INSTITUTE FOR FINANCIAL LITERACY®

2010 Annual Consumer Bankruptcy Demographics Report

A Five Year Perspective of the American Debtor

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A Five Year Perspective of the American Debtor

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Acknowledgments
The Board of Directors of the Institute for Financial Literacy, for their continued support of the mission of financial education and counseling, 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 501(c)(3) non-profit financial literacy organization with the mission to promote effective financial education and counseling. 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, hosting the Annual Conference on Financial Education, administering the Excellence In Financial Literacy Education (EIFLE) Awards, providing professional development and certification through the Center for Financial Certifications, and by providing organization accreditation through the Council on Financial Education Accreditation.

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 promote the effective delivery of consumer financial products, services and education through the dissemination of research within these fields. The Center accomplishes this mission by collaborating with academics and objectively assessing the effectiveness of financial education efforts, researching consumer financial behavior, and publishing its findings.

INSTITUTE FOR
FINANCIAL LITERACY®

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SIGNIFICANT FINDINGS

- The following changes have occurred since the passage of the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 (BAPCPA):
  - ✧ The Gender Gap in bankruptcy filings is closing;
  - ✧ Over 70% of debtors didn't graduate from college;
  - ✧ Americans with advance degrees are filing at higher rates;
  - ✧ The majority of bankruptcy filers earn $40,000 a year or less;
  - ✧ Americans who are unemployed saw a jump in filings by 23% since 2008; and
  - ✧ Americans who are married are more likely to file and represent over 60% of all filings. Of those filings, nearly 35% were joint petitions.
- The following changes have occurred during the previous five year period and may be attributable to the Great Recession:
  - ✧ Americans 45 years and older increased the rate of filing bankruptcy by 19%;
  - ✧ Americans age 34 and younger decreased the rate of filing bankruptcy by over 30% since 2006;
  - ✧ Asian American filings have doubled while Hispanic/Latino filings increased by over 33%;
  - ✧ College education doesn't appear to ward off bankruptcy as the rate of degree holders filing bankruptcy increased by 20%;
  - ✧ Bankruptcy filers earning incomes above $60,000 increased their rate of filing by over 66%;
  - ✧ Americans who are unemployed increased filings by 21% since 2006; and
  - ✧ Americans who are married have seen a 12% increase in filings since 2006.
- The percentage of Americans reporting *Reduction of Income* and/or *Job Loss* as a cause of financial distress increased by 24% and 21% respectively since 2006.
- The other common causes of financial distress reported by Americans include *Overextended on Credit*, *Unexpected Expenses*, *Illness/Injury* and *Divorce*.

EXECUTIVE SUMMARY

In 2007, the Institute for Financial Literacy released its first Annual Consumer Bankruptcy Demographics Report. These reports have looked at the demographic profile of American debtors and noted any shifts in data from one year to the next. Since the first report, which was prompted by the passage of the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 (BAPCPA), the United States has seen significant economic and political changes. The country has entered and exited the Great Recession of 2008, seen a change in the political and economic landscape in Washington D.C., and watched as several major pieces of consumer/financial legislation have passed. The question naturally arises, what impact if any has this had on the face of the American debtor? As the world has transformed so dramatically in five years, does the individual who filed for bankruptcy in 2006 look the same as the individual who filed last year?

This year's Annual Consumer Bankruptcy Demographics Report is therefore not just presenting the 2010 demographic information, but is a comparative of the data collected since 2006. While the data presented in this report does not lend itself to drawing final conclusions about any topic or issue, the 2010 report does give us the opportunity perhaps to get a better perspective by seeing several years presented together. From here we can begin to see what demographic changes may be attributable to the passage of BAPCPA, the recession, and the shifts in the political and legislative environment.

