

# Responsible Debt Relief: An Algorithmic Assessment of Household Debt Capacity and Repayment Capability

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### **Robert D. Manning, PhD**

Robert D. Manning is a research professor and director of the Center for Consumer Financial Services, and past Caroline Werner Gannett Chair of the Humanities, at the Rochester Institute of Technology. Author of the widely acclaimed book *Credit Card Nation: The Consequences of America's Addiction to Credit* (Basic Books, 2000), which received the 2001 Robert Ezra Park Award for Outstanding Contribution to Sociological Practice, Dr. Manning is a specialist in the deregulation of retail banking, consumer finance, comparative economic development, immigration, ethnic/race relations, and globalization.

Dr. Manning's research has influenced public policy debate on the statutory regulation of retail banking and consumer debt in the United States and other countries. A frequently invited expert before U.S. Congressional committees, in January 2007, Dr. Manning testified at the Senate Banking Committee's hearing on "Examining the Billing, Marketing, and Disclosure Practices of the Credit Card Industry and Their Impact on Consumers." He has also served as an expert witness in numerous class-action lawsuits against the credit card industry.

A documentary based on his research, "In Debt We Trust: America Before the Bubble Bursts," was released in March 2007. Dr. Manning's popular Web site ([www.creditcardnation.com](http://www.creditcardnation.com)) includes research, public policy analyses, and educational programs. Center for Consumer Financial Services activities can be found at [centers.cob.rit.edu/cfs](http://centers.cob.rit.edu/cfs). Dr. Manning is a member of the Filene Fellows and is currently conducting a Filene sponsored study on WalMart's strategy to become a global consumer financial services company.



## Responsible Debt Relief: An Algorithmic Assessment of Household Debt Capacity and Repayment Capability

Since the early 1990s, the growth of U.S. household debt in general and consumer credit card debt in particular has soared to unprecedented levels—from an aggregate total of less than \$4.0 trillion in 1990 to over \$13 trillion in 2008.<sup>1</sup> During this period, the average American household dramatically increased its home mortgage debt, from almost \$2.5 trillion in 1990 to nearly \$10.5 trillion today.<sup>2</sup> Similarly, consumer

“revolving” or credit card debt quadrupled from \$239 billion (B) to about \$950B today.<sup>3</sup> Moreover,

the growth of U.S. credit card debt is substantially underreported by the official U.S. Federal Reserve statistics, due to the tremendous volume of mortgage refinancings that were transacted between 2001 and 2005. At least \$350B in consumer credit card debt was paid off through mortgage refinancings, home equity loans, and cash proceeds from the sale of real estate over this five-year period.<sup>4</sup> This is consistent with the findings of Alan Greenspan and James Kennedy, who report that “equity extraction was used to repay an average of about \$50 billion of nonmortgage consumer debt between 1991 to 2005, about 3% of the outstanding balance of that debt at the beginning of the year.” Significantly, it averaged only \$25.2B per year prior to 2001 (1991–2000) and then \$98.9B over the next five years (2001–2005).<sup>5</sup>

This is especially important, since many American families have become dependent on the equity in their homes to finance their

This research brief introduces a new idea called Responsible Debt Relief. If you are interested in piloting this service, please contact Professor Robert Manning for details at [rmanning@saunders.rit.edu](mailto:rmanning@saunders.rit.edu).

- 1 Data are for the first quarter of 2008. U.S. Department of Commerce, *Flow of Funds*, “Debt Outstanding by Sector,” December 2007, p. 8. For a discussion of consumer debt statistics and measurement issues, see Robert D. Manning, *Credit Card Nation: The Consequences of America’s Addiction to Credit* (New York: Basic Books, 2000), Chapter 1. See also Robert D. Manning, “Consumer Credit in An Age of Affluence: The Impact of Financial Services De-regulation,” expert testimony before the U.S. House of Representatives Committee on Financial Services hearing on “Giving Consumers Credit: How Is the Credit Card Industry Treating Its Customers?” Subcommittee on Financial Institutions and Consumer Credit, Washington, DC, November 2001 (at [www.creditcardnation.com/reports.html](http://www.creditcardnation.com/reports.html)). Also see “Banking Deregulation and the Consumer Lending Revolution: What Happened to Consumer Rights?” *American Bankruptcy Law Journal* (forthcoming, fall 2008).
- 2 Data are for the first quarter of 2008. U.S. Department of Commerce, *Flow of Funds*, “Debt Outstanding by Sector,” December 2007, p. 8.
- 3 For data on consumer revolving and nonrevolving debt, see U.S. Federal Reserve Statistical Release, Consumer Credit (April 2008), [www.federalreserve.gov/releases/g19/Current/](http://www.federalreserve.gov/releases/g19/Current/).
- 4 See Robert D. Manning, “Examining the Billing, Marketing, and Disclosure Practices of the Credit Card Industry and Their Impact on Consumers,” expert testimony before the U.S. Senate Committee on Banking, Housing, and Urban Affairs, Washington, DC, January 2007.
- 5 Alan Greenspan and James Kennedy, “Sources and Uses of Equity Extracted from Homes,” working paper in the Finance and Economics Discussion Series (FEDS), U.S. Federal Reserve Board, Washington, DC, 2007, pp. 9–10.

household expenses and are now facing rising credit card balances with increasing interest rates. This is illustrated by historical home equity trends in the United States. Between 1960 and the 1982–1983 recession, home equity remained relatively stable at about 70%. Over the next decade, home equity declined sharply to about 60% in 1993 and has dropped to a historic low of from nearly 57% in 2001 to almost 48% in the first quarter of 2008.<sup>6</sup> And, with nearly two million variable-rate home mortgages scheduled to “reset” to higher interest rates over the next two years and an impending “consumer-led” recession by summer 2008 that will precipitate the loss of tens of thousands of jobs,<sup>7</sup> credit-strapped and debt-burdened households could trigger record levels of loan defaults and consumer bankruptcy filings over the next two to three years as the “double financial bubble” implodes.<sup>8</sup>

In 2005, the enactment of the Bankruptcy Abuse Prevention and Consumer Protection Act (BAPCPA) was viewed by the creditor and debt collection industries as a long-awaited statutory tool for curbing the discharge of billions of dollars of unsecured consumer debts. This creditor-friendly legislation, with mandatory consumer counseling provisions to discourage bankruptcy filings and tougher income-based “means-testing” provisions to reduce the number of Chapter 7 consumer debt liquidation petitions, was viewed as the “hard rock” that would complement the litigatory “hammer” of traditional adversarial debt collection policies. Although consumer bankruptcy rates fell sharply—from 1.5 million in 2005 to almost 600,000 in 2006 with an increase in Chapter 13 filings—the inherent problems of the new bankruptcy reform statutes have not been able to curb the growth of consumer bankruptcy filings in the post-housing boom period.<sup>9</sup> In fact, in 2007 bankruptcy filings jumped 40% to more than 850,000 (with Chapter 7 filings falling to 61%) and is expected to exceed one million in 2008; more than 226,000 consumers filed bankruptcy during the

6 Alan Greenspan and James Kennedy, “Sources and Uses of Equity Extracted from Homes,” working paper in the Finance and Economics Discussion Series (FEDS), U.S. Federal Reserve Board, Washington, DC, 2007, p. 27. See U.S. Federal Reserve data for housing mortgage debt and home equity in the first quarter of 2008. This figure is expected to drop even more in 2008, with the notable exception that it will be due to declining home values rather than household equity extraction.

