demographic information gathered during the time period covering January 1, 2009 through December 31, 2009. It includes a combination of respondents accessing the credit counseling services only, the financial management instructional course only, or both programs. As of the date of this writing, it is not known how many respondents who sought credit counseling services actually filed for bankruptcy. 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 credit counseling on December 31, 2009 would have until June 29, 2010 to file a bankruptcy petition before being required to retake a credit counseling session.

4 11 USC 302

5 The states of North Carolina and Alabama and their six representative judicial districts are not under the authority of the United States Trustees Program, but rather the 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.

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 upon request to the general public.[8] The Bankruptcy Administrators and the United States Trustees Program both maintain updated lists of approved providers on their respective websites.[9] Clients may also learn about the 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 program.

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

7 For the 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 www.usdoj.gov/ust. The six Bankruptcy Administrators maintain individual websites, which can be accessed by a link maintained by the United States Courts at www.uscourts.gov.

that category. The client then identifies their response and the counselor marks the choice into the data collection instrument.

The following categories were surveyed: 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 as well as U.S. territories. The sampling for this report contains respondents from all 50 states, the Northern Mariana Islands and Guam.

Fifty-two thousand one hundred eighty-one (52,181) clients volunteered to complete the survey in whole or in part, compared with nearly 1,412,838 new non-business bankruptcy cases filed nationally between January 1, 2009 and December 31, 2009.[10] If all respondents filed bankruptcy petitions[11] this would represent 3.69% of all new cases filed for the period, and is therefore a statistically significant and relevant sample.

It should also be noted that not all respondents answered all survey questions. For purposes of statistical analysis, 100% of the survey participants gave gender information (52,181 responses) while only 95% answered the income question (49,770 responses) and 98% responded to the Highest Level of Education Completed question (51,600 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 for 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 demographic information individually, only in the aggregate. Clients' names and other obvious personal identifiers have been changed or removed to protect clients' privacy.

10 The U.S. Courts reported a total of 1,473,675 cases filed in 2009. Of these, 60,837 were business filings and exempt from the credit counseling and financial education requirement.

11 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.

THE RECESSION

According to the National Bureau of Economic Research (NBER), the United States officially went into a recession in December of 2007. The NBER's Business Cycle Dating Committee maintains a chronology of the U.S. business cycle. The chronology comprises alternating dates of peaks and troughs in economic activity. A recession is a period of time between a peak and a trough in the business cycle. During a recession, a significant decline in economic activity spreads across the economy and can last from a few months to more than a year.[12] At a meeting of the Business Cycle Dating Committee of the NBER on April 8, 2010, the committee reviewed the most recent data for all indicators relevant to the determination of a possible date of the trough in economic activity marking the end of the recession. The committee concluded that, although there were indications of expansion, they were both preliminary and premature, and that the recession had not yet ended. In addition, it confirmed that the beginning of the downturn was December of 2007.

This year's Annual Consumer Bankruptcy Demographics Report is the second year of research to capture information on American debtors filing bankruptcy during this recession (January 2009 through December 2009). While the data presented in this report does not lend itself to drawing final conclusions about any topic or issue, the 2009 data is compared with 2008 data to identify any changes in the demographics of debtors that may be attributable to the recession. These two years show 24 months of Americans filing during what has come to be known as the "Great Recession" and allow us to see what impact an economic cycle has on the bankruptcy process.

FINDINGS

Gender

A total of 52,181 participants answered the gender question, a 100% response rate. Of these, 52.4% (27,330) were female, while 47.6% (24,851) were male. **Table 1** compares the findings from the 2008 report published by the Institute with the results for 2009.

TABLE 1: GENDER		
Gender	**Percentage of Debtors IFL 2008 Report**	**Percentage of Debtors IFL 2009 Report**
Male	47.2	47.6
Female	52.6	52.4

There is no significant change in the data compared to the Institute's 2008 report. It is worth noting that the percentage of females has dropped each year from a high of 53.6% in 2006.

