

CHARACTERISTICS OF CHAPTER 7 BANKRUPTCY PETITIONS IN LOUISIANA

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Chapter 7 petitions were reviewed to determine characteristics of Louisiana residents who had filed for bankruptcy. Findings are reported with particular focus on implications for student activities in classes related to family finance.

INTRODUCTION

The number of personal bankruptcy cases in the United States has continued to rise. For example, personal bankruptcies increased from 300,000 in 1984 to 500,000 in 1987 (1). Approximately 70% of all bankruptcies are Chapter 7, personal bankruptcies that provide for liquidation of assets and discharge of debt. The purpose of this research was to explore the characteristics of those persons in Louisiana who filed for Chapter 7 bankruptcy.

METHODOLOGY

The sample consisted of 56 randomly selected persons who had filed during the first quarter of the years 1985, 1987, and 1989. Selected information taken from the bankruptcy petitions included: gender, employment, net income, number of secured and unsecured creditors, reaffirmation of house and automobile, and legal actions.

FINDINGS

Results indicated that: (1) the petitions were most often filed by males (75%); (2) the majority of the sample (79%) were employed; (3) take-home monthly income range from \$0 to \$9,550 with an average of \$1,505; (4) unsecured debts ranged from \$951 to \$578,000 with an average amount of \$49,757; secured debts ranged from \$0 to \$1,781,000 with an average amount of \$105,777; (5) the number of unsecured creditors ranged from 1 to 70; the number of secured creditors ranged from 0 to 12; (6) three-fourths of the homeowners (75%) reaffirmed the house; (7) half of the automobile owners (50%) reaffirmed the loan on at least one automobile; and (8) legal actions included one-fifth of the sample (20%) having a judgment and 11% having wages garnisheed.

IMPLICATIONS

Reviewing bankruptcy petitions has the potential for being a valuable experience for students enrolled in family finance or financial counseling classes. Data indicating the characteristics of those who have filed bankruptcy are tools for helping students realistically determine contributing factors to bankruptcy and tend to show vividly credit pitfalls.

If students are to produce accurate data when using the bankruptcy records, it is important that they receive adequate instruction concerning the inconsistency in how the petitions may be completed, understand the legal terminology used, and realize the time commitment that is involved in reviewing the records. It is also recommended that in addition to reviewing the bankruptcy petitions, students attend bankruptcy court hearings, interview the clerk of court, and interview the bankruptcy judge.

REFERENCES

- Luckett, Charles A. (1988), "Personal Bankruptcies," Federal Reserve Bulletin, 74(9): 591-603.

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