- The following changes have occurred since the passage of the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 (BAPCPA):
  - The Gender Gap in bankruptcy filings is closing;
  - Over 70% of debtors didn't graduate from college;
  - Americans with advance degrees are filing at higher rates;
  - The majority of bankruptcy filers earn $40,000 a year or less;
  - Americans who are unemployed saw a jump in filings by 23% since 2008; and
  - Americans who are married are more likely to file and represent over 60% of all filings and of those filings, nearly 35% were joint petitions.
- The following changes have occurred during the previous five year period and may be attributable to the Great Recession:
  - Americans 45 years and older increased the rate of filing bankruptcy by 19%;
  - Americans age 34 and younger decreased the rate of filing bankruptcy by over 30% since 2006;
  - Asian American filings have doubled while Hispanics/Latinos filings increased by over 33%;
  - College education doesn't appear to ward off bankruptcy as the rate of degree holders filing bankruptcy increased by 20%;

  - Bankruptcy filers earning incomes above $60,000 increased their rate of filing by over 66%;
  - Americans who are unemployed increased filings by 21% since 2006; and
  - Americans who are married have seen a 12% increase in filings since 2006.
- The percentage of Americans reporting Reduction of Income and/or Job Loss as a cause of financial distress increased by 24% and 21% respectively since 2006.
- The other common causes of financial distress reported by Americans include Overextended on Credit, Unexpected Expenses, Illness/Injury and Divorce.

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 gives 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 are to construct and maintain a substantial demographic baseline, monitor any substantive changes in the results, and annually report the findings. 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 2007, the Institute for Financial Literacy released "Who Went Bankrupt In 2006? A Demographic Analysis of American Debtors." This was the first Annual Consumer Bankruptcy Demographics Report published by the Institute and was prompted by the passage of the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 (BAPCPA). These reports have looked at the demographic profile of a sample of American debtors and noted any shifts in data from one year to the next. Since the first report, the United States has seen significant economic and political changes. The country has entered and exited the Great Recession of 2008, seen a change in the political and economic landscape in Washington D.C., and watched as several major pieces of consumer/financial legislation have passed. The question naturally arises, what impact if any has this had on the face of the American debtor? As the world has transformed so dramatically in five years, does the individual who filed for bankruptcy in 2006 look the same as the individual who filed last year?

This report looks at a full year of demographic information covering the period from January 1, 2010 through December 31, 2010. The results are compared to the findings from 2006, 2007, 2008 and 2009.

The Institute for Financial Literacy is a 501(c)(3) non-profit financial literacy organization based in South Portland, Maine with the mission to promote effective financial education and counseling. 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, hosting the Annual Conference on Financial Education, administering the Excellence In Financial Literacy Education (EIFLE) Awards, providing professional development and certification through the Center for Financial Certifications, and by providing organization accreditation through the Council on Financial Education Accreditation.

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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 "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.

1 Title 11 USC
2 11 USC sec. 109(h)1, § 2(a)(6)(B), 124 Stat. 3557, 3558 (2010)
3 11 USC sec. 727(a)(11) and 1328
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.

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 who will eventually seek bankruptcy protection.

The Institute for Financial Literacy intends to publish the results of its demographic survey annually to monitor any substantive changes in those results, and encourages 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, 2010 through December 31, 2010. 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, 2010 would have until June 29, 2011 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 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]

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.

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 ongoing 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 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, Virgin Islands, and Guam.

Fifty-two thousand eight hundred fifty-one (52,851) clients volunteered to complete the survey in whole or in part, compared with nearly 1,536,799 new non-business bankruptcy cases filed nationally between

January 1, 2010 and December 31, 2010.[10] If all respondents filed bankruptcy petitions,[11] this would represent 3.44% 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 (52,851 responses) while only 95.24% answered the income question (50,335 responses) and 95.58% responded to the ethnicity question (50,513 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.

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 September 19, 2010, the committee reviewed the 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 the trough occurred in June 2009 and therefore, the recession had ended. The Great Recession lasted 18 months and makes it one of the longer recessions in our history, and the longest since World War II. There have been two occurrences where a postwar recession lasted 16 months; they occurred between 1973-75 and 1981-82.

10 The U.S. Courts reported 1,593,081 cases filed in 2010. Of these, 56,282 were business filings and exempt from the credit counseling and financial education requirement.

11 Ninety percent 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 National Bureau of Economic Research, www.nber.org.

FINDINGS

Gender

In 2010, a total of 52,851 participants answered the gender question, a 100% response rate. Of these, 52.26% (27,619) were female, while 47.74% (25,232) were male. **Table 1** compares the findings from the 2006-2009 reports published by the Institute with the results for 2010.

