Consumer Finance Monitor Podcast (Season 9, Episode 4): Debt's Grip: What Consumer Bankruptcy Reveals About Financial Risk in America

Speakers: Alan Kaplinsky, Pamela Foohey, Robert M. Lawless and Prof. Deborah Thorne

Alan Kaplinsky:

Welcome to the award-winning Consumer Finance Monitor podcast, where we explore important new developments in the world of consumer financial services, and what they mean for your business, your customers, and the industry. This is a weekly show brought to you by the Consumer Financial Services Group at the Ballard Spahr Law Firm, and I'm your host, Alan Kaplinsky, the former practice group leader for 25 years, the founder, and now senior counsel of the Consumer Financial Services Group at Ballard Spahr, and I'll be moderating today's program.

For those of you who want even more information, don't forget about our blog, which also, like our podcast show, goes by the name of Consumer Finance Monitor. We've hosted our blog since 2011 when the Consumer Financial Protection Bureau became operational, so there's a lot of relevant industry content there. We also regularly host webinars on subjects of interest to those in the industry. So to subscribe to our blog or get on the list for our webinars, please visit us at ballardspahr.com. And if you like our podcast, please let us know. You can leave us a review on whatever platform you use to access your podcast shows. And also, please let us know if you have any ideas for other topics that we should consider covering or speakers that we should consider inviting as guests on our show.

Today, we're going to explore a topic that we really haven't explored before on our podcast show. It sits at what I would describe at the crossroads of law, economics, public policy, and the lived reality of millions of Americans. That is consumer debt and bankruptcy. If you listen to this podcast show before, you know we often talk about the systems that shape people's financial lives, regulation, markets, courts, and the institutions that are supposed to keep things fair, but today's discussion brings us to a much more personal level. We'll be talking about financial precarity, about what it means for ordinary people to live one unexpected expense away from a crisis and about how those crises play out when people ultimately turn to the only federal safety valve available to them, namely bankruptcy.

Our conversation today centers on a remarkable new book published in 2025 by the University of California Press. The name of the book is called Debt's Grip: Risk and Consumer Bankruptcy, and it's written by Pamela Foohey, Robert Lawless, and Deborah Thorne. The book draws on decades of data and interviews from the Consumer Bankruptcy Project, the country's most comprehensive, long-running study of people who file for bankruptcy. It gives us a window into the lived experiences of the people behind the cases, people confronting illness, job loss, relentless debt collection, racial disparities, housing insecurity, and the hard decisions families make when they are out of options.

Rather than framing bankruptcy as a personal failing, the authors show how a series of policy choices over the past several decades have shifted financial risk away from institutions and onto individuals, and they reveal how that shift plays out differently depending on race, gender, age, health, and economic position. It's an incredibly compelling and human exploration of how people end up in bankruptcy court and what that says about the larger economic and social structures in the United States.

We are really thrilled today and honored to have all three authors with us as guests. Let me briefly introduce them.

First of all, Pamela Foohey, who is the Allen Post Professor of Law at the University of Georgia Law School. Her work focuses on consumer bankruptcy, commercial law, and how the legal system affects financially distressed households. She's a principal investigator with the Consumer Bankruptcy Project and a nationally recognized voice on the intersection of law, finance, and inequality.

Second, Robert M. Lawless is the Max L. Rowe Professor of Law and associate dean for Research at the University of Illinois College of Law. He's one of the nation's leading empirical scholars of bankruptcy and consumer finance, and he has spent decades studying how legal rules work or fail to work for people in financial distress. He's also a co-director of the Consumer Bankruptcy Project.

Third, Deborah Thorne is professor of sociology at the University of Idaho whose research examines household debt, economic inequality, and the social dimensions of financial hardship. Her work brings the lived experiences and narratives of bankruptcy followers to the forefront, and she has been a longtime collaborator on the Consumer Bankruptcy Project, adding vital sociological depth to its findings.

