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# POLICY MATTERS OHIO

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**FOR IMMEDIATE RELEASE: February 22, 2005**

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## **Bankruptcies skyrocket in state and nation Ohio's rate grows fastest among states between 2000 and 2003**

Bankruptcies climbed more steeply in Ohio than in any other state between 2000 and 2003, and reached their highest recorded rates in Ohio and the United States by the end of that period, according to a new report by Christian Weller, Ph.D. and Alanna Gino, adapted and released locally by Policy Matters Ohio.

By 2003, there were a record 5.5 personal bankruptcy filings for every 1,000 people living in the U.S., and 7.7 personal bankruptcy filings for every 1,000 people living in Ohio, according to *Going Broke in Ohio*, released today by Policy Matters Ohio. Ohio's rate was eighth highest in the country and higher than all Midwestern states except Indiana's. Only Tennessee, Alabama, Utah, Georgia, Nevada, Indiana and Arkansas had higher bankruptcy rates than Ohio in 2003.

"One reason for the high bankruptcy rates is unprecedented levels of borrowing," said Weller, Senior Economist with the Center for American Progress. For the first time since the Federal Reserve started collecting these data in 1952, the average U.S. household had debt totaling more than 115 percent of disposable income. Mortgage debt rose relative to income, while credit card debt held constant at 10 percent of average household disposable income.

Families also had to dedicate more of their income to servicing debts. Since the recession started in 2001, families nationally have spent 13 percent or more of their disposable income on debt service, the highest rate since the Federal Reserve started collecting this information in 1980.

The national study found that bankruptcy was correlated with lack of health insurance, high unemployment and low income. "These variables can't fully explain what's gone on in Ohio," said Amy Hanauer, Executive Director of Policy Matters Ohio. While only seven states had worse bankruptcy rates than Ohio, 34 had lower health insurance coverage, 16 had higher unemployment rates and 26 had lower levels of personal disposable income.

Despite the attention given to divorce, bankruptcy rates were higher than divorce rates in 40 states in 2003. In Ohio, 3.5 out of every 1,000 people filed for divorce in 2003 while 7.7 of every 1,000 filed for bankruptcy. "Bankruptcy filings are an indication of severe financial distress," said Hanauer. "It is imperative that we determine the cause of the sharp spike in Ohio bankruptcy filings, and adopt reforms to reduce these rates."

*Policy Matters Ohio is a non-partisan Ohio-based policy research institute, on the web at [www.policymattersohio.org](http://www.policymattersohio.org). The Ohio and national reports can be found there. The Center for American Progress is a national research institute.*

