



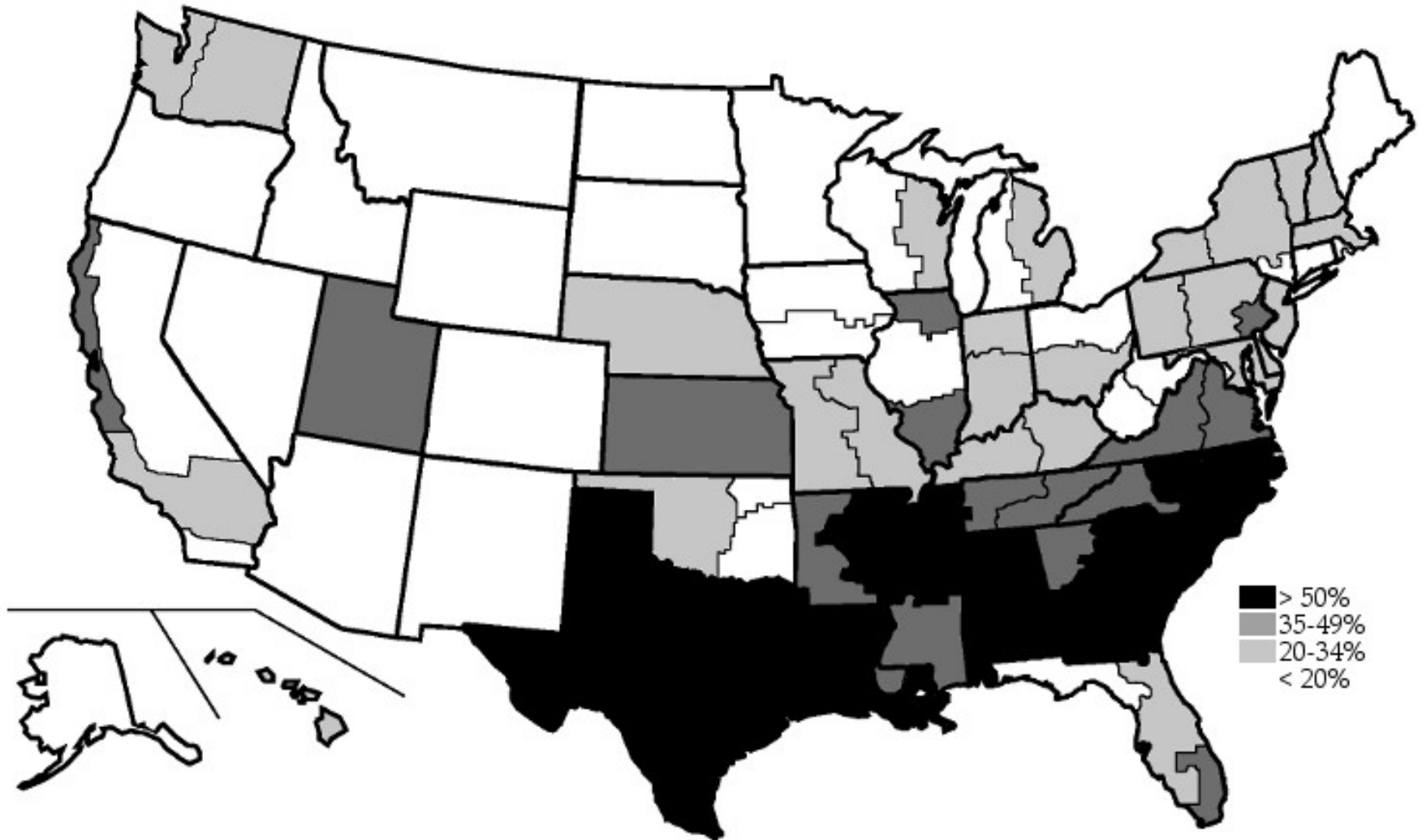
# Bankruptcy, Race & Chapter Choices

*Based on research and papers with*

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# Chapter 13 Rates by District 2014-15