Together, these three scholars who are guests today on our show have produced a book that is rigorous, deeply researched, and, most importantly, profoundly humane. So, today, we're going to dig into what they found. We'll talk about why people really filed for bankruptcy, how illness, aging, race, and family structure shape financial risks, debt collectors, and lawsuits due to people that are already on the brink, and what reforms what might actually make a difference.

With that, let's begin our conversation. But first of all, a very warm welcome to all of you.

Robert Lawless:

Thank you. Yeah, that was very generous. Thank you for having us.

Alan Kaplinsky:

Okay. So I have a lot of questions for you. I must say, at the beginning, your book was just outstanding, I thought. Easy to read, not technical. You don't have to be a lawyer in order to read the book. At some point, we'll tell our listeners how they can get a copy of your book.

Can you give us... I know I summarized your book a little bit, but I hope I didn't steal your thunder. Will you give us a brief overview? And I'm going to call it Debt's Grip in order to shorten the title of the book.

Pamela Foohey:

Yeah. Maybe I'll jump in on this one. Thank you, Alan, for kicking this off and also for your really good and really excellent summary of the book. I'll just highlight a few things that you said and maybe give people a little overview of what they'll find in the book. What you highlighted is, what we meant to do with the book, we meant for it to provide a thick description of what it means to live in financial precarity in the United States. The book is the culmination of a decades-long project that uses data from people's bankruptcy filings to show the barriers to financial stability that households across the United States face. The project we draw from is the Consumer Bankruptcy Project, which was rightly mentioned a few times in your intro to the podcast, which is the only long-running study of the people who file bankruptcy.

In the book, we draw on data from 11 years of chapter 7 and chapter 13 filings, randomly sampled nationwide from 2013 to 2023, and it's combined with surveys of people who filed during those years. One of our favorite features of the book and one that we think is the most striking feature of the book is that we rely on the words of bankruptcy filers throughout to bring context to the aggregated data that is presented throughout the book. Through data from the court records combined with survey responses, including the stories of people who actually filed bankruptcy, we can provide this thick description of what it means to live in financial precarity. This also allows us to document the barriers, the systemic barriers, to financial stability that individuals and families face. We do so by focusing on particularly notable credit products and particular populations that filed bankruptcy over the years.

Some of those populations, some of those products you mentioned, we organize them throughout the book in a systematic way. The book is organized around people's stories and also as a story. The first portion of the book starts out with some background on bankruptcy for those who are not initiated into the world of bankruptcy, and then turns to people's struggles to make ends meet while dealing with debt. The second part of the book is built around credit products, home loans, car loans, medical debt, student loans, unsecured debts incurred because of job loss, underemployment, or running a small business. The third part has three chapters that are built around race, gender, and age. And then the fourth portion focuses on law. One's about lawsuits and debt collection, and another one is looking for can-pay debtors who might be termed taking advantage of the system, and we can talk more about what we found or did not find in that chapter. That's our brief overview of what you will find in Debt's Grip.

Alan Kaplinsky:

Okay. I mentioned some of the sources of debt that lead people to file in bankruptcy. Did I cover everything there, or did I overlook something?

Robert Lawless:

Obviously, people have all sorts of different debt in our files, as Pamela mentioned, a cross section of bankruptcy filers randomly sampled. Our study has the sorts of debt that all households have. We have mortgage debt, although there's kind of, I think, a myth among bankruptcy experts that most bankruptcy filers have mortgages. That's not true. There's a lot of people with car loans, so that's kind of a subset of bankruptcy filers who are filing bankruptcy to take care of their car loans. There's credit card debt. There's lots of medical debt. A lot of the credit card debt is medical debt. People put their copay or whatever on the credit card. There's student loan debt in our files. As I say, it's the source of debts that all households have.

Alan Kaplinsky:

Right, right. You mentioned the sources of debt. I guess I didn't really get into that in my intro. I talked more about the things that put a consumer over the edge, like an illness or loss of job or things like that. What I hear from time to time, sometimes from industry people, that there are people who abuse the bankruptcy system, but I take it that's a very small percentage. Was that anything you were able to pick up in your study, people that were just taking advantage of a system that existed to wipe out all their debt, but without what I'll call a valid precipitating factor?