7 Robert D. Manning, *U.S. Consumer Sentiment and Household Consumption: Assessing the Wealth Effect and the Prospect of a Consumer-Led Recession*, final report, submitted to Fidelity International, November 2007.

8 Robert D. Manning, “Banking Deregulation and the Consumer Lending Revolution: What Happened to Consumer Rights?” *American Bankruptcy Law Journal* (forthcoming, fall 2008). The “double financial bubble” refers to the irrational exuberance of the housing bubble of 2001–2005, which unrealistically increased lenders’ perception of consumer debt capacity as traditionally measured by household income: (1) home mortgage debt and (2) credit card debt. As banks more aggressively marketed consumer credit cards in the early and mid-2000s, the underwriting assumption was that consumers’ greater home equity wealth would miraculously absorb rising revolving debt. By essentially disconnecting consumer debt capacity from household income, the only way for American families to avoid financial insolvency was to sell their homes and either rent or “trade down” to pay off their unprecedentedly high consumer debts. For those households that did not recognize that the U.S. Federal Reserve’s low-interest-rate economic policy had essentially suspended the macroeconomic laws of gravity between 2001 and 2005, the bursting of the double financial bubble in 2006 and 2007 entailed the disastrous reality of enormous mortgage payments and escalating credit card debts.

9 See the special issue of the *American Bankruptcy Law Journal*, fall 2008.



first quarter of 2008.<sup>10</sup> Furthermore, Chapter 13 bankruptcy is becoming the option of last resort for many homeowners who are finding the Federal Bankruptcy Court to be a feasible strategy for retaining their homes. This is especially likely if falling home values render home equity loans as unsecured liabilities, and lenders can be encouraged to consider mortgage loan modifications instead of foreclosure. Significantly, federal bankruptcy judges cannot impose a lower interest rate or reduce the outstanding balance of secured loans such as residential mortgages. This is especially important to households whose home mortgages have been “repackaged” and sold into asset-backed, securitized trusts where investors may not be interested in negotiating loan modifications.

The fundamental problem with the 2005 BAPCPA statutes is that they do not reflect the contemporary reality of the much less stringent lending and underwriting policies of the consumer financial services industry, which are implicitly based on the rising home equity wealth of American households. That is, current bankruptcy law preserves the historic binary of repaying *all* or *none* of outstanding consumer debts—based on changing societal definitions of worthy versus unworthy conditions for debt forgiveness<sup>11</sup>—without modifying current statistical models of consumer debt capacity and repayment capability. The result is a rapidly increasing bulge of “near-bankrupt”—middle-class households that are having difficulty servicing their unsecured debt due to rising finance charges on their credit cards (which increases minimum payments) and/or adjustable rate mortgages (ARMs).<sup>12</sup> At present, these heavily indebted families are less likely to report experiencing financial distress due to traditional factors such as job loss, medical expenses, and family crises. Indeed, as long as the robust housing market offered nearly unrestricted lines of credit in the mid-2000s, their financial difficulties were obscured by mortgage refinancings, home equity extraction, and debt consolidation loans.<sup>13</sup>

Today, the near-bankrupt, which include dual-income households, are facing a credit crunch that is forcing them to consider various debt management, less-than-full-balance payoff, and bankruptcy

10 The most recent consumer bankruptcy statistics are available at the U.S. Federal Bankruptcy Court Web site, [www.uscourts.gov/Press\\_Releases/2008/BankruptcyFilings.cfm](http://www.uscourts.gov/Press_Releases/2008/BankruptcyFilings.cfm).

11 See for example, Teresa A. Sullivan, Elizabeth Warren, and Jay L. Westbrook, *As We Forgive Our Debtors: Bankruptcy and Consumer Credit in America* (New York: Oxford University Press, 1989); Teresa A. Sullivan, Elizabeth Warren, and Jay L. Westbrook, *The Fragile Middle Class: Americans in Debt* (New Haven, CT: Yale University Press, 2000); and Elizabeth Warren and Jay L. Westbrook, *The Law of Debtors and Creditors* (Gaithersburg, NY: Aspen Law & Business Press, 2001).

12 For a discussion of the expansion of household consumer debt capacity as “stretched” by the aggressive marketing of bank credit cards in the 1990s, see Lawrence Asubel, “Credit Card Defaults, Profits, and Bankruptcy,” *American Bankruptcy Law Journal*, Spring 1997, pp. 249–270. The late 1990s was the first time soaring consumer bankruptcy rates were associated with declining rates of unemployment.

13 See Robert D. Manning, “Banking Deregulation and the Consumer Lending Revolution: What Happened to Consumer Rights?” *American Bankruptcy Law Journal* (forthcoming, fall 2008).

(Chapter 7 or 13) options.<sup>14</sup> The problem is exacerbated by resetting ARMs, rising loan to value (LTVs) of their mortgages (precluding new home equity loans), escalating finance rates on credit cards, the rising cost of living, and a sharply declining housing market for those seeking to pay off their consumer debts following the sale of their homes. Significantly, the overwhelming majority of these families intend to repay their debts to the best of their abilities while struggling with the unexpected changes in the U.S. economy and consumer lending practices.<sup>15</sup>

Over the next two years many households will increase their credit card balances in order to service their home mortgages. Others will enroll in debt management programs and eventually drop out due to inevitable financial exigencies. Some households that do not qualify for an accredited Consumer Credit Counseling Service (CCCS) program will enroll in nefarious debt settlement programs, while the rest will simply give up by filing for consumer bankruptcy in a last-gasp effort to save their homes or to seek protection from the stress of debt collection actions. Others will default on their loans and seek informal financial relief outside a negotiated partial payment or debt liquidation program; many cannot even afford the requisite fees to file for Chapter 7 bankruptcy. Hence, consumer demand is intensifying for a programmatic solution to the “all or nothing” debt repayment binary of CCCS programs (full payment) and Chapter 7 bankruptcy (full debt discharge).<sup>16</sup>

The recent emergence and growth of heavily indebted near-bankrupt households (with credit card debts commonly in the \$40,000–\$60,000 range) underscores the need for a partial payment plan that balances

14 The conceptualization and discussion of the emergence of the financially overindebted near-bankrupt or intermediate group (between financially insolvent bankruptcy filers and financially encumbered households in debt management [CCCS] programs) was presented by Robert D. Manning, expert testimony before the U.S. Senate Committee on Banking, Housing, and Urban Affairs, “Examining the Billing, Marketing, and Disclosure Practices of the Credit Card Industry and Their Impact on Consumers,” Washington, DC, January 2007; and expert testimony before the U.S. Senate Committee on Banking, Housing, and Urban Affairs hearing on “Current Legal and Regulatory Requirements and Industry Practices for Card Issuers with Respect to Consumer Disclosures and Marketing Efforts,” Washington, DC, May 2005, available at [www.creditcardnation.com/reports.html](http://www.creditcardnation.com/reports.html).