TABLE 1: GENDER					
Gender	Percentage of Debtors IFL 2006 Report	Percentage of Debtors IFL 2007 Report	Percentage of Debtors IFL 2008 Report	Percentage of Debtors IFL 2009 Report	Percentage of Debtors IFL 2010 Report
Male	46.4	47.22	47.38	47.62	47.74
Female	53.6	52.78	52.62	52.38	52.26

Since 2006, there have been no sudden increases or decreases in the percentage of male and female debtors. However, an interesting, gradual trend has emerged over the five years with the percentages of females and males slowly shifting. Female rates have been consistently decreasing while their male counterparts have been increasing. As we move forward, it will be interesting to see if this trend continues. This rebalancing in the filing rate reflects closer to the current population representation in the United States.

According to the U.S. Census Bureau, men comprised 49.2% of the American population (up from 49.1% in 2000), while women comprised 50.8% (down from 50.9% in 2000). [13]

Age

A total of 52,445 participants answered the age question, a 99.23% response rate. Of these, 1.33% (696) identified as 18-24 years of age; 15.44% (8,099) identified as 25-34 years of age; 27.54% (14,441) identified as 35-44 years of age; 28.45% (14,923) identified as 45-54 years of age; 18.12% (9,504) identified as 55-64 years of age; and 9.12% (4,782) identified as 65 years of age or older. **Table 2** compares the findings from the 2006-2009 reports published by the Institute with the results for 2010.

13 U.S. Census Bureau, Census 2000, Population by Sex and Selected Age Groups: 20002 and 2010

TABLE 2: COMPARISON OF AGE GROUP DATA					
Age Range	**Percentage of Debtors IFL 2006 Report**	**Percentage of Debtors IFL 2007 Report**	**Percentage of Debtors IFL 2008 Report**	**Percentage of Debtors IFL 2009 Report**	**Percentage of Debtors IFL 2010 Report**
18 – 24	3.3	2.69	2.23	1.75	1.33
25 – 34	21.0	20.25	19.50	17.12	15.44
35 – 44	29.0	29.80	29.42	28.65	27.54
45 – 54	24.9	25.45	25.96	27.33	28.45
55 – 64	14.0	14.35	15.54	16.90	18.12
65+	7.8	7.46	7.35	8.25	9.12

Perhaps one impact of the recession may be that fewer young people find themselves in bankruptcy. Is this due to better fiscal management or less access to credit? In the five year filing period, the 18-24 and 25-34 age cohorts has seen a combined decrease of 31%. The next age cohort, 35-44, as illustrated in **Table 2**, in the first four years the Institute has reported its findings, has held the majority of debtors filing. However, that changed with the 2010 data. Here we see, for the first time, the 45-54 age cohort with the majority of bankruptcy filers.

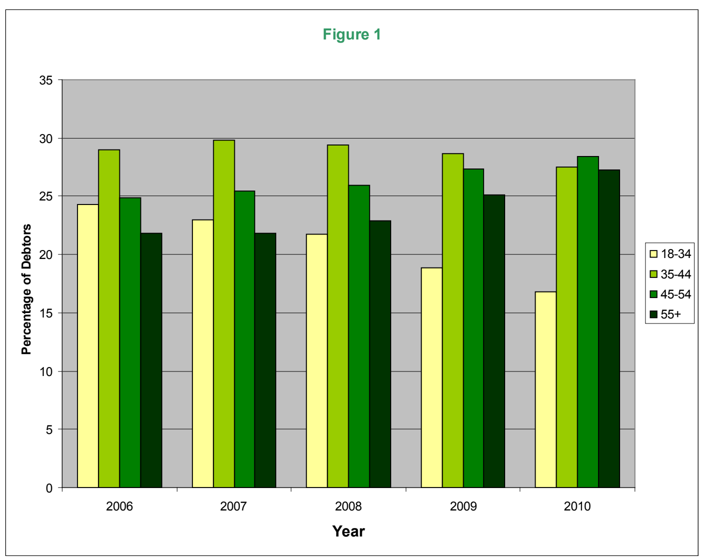
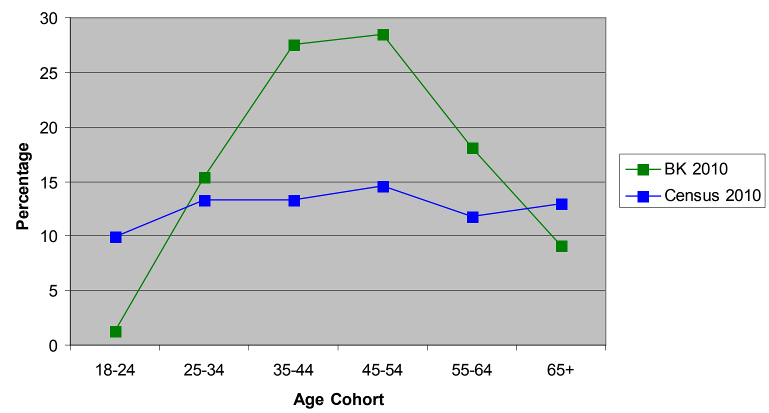