12 National Bureau of Economic Research, www.nber.org.

Also of interest is the difference between women seeking counseling and/or education (52.4%) as compared to men. The U.S. Census Bureau reported that women comprised 50.7% of the U.S. population in 2007.[13] It is unlikely that this statistic is being affected by the recession.

Age

A total of 51,883 participants answered the age question, a 99% response rate. Of these, 1.8% (910) identified as 18-24 years of age; 17.1% (8,883) identified as 25-34 years of age; 28.6% (14,860) identified as 35-44 years of age; 27.3% (14,180) identified as 45-54 years of age; 16.9% (8,768) identified as 55-64 years of age; and 8.3% (4,282) identified as 65 years of age or older. **Table 2** compares the findings from the 2008 report published by the Institute with the results for 2009 and the representation of each age group in the U.S. population.[14]

TABLE 2: COMPARISON OF AGE GROUP DATA

Age Range	Percentage of Debtors IFL 2008 Report	Percentage of Debtors IFL 2009 Report	Percentage of U.S. Population
18 – 24	2.2	1.8	7.0
25 – 34	19.5	17.1	13.4
35 – 44	29.4	28.6	14.3
45 – 54	26.0	27.3	14.6
55 – 64	15.6	16.9	10.8
65+	7.3	8.3	12.6

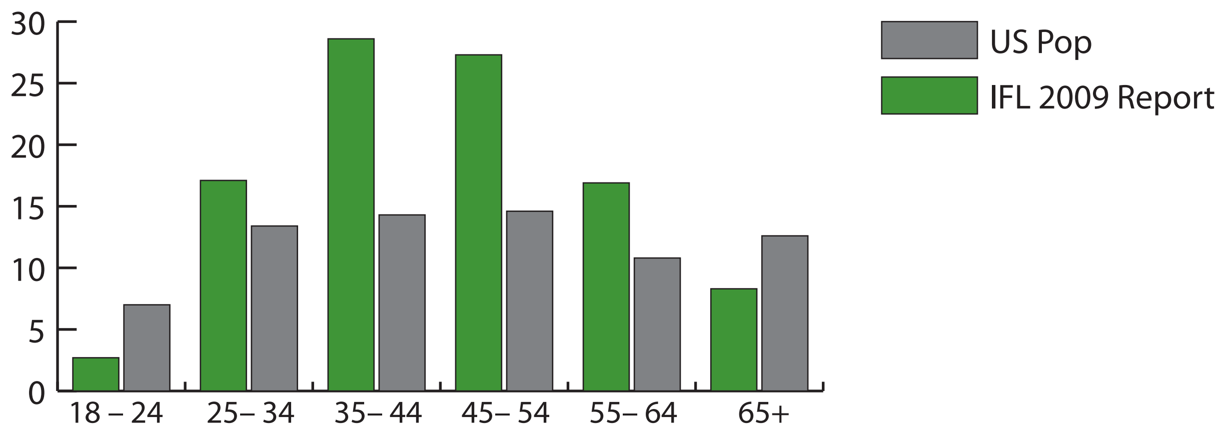
When examining the age data, it is clear that almost 56% of bankruptcy debtors are between the ages of 35-54, a trend that has continued from last year's report. However, an emerging trend is that the 55- 64 and the 65+ age cohorts appear to be experiencing an increased deterioration in their financial conditions and filing bankruptcy at greater rates than in the year prior. This raises questions about the causes of financial distress: is this due to the recession or due to some other underlying issue with this age cohort such as medical issues or reduction of income due to retirement? We question the causes of financial distress because these two age cohorts have seen an increase in percentage of filing since 2007, prior to the beginning of the recession. Further study of this population is recommended to determine the cause.

Another continuing trend which the Institute for Financial Literacy has identified and written about in years past is the bell curve presenting in the age data of bankruptcy debtors as a whole as compared to the U.S. population. Generally speaking, the U.S. population is evenly divided into age cohorts with about 14%

13 http://quickfacts.census.gov/qfd/states/00000.html
14 Ibid

representation in each cohort. However, as seen on the graph below, the rate of bankruptcy filings by age illustrates that certain age cohorts have more bankruptcy filings than others. This trend has been noted by the Institute for Financial Literacy since its first report in 2006.