15 This theme of the worthy versus unworthy debtor highlights the tension between contending paradigms of individual responsibility and institutional irresponsibility. For instance, Juliet Schor, *The Overspent America: Why We Want What We Don't Need* (New York: Harper, 1999) focuses on competitive and referential discretionary consumption, while Elizabeth Warren and Amelia Warren Tyagi, *The Two Income Trap* (New York: Basic Books, 2003) emphasize the rise of economic inequality and the soaring cost of living for middle-class Americans. Clearly, the increase in social inequality that began in the early-1990s is highly correlated with rising levels of household consumer debt, as discussed in Robert D. Manning, *Credit Card Nation: The Consequences of America's Addiction to Credit* (New York: Basic Books, 2000) and “Banking Deregulation and the Consumer Lending Revolution: What Happened to Consumer Rights?” *American Bankruptcy Law Journal* (forthcoming, fall 2008). As a result, the debate often devolves into contested views of deterministic (increasing social inequality) versus free will (unrepentant consumption) economic behavioralism.

16 Debt settlement programs have temporarily responded to the household demand for less-than-full-balance payment programs. The problem is that most debt settlement companies fall outside of various state consumer protection statutes and have become a frequent target of regulatory “cease and desist” actions. Also, they have been plagued by rogue companies that have absconded with client funds and/or have failed to protect their clients from debt collection litigation. And, especially germane to this paper, the partial payment debt “settlement” proposals are *not* based on objective estimates of consumer repayment capability and thus have little credibility from the perspective of lenders/debt collectors. Significantly, the new BAPCPA statutes offer Chapter 13 filers the option of a negotiated 5-year repayment of 60% of outstanding unsecured debts (60-60 plan). However, it requires a negotiated plan with each creditor and is not based on an empirically objective assessment of consumer debt repayment ability.



the interests of creditors and consumers without incurring costly debt collection litigation or bankruptcy filing fees. More specifically, a means-tested program is needed for near-bankrupt consumers who do not have sufficient resources to enter a CCCS debt management

program (repayment of approximately 120%–140% over five years) but possess enough cash flow to repay a portion of their unsecured debts, even though they could file for consumer bankruptcy. The challenge and

Today, the near-bankrupt, which include dual-income households, are facing a credit crunch that is forcing them to consider various debt management, less-than-full-balance payoff, and bankruptcy (Chapter 7 or 13) options.

complexity of formulating a fair and equitable less-than-full-balance payment agreement are due to:

- The large number of different creditors that are owed by individual households.
- Falling and uncertain value of residential property.
- Sharply rising interest rates on residential mortgages and delinquent credit cards.
- An escalating proportion of household income required for housing and transportation expenses.
- The lack of an objective, empirical algorithm that precisely estimates the repayment capability of consumers and that explicitly recognizes differences in cost of living, household structure, and after-tax income (itemized or non-itemized tax filing).

Clearly, both creditors and consumers would benefit from a negotiated repayment program that offered near-bankrupt households the option of repaying between 20% and 60% of their unsecured debts over three years.

## The Responsible Debt Relief Algorithm: An Objective Grading System for Identifying Appropriate Debt Management Programs

The key to a successful Responsible Debt Relief (RDR) system is the objective and statistically precise estimate of consumer debt capacity and debt repayment capability.<sup>17</sup> Unlike traditional debt collection grading assessments, the Responsible Choice program is based on a statistically complex and geographically robust empirical algorithm.<sup>18</sup>

17 Hope Financial USA is the exclusive licensee of the RDR algorithm, which is the cornerstone of the growing RDR network of CCCS programs, Hope Responsible Choice plan affiliates, and consumer attorneys (Debtor's Attorney Network).

18 The RDR algorithm is developed by Dr. Robert D. Manning, director of the Center for Consumer Financial Services, E. Philip Saunders College of Business, Rochester Institute of Technology. The business decision-making software is licensed to Hope Financial USA ([www.hopefinancialusa.com](http://www.hopefinancialusa.com)).

This arithmetic estimate of household debt capacity and repayment capability generates two crucially important evaluative assessments: (1) classification of individual consumers into appropriate means-tested debt management/relief programs, and (2) specific statistical estimates of consumers' debt capacity and ability to repay outstanding unsecured debt.

In essence, the first component of the RDR assessment distinguishes “worthy” from “unworthy” debtors by identifying those households that qualify for a debt relief concession from lenders. The RDR algorithm classifies consumers into three distinct grades, or categories, of debt repayment capability:

- **Low**—Chapter 7 bankruptcy is the most realistic option (the debtor can repay only a small fraction of their unsecured debts).
- **Medium**—The debtor's estimated after-tax income qualifies for substantial debt concession (the debtor can repay 20%–60% of unsecured debt over three years).
- **High**—The debtor can achieve full balance payment through accredited CCCS debt management programs (five-year plans).

Hence, the RDR consumer debt capacity assessment algorithm serves as a grading filter for creditors to identify: (a) consumers who cannot repay a significant proportion of their unsecured debts and should file for Chapter 7 bankruptcy, in comparison to (b) consumers who merit debt concessions through a less-than-full-balance payment plan and (c) consumers who can repay their unsecured debts in full.

The second evaluation phase of the RDR algorithmic assessment is a statistically precise, means-tested validation of an individual's need for a specific debt concession in order to avoid filing for personal bankruptcy. Although the RDR algorithm estimates—in percentage terms—the capability of all applicants to repay their unsecured debts, only those consumers eligible to file for consumer bankruptcy are considered for the Responsible Choice program. That is, the most financially distressed consumers who cannot repay a minimum of 20% of their unsecured debts do not qualify for the Responsible Choice program and are referred to consumer bankruptcy professionals.

Similarly, consumers who are able to repay more than 60% of their unsecured debts over three years are referred to INCHARGE—a nationally respected and accredited CCCS program. Only those consumers who can repay between 20% and 60% of their unsecured debts over three years qualify for a consumer debt relief concession of

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the Responsible Choice program following the confirmation of their financial information.

In sum, the RDR algorithm improves the efficiency of the overall system of consumer debt management programs by guiding consumers to the plans that best match their financial situations (bankruptcy, Responsible Choice, or CCCS) while offering creditors the assurance that borrowers will repay their outstanding debts to the best of their ability. Furthermore, the Responsible Choice program complements rather than competes with CCCS debt management programs by only accepting clients who cannot satisfy the financial requirements of a full-balance payment plan. Similarly, the Responsible Choice program does not accept consumers whose financial situations would be best served by discharging their unsecured debts through the Federal Bankruptcy Court. Instead, the objective of the Responsible Choice program is to foster cooperative relationships with accredited CCCS companies and the Federal Bankruptcy Court so that consumers confronting unexpected financial difficulties—such as rising ARM

## CORE COMPONENTS OF THE RDR SCORING SYSTEM

The key empirical components of the RDR algorithm are:

- Uses total household income rather than individual earnings, which provides a more precise estimate of household debt capacity and ability to repay outstanding consumer loans and unsecured debts.
- Specifies homeowner status and thus estimates the net cost of home ownership after tax deductions for finance charges and property taxes. Also, the algorithm adjusts for anticipated increases in mortgage interest rates for adjustable rate loans.
- Estimates after-tax monthly income according to household structure (number of dependents) and tax filer status (itemized or non-itemized). This includes state and local taxes.
- Specifies locality-based cost-of-living expenses (household budget) as man-