Figure 1 illustrates the significant shifting in the past five years of the age of bankruptcy filers. It demonstrates an alarming trend as bankruptcy debtors have been aging at a significant rate. In the five year filing period the 55-64 and 65+ age cohorts have seen a combined increase of 25% percent. This is a population which one presupposes should have little debt and fewer worries. In our 2009 report, this matter of the aging bankruptcy population raised questions concerning the causes of financial distress and whether these changes were due to the recession or due to some other underlying issue with this age cohort. As we proceed with the 2010 report, we are once again asking "Why?". Why is the older debtor population growing the way that it is? What economic, social, or health issues are resulting in such a shift in the population of financially distressed Americans?

Another striking contrast can be seen when the population of bankruptcy debtors is compared against their peers in the general population. **Figure 2** illustrates the contrast between the distribution of bankruptcy debtors and the distribution of all Americans over the six age cohorts reported by the Institute and the U.S. Census Bureau for 2010. As we can see, the general population data remains steady across all ages, each cohort representing roughly between 10% and 15% of the population. Bankruptcy statistics, on the other hand, show a much different story. The spike in the percentage of debtors in the age cohorts of 35-44 and 45-54 creates a contrast when compared against the general population. The distinct curve indicated by the Institute's 2010 figures found in **Table 2** has been evident in past reports as well, showing a consistent trend in bankruptcy data set apart from census data. This raises more questions than it has answered in the past five years.

Figure 2



Ethnicity

A total of 50,513 participants answered the ethnicity question, a 95.58% response rate. Of these, 11.30% (5,710) identified as African American/Black; 71.63% (36,180) identified as Caucasian/White; 8.68% (4,386) identified as Latino/Hispanic; 4.50% (2,275) identified as Asian; 0.75% (381) identified as Native American; and 3.13% (1,581) identified as Other. **Table 3** compares the findings from the 2006-2009 reports published by the Institute with the results for 2010.

TABLE 3: ETHNICITY

Ethnicity	Percentage of Debtors IFL 2006 Report	Percentage of Debtors IFL 2007 Report	Percentage of Debtors IFL 2008 Report	Percentage of Debtors IFL 2009 Report	Percentage of Debtors IFL 2010 Report
African American/ Black	15.4	14.56	12.50	11.41	11.30
Caucasian/ White	72.5	72.10	73.35	73.99	71.63
Latino/ Hispanic	6.5	6.93	7.38	7.15	8.68
Asian	2.1	2.67	3.57	4.02	4.50
Native American	1.1	0.85	0.75	0.69	0.75
Other	2.4	2.89	2.44	2.74	3.13

Since 2006, Ethnicity has shown noteworthy changes in several categories. African Americans/ Blacks filed at the rate of 15.4% in 2006. This dropped to 11.30% in 2010, a 26.6% decrease in five years. Meanwhile, both Asians and Latinos/Hispanics have seen an increase in the same period. Asians filed at the rate of 2.1% in 2006, increasing to 4.50% by 2010, a 114.3% increase. Latinos/Hispanics filed at the rate of 6.5% in 2006, increasing to 8.68% by 2010, a 33.5% increase. Both of these ethnic groups have shown increases each year, which may or may not be attributed to the recession. When compared against their respective ethnic cohorts, as reported by the U.S. Census Bureau, it becomes apparent that bankruptcy filings have begun to more closely align with population representations in **Table 3.1.** Caucasian/White has remained relatively constant with only a slight decrease from of 72.5% in 2006 to 71.63% in 2010, a 1.2% change.