Robert Lawless:

Yeah. We were going to go look for them. We were going to write the last chapter. We were going to go look for the abusers. We thought that that was important because we talk a lot about the things that people bring to bankruptcy, and the stories are just heart-wrenching. We looked and looked. We didn't find any. Well, I take it back. We found possibly one 1 of the 8,800 cases we have. The court dismissed that case. There's all sorts of stories.

There's another story in the book about somebody who files bankruptcy. They've got a very expensive home. It looks... That was another one we went to look at. I went, "Hmm, something seems odd here," but they paid their creditors in full. They were dealing with the recalcitrant mortgage lender, creditor. That doesn't seem like an abuse. There was another one with a very, very high home value we looked at to try to see, "Well, this looks right," people with high home values... It was in the most expensive zip code in the country for home value... well, one of the most expensive home values in the country for zip codes. People living on a very modest income in an area that had gotten incredibly expensive, and it was just unaffordable.

The answer to your question is it's a large country, right? Hundreds of millions of people live in this country. The bankruptcy system has hundreds of thousands of filings each year. Are there going to be cases that are an abuse? Sure. Out of our 8,800 cases, again, we were able and we looked, and this is the last chapter Pamela referred to. We went and looked for them. We made a point of looking for them. We found one that was arguably abusive, and that case got dismissed by the bankruptcy court.

Alan Kaplinsky:

Yeah. Got it, got it. What do people do in the years before they filed bankruptcy to make ends meet while they're struggling to pay debts?

Deborah Thorne:

So, I'll go ahead and address that one Alan. yeah. So, people will rely on their credit cards, to make ends meet, and they're putting food on their cards. They're paying bills like utilities and such with their cards. But more importantly, they will often pick up second jobs. I just finished coding one. They picked up a third job to try to pay off those bills. In the older population, which is one of the populations, I find it to be quite vulnerable. They will extract money from their 401k's to repay some of their debts. And to be clear, many of those debts are medical. That should ideally if you're a senior, should be covered by our programs. So, they extract money from their 401k accounts to repay those bills. And one of the things that I want to point out, Alan, is that this leaves them extremely vulnerable in their final years. If they've taken their 401k money out. They have nothing to live on other than Social Security. they'll go without food. they a lot of people end up losing their homes because they can't keep up, and they have to let that go. Cars get repossessed. People will go so far as to give their pets away. I know that sounds small to a person who doesn't have pets, but they'll give their pets away or refuse. They don't take them to the vet for treatment that they need. They borrow money from family and friends. they go to turn to payday loans and car title loans. There's this litany of things efforts that people make to try to avoid the inevitable bankruptcy. Tragically, all of those tend to result in them being in a worse circumstance than where they began. They end up further in debt. I'm sure you've talked about payday loans in the past. That's a path to financial hell, and they're trying everything they can. it's futile, but they gave it a good shot. And hopefully later we'll have a little bit of time to talk about what this does to them physically and emotionally as well. But they're troopers.

Alan Kaplinsky:

Yeah. Well, let me ask you this. It's a long time ago, probably 20, 25 years ago, I was on the board of directors of the Philadelphia Consumer Credit Counseling Service, a nonprofit organization whose function was to try to help people out who were over their head in debt. In particular, credit card debt seemed to be the thing that would topple a lot of these people. I found that worked pretty well, at least... This is a long time ago. I don't know what it's like today, but they were people who were trained, professionally trained, on how to counsel people and try to get them out of debt so that they could avoid bankruptcy, and they would ultimately try to make deals with their creditors, pay certain number of cents on the dollar, reduce their debt, reduce their monthly payment, et cetera, et cetera. Is that not in use today, or what did you... Have you looked into that?