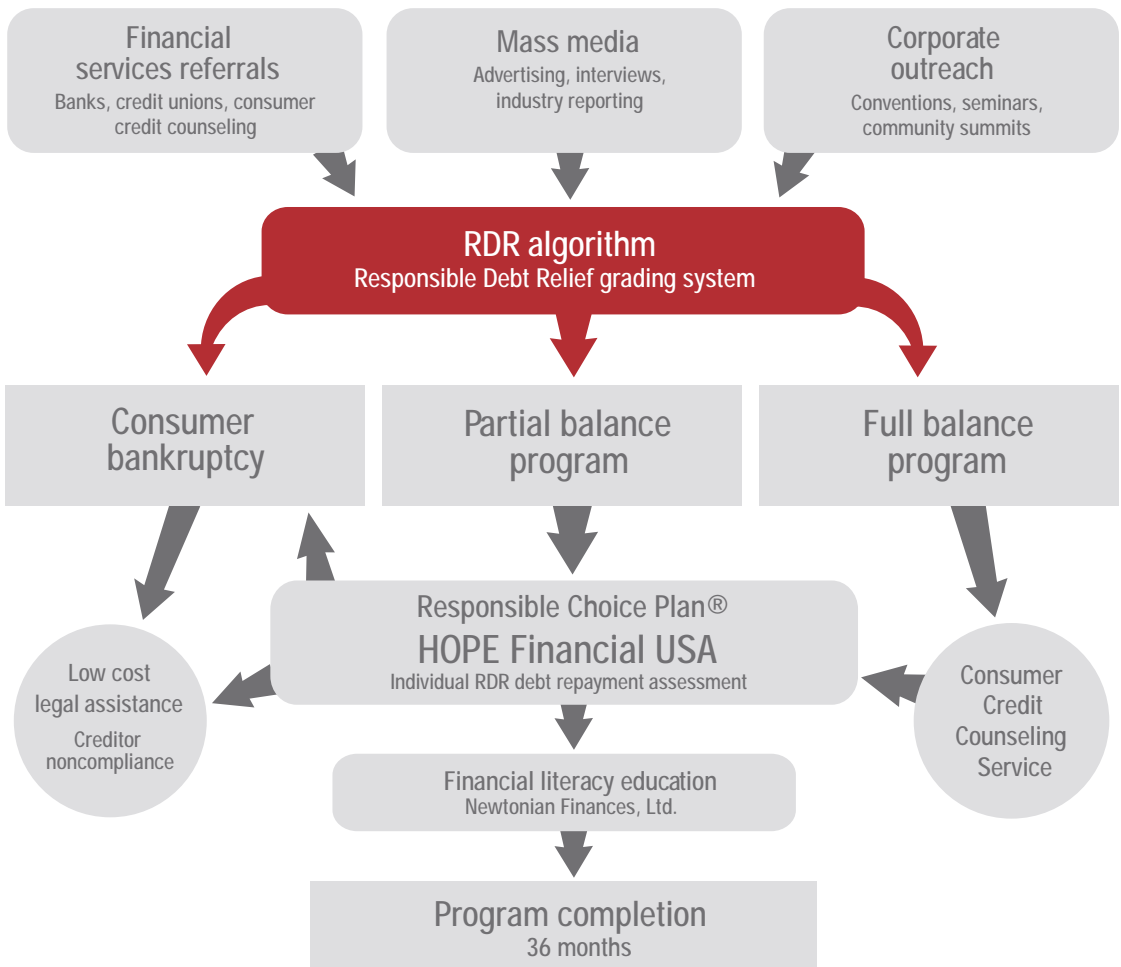
dated by the U.S. Bankruptcy Court in the district where the consumer resides. The wide range in allowable household budget expenses, which is explicitly incorporated into the RDR algorithm, underlies the different debt repayment rates both within and across states—even among households with the same incomes and number of dependents. See Figure 6 in the appendix for comparison by household income, size, and state of residence.

The RDR algorithmic scores are statistically precise for the purpose of estimating—in percentage terms—the net return to creditors over the three-year repayment period. Consumers who qualify for the Responsible Choice program are required to repay the amount specified by the RDR algorithm in order to successfully complete the program.

rates—can avoid bankruptcy and honor their debt obligations to the best of their ability. Ultimately, Hope Financial will develop strong working relationships with regional and national CCCS companies such as INCHARGE, as well as local bankruptcy professionals through the Debtor’s Attorney Network (DAN), so consumers unable to qualify for a full-payment debt management program will be referred to the Responsible Choice program rather than bankruptcy. Hope Financial refers consumers who do not qualify for the Responsible Choice program to accredited debt management programs or, when appropriate, to bankruptcy professionals. See Figure 1.

As explained in the sidebar, the power of the RDR algorithmic assessment of household debt capacity lies in its inclusion of total household income, housing costs that distinguish renters from homeowners, estimates of “net” after-tax monthly income for paying

*Figure 1: Flow Chart of RDR Program: Consumer Referral, Debt Capacity Classification, and Program Participation*



unsecured debts, tax filing status (itemized versus non-itemized), and locality-based cost-of-living expenses. Hence, the algorithm is an efficient estimator of consumer debt capacity across all states (e.g., it incorporates local tax obligations) and geographic localities (e.g., urban versus rural areas), household structures (e.g., single versus married with dependents), locality-based household cost-of-living schedules, employment status (e.g., retired, employed), and types of household financial loan obligations (e.g., mortgage, installment, court-imposed, medical, revolving).

## The Responsible Choice Plan: A Win-Win for Lenders and Financially Distressed Borrowers

The empirically objective RDR algorithmic assessment of household debt capacity assures creditors that consumers are recommended for debt relief concessions only if they qualify for consumer bankruptcy and thus can only repay a maximum of 60%

of unsecured debt. If the RDR algorithm estimates that the consumer can pay a higher net amount to creditors, then the application is rejected and the consumer is referred to an

For creditors, the precision of the RDR classificatory grading system ensures that only the most worthy financially distressed households are qualified for consumer debt relief.

accredited CCCS program. Significantly, the algorithmic estimate of the creditors' concessions is designed to maximize the probability of completing the three-year repayment plan. Since the Responsible Choice plan does not require any upfront or set-up fees from the client, there is not an economic incentive to qualify marginally eligible consumers for less than the full balance payoff. Additionally, the most financially distressed consumers, those who cannot repay at least 20% of their unsecured debts, are referred to bankruptcy professionals. (Visit [www.fileone.org/publications/detail/responsible-debt-relief](http://www.fileone.org/publications/detail/responsible-debt-relief) for summation of RDR consumer debt assessment.)