TABLE 3.1: COMPARISON OF ETHNICITY GROUP DATA

Ethnicity	Percentage of Debtors IFL 2006 Report	Percentage of Debtors IFL 2010 Report	U.S. Census Bureau 2000 Report
African American/ Black	15.4	11.30	12.3
Caucasian/ White	72.5	71.63	75.1
Latino/ Hispanic	6.5	8.68	12.5*
Asian	2.1	4.50	4.2
Native American	1.1	0.75	1.8**
Other	2.4	3.13	6.6

**U.S. Census Bureau allows individuals to chose both an ethnicity as well as Hispanic origin, the Institute allows individuals to pick from only one category.*

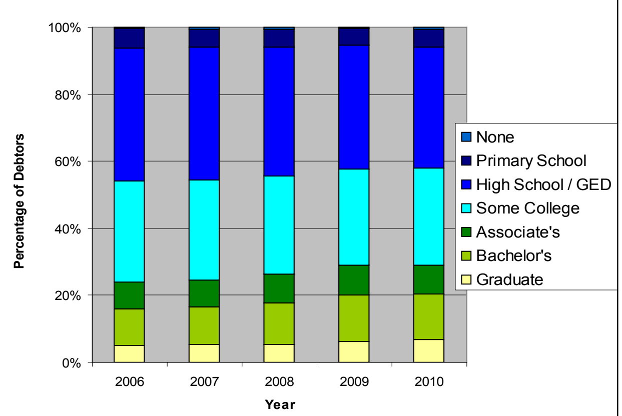
***U.S. Census Bureau collects Native American and Pacific Islander as separate numbers, for comparative purposes they were combined.*

Education

A total of 52,161 participants answered the question asking their highest level of education completed, a 98.69% response rate. Of these, 6.73% (3,508) identified at the Graduate level; 13.58% (7,086) identified at the Bachelor's level; 8.82% (4,601) identified at the Associate's level; 28.73% (14,988) identified at the Some College level; 36.27% (18,919) identified at the High School/GED level; 5.38% (2,806) identified at the Primary School level; and 0.49% (253) identified themselves as having no education. **Table 4** compares the last five years' data as reported by the Institute.

TABLE 4: EDUCATION					
Education	**Percentage of Debtors IFL 2006 Report**	**Percentage of Debtors IFL 2007 Report**	**Percentage of Debtors IFL 2008 Report**	**Percentage of Debtors IFL 2009 Report**	**Percentage of Debtors IFL 2010 Report**
Graduate	4.9	5.25	5.34	6.29	6.73
Bachelor's	11.2	11.33	12.33	13.97	13.58
Associate's	8.0	8.00	8.55	8.61	8.82
Some College	29.9	29.86	29.41	28.87	28.73
High School/ GED	39.7	39.62	38.57	36.87	36.27
Primary School	5.9	5.29	5.12	5.00	5.38
None	0.4	0.65	0.68	0.39	0.49

Figure 3



Over the past five years, there appears to be interesting correlations between bankruptcy and educational attainment. One trend we find to be most interesting pertains to the increase in bankruptcy rates among Americans with higher education. **Figure 3** demonstrates the proportion of debtors at various levels of educational attainment. The bottom three colors show debtors who have earned their Graduate, Bachelors, or Associates degrees. Over the course of five years the bars show the shifting of the percentage of debtors with higher educational attainment, thus raising the question of why are those who are suppose to out earn their peers with lower educational attainment starting to seek bankruptcy protection in greater numbers?

Now, both **Table 4** and **Figure 3** still demonstrate that the individuals at greatest risk of filing are those who have started college but not finished. This we suspect is because they have all the burdens of school related debt and none of the rewards of an actual degree.

Income

A total of 50,335 participants answered the income level question, a 95.24% response rate. Of these, 38.18% (19,219) identified as earning less than $20,000 per year; 21.35% (10,747) identified as earning $20,000 to $30,000 per year; 14.67% (7,384) identified as earning $30,000 to $40,000 per year; 10.05% (5,059) identified as earning $40,000 to $50,000 per year; 6.56% (3,303) identified as earning $50,000 to $60,000 per year; and 9.18% (4,623) identified as earning more than $60,000 per year. **Table 5** compares the findings from the 2006-2009 reports published by the Institute with the results for 2010.

