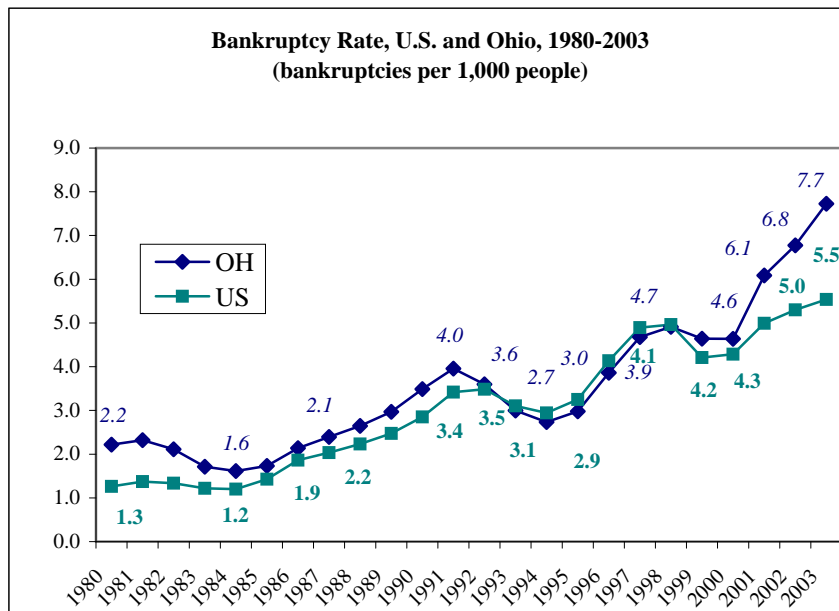


## GOING BROKE IN OHIO: EXECUTIVE SUMMARY

In 2003, the bankruptcy rate in the United States and Ohio reached a record high. Ohio's bankruptcy rate climbed more steeply than that of any other state between 2000 and 2003. 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. 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. 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 (BOG, 2004a). Mortgage debt rose relative to income, while credit card debt held constant at around 10 percent of the average household's disposable income (BOG, 2004b).

Families also had to dedicate more of their income to servicing their 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 (BOG, 2004c).



Sources: ABI (2004); Census (2004); and authors' calculations.

The national study found that bankruptcy was correlated with high unemployment, lack of health insurance coverage and low levels of personal disposable income. These variables seemed less explanatory in Ohio, where none of these indicators revealed the same level of comparative distress as the bankruptcy indicator. While only seven states had worse bankruptcy rates than Ohio, 16 states had higher official unemployment rates, 34 states had higher rates of people lacking health insurance coverage, and 26 states had lower levels of personal disposable income.

Bankruptcy rates were higher than divorce rates in 40 states in 2003. Nationally, 3.6 of every 1,000 people filed for divorce, while 5.5 of every 1,000 declared bankruptcy that year. In Ohio the disparity was greater, with 3.6 of every 1,000 people filing for divorce while 7.7 of every 1,000 declared bankruptcy in 2003.

Like foreclosure rates, which have also risen sharply in Ohio, bankruptcy filings are an indication of severe financial distress. The sharp spike in bankruptcy should be closely examined and policy reforms should be adopted to help reduce these rates.