For creditors, the precision of the RDR classificatory grading system ensures that only the most worthy financially distressed households are qualified for consumer debt relief. The Responsible Choice plan specifies, moreover, that the costs of administering the program are paid by those who are fortunate enough to receive debt concessions. Hence, lenders/creditors do not incur any collection-related expenses, which maximizes the net return on their delinquent accounts. Indeed, the administrative costs associated with the Responsible Choice plan, which includes a comprehensive financial planning/budgeting/counseling support network for all clients, are

the lowest of the existing less-than-full-balance payoff programs. The annual administrative costs of the Responsible Choice plan average approximately 5% of the total outstanding unsecured debt. For clients at the low (20%) and high (60%) ends of the payoff range, depending on the total outstanding unsecured debt, the annual average is less than 5%; administrative expenses are capped at 33% of the creditors' payoff, which is the norm in the debt collection industry. Also, administrative maintenance fees are rebated to clients who successfully complete the Responsible Choice program.

The RDR algorithm specifies a creditor repayment "bandwidth" for qualification in the Responsible Choice plan that ranges from 20% to 60% of households' unsecured debt. The lower repayment "floor" is based on the probability of completing the three-year program as well as the value of Chapter 13 consumer bankruptcy repayment agreements that are sold on the secondary market (at approximately 18%–21% of face value). The upper limit "ceiling" is defined by the 60-60 provision of BAPCPA, which offers consumers the opportunity to negotiate a 60% repayment plan over 60 months. Unfortunately, if past performance is a reliable indicator of the probability of success of this 60-60 program, it will not offer much assistance to either consumers or creditors; historically, less than one-fourth of Chapter 13 filers successfully complete their reorganization plans. A major problem is that these long repayment plans (five to seven years) encounter unexpected and insurmountable problems such as job loss, medical expenses, auto repairs, childcare costs, childbirth related expenses, and family crises such as divorce. This explains the comparably low success rate of full-balance payment CCCS programs that are based on similar five- to seven-year debt repayment schedules.

In sum, the Responsible Choice plan offers a realistic payment option for bankruptcy-eligible households that do not qualify for a debt management program offered by an accredited CCCS company. For the near-bankrupt households with the most financial resources, only those that can pay a maximum of 75% of their outstanding debt over three years (60% to creditors and 15% for administrative costs) are eligible for the Responsible Choice plan. This is considerably less than the typical 120%–140% payoff of the five- to seven-year CCCS debt management programs. As a result, the Responsible Choice and CCCS programs do not overlap, since the RDR assessment algorithm ensures that consumers are classified and are referred to the debt repayment plan that is most appropriate to their household financial capacity. Hence, Responsible Choice and



CCCS programs complement each other and will generate reciprocal referrals in the goal of matching consumers with the most appropriate financial management program. Furthermore, in situations where resetting mortgage loan payments may force consumers to drop out of CCCS debt management programs, they can be recommended to the Responsible Choice plan rather than filing for consumer bankruptcy. Such cooperative relationships will offer more beneficial assistance to consumers as well as increase the net payoff to lenders/creditors such as credit unions.

## RDR and the Near-Bankrupt

The crucial advantage of an empirically objective RDR consumer debt assessment algorithm is its ability to establish a transparent and balanced framework for lenders/creditors and borrowers to negotiate a realistic debt repayment plan that is based on a statistically precise estimate of household financial capacity across the United States.

This creates a win-win for creditors and consumers by increasing the net repayment rate while enabling consumers to avoid enduring the pitfalls of filing for bankruptcy.

This creates a win-win for creditors and consumers by increasing the net repayment rate while enabling consumers to avoid enduring the pitfalls of filing for bankruptcy. Furthermore, the

RDR consumer debt assessment algorithm—with its ability to estimate the rising cost of ARMs in the assessment of household financial capacity—will relieve downward pressure on the imploding U.S. housing market by enabling consumers to negotiate debt concessions that allow them to retain their homes. This is especially important in the successful development of regional partnerships with non-profit organizations that wish to incorporate the Responsible Choice program into existing community development and empowerment projects. The first pilot grass roots RDR project is being conducted in Cleveland, Ohio.

By reducing the need for creditor litigation, the RDR consumer debt assessment algorithm will enhance net repayment rates to creditors since it precisely estimates the maximum amount of consumer debt that can be realistically repaid. In the process, the rigorous RDR grading algorithm and more realistic three-year repayment schedule of the Responsible Choice program ensure a much higher success rate than Chapter 13 reorganization or CCCS debt management plans. With strict program qualifying criteria and a shorter repayment schedule, lenders/creditors will benefit from the RDR grading algorithm and the Hope Financial administrative system by not wasting resources on debtors who will eventually file for consumer

bankruptcy or can only repay a small proportion of their outstanding consumer debt. As the ranks of the near-bankrupt continue to swell along with soaring levels of unsecured debt, the objective algorithmic estimate of consumer debt capacity will become an essential tool in recalibrating the balance between profitable consumer lending and responsible consumer debt relief.

## State Guidelines for Household Exemptions to Consumer Bankruptcy

In bankruptcy, debtors are allowed to keep certain itemized assets, known as “exempt” assets. Exemptions, however, vary from state to state. The U.S. Congress, in enacting the federal bankruptcy laws, specifically gives states the right to opt in or out of the federal exemptions. Some states have opted to retain federal exemptions. Other states have opted out, and instead apply their own state exemptions. The following states allow the use of the federal bankruptcy exemptions: Arkansas, Connecticut, the District of Columbia, Hawaii, Massachusetts, Michigan, Minnesota, New Jersey, New Mexico, Pennsylvania, Rhode Island, South Carolina, Texas, Vermont, Washington, and Wisconsin.

As a result, some states end up being more lenient toward creditors, while others tend to be more sympathetic to the debtors. For instance, five states allow debtors to keep their homes no matter how expensive or extravagant they are, whereas other states force the liquidation of property as an attempt to pay off the debts. Other variations include the types of debt that a debtor can discharge, although many of these are federally mandated without exception.

According to the Federal Bankruptcy Law, a debtor can keep \$475 per item in any household goods up to a total of \$9,850; \$1,225 in jewelry; \$3,225 in motor vehicle; \$1,850 in tools of trade; \$9,850 in life insurance policy with loan value, in accrued dividends or interest; and \$18,450 in personal injury compensation payments. A “wild card” provision allows retaining \$925 of any personal property. The homestead exemption is limited to \$20,200; unused portion of homestead up to \$10,125 may be applied to any property.

This section highlights bankruptcy rules for states with high levels of bankruptcy filings. We publish this information to illustrate the complexity of bankruptcy rules across the United States.

If the state has opted out of the bankruptcy exemptions, only the exemptions found in state law can be used to protect assets in bankruptcy. The exemptions are based on the laws of the state that the debtor lived in for the two years prior to filing for bankruptcy. However, if the debtor has recently moved, the home state is considered the state in which the debtor lived for the majority of the 180 days preceding the last two years.

Under the new federal law, a debtor must have acquired a home (or paid for a home with funds from the sale of another home in the same state) within 40 months prior to filing in order to claim that state's full homestead exemption. If a debtor does not meet this residency requirement, the allowed homestead exemption is capped at \$125,000, even if the exemption for that state is higher.

Some debts cannot be discharged. For example, one cannot discharge debts for:

- Most delinquent taxes.
- Child support.
- Alimony.
- Most student loans.
- Court fines and criminal restitution.
- Personal injury caused by driving drunk or under the influence of drugs.

## Means Testing

In order to determine the debtor's eligibility for Chapter 7 or Chapter 13 bankruptcy, the means test is used by the courts. The debtor must enter income and expense information on the appropriate bankruptcy means test form and then make calculations using the entered information.