TABLE 5: INCOME					
Income	**Percentage of Debtors IFL 2006 Report**	**Percentage of Debtors IFL 2007 Report**	**Percentage of Debtors IFL 2008 Report**	**Percentage of Debtors IFL 2009 Report**	**Percentage of Debtors IFL 2010 Report**
Less than $20k	41.2	38.35	37.12	38.40	38.18
$20k – $30k	24.5	23.16	21.89	20.92	21.35
$30k – $40k	15.0	15.97	16.05	15.36	14.67
$40k – $50k	8.8	10.09	10.37	9.72	10.05
$50k – $60k	5.0	5.58	6.43	6.50	6.56
More than $60k	5.5	6.85	8.14	9.10	9.18

During the past five year period, there has been an interesting shift around the income of those filing for bankruptcy. There has been a decrease in the percentage of individuals seeking bankruptcy protection who earned less than $40,000. Representing 80.7% of the filing population in 2006 and 74.2% in 2010, this is a 8.05% decrease for this population. Conversely, higher income earners have steadily increased their filing rates in the past five years. In 2010, 25.8% of those filing indicated that they earned more than $40,000 per year.

The group which has seen the greatest increase in the past five years has been those individuals earning in excess of $50,000, with increased filing rates from 10.5% in 2006 to 15.8% in 2010. This 50.48% increase may be due in part to the recession, but there is no doubt that a change is occurring, sending higher income earners into the courts for protection.

Of interesting note, the Administrative Office of the United States Courts published a report in 2011 which looked at the income of consumers filing for bankruptcy. The report found that in 2010, the average monthly income reported by debtors was $3,060, a slight increase from 2009. This would work out to be $36,720 per year.[14]

Employment

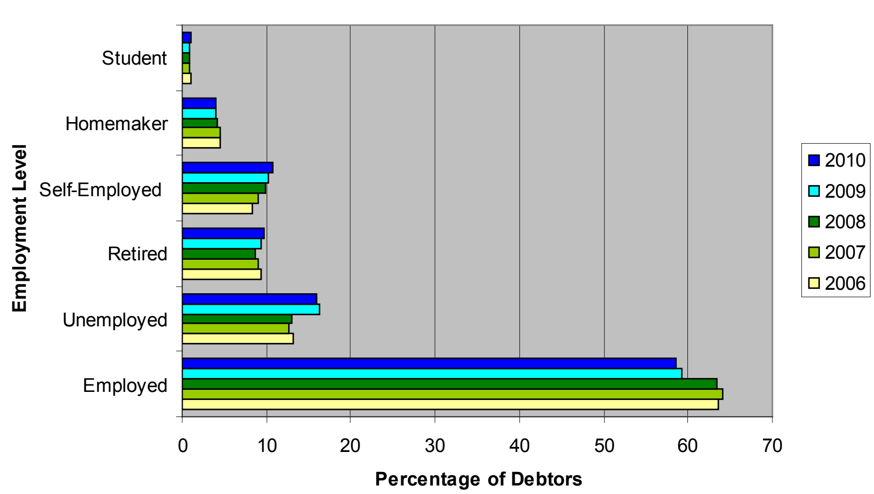
A total of 52,355 participants answered the employment question, a 99.06% response rate. Of these, 58.51% (30,632) identified themselves as Employed; 16.02% (8,386) identified themselves as Unemployed; 9.78% (5,121) identified themselves as Retired; 10.74% (5,623) identified themselves as Self-Employed; 3.98% (2,082) identified themselves as Homemakers; and 0.98% (511) identified as Students. **Table 6** compares the past five years' findings published by the Institute.

14 Administrative Office of the United States Courts. *2010 Report of Statistics Required by the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005*. Washington, D.C.: U.S. Government Printing Office, 2011.

TABLE 6: EMPLOYMENT					
Employment	**Percentage of Debtors IFL 2006 Report**	**Percentage of Debtors IFL 2007 Report**	**Percentage of Debtors IFL 2008 Report**	**Percentage of Debtors IFL 2009 Report**	**Percentage of Debtors IFL 2010 Report**
Employed	63.6	64.15	63.4	59.29	58.51
Unemployed	13.2	12.61	13.02	16.23	16.02
Retired	9.4	8.94	8.68	9.29	9.78
Self-Employed	8.3	9.01	9.84	10.28	10.74
Homemaker	4.5	4.44	4.24	4.07	3.98
Student	1.0	0.85	0.82	0.84	0.98