FIGURE 1: AGE BELL CURVE (2009)



Over 70% of the bankruptcy cases filed each year are filed in Chapter 7. Chapter 7, also known as 'straight bankruptcy' or 'liquidation,' allows the debtor to keep only certain exempt assets;[15] all others must be sold to repay their creditors. Of all Chapter 7 cases filed, 96% are 'no asset' cases.[16] The bell curve appearing around the age data presents a concern that this population may be emerging from bankruptcy within twenty-five years or less from retirement with no assets set aside. The potential societal costs could be immense as this population may only have Social Security and Public Assistance programs to rely upon.

After several years of this data continuously presenting in this manner, the Institute for Financial Literacy strongly recommends that a focus be placed on retirement planning and investor education for the post-bankrupt debtor, particularly in the age range of 35-54 years of age. Additionally, more research needs to be done to better understand the underlying factors that are causing this bell curve effect to present in the first place. Exactly what happens in individuals' late twenties that leads them to be statistically more likely to file a bankruptcy in their mid to late thirties?

15 Retirement Accounts are exempt assets in bankruptcy, but often times debtors have cashed out these accounts prior to filing in an attempt to stave off bankruptcy. The Institute for Financial Literacy is currently engaged in a research project which asks post-bankruptcy debtors aged 35 – 54 about their retirement plans and will also look at what (if any) retirement assets were preserved in their Chapter 7 bankruptcies.

16 See Ed Flynn, Gordon Bermandt and Suzanne Hazard, *Bankruptcy By the Numbers - Chapter 7 Asset Cases.* ABI Journal 10 (Dec. 2002)

Ethnicity

A total of 50,939 participants answered the ethnicity question, a 98% response rate. Of these, 11.4% (5,813) identified as African American/Black; 74% (37,690) identified as Caucasian/White; 7.2% (3,643) identified as Latino/Hispanic; 4% (2,046) identified as Asian; 0.7% (352) identified as Native American; and 2.7% (1,395) identified as Other. **Table 3** compares the findings from the 2008 report published by the Institute with the results for 2009.

TABLE 3: ETHNICITY

Ethnicity	Percentage of Debtors IFL 2008 Report	Percentage of Debtors I FL 2009 Report
African American/ Black	12.5	11.4
Caucasian/ White	73.3	74.0
Latino/ Hispanic	7.4	7.2
Asian	3.6	4.0
Native American	0.8	0.7
Other	2.4	2.7

There have not been the significant year-to-year shifts that were demonstrated in the 2008 report. However, there has been a noticeable increase in the filing rates of Asians over the past three years. Since 2006, this group went from 2.1% to 4% of the filing population. What, if any, impact has the recession had on this ethnic group and why? In the reverse, we have seen the filing rates amongst African Americans/ Blacks reduce from 15.3% in 2006 to 11.4% in the past year. The recession again may be directly connected to this outcome but the questions become how and why? Both of these categories have seen significant changes over the last few years and therefore the Institute for Financial Literacy is questioning the role ethnicity plays in filing bankruptcy. The Institute for Financial Literacy strongly recommends that specific research be done on this question.

Education

A total of 51,600 participants answered the question asking their highest level of education completed, a 99% response rate. Of these, 6.3% (3,248) identified at the Graduate level; 13.9% (7,208) identified at the Bachelor's level; 8.6% (4,445) identified at the Associate's level; 28.9% (14,898) identified at the Some College level; 36.9% (19,025) identified at the High School/GED level; 5% (2,581) identified at the Primary School level; and 0.4% (195) identified themselves as having no education. **Table 4** compares the findings from the 2008 report published by the Institute with the results for 2009.

