What Determines Who Defaults or Goes Bankrupt? How Do They Fare?

Prof. Katherine Porter
University of Iowa College of Law
Core Questions

What is success?

What enables success?
What is Success?

- How do we define success (or failure)?
  - Spectrum of success
  - Creditor vs. debtor perspectives

- What is tolerable level of failure?
  - Purpose of subprime lending
  - Alternatives to bankruptcy
How Should We Respond to Failure?

- Bankruptcy relief
- Government vs. private aid
- Collective or individual responses
- Availability of credit
What Enables Success?

- Careful underwriting?
- Market forces?
- Borrower behavior?
Trigger Events

- Job problems
- Medical problems
- Family problems

Who bears responsibility for these events?
What “causes” them?
What do they all have in common?
Primacy of Income

- **Amount of income**
  - Focus of bankruptcy reform
  - Traditional lending criterion

- **Stability of income**
  - Matters in Ch. 13 success
  - Matters in Ch. 7 outcome (Porter/Thorne)
  - New area for research
“Failure is hard but success is far more dangerous.”

- Po Bronson