# Three Studies

1. Real-world data on bankruptcy filers
2. Experimental vignette sent to consumer bankruptcy attorneys
3. Real-world data on paying for bankruptcy



# Keep in Mind

Research measures average effects

*And . . .*

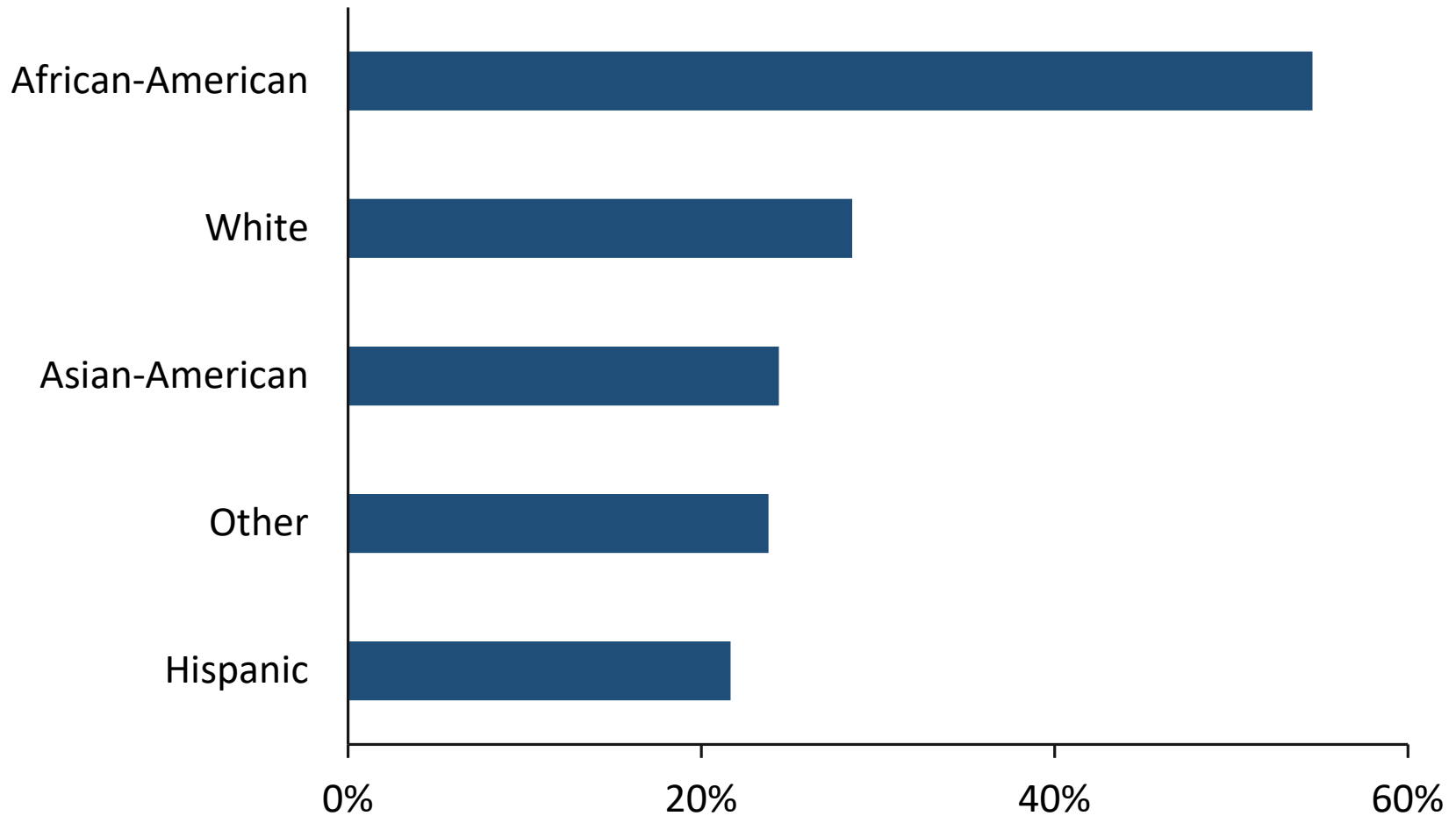
No individual case is the average

*But . . .*

The average measures the totality of the individual cases



# Study 1: Debtors Filing Chapter 13





# Percentage of Debtors Filing Chapter 13 by Race

African-Americans (N = 511)	54.6%
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All other races (N = 1,754)	28.2%
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Chi-square = 122.40\*