TABLE 4: EDUCATION		
Education	**Percentage of Debtors IFL 2008 Report**	**Percentage of Debtors I FL 2009 Report**
Graduate	5.3	6.3
Bachelor's	12.3	13.9
Associate's	8.6	8.6
Some College	29.4	28.9
High School/ GED	38.5	36.9
Primary School	5.2	5.0
None	0.7	0.4

In last year's report we found that those with either a bachelor's or an associate's degree appeared to be more affected during the first year of the recession, with significant filing increases over the prior year. It appears that the trend has worked its way up the educational 'food chain' with those holding bachelor's and graduate degrees being more affected than in years past. Those with a bachelor's degree saw their filing rates increased by 1.6% while the filing rate increased by one full percent for those with a graduate-level degree. Last year we asked if this recession was a 'white collar' recession; the increase in the filing rates among those of higher educational attainment suggests that the answer is most likely 'yes.' That said, this is most likely a reflection of the changing nature of our economy from a manufacturing base to a service/technology base. The Institute for Financial Literacy recommends research be conducted to look specifically at the employment sectors (either current or most recent) of those filing bankruptcy to assess what, if any, specific correlations there are between educational attainment, employment and bankruptcy.

Income

A total of 49,770 participants answered the income level question, a 95% response rate. Of these, 38.4% (19,111) identified as earning less than $20,000 per year; 20.9% (10,411) identified as earning $20,000 to $30,000 per year; 15.4% (7,644) identified as earning $30,000 to $40,000 per year; 9.7% (4,837) identified as earning $40,000 to $50,000 per year; 6.5% (3,233) identified as earning $50,000 to $60,000 per year; and 9.1% (4,534) identified as earning more than $60,000 per year. **Table 5** compares the findings from the 2008 report published by the Institute with the results for 2009.

TABLE 5: SELF IDENTIFIED INCOME		
Income	**Percentage of Debtors IFL 2008 Report**	**Percentage of Debtors IFL 2009 Report**
Less than $20k	37.1	38.4
$20k – $30k	21.9	20.9
$30k – $40k	16.0	15.4
$40k – $50k	10.4	9.7
$50k – $60k	6.5	6.5
More than $60k	8.1	9.1

The recession continues to have an effect on higher income levels while those who earn less then $30,000 saw a decrease or return to pre-recession filing rates. Those with incomes rates between $20,000 and $30,000 saw a decrease in filings of one percentage point, while those earning $20,000 or less saw an increase in filing rates of 1.3%, returning to their 2007 percentages. Those who earn $50,000 stabilized at 6.5%. Of particular note again this year, participants earning $60,000 or more saw an increase of one percentage point. This income cohort has seen a steady increase over the past several years: since 2006 has increased from 5.5% to 9.1%. This would indicate the recession is having a significant impact on higher income earners and sending more of them to seek bankruptcy protection.

Employment

A total of 51,789 participants answered the employment question, a 99% response rate. Of these, 59.3% (30,704) identified themselves as Employed; 16.2% (8,407) identified themselves as Unemployed; 9.3% (4,811) identified themselves as Retired; 10.3% (5,325) identified themselves as Self-Employed; 4.1% (2,106) identified themselves as Homemakers; and 0.8% (436) identified as Students. **Table 6** compares the findings from the 2008 report published by the Institute with the results for 2009.

TABLE 6: EMPLOYMENT

Employment	Percentage of Debtors IFL 2008 Report	Percentage of Debtors IFL 2009 Report
Employed	63.4	59.3
Unemployed	13.0	16.2
Retired	8.7	9.3
Self-Employed	9.9	10.3
Homemaker	4.2	4.1
Student	0.8	0.8

The recession clearly presents itself when looking at the employment statistics, particularly in the Unemployed category. In the Institute's 2008 report, which collected data throughout the year, the unemployment rate was 5.0% in January 2008 and 7.4% by December of that year.[17] By the end of December 2009 unemployment had spiked to 10%.[18] It is evident that the higher rate of unemployment took its toll as more jobless individuals sought bankruptcy protection, with an increase of 3.2% in this one category. There appears to be a connection with unemployment rates and bankruptcy filings, which prior to this year had not presented as such. The other category that bears watching is Self-Employed: although there hasn't been the same level of erosion during the recession as with the unemployed, this category has seen a filing rate increase of 2.0% since 2006.