Pamela Foohey:

I can take that one. Our sample, of course, is the people who file bankruptcy. We ask them two batches of questions that I think are important here. One is, "What did you do to make ends meet before you filed?" And also, "What did you go without before you filed?" We've been focusing on what people do to make ends meet before they file. One of the questions we ask them is a more generic, "Did you work with your creditors? Did you ask your creditors for help in some way before you filed?" which is exactly what you're talking about, Alan. A significant percentage, portion, of the people who filed, say they did ask their creditors for help before they filed, and obviously they filed bankruptcy. Those efforts were not enough to repair their financial situation such that they stayed out of bankruptcy.

And then a also significant portion of people borrow to make ends meet while they're trying to pay off debt, as Deb was talking about, in various ways. They end up putting expenses on credit cards, they pay off debt with other debt, they borrow from family to pay off debt. I think this links back to the problems that lead them to have debt issues to begin with, which are not their kind of financial problems. They are not overspending. They cannot keep up with their basic expenses, whether it be because they're underemployed or they have high medical expenses or just significant life expenses or their home mortgage is just too much or the car loan is just too much.

What we haven't talked about, which I'll just sort of tee up for more questions, is what people go without while they're struggling to make ends meet, which goes with what Deb was talking about. They go without healthcare, they will go without food, as well as putting food on their credit cards, and they will also go without other necessities, which makes their recovery after bankruptcy that much harder.

Robert Lawless:

Let me just add, to amplify that, because I think this is where we're heading with this conversation is, we also have data on what people tell us about how long they struggled before they filed bankruptcy. A majority of people say they seriously struggled for more than two years, and that percentage has been going up over the decades of the Consumer Bankruptcy Project. It's self-reported. "How long did you seriously struggle?" But we've been asking that same question to people now for quite a while, going back to when you were doing credit counseling, and people are waiting longer and longer to file. One of the things you have to think about when you're talking about consumer bankruptcy... Well, three of us are lawyers, so we tend to see problems as legal problems. When they can't make ends meet, a lot of people think of that as a financial problem. There's, and I kind of invite Deb to chime in here, a lot of sociology and psychology that goes into people deciding to seek legal help for what a lot of people would consider to be a financial problem.

Deborah Thorne:

If we look at it. So back up just a smidge. Historically, when this first was hitting the newspapers in the late eighties, early nineties when numbers were going up here on the West Coast in Spokane, Washington. I started doing my graduate research, and it was because in the newspaper, in the headline of the Spokesman-Review, it said, bankruptcies are going up because stigma is gone. And I think we have to look at which sociologists would call bunk on that, because stigma doesn't ebb and flow in that way, like bankruptcy numbers ebb and flow. So, that's what initially kicked me into the, the topic of research was this assumption that it was something like stigma. And we look at the emotions that people experience, prior to filing bankruptcy. And we ask about did you experience shame, stigma, fear, so on and so forth. And those are those are remarkably high numbers that consistently across many age groups. pretty consistently, excuse me, that people experience when they're going into bankruptcy. So, we see that those reactions are pretty constant. So, is it a legal decision? Partially, of course it is. You're trying to stave off debt collectors, um, and your car getting repossessed, and you need the help of a lawyer, but it's also the decision. It's also a cultural reaction, a reaction to our cultural expectations about what people are supposed to be doing. And let's be clear that in this country that is deeply capitalist, personal financial success is the reflection of achievement in this country. And before you can go into bankruptcy, you have to acknowledge that maybe you're failing at that cultural expectation. So, the other thing is that these people have experienced downward mobility as they're sliding into bankruptcy, which is another phenomenon in our country that is shameful. We're supposed to be upwardly mobile, not downwardly mobile. And an admission of bankruptcy is that you've been downwardly mobile, and you're failing again at what the norm is in a capitalist system. And so, there are a lot of us, a lot of sociological factors that are going into this too, as well as legal factors.

Alan Kaplinsky:

Yeah, yeah. How did they end up finding a bankruptcy attorney? Is that one of the things that you asked them?