Employment has certainly been on the minds of all Americans in the past five years. The Institute's bankruptcy data from 2006 to 2010 illustrates the potential impact the recession has had on the employment status of debtors. The recession began in December 2007, but its full brunt on debtors needing to file doesn't appear until 2009-2010 when the Unemployment cohort saw a sudden shift. **Table 6** shows the Unemployed at 13.02% in 2008, 16.23% in 2009, and 16.02% in 2010. Those who were in the Self-Employed cohort may have begun to feel the effects of the recession sooner, perhaps as early as 2008, when this cohort saw a shift from 9.01% in 2007 to 9.84% in 2008. By 2010, the Self-Employed cohort was filing at a rate of 10.74%. **Figure 4** illustrates these shifts in the employment level reported by debtors. The high unemployment numbers that have been haunting Americans over the past few years are now showing their effects on the number of Americans filing bankruptcy, as those with jobs are able to avoid bankruptcy, while those who are unemployed have had few options.

Figure 4



Marital Status

A total of 52,486 participants answered the marital status question, a 99.31% response rate. Of these, 64.10% (33,646) identified themselves as Married; 17.09% (8,968) identified themselves as Single; 14.66% (7,692) identified themselves as Divorced; 3.25% (1,708) identified themselves as Widowed; and 0.91% (475) identified themselves as Cohabitating. **Table 7** compares the findings from the 2006-2009 reports published by the Institute with the results for 2010.

TABLE 7: MARITAL STATUS

Marital Status	Percentage of Debtors IFL 2006 Report	Percentage of Debtors IFL 2007 Report	Percentage of Debtors IFL 2008 Report	Percentage of Debtors IFL 2009 Report	Percentage of Debtors IFL 2010 Report
Married	57.2	59.66	61.97	65.10	64.10
Single	21.8	20.21	18.57	16.72	17.09
Divorced	15.9	15.65	15.32	14.35	14.66
Widowed	3.9	3.56	3.32	3.01	3.25
Cohabitating	1.2	0.92	0.82	0.82	0.91

It is interesting to note that in the past five years, more Married and fewer Divorced or Single debtors are filing for bankruptcy. In 2006, 57.2% of the debtors were Married, compared to 64.10% in 2010, an increase of 12.08%. The Administrative Office of the United States Courts, which gathers the Bankruptcy Courts statistics, has also noted this trend. In **Table 8** below, the Administrative Office reports that 34.5% of all non-business bankruptcy cases filed were filed as joint cases (husbands and wives) during calendar year 2010. This is up from 23% in 2006. Therefore, both the Administrative Office of the United States Courts and the Institute for Financial Literacy have seen a trend of more married couples seeking protection in bankruptcy. Whether or not this is due to the recession is hard to quantify, but it would seem reasonable as a husband and wife filing jointly would save the costs associated with filing two separate petitions.

TABLE 8: MARRIED JOINT FILINGS

Marital Status	Percentage of Debtors IFL 2006 Report	Percentage of Debtors IFL 2007 Report	Percentage of Debtors IFL 2008 Report	Percentage of Debtors IFL 2009 Report	Percentage of Debtors IFL 2010 Report
Married - Joint Filings	28	29.5	32	35	34.5

Married was the dominant marital status of those seeking bankruptcy protection between 2006 and 2010. This is not surprising when compared against the U.S. Census Bureau data which shows that 50.3% of the adult population is currently married.

What is of some interest is the disparity between the marital statuses of those filing bankruptcy from the general population which is demonstrated by **Table 9**. Here we can see that in 2010, 64.10% of debtors were married, a difference of 27.44% from the general population.

TABLE 9: COMPARISON OF MARITAL STATUS GROUP DATA		
Marital Status	**U.S. Census Bureau**	**IFL 2010**
Married	50.3	64.10
Single	30.8	19.09
Divorced	10.4	14.65
Widowed	6.3	3.25
Cohabitating	2.2	0.91

