

BANKRUPTCY BY THE NUMBERS

BY: ED FLYNN¹

Executive Office for United States Trustees

Edward.Flynn@usdoj.gov

GORDON BERMANT

Burke, Virginia gordon.bermant@verizon.net

In this article, we describe how credit card debt is distributed among different characteristics of chapter 7 no asset debtors: their location, age, gender and marital status, family size, and gross income. We also tease out what we can about the relationship between credit card and medical debts. Our analysis is based on 5,203 no-asset non-business chapter 7 cases that were closed between 2000 and 2002.² We only included bank-issued credit card debt (e.g., Visa MasterCard, Discover, etc.). Credit card debt for individual stores, which averages \$2,917 per case in our population, was not included.

Credit card debt is a major issue in a substantial percentage of consumer bankruptcies. Nearly 90% of the cases had at least some debt listed, and it accounted for 42.8% of the total general unsecured debt in our sample cases. In the 49 cases with unsecured debts over \$250,000 only 6.5% of the debt was from credit cards, but in the remaining cases nearly one half (49.6%) of the general unsecured debt was from credit cards.

The average credit card debt reported on Schedule F for our cases was \$17,738. About 1.1 million no asset non-business chapter 7 cases will be closed nationwide this year, so we project that these cases will result in the discharge of nearly \$20 billion in credit card debt.

Unfortunately, the bankruptcy petitions do not reveal much about how this debt was incurred. We have no information regarding how the credit cards were used— e.g., for medical debt, living expenses, luxury items, gambling, etc. Also, we do not know how much of the listed debt was not for purchases, but comprised annual fees, over the limit charges, late fees, and interest charges.

Debt Ranges: The median (middle case) credit card debt level was \$11,038. This is well below the average debt level (\$17,738) because a small percentage of the debtors had very high credit card debt balances. Approximately 7.2% of the debtors owed at least \$50,000 in credit card debt, accounting for nearly one-third of the total. Projecting these figures nationwide, in 2003 about 80,000 chapter 7 debtors owing at least \$50,000 in credit card debt will discharge about \$6 billion in such debt.

¹All views expressed in this article are those of the authors, and do not necessarily represent the views of the Executive Office for United States Trustees or the Department of Justice.

²Each year since 1998, the Executive Office for United States Trustees has obtained a large sample of chapter 7 no-asset cases filed in the 84 federal judicial districts served by the U.S. Trustee Program. Since 2000 we have recorded the amount of credit card debt listed on Schedule F of the petitions.

CREDIT CARD DEBT BY RANGE		
AMOUNT LISTED	PERCENT OF DEBTORS	PERCENT OF UNSECURED DEBT
\$ 0	11.1%	-
\$1 - \$4,999	20.7%	2.7%
\$5,000 - \$9,999	15.3%	6.4%
\$10,000 - \$24,999	28.5%	26.6%
\$25,000 - \$49,999	17.1%	33.1%
\$50,000 - \$74,999	4.7%	15.8%
\$75,000 or more	2.5%	15.4%

Credit Card Debt by State: There was considerable variation in the average per case credit card debt listed by state of residence. States with the highest levels included South Carolina (\$25,901), Massachusetts (\$25,055), Texas (\$24,649), Kansas (\$24,037), and Connecticut (\$23,943). Jurisdictions with the lowest credit card debt per case included Puerto Rico (\$4,835), Arkansas (\$11,690), Tennessee (\$11,814), Kentucky (\$11,894), Oregon (\$11,966), and Utah (\$12,555).

Family Size: Family size, by itself, was not a powerful factor in the amount of credit card debt. Debt tends to be a little higher for debtors with families of two, and much lower for families of six or more – only a small percentage of debtors have families that large.

FAMILY SIZE & CREDIT CARD DEBT				
FAMILY SIZE	NUMBER OF CASES	AVERAGE CC DEBT	MEDIAN CC DEBT	% OF CASES WITH NO CC DEBT
1	2,062	\$17,510	\$11,625	10.5%
2	1,237	\$19,758	\$13,105	9.5%
3	757	\$16,490	\$10,386	11.9%
4	709	\$17,627	\$9,696	13.0%
5	312	\$17,066	\$8,183	13.8%
6 OR MORE	123	\$11,697	\$5,577	15.4%

Gross Monthly Income: Credit card debt generally increases with the income of debtors. However, about four percent of chapter 7 debtors report no income at the time of filing. These debtors, on average have higher credit card debt levels than any other income range, except for debtors with incomes over \$5,000 per month. About three percent of debtors have gross monthly incomes over \$6,000. Average credit card debt for these high income debtors is more than twice as high as the average for all chapter 7 debtors.