\* -- statistically significant at 5% level



# Logistic Regression

Independent variable of interest: African-American debtor(s)

Controls:

Percent 13's in district

Prior bankruptcy

Home owner

Income (ln)

Total assets (ln)

Total debt (ln)

Priority debt (ln)

Foreclosure reason for bkr.

Secured debt/total debt

Credit card debt/total debt

Represented by attorney

Bachelor's degree (or higher)

Occupational prestige score

Number of dependents

Live with spouse or partner

Female head of household

Tried to consolidate/credit card

Tried to consolidate/home eq.

Tried to "work with" creditors

Tried to refinance mortgage

Non-Af/Am chapter 13 Rate



# Logistic Regression

Independent variable of interest: African-American debtor(s)

## Controls:

Percent 13's in district	Prior bankruptcy	Home owner
Income (ln)	Total assets (ln)	Total debt (ln)
Priority debt (ln)	Foreclosure reason for bkr.	Secured debt/total debt
Credit card debt/total debt	Represented by attorney	Bachelor's degree (or higher)
Occupational prestige score	Number of dependents	Live with spouse or partner
Female head of household	Tried to consolidate/credit card	Tried to consolidate/home eq.
Tried to "work with" creditors	Tried to refinance mortgage	Non-Af/Am chapter 13 Rate



More likely to file chapter 13 and statistically significant (5%)



Less likely to file chapter 13 and statistically significant (5%)





# Study 2: Scenario 1

A married couple is considering bankruptcy and has come to you for advice. The wife, L., has an associate's degree from a community college and has worked off and on as a teacher's aide in elementary schools. The husband, R., is a high school graduate who works as a custodian at the church he and L. attend regularly.



## Scenario 2

A married couple is considering bankruptcy and has come to you for advice. The wife, Latisha, has an associate's degree from a community college and has worked off and on as a teacher's aide in elementary schools. The husband, Reggie, is a high school graduate who works as a custodian at Bethel A.M.E. Church, which he and Latisha attend regularly.