Robert Lawless:

We did. We started asking that a few years ago. We talked about how this is based on 11 years of data collection. Actually, we just started asking that question. We have about, I forget the exact number, but not a full 11 years. We did start asking that, and the serendipity is surprising. People just find their lawyers in ways that... It happens to be somebody that lives or has an office near them. I think that was one of the options, "Near my residence or place of work," "Saw a billboard." There's, again, just a lot of serendipity. And then one of the things we know is that we think... Again, as lawyers, you've got this court system. There's one thing the Constitution says about bankruptcy, it's that, "It's a uniform law of bankruptcy," and that, "You're going to have this result. You're going to go into bankruptcy court, and you're going to get this result," but there's tremendous variation across the country, and a lot of that is driven by the lawyer.

The lawyer, fancy word, intermediates between the client and the result the client's going to see. That result you're going to get is based a lot... again, I keep saying the word serendipity, rather than some sort of intentionality that, "I want this particular type of bankruptcy, and I'm going to go find this particular lawyer that's going to help me with this outcome."

Deborah Thorne:

And to follow up on that, one of the questions, one of the options that they could choose is do they see it on a billboard? And the other one is they Google it, and they came up with someone who is nearby. And the final question that we ask in that series is, did you shop around? And the majority of people don't shop around. Moreover, we ask, was it a personal recommendation or someone you'd worked with before? That's pretty low. Again, Bob's, what he's describing is, is right on. It's serendipitous. Who they choose. They're not familiar with bankruptcy. I mean, these people are not legal experts or people who have probably dealt with the law before. And so, they aren't maybe as savvy about how to find possibly the most skilled person, the most reputable person, the more the things that someone with a background in law or someone who's highly educated might do. We're seeing that people say, okay, that's, that person, when I walk to work, I walk past their office every day, that's the one.

Alan Kaplinsky:

Yeah, right. Do any of them... I mentioned a little bit earlier the work that I did on the board of a legitimate nonprofit, Consumer Credit Counseling Service. You hear on the radio and sometimes on TV these ads for companies that are what I would say not legitimate, they're not nonprofit, they're for profit, and they seem to prey on consumers by essentially defrauding them, telling them that they can wipe out all their credit card debt, "Just give us a call at an 800 number, and we'll be able to do that." Was that an area of inquiry, whether any of them got involved in that kind of what I would consider a trap?

Robert Lawless:

No. Well, again, we only have people who file bankruptcy and we ask the question about working with creditors, which are presumably in there. But here's something for your listeners, Google, "Bankruptcy lawyers near me." Wherever you are, Google that, "Bankruptcy lawyers near me." Sometimes you got to do this twice. You're going to get ads to try to off-ramp you from bankruptcy into those firms, or at least search results, yeah.

Deborah Thorne:

And I would add to that. No, you're not going to make this promise that we will erase your debt. Really? The credit card company is all of a sudden going to say, oh, since Acme Company just called me representing this debtor, we're just going to erase it and go without any profit. That's ridiculous. That's not going to happen. The other thing I want to point out, Alan, is we did not ask explicitly, did you take advantage? Did someone take advantage of you? And I volunteered with consumer credit counseling services back in the nineties when I was doing my research. And I think back then, it was a legitimate and genuine attempt, for the most part, to help people out. But what I'm finding, because I do a lot of the, I code the survey. So, when those surveys come in where people have a section where we ask if you're willing, would you tell us your story about what happened? And frequently I'm reading the stories of people who say I tried to avoid bankruptcy by with account credit counseling or credit repayment type of organization and what they'll tell they write to us again and again. And I was screwed. They charged me fees. I had to pay to join their program. And I ended up owing more than when I went into this program. So, I would argue that a lot of those are scams, and people give it their best shot, but they're not they're not out there to I don't, I would argue, to truly benefit the debtor. They're out there to make a profit.

Alan Kaplinsky:

Yeah. Well, certainly the for-profit companies are, right? I think the nonprofit companies do try to really help, and sometimes they're able to help and sometimes they can't.