## Median Family Income

The means test compares the debtor's average income for the past six months, annualized, to the median income for households of the same size in the debtor's state of residence. Median income information used for comparison purposes is available on the U.S. Census Bureau Web site ([www.census.gov/hhes/www/income/statemedfaminc.html](http://www.census.gov/hhes/www/income/statemedfaminc.html)) and the U.S. Trustee Program Web site ([www.usdoj.gov/ust/eo/bapcpa/20070201/bci\\_data/median\\_income\\_table.htm](http://www.usdoj.gov/ust/eo/bapcpa/20070201/bci_data/median_income_table.htm)).

Figure 2 provides median family income data reproduced in a format designed for ease of use in completing bankruptcy forms. For cases filed on or after April 1, 2007, add \$6,900 for each individual in excess of four.

If the debtor's income is less than or equal to the state median income, the debtor "passes" the means test and may file Chapter 7. If the debtor's income exceeds the state median income, a further analysis is performed, looking at the debtor's calculated ability to fund a Chapter 13 plan. The debtor's disposable income is calculated, applying a mix of actual and standardized expenses to the debtor's previous average income.

*Figure 2: Median Family Income by Family Size*

State	One earner	Family size		
		Two people	Three people	Four people*
California	\$44,499	\$59,086	\$64,118	\$72,996
New York	\$42,896	\$51,994	\$62,815	\$74,501
Utah	\$42,244	\$49,107	\$54,948	\$59,872
Texas	\$34,418	\$48,849	\$51,678	\$59,369
Florida	\$37,985	\$46,914	\$52,648	\$64,280

\* Four or more household members.

Source: [www.usdoj.gov/ust/ea/bapcpa/20070201/bci\\_data/median\\_income\\_table.htm](http://www.usdoj.gov/ust/ea/bapcpa/20070201/bci_data/median_income_table.htm).

Some of the information needed to complete these calculations, such as a debtor’s current monthly income, comes from the debtor’s own personal records. However, other information needed to complete the forms comes from the Census Bureau and the Internal Revenue Service (IRS).

## National Standards for Allowable Living Expenses

The IRS National Standards for Allowable Living Expenses are available from the IRS Web site ([www.irs.gov/businesses/small/article/0,,id=104627,00.html](http://www.irs.gov/businesses/small/article/0,,id=104627,00.html)) and the U.S. Trustee Program Web site ([www.usdoj.gov/ust/ea/bapcpa/20070201/bci\\_data/national\\_expense\\_standards.htm](http://www.usdoj.gov/ust/ea/bapcpa/20070201/bci_data/national_expense_standards.htm)). The allowable living expenses include five categories of necessary expenses: food, housekeeping supplies, apparel and services, personal care products and services, and miscellaneous. Allowances for food, clothing, and other items apply nationwide except in Alaska and Hawaii, which have their own tables. Taxpayers are allowed the total National Standards amount for their family size and income level, without questioning amounts actually spent. If a debtor is paying a mortgage or is paying a loan for a car or leasing it, the expense that is for the actual debt is separated from the allowable expense, because the debt itself is not an actual necessary living expense.

*Figure 3: National Standards for Allowable Living Expenses*

Family size	Gross income							
	Less than \$833	\$833–\$1,249	\$1,250–\$1,666	\$1,667–\$2,499	\$2,500–\$3,333	\$3,334–\$4,166	\$4,167–\$5,833	\$5,834 and over
One person	\$367	\$409	\$461	\$498	\$556	\$621	\$703	\$916
Two persons	\$578	\$595	\$627	\$744	\$825	\$825	\$904	\$1,306
Three persons	\$802	\$808	\$812	\$819	\$924	\$926	\$1,017	\$1,368
Four or more persons	\$856	\$890	\$936	\$941	\$1,042	\$1,063	\$1,203	\$1,546

Source: [www.usdoj.gov/ust/ea/bapcpa/20070201/bci\\_data/national\\_expense\\_standards.htm](http://www.usdoj.gov/ust/ea/bapcpa/20070201/bci_data/national_expense_standards.htm).

Figure 3 shows the total of the five necessary expenses according to the debtor’s family size and income level. A qualifying debtor can claim additional food and clothing expense (“apparel and services”) if the debtor’s average monthly food and clothing expense exceeds the combined allowances for those two subcategories, not to exceed 5%.

## Local Standards

The local standards for estimating locality-based standard of living are published by the IRS and consist of two primary expense categories: (1) transportation and (2) housing and utilities. The first factor used in the bankruptcy means test is transportation expenses. This information is available on the IRS Web site ([www.irs.gov/businesses/small/article/0,,id=104623,00.html](http://www.irs.gov/businesses/small/article/0,,id=104623,00.html)). It consists of nationwide figures for monthly loan or lease payments referred to as ownership costs, and additional amounts for monthly operating costs broken down by census region and metropolitan statistical area (MSA). The ownership cost allowable is the same for all MSAs—\$471 for the first car and \$332 for the second car. The operating cost and the cost of public transportation vary by state.

*Figure 4: Allowable Living Expenses for Transportation for Selected Regions*

Region	No car	One car	Two cars
Los Angeles	\$284	\$897	\$1,311
New York	\$313	\$873	\$1,287
Denver	\$312	\$809	\$1,223
Houston	\$287	\$809	\$1,223
Tampa	\$264	\$724	\$1,139

Source: [www.usdoj.gov/ust/eo/bapcpa/20070201/meanstesting.htm](http://www.usdoj.gov/ust/eo/bapcpa/20070201/meanstesting.htm).

To calculate the total allowable living expense for transportation, the nationwide figures for monthly ownership costs and monthly operating costs for a specified region are needed. Figure 4 reports the total allowable living expenses for transportation.

## Housing and Utilities Allowable Living Expenses

Information about local standards for housing and utilities can be found on the IRS Web site ([www.irs.gov/businesses/small/article/0,,id=104696,00.html](http://www.irs.gov/businesses/small/article/0,,id=104696,00.html)) and the U.S. Trustee Program Web site ([www.usdoj.gov/ust/eo/bapcpa/20070201/meanstesting.htm](http://www.usdoj.gov/ust/eo/bapcpa/20070201/meanstesting.htm)). The housing and utilities standards are published by the IRS by state, county, and family size. For the purposes of the bankruptcy forms, the housing and utilities standards are provided in two components—nonmortgage expenses and mortgage/rent expenses.



*Figure 5: Total Housing and Utilities Allowable Living Expenses*

State/County	Family size		
	One or two persons	Three persons	Four or more persons
California/Orange County	\$1,819	\$2,141	\$2,462
New York/Queens County	\$1,689	\$1,987	\$2,285
Utah/Salt Lake County	\$1,237	\$1,456	\$1,674
Texas/Harris County	\$1,122	\$1,320	\$1,518
Florida/Hillsborough County	\$1,096	\$1,289	\$1,483

Source: [www.usdoj.gov/ustl/ea/bapcpa/20070201/meanstesting.htm](http://www.usdoj.gov/ustl/ea/bapcpa/20070201/meanstesting.htm).

Figure 5 shows the total housing and utilities expenses for specified states and counties.