Causes of Financial Distress

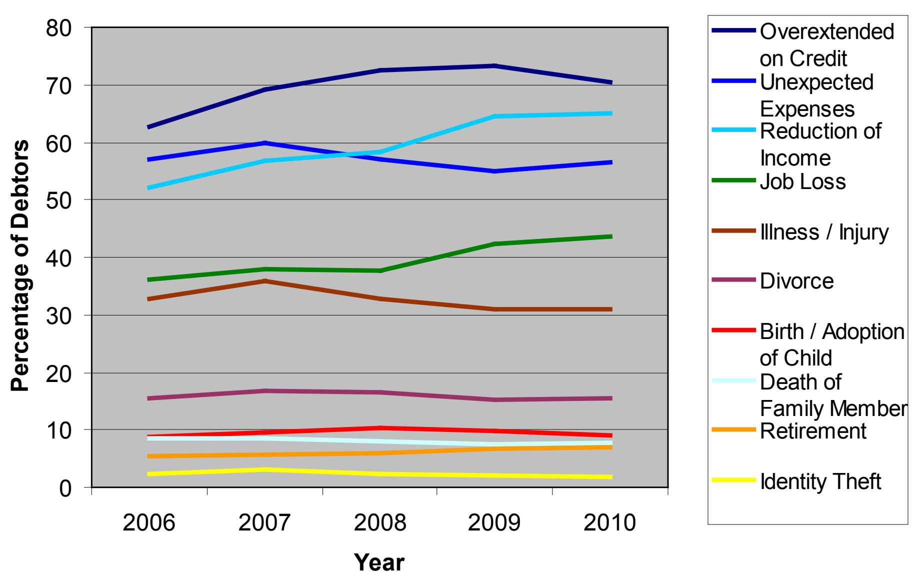
During the credit counseling process, clients are asked to pick from a list of common causes of financial distress in order to self-describe the causes for their current financial situation. Clients are allowed to choose more than one cause when describing their situations; therefore, the percentages will equal more than 100%. **Table 10** compares the past five years of data gathered by the Institute.

TABLE 10: CAUSES OF FINANCIAL DISTRESS					
Cause of Financial Distress	**Percentage of Debtors IFL 2006 Report**	**Percentage of Debtors IFL 2007 Report**	**Percentage of Debtors IFL 2008 Report**	**Percentage of Debtors IFL 2009 Report**	**Percentage of Debtors IFL 2010 Report**
Overextended on Credit	62.7	69.16	72.56	73.36	70.5
Unexpected Expenses	57.1	59.95	57.14	54.99	56.62
Reduction of Income	52.2	56.77	58.37	64.48	64.96
Job Loss	36.1	38.05	37.61	42.32	43.57
Illness/Injury	32.8	35.81	32.90	31.08	30.96
Divorce	15.5	16.85	16.63	15.10	15.51
Birth/Adoption of Child	8.7	9.62	10.40	9.68	9.15
Death of Family Member	8.4	8.42	8.08	7.54	7.86
Retirement	5.4	5.66	6.01	6.71	7.00
Identity Theft	2.3	2.99	2.35	1.94	1.85

There are many questions around the underlying causes of Americans filing for bankruptcy. This is of particular interest when the country as a whole is suffering from its own financial difficulties, and economist struggle to understand what ails the overall economy. The Institute has surveyed over 200,000 individuals in the past five years and what we find interesting is not so much what has changed, but what has not. In **Table 10**, there have been several categories which have stayed rather consistent, even during the recession. These include Death of a Family Member, Birth/Adoption of a Child, Divorce, Identity Theft, and Illness/Injury. The relative stability of these categories would indicate that though they played a part in the financial distress and eventual bankruptcies of these individuals, they were most likely not directly impacted by the recession. Now, when we reviewed several other categories over the five-year period, it becomes clear that there has been some external factors at play. In 2006 for instance, Reduction of Income was 52.2%. By 2010, this number has grown to 64.96%, an increase of 24.44%. Job Loss is another example as 36.1% of debtors indicated they had lost their jobs in 2006, yet by 2010, this number had grown to 43.57%, an increase of 20.69%. The most likely cause for these changes would be the recession, a period through which national unemployment has run historically high.

Along with the table above, **Figure 5** below shows a graphical representation of the changes in the Causes of Financial Distress from 2006 to 2010. We see that Overextending on Credit remains the top cause of financial distress for those filing bankruptcy. However, directly below it are Unexpected Expenses and Reduction of Income, causes which have intersected with one another during this time period. Unexpected Expenses decreased over 8% between 2007 and 2009 alone, while Reduction of Income increased by 13.58% during the same period and continued to increase slightly in 2010.

Figure 5



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, particularly over the past five years, and we 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 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 five-year period since the passage of the Bankruptcy Abuse Prevention and Consumer Protection Act. It also allows us to look at the average debtor since the Great Recession to determine if there are trends unique to this turbulent economic situation.