



NORTH-HOLLAND

The Quarterly Review of Economics and Finance  
43 (2003) 273–289

---

---

The QUARTERLY REVIEW  
of ECONOMICS  
And FINANCE

---

---

# Exemption laws and consumer delinquency and bankruptcy behavior: an empirical analysis of credit card data

Sumit Agarwal\*, Chunlin Liu, Lawrence Mielnicki

*FleetBoston Financial, Portfolio Risk Management, Mail Stop RI DE 03306C,  
111 Westminister Street, Providence, RI 02903, USA*

Received 30 October 2001; received in revised form 4 January 2002; accepted 14 May 2002

---

## Abstract

In this paper, we examine how homestead, personal property, and garnishment exemption laws affect consumer's delinquency and bankruptcy behavior by focusing on the credit card market. In particular, after controlling for credit supply and shock effects like unemployment we investigate whether consumer propensity for delinquency, formal bankruptcy, and informal bankruptcy changes with respect to the exemption levels those resident cardholders enjoy. Our results show that loose garnishment and property exemption laws increase delinquency. Furthermore, while loose garnishment and property exemption laws encourage informal bankruptcy, loose homestead and property exemption laws encourage formal bankruptcy. These results imply a certain degree of substitutability between formal and informal bankruptcy.

© 2002 Board of Trustees of the University of Illinois. All rights reserved.

*JEL classification:* C250, D120, G210, G330

*Keywords:* Exemption laws; Consumer delinquency and bankruptcy; Credit cards

---

## 1. Introduction

Over the past 8 years the number of delinquencies as a percentage of total credit card loans outstanding have seen a dramatic increase (1.75% in 1995 to 2.75% in 1999).<sup>1</sup> Even more concerning is the number of bankruptcy filings that has been spiraling upwards for most part of the last decade. It was only for a short period of time in 1999 and 2000 that bankruptcy filings

---

\* Corresponding author. Tel.: +1-401-278-2927.

*E-mail address:* sumit.agarwal@fleet.com (S. Agarwal).

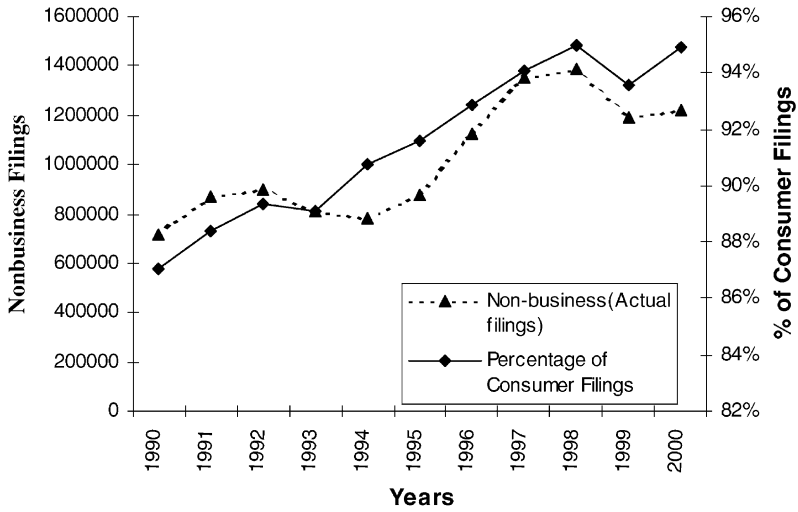


Fig. 1.

exhibited a slight decline (see Figs. 1 and 2).<sup>2</sup> Nevertheless, bankruptcy filings still remain 6% higher than 5 years ago when filings first passed the 1 million-mark. These escalating statistics have motivated research into whether credit markets are being adversely affected by generous homestead and property exemption laws.<sup>3</sup> It is commonly argued that with the rise in exemption levels, debtors are more likely to file for bankruptcy and repay less in bankruptcy. Furthermore, it is also argued that the exemption laws provide partial wealth insurance and the insurance coverage rises with the exemption levels. Hence, the generous state-level exemptions are still viewed by most policy-makers and researchers as benefiting consumers and so their impact on consumer’s propensity for delinquency and bankruptcy are still an empirical issue that needs to be carefully examined.

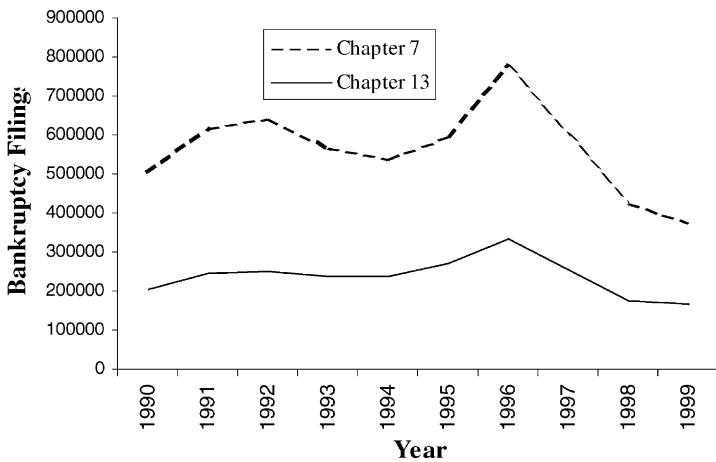


Fig. 2.

متن کامل مقاله

دریافت فوری ←

**ISI**Articles

مرجع مقالات تخصصی ایران

- ✓ امکان دانلود نسخه تمام متن مقالات انگلیسی
- ✓ امکان دانلود نسخه ترجمه شده مقالات
- ✓ پذیرش سفارش ترجمه تخصصی
- ✓ امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
- ✓ امکان دانلود رایگان ۲ صفحه اول هر مقاله
- ✓ امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
- ✓ دانلود فوری مقاله پس از پرداخت آنلاین
- ✓ پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات