

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