17 Department of Labor, Bureau of Labor and Statistics: Unemployment Rate, Labor Force Statistics from Current Population Survey

18 Ibid.

Marital Status

A total of 51,917 participants answered the marital status question, a 99% response rate. Of these, 65.1% (33,796) identified themselves as Married; 16.7% (8,680) identified themselves as Single; 14.4% (7,542) identified themselves as Divorced; 3% (1,565) identified themselves as Widowed; and 0.8% (424) identified themselves as Cohabitating. **Table 7** compares the findings from the 2008 report published by the Institute with the results for 2009.

TABLE 7: MARITAL STATUS

Marital Status	Percentage of Debtors IFL 2008 Report	Percentage of Debtors IFL 2009 Report
Married	62.0	65.1
Single	18.6	16.7
Divorced	15.3	14.4
Widowed	3.3	3.0
Cohabitating	0.8	0.8

The recession continues to take a toll on married couples. Those report who being married have seen filing rates increase by 8% since 2006 and 3.1% last year alone. All other categories have seen steady decreases over the same time period. Additionally, the Administrative Office of the United States Courts (which gathers the Bankruptcy Courts statistics) reports 35% of all non-business bankruptcies cases filed were filed as joint cases (husbands and wives) during calendar year 2009. This is up from 32% in 2008. So both the Administrative Office of the United States Courts and the Institute for Financial Literacy are seeing a trend of more married couples seeking protection in bankruptcy during the recession.

Causes of Financial Distress

During the credit counseling process, clients are asked to pick from a list of common causes of financial distress in order to self-describe the causes for their current financial situation. Clients are allowed to choose more than one cause when describing their situations; therefore the percentages will equal more than 100%. **Table 8** compares the findings from the 2008 report published by the Institute with the results for 2009.

TABLE 8: CAUSES OF FINANCIAL DISTRESS		
Cause of Financial Distress	**Percentage of Debtors IFL 2008 Report**	**Percentage of Debtors IFL 2009 Report**
Overextended on Credit	72.6	73.4
Unexpected Expenses	57.1	55.0
Reduction of Income	58.4	64.5
Job Loss	37.6	42.3
Illness/Injury	33.0	31.1
Divorce	16.6	15.1
Birth/Adoption of Child	10.4	9.7
Death of Family Member	8.1	7.5
Retirement	6.0	6.7
Identity Theft	2.4	1.9

Some of the noticeable impacts of the recession show up in some of the causes for debtors' financial distress, such as in the category ***Overextended on Credit.*** This category has seen a steady increase, with the 2009 percentage 10.6% higher than the 62.8% reported rate in 2006. It appears that debtors' inability to access credit in tightening credit markets may be driving them into bankruptcy at faster and higher rates. Another category which has shown a significant increase during the recession is ***Reduction of Income.*** Here, debtors indicated a 6.1% increase in the past year and a 12.3% increase since 2006. The ***Job Loss*** category finally caught up with debtors as the country is experiencing an unemployment rate of close to 10%. This category showed a 4.7% increase over last year and a 6.2% increase since 2006. The ***Unexpected Expenses*** category, though significant at 55%, has been decreasing annually with a 4.9% decrease from its highest point in 2007. This is noteworthy even though no direct explanation is apparent. Another category to make note of is the ***Illness/Injury*** category. This category decreased by 1.9% over the last year and 4.8% from its highest point in 2007. This has been a category of particular interest to policymakers, academics and members of the consumer and financial sectors, as much debate has ensued over the role medical costs play in the filing of bankruptcy. It does not appear the recession has yet had a direct impact on debtors in this area.

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 communities are encouraged to use these findings as a starting point for exploring the causes of and crafting solutions for America's ever growing debt problem. This year's report gives us an opportunity to look at the American debtor during the Great Recession and determine if there are trends unique to this turbulent economic situation.