## Bankruptcy Exemptions by State

### New York

New York debtors may only choose from the state bankruptcy exemptions. New York provides a small homestead exemption, does not give annuities any meaningful protection, and makes it hard to protect life insurance.

The New York homestead exemption is limited to \$25,000 for a single person. A couple may claim the homestead exemption limit of \$50,000.

The list of exempt property in New York and the extent to which it is exempt is found in the New York State Debtor and Creditor Law. The debtor can protect \$2,500 in household goods and all stoves, food, and necessary fuel for 60 days; one sewing machine; the family Bible, family pictures, and school books; other books not exceeding \$50 in value; church pew; certain domestic animals not to exceed \$450; clothing; household furniture; one refrigerator; one radio receiver; one television set; crockery, tableware, and cooking utensils; a wedding ring; and a watch not exceeding \$35 in value.

In addition, all the necessary tools, furniture, and equipment for a trade or business not exceeding \$600 in value are exempt.

The debtor can keep one motor vehicle not exceeding \$2,400 (\$4,800 for couples) and can protect \$2,500 in cash, but not if claiming a homestead exemption.

New York State bankruptcy law has no specific earnings exemption. An annuity is exempt to the extent determined by the court that it is needed for the reasonable requirements of the debtor and the debtor's dependents. The cash surrender value of a life insurance policy is protected from the policy owner's creditors.

## Texas

Texas residents may choose from either the state or federal bankruptcy exemptions. Texas is a debtor-friendly state, having expansive and unlimited exemptions for homestead, life insurance policies and their cash value, and annuities. Additionally, Article 16, Section 28 of the Texas state constitution bans the garnishment of wages, except for child or spousal support.

The homestead exemption value is unlimited. The exemption is limited to 10 acres in a city or town or 100 acres (200 acres for families) elsewhere; sale proceeds are exempt for six months after the sale. However, the new bankruptcy legislation caps the unlimited homestead exemption at \$125,000 if the homestead property is acquired within 1,215 days of filing the bankruptcy petition.

The debtor in Texas may also exempt personal property up to \$30,000 in value. Exempt personal property includes family heirlooms; sporting equipment; two firearms; one automobile per driver in the family; two horses, mules, or donkeys; 12 head of cattle; 60 head of other livestock; 120 fowl; pets; office furnishing and supplies used in a trade or profession; and wearing apparel.

All vehicles with two, three, or four wheels, including automobiles, trucks, trailers, and tractors, are exempt for each qualified family member. The debtor can also keep all farming or ranching vehicles, tools, equipment (including boat and motor vehicle equipment), and books used in a trade or profession.

## Utah

Utah debtors may only choose from the state bankruptcy exemptions. Utah's statutory creditor exemptions have very little protection for real estate, and only moderate protection for properly structured life insurance arrangements.

Real property or a mobile home used as residence or water rights up to \$10,000 may be claimed as a state exemption. If the property is jointly owned, then each debtor can claim the exemption, but the total joint exemption cannot exceed \$20,000.

The following personal property is exempt according to the Utah bankruptcy law: burial plot; all health aids; washer and dryer; refrigerator, freezer, stove, and microwave oven; one sewing machine; all carpeting; provisions sufficient for 12 months; all clothing; all beds and bedding; and \$3,500 in implements, books, and tools of trade. An individual is entitled to an exemption of the following property up to a total value of \$2,000 (\$4,000 per couple): sofas, chairs, dining and kitchen tables, and related furnishings reasonably necessary for one household; animals; books; heirlooms; and other items of particular sentimental value to the individual.

Life insurance proceeds are exempt, if the beneficiary is the insured's spouse or dependent.

Each individual is entitled to an exemption for one motor vehicle not exceeding \$2,500 in value. If filing jointly and the spouses share one vehicle, each spouse can assert the vehicle exemption against the same vehicle. If the equity in the vehicle shared is not more than \$5,000, it is protected from bankruptcy. The vehicle exemption is applicable to motorcycles if the motorcycle is the debtor's primary means of transportation.

### Florida

The state of Florida has opted out of all federal laws on exemptions. Florida debtors may only choose the state bankruptcy exemptions.

Florida bankruptcy law heavily favors debtors. According to Florida bankruptcy proceedings, you can keep more of your personal property during a bankruptcy than in any other state. Florida's state constitution provides unlimited protection to homesteaded property for persons who have established residency there. The homestead exemption is limited to a half-acre tract within a city and 160 contiguous acres elsewhere.

For this reason, a Florida resident who has a \$100,000 home with no mortgage may file Chapter 7, discharge debts, and emerge from bankruptcy with full ownership of this \$100,000 home, free of any claims of creditors. However, a New York resident in the same situation would lose the house, since New York law limits a homestead exemption to \$50,000.

However, the new Bankruptcy Act limits the homestead exemption to \$125,000 for homestead interests that are acquired within a 1,215-day period (three years and four months) prior to the filing of the bankruptcy petition.

The state of Florida provides near total protection for the cash value of life insurance policies and annuities. The debtor can exempt any personal property up to \$1,000 (a husband and wife may double this) and a motor vehicle up to \$1,000.

### California

California has opted out of the use of the federal bankruptcy exemptions and provides its citizens the choice of the state exemptions. California has two bankruptcy exemption systems. The debtor must choose one set of exemptions; one cannot pick one exemption from one system and another from the other system. If spouses file a joint case, they must select an exemption system jointly; they can't each select a separate system. Spouses do not get to double the exemptions.

### ***California Statutory Creditor Exemptions: System 1***

Compared to System 2, System 1 includes a generous exemption for equity in the debtor's residence. The homestead exemption limit is \$50,000 in California for a single person; \$75,000 for a couple; \$150,000 for those who are 65 or older or physically or mentally disabled; and \$100,000 for those who are 55 or older and who are single and earn less than \$15,000, or are married and earn less than \$20,000.

#### **INSURANCE-BASED HOUSEHOLD INCOME**

- Disability or health benefits.
- Fraternal unemployment bonds.
- A life insurance proceeds or avails if clause prohibits proceeds from being used to pay beneficiary's creditors.
- Fidelity bonds.
- Homeowners' insurance proceeds for six months after received, to a maximum of the homestead exemption amount.
- Matured life insurance benefits needed for support.
- Unmatured life insurance policy loan value up to \$10,775 for a single person and \$21,550 for a couple.

According to System 1 the debtor can keep an unlimited number of ordinary and necessary household goods; \$6,750 in jewelry; \$2,550 motor vehicle; \$6,750 in tools of trade per debtor, \$13,475 if used by both spouses in the same occupation; unlimited retirement benefits; and 75% of wages paid within 30 days of filing for bankruptcy.

### ***California Statutory Creditor Exemptions: System 2***

The homestead exemption limit for real or personal property, including co-ops used as a residence, is \$20,725. The unused portion of the homestead may be applied to any property.

#### **INSURANCE-BASED HOUSEHOLD INCOME**

- Disability or health benefits.
- Life insurance proceeds or avails needed for support.
- Unmatured life insurance contract accrued avails to \$11,075.
- Unmatured life insurance policy other than credit.

