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Ohio tops nation in bankruptcy pace

By William Hershey

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COLUMBUS | Personal bankruptcies rose faster in Ohio from 2000 to 2003 than in any other state as Ohio's economy continued to resist the national recovery, according to a report released Tuesday.

The study also showed that in 2003, the last year covered in the report, Ohio had the eighth highest personal bankruptcy rate among the 50 states and the District of Columbia. Among Midwestern states, only Indiana, at sixth, had a higher rate.

Policy Matters Ohio, a Cleveland research organization, released the study, part of a national report conducted by the Center for American Progress, a Washington-based research and educational institute headed by John Podesta. Podesta served as chief of staff to former Democratic President Bill Clinton.

Ohio's bankruptcy rate — the number of personal bankruptcies per 1,000 people — was 7.7 in 2003, a jump of 3.1 from 2000, according to the report.

Nationally, the bankruptcy rate in 2003 was 5.5. Tennessee had the highest rate, 11.1, and

Alaska, at 2.1, the lowest. The national and Ohio rates were the highest since 1980, said Amy Hanauer, executive director of Policy Matters Ohio.

Among other neighbors and nearby states, Kentucky ranked 11th at 7.2, followed by Illinois, 14th, at 6.7; Michigan, 18th, at 6.2; and Pennsylvania, 31st, at 4.7.

The study concluded that a high level of borrowing was a reason for high bankruptcy rates. The study found that for the first time since the Federal Reserve started collecting the relevant data in 1952, the average U.S. household had debt totaling more than 115 percent of disposable income.

Families also have had to devote more income to servicing their debts, the study found.

Nationally, the study found a relationship between high bankruptcy rates and the lack of health insurance, high unemployment and low incomes.

Hanauer said those factors don't fully explain what has happened in Ohio.

While Ohio had the eighth highest bankruptcy rate, 34 states had lower health insurance coverage, 16 had higher unemployment rates and 26 had lower levels of personal disposable income, she said.

She said the lack of job growth in Ohio and what she said were weak state laws regulating consumer credit might be factors in Ohio.

By December 2004, Ohio still had 236,900 fewer jobs than in March 2001, considered the beginning of the recession.

Also, from December 2003 to December 2004, Ohio and Michigan were the only states where the number of jobs did not increase.

Hanauer said Ohio's high bankruptcy rate and high foreclosure rate both are signs of the state's economic troubles.

A study released last year by Policy Matters Ohio showed that the number of Ohioans who lost their homes at sheriff's sales caused by foreclosures skyrocketed in 2003, jumping by 26 percent from 2002 and 57 percent from 2001.

Data for the personal bankruptcy study came from the Board of Governors of the Federal Reserve System, the American Bankruptcy Institute and other sources.

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