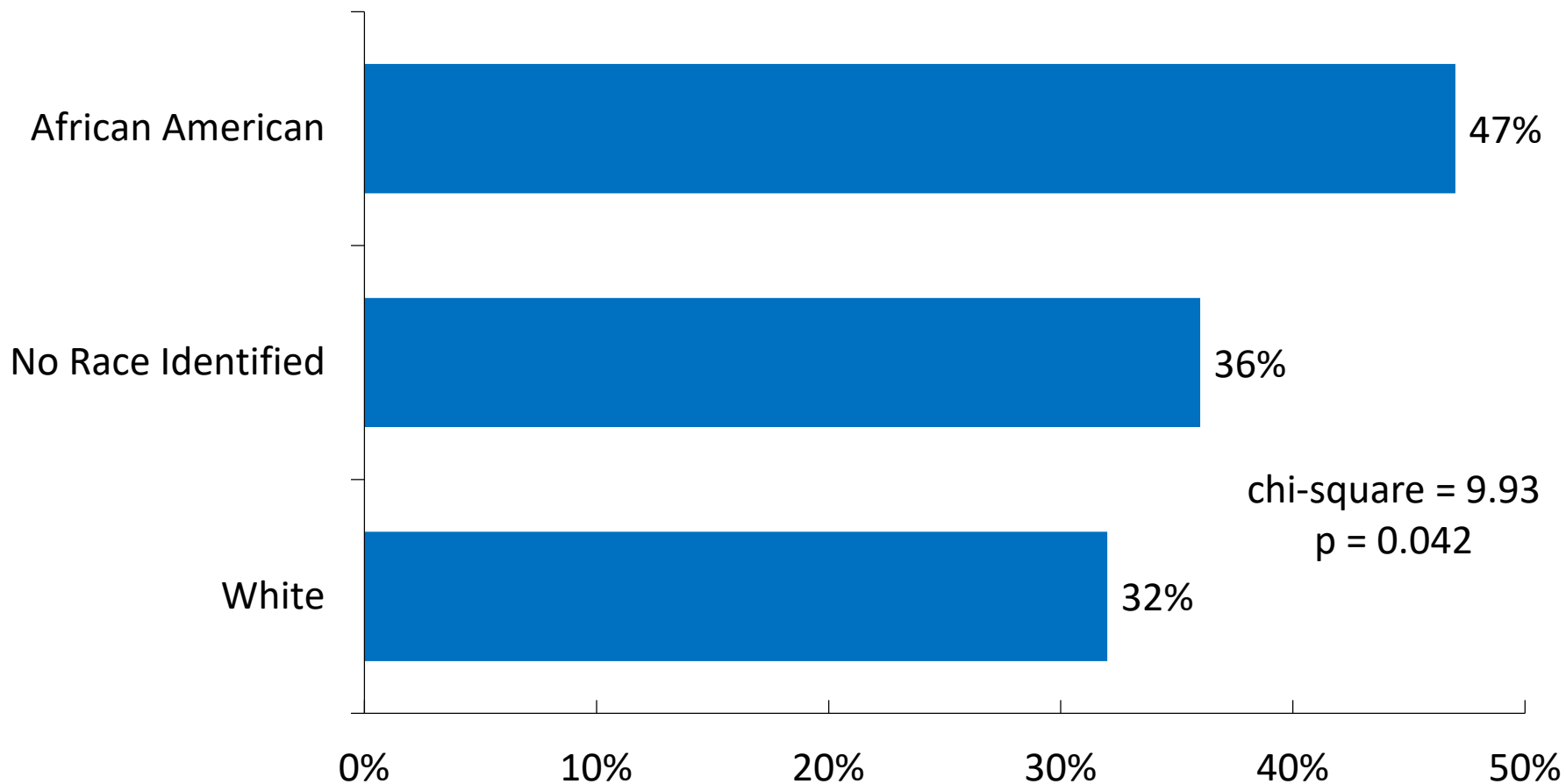


# Scenario 3

A married couple is considering bankruptcy and has come to you for advice. The wife, Allison, has an associate's degree from a community college and has worked off and on as a teacher's aide in elementary schools. The husband, Todd, is a high school graduate who works as a custodian at First United Methodist Church, which he and Allison attend regularly.



# Chapter Recommendation





# Attorney Perception of Competence

- Reggie & Latisha:
  - Want to file chapter 7 = 4.89
  - Want to file chapter 13 = 5.31
- Todd & Allison
  - Want to file chapter 7 = 5.36
  - Want to file chapter 13 = 4.32