According to System 2 the debtor can keep an unlimited number of household and personal items worth \$525 or less each; a burial plot up to \$20,725 in lieu of homestead; \$1,350 in jewelry; \$3,300 motor vehicle; \$2,075 in tools of trade; \$20,775 in personal injury compensation payments; \$1,100 of any property; and retirement benefits necessary for support.

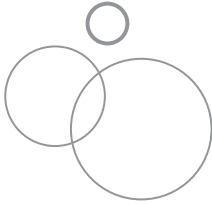
*Figure 6: Comparison of Allowable Household Monthly Budget Expenses by Income, State of Residence, and Size of Household*

Singles/Urban	Low			Median			High		
Gross income	\$28,000			\$63,000			\$87,000		
Gross monthly income	\$2,333			\$5,250			\$7,250		
Monthly household budget	\$498			\$703			\$916		
	Monthly expenses	Compared to Florida's expenses	Expenses above Florida's	Monthly expenses	Compared to Florida's expenses	Expenses above Florida's	Monthly expenses	Compared to Florida's expenses	Expenses above Florida's
<b>California</b>									
One car	\$897	124%	\$173	\$897	36%	\$173	\$897	33%	\$173
Mortgage/Rent	\$1,819	166%	\$723	\$1,819	72%	\$723	\$1,819	66%	\$723
Total living expenses	\$3,214	139%	\$896	\$3,419	136%	\$896	\$3,632	133%	\$896
Estimated state income taxes	\$82	—	\$82	\$334	—	\$334	\$739	—	\$739
Grand total	\$3,296	142%	\$978	\$3,753	149%	\$1,230	\$4,371	160%	\$1,635
<b>New York</b>									
One car	\$873	121%	\$149	\$873	35%	\$149	\$873	32%	\$149
Mortgage/Rent	\$1,689	154%	\$593	\$1,689	67%	\$593	\$1,689	62%	\$593
Total living expenses	\$3,060	132%	\$742	\$3,265	129%	\$742	\$3,478	127%	\$742
Estimated state income taxes	\$127	—	\$127	\$327	—	\$327	\$464	—	\$464
Grand total	\$3,187	137%	\$869	\$3,592	142%	\$1,069	\$3,942	144%	\$1,206
<b>Utah</b>									
One car	\$861	119%	\$137	\$861	34%	\$137	\$861	31%	\$137
Mortgage/Rent	\$1,237	113%	\$141	\$1,237	49%	\$141	\$1,237	45%	\$141
Total living expenses	\$2,596	112%	\$278	\$2,801	111%	\$278	\$3,014	110%	\$278
Estimated state income taxes	\$70	—	\$70	\$225	—	\$225	\$362	—	\$362
Grand total	\$2,666	115%	\$348	\$3,026	120%	\$503	\$3,376	123%	\$640
<b>Texas</b>									
One car	\$809	112%	\$85	\$809	32%	\$85	\$809	30%	\$85
Mortgage/Rent	\$1,122	102%	\$26	\$1,122	44%	\$26	\$1,122	41%	\$26
Total living expenses	\$2,429	105%	\$111	\$2,634	104%	\$111	\$2,847	104%	\$111
Estimated state income taxes	—	—	—	—	—	—	—	—	—
Grand total	\$2,429	105%	\$111	\$2,634	104%	\$111	\$2,847	104%	\$111
<b>Florida</b>									
One car	\$724	100%	—	\$724	100%	—	\$724	100%	—
Mortgage/Rent	\$1,096	100%	—	\$1,096	100%	—	\$1,096	100%	—
Total living expenses	\$2,318	100%	—	\$2,523	100%	—	\$2,736	100%	—
Estimated state income taxes	—	—	—	—	—	—	—	—	—
Grand total	\$2,318	100%	—	\$2,523	100%	—	\$2,736	100%	—

*Figure 6: Comparison of Allowable Household Monthly Budget Expenses by Income, State of Residence, and Size of Household (continued)*

Families/Urban	Low (2+2)			Median (2+2)			High (2+2)		
Gross income	\$48,000			\$91,000			\$136,000		
Gross monthly income	\$4,000			\$7,583			\$11,333		
Monthly household budget	\$1,063			\$1,546			\$1,546		
	Monthly expenses	Compared to Florida's expenses	Expenses above Florida's	Monthly expenses	Compared to Florida's expenses	Expenses above Florida's	Monthly expenses	Compared to Florida's expenses	Expenses above Florida's
<b>California</b>									
2 Cars	\$1,311	181%	\$587	\$1,311	52%	\$587	\$1,311	48%	\$587
Mortgage/Rent	\$1,888	172%	\$792	\$1,888	75%	\$792	\$1,888	69%	\$792
Total living expenses	\$4,262	184%	\$1,944	\$4,745	188%	\$2,222	\$4,745	173%	\$2,009
Estimated state income taxes	\$217	—	\$217	\$551	—	\$551	\$899	—	\$899
Grand total	\$4,479	139%	\$1,256	\$5,296	143%	\$1,590	\$5,644	152%	\$1,938
<b>New York</b>									
2 Cars	\$1,287	178%	\$563	\$1,287	51%	\$563	\$1,287	47%	\$563
Mortgage/Rent	\$1,653	151%	\$557	\$1,653	66%	\$557	\$1,653	60%	\$557
Total living expenses	\$4,003	173%	\$1,685	\$4,486	178%	\$1,963	\$4,486	164%	\$1,750
Estimated state income taxes	\$241	—	\$241	\$486	—	\$486	\$759	—	\$759
Grand total	\$4,244	132%	\$1,021	\$4,972	134%	\$1,266	\$5,245	142%	\$1,539
<b>Utah</b>									
2 Cars	\$1,276	176%	\$552	\$1,276	51%	\$552	\$1,276	47%	\$552
Mortgage/Rent	\$1,285	117%	\$189	\$1,285	51%	\$189	\$1,285	47%	\$189
Total living expenses	\$3,624	156%	\$1,306	\$4,107	163%	\$1,584	\$4,107	150%	\$1,371
Estimated state income taxes	\$112	—	\$112	\$278	—	\$278	\$503	—	\$503
Grand total	\$3,736	116%	\$513	\$4,385	118%	\$679	\$4,610	124%	\$904
<b>Texas</b>									
2 Cars	\$1,223	169%	\$499	\$1,223	48%	\$499	\$1,223	45%	\$499
Mortgage/Rent	\$1,012	92%	-\$84	\$1,012	40%	-\$84	\$1,012	37%	-\$84
Total living expenses	\$3,298	142%	\$980	\$3,781	150%	\$1,258	\$3,781	138%	\$1,045
Estimated state income taxes	—	—	—	—	—	—	—	—	—
Grand total	\$3,298	102%	\$75	\$3,781	102%	\$75	\$3,781	102%	\$75
<b>Florida</b>									
2 Cars	\$1,139	100%	—	\$1,139	100%	—	\$1,139	100%	—
Mortgage/Rent	\$1,021	100%	—	\$1,021	100%	—	\$1,021	100%	—
Total living expenses	\$3,223	100%	—	\$3,706	100%	—	\$3,706	100%	—
Estimated state income taxes	—	—	—	—	—	—	—	—	—
Grand total	\$3,223	100%	—	\$3,706	100%	—	\$3,706	100%	—





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