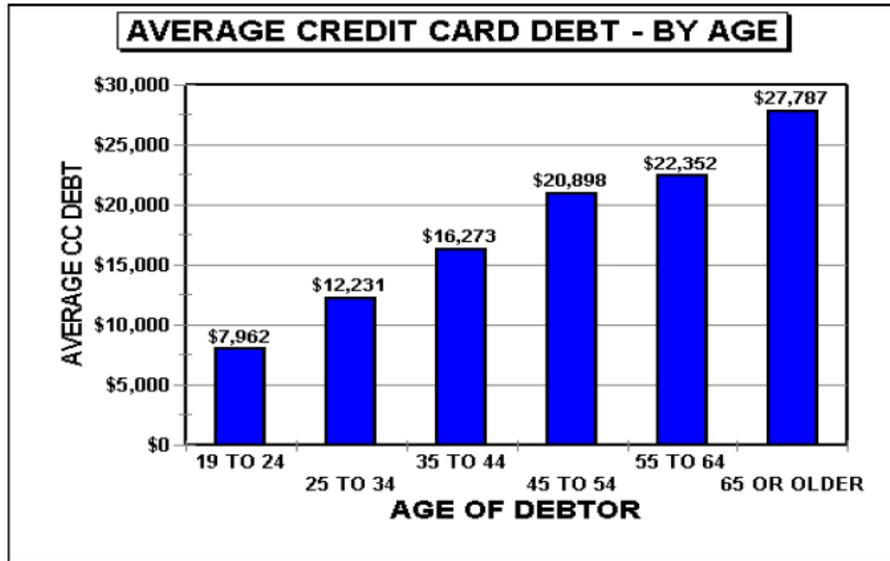
GROSS MONTHLY INCOME AND CREDIT CARD DEBT				
GROSS MONTHLY INCOME	NUMBER OF CASES	AVERAGE CC DEBT	MEDIAN CC DEBT	% OF CASES WITH NO CC DEBT
\$ 0	208	\$22,867	\$12,951	16.3%
UNDER \$1,000	526	\$14,298	\$8,485	14.6%
\$1,000 - \$1,999	1,555	\$14,707	\$8,273	14.1%
\$2,000 - \$2,999	1,342	\$15,850	\$10,231	11.3%
\$3,000 - \$3,999	835	\$19,387	\$13,849	7.9%
\$4,000 - \$4,999	400	\$21,050	\$16,291	5.3%
\$5,000 - \$5,999	182	\$26,153	\$20,067	3.3%
\$6,000 OR MORE	155	\$41,978	\$33,542	2.6%

Gender and Marital Status: In general credit card debt is higher for male debtors than female debtors, and even higher for joint filers. Among non-joint filers, debt levels are somewhat lower for single debtors than for those who are or were previously married.

CREDIT CARD DEBT, GENDER, AND MARITAL STATUS				
GENDER & MARITAL STATUS	NUMBER OF CASES	AVERAGE CC DEBT	MEDIAN CC DEBT	% OF CASES WITH NO CC DEBT
MALE				
MARRIED	318	\$19,987	\$10,820	19.8%
SEPARATED	90	\$17,968	\$9,337	10.0%
DIVORCED	319	\$19,589	\$12,210	9.4%
SINGLE	770	\$16,281	\$9,900	16.8%
WIDOWED	24	\$24,745	\$18,895	0%
FEMALE				
MARRIED	266	\$15,383	\$10,999	10.9%
SEPARATED	159	\$17,733	\$9,150	10.1%
DIVORCED	448	\$15,717	\$12,281	8.0%
SINGLE	965	\$13,745	\$8,276	11.5%
WIDOWED	110	\$16,052	\$12,081	8.2%
JOINT FILINGS				
MARRIED	1,600	\$20,769	\$13,306	8.4%
SEPARATED	75	\$20,161	\$10,891	8.0%

Age: As we have previously reported³, credit card debt among chapter 7 debtors is closely associated with age. Only about 20% of the debtors in our sample listed their age on Schedule I of their petitions. Generally, credit card debt is less than average for debtors under the age of 45, and higher than average for debtors 45 or older. Elderly debtors (65 or older), on average, have nearly four times as much credit card debt as debtors under the age of 25. It was also interesting to note that the average gross monthly income of the elderly debtors (\$1,714) was about 30% below the average for all debtors (\$2,459).

³Flynn, Ed & Bermant, Gordon, Chapter 7 Debtors from 19 - 92" *ABI Journal*, December/January 2003.



Credit Card Debt and Medical Debt: More than one half of the debtors did not list any medical debt on Schedule F of their petitions.⁴ Their credit card debt was higher than that of debtors who reported medical debts, and was more than twice as high as for debtors who listed at least \$5,000 in medical debt.

MEDICAL DEBT AND CREDIT CARD DEBT				
MEDICAL DEBT LISTED	NUMBER OF CASES	AVERAGE CC DEBT	MEDIAN CC DEBT	% OF CASES WITH NO CC DEBT
NONE	2,812	\$21,876	\$15,621	7.7%
UNDER \$1,000	1,069	\$13,539	\$7,890	10.2%
\$1,000 - \$4,999	805	\$14,370	\$7,225	15.2%
\$5,000 - \$24,999	436	\$9,024	\$3,403	23.4%
\$25,000 OR MORE	81	\$9,891	\$3,501	35.8%

⁴ Of course, some debtors undoubtedly paid for their medical debts with credit cards. It is not possible to tell from the information listed in the petitions how often this occurred.

Conclusion: Credit card debt is a significant factor in many bankruptcy cases, and nearly \$20 billion is discharged in chapter 7 cases per year. Cases where the debtor has at least \$50,000 in credit card debt account for nearly one-third of this amount. Credit card debt levels are particularly high among joint filers, high income debtors, elderly debtors, and debtors with no listed medical debts. They tend to be lower among low to moderate income debtors, female debtors, debtors under the age of 35, and debtors with very high medical debts.