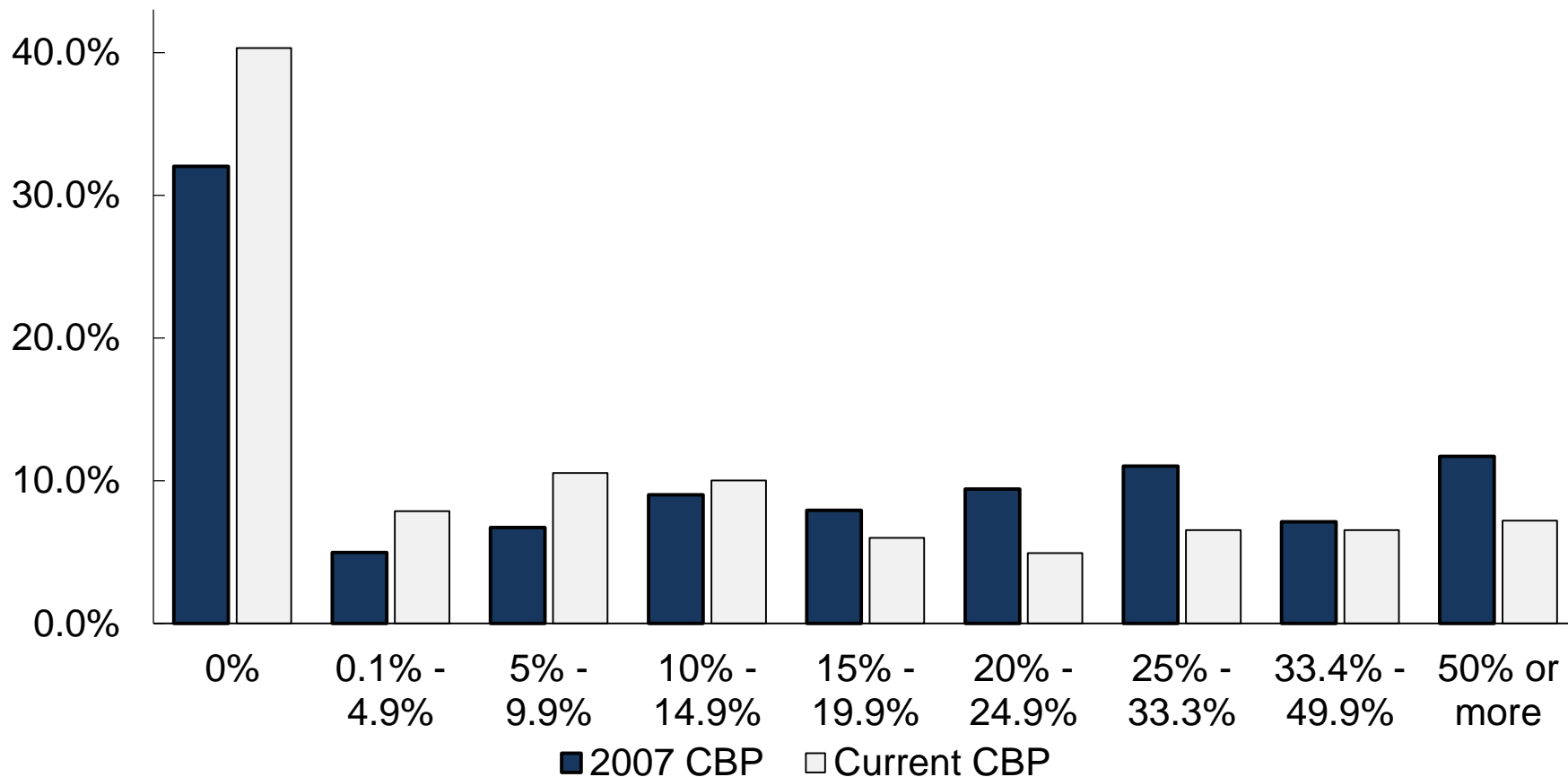


# Attorney Perception of Values

- Reggie & Latisha:
  - Want to file chapter 7 = 5.38
  - Want to file chapter 13 = 6.12
- Todd & Allison
  - Want to file chapter 7 = 6.42
  - Want to file chapter 13 = 5.56



# Study 3: Percent of Chapter 13 Fees Prepaid





# Judicial District Effects

- No money down cases are:
  - 15.6% of chap. 13's in high chap. 13 districts
  - 45.9% of chap. 13's in low chap. 13 districts

Chi-square = 130.8,  $p < .001$

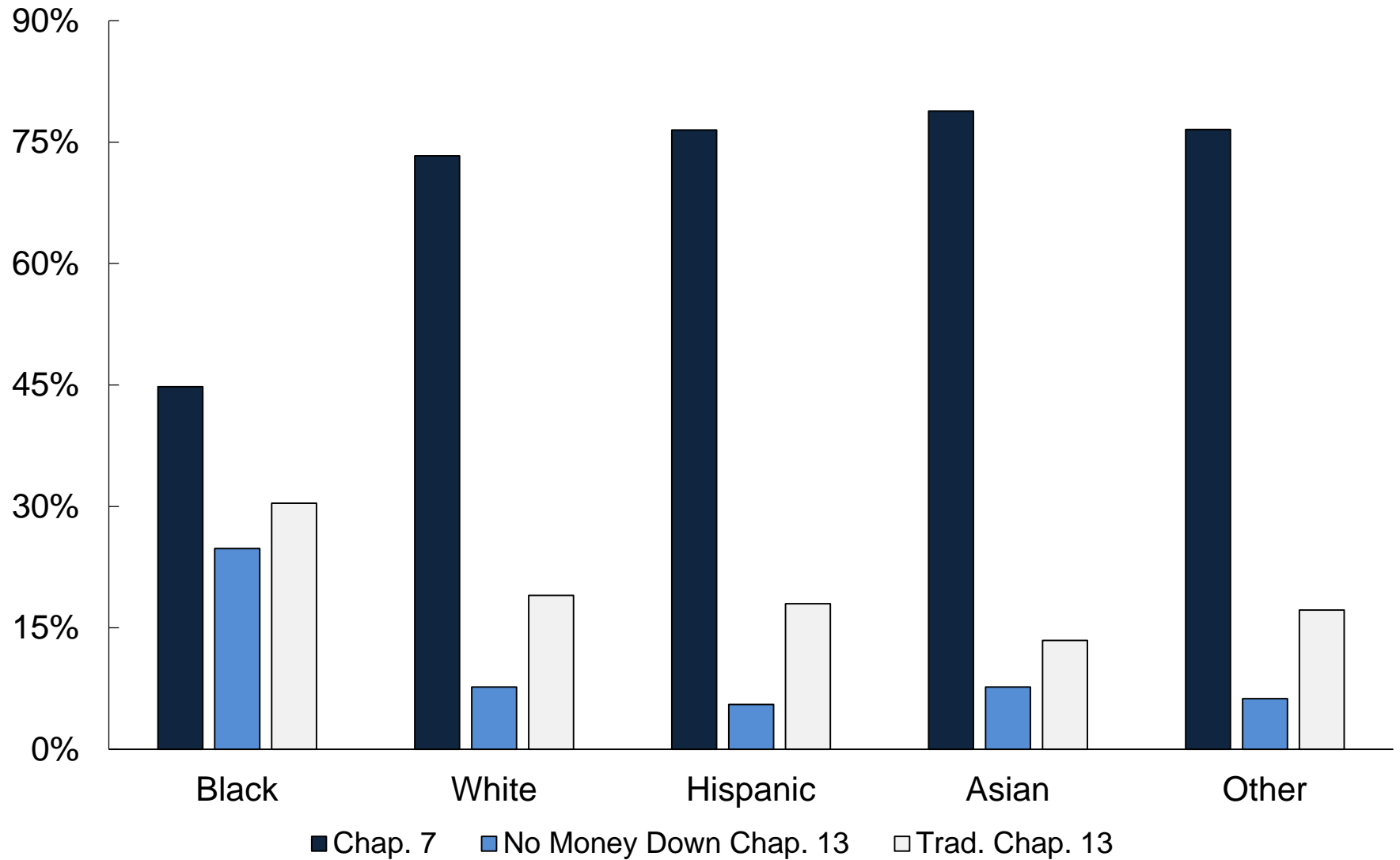
- Avg. district chapter 13 rate conditioned on case type:
  - Chapter 7 = 28.9%
  - Traditional 13 = 35.8%
  - No money down 13 = 50.5%

F = 481.2,  $p < .001$





# Race Effects



# Probabilities After Controls