So let me ask you this, just a different question altogether, how does pre-bankruptcy debt collection show up in the bankruptcy court records?

Pamela Foohey:

I can take it as well. I think it's interesting how it shows up in the records because there's more pre-bankruptcy debt collection than one might think. I think this goes to how people end up finding their attorneys or at least think that they should do something when they see a billboard. So in bankruptcy court records, part of the questions that people have to fill out usually through their attorneys is, "Were there any pre-bankruptcy cases filed against you?" We see foreclosure actions against real property, there's a low percentage of those. We see other actions against other property, which is usually car repossessions. And then we see a lot of what we call non-property actions, which is debt collection proceedings in state courts, which reflects the high use of state courts now for debt collection. Within those actions, they're also divorce proceedings, although they make up a smaller portion of those.

When we think about how people get to the legal system in general, people have to understand that their problems are law problems, which I think takes a long time. Part of how people understand that they should turn to lawyers for help is that other actions in law push them to think of their financial problems as law problems. So those foreclosure actions, those repossessions, those garnishments, just the debt collection pushes people to see what they might think was a financial problem, where they should take on more debt as a legal problem, when they see a billboard, to just call the number on the billboard... In terms of what we see in the court records, I think it's over 50% or around 50% that have these actions pre-bankruptcy when they file bankruptcy.

Alan Kaplinsky:

Yeah. I know what I'm about to say is off topic. Not so long ago, I was very interested in and started looking into what happens in small claims court where consumers are hardly ever represented by an attorney. An attorney for a particular credit card company will just go in there with a whole list of people who haven't paid their credit card debt, and the court will rubber stamp the judgment against all of them. It just seemed to me that there had to be a better way of handling that process. I recognize that's not something you've looked into in your book, and I know other people have done research on that and reached the same conclusion I did, but...

Robert Lawless:

Yeah, I don't think it's off-topic at all.

Alan Kaplinsky:

Oh, okay. Okay.

Robert Lawless:

Yeah. You're right. We surveyed and looked at the records of bankruptcy filers, and you're right, there's other research. I think many of your listeners are legal professionals. Here's a parlor game I like to play in my faculty lounge, just to ask lawyers what the most common lawsuit is in the United States today, and lawyers will say, depending who you're talking to, products, liability, or automobile accidents. It's not even close. The most common lawsuit in the United States today is a civil lawsuit to collect a debt for about $400. It's not even closed. It just overwhelmingly... There's some great research showing that 10 plaintiffs account for 40% of all the filings. The state of New Jersey, over a particular period of time, it's just staggering.

And the reason I think it's very relevant, what we've been talking about, about the debt collection, is what often brings people to bankruptcy court. That small claims action you're talking about might turn into a wage garnishment. Now, the person who had financial problems sees their problem as a legal problem, and our data actually have... We can't prove it, but it's very suggestive that that's one of the things that's drawing people into bankruptcy court is the debt collection action reconceptualizes the problem for them as a legal one. So if you have a legal problem, you turn to someone who can provide you legal help.

Alan Kaplinsky:

Yeah, yeah. Can one of you tell me a story written by a bankruptcy filer that has stayed with you the most? I know all of you have probably read thousands and thousands of stories, but I'd be curious if there's one in particular that stands out.

Deborah Thorne:

I'd like to. I'd like to go first. I'm a qualitative researcher at heart. And so, these are the things that drive me. We used a section of this story, at the front end of the chapter on aging, and it was a couple. It really encapsulates the struggles that older Americans, not in their eighties and 90s, but those of us who are almost transitioning into retirement, will face or have faced. And it was a wife. She was married, and she said, my husband and I have been working since we were fourteen years old, and they're both mid-sixties. And due to circumstances completely outside of our control, and there had been an illness and a job loss, completely outside of our control. We lost everything we've ever worked for. They're now living in a trailer. They're on food stamps. They're propane for heating is under a program that's subsidized by a program in their area. They lost their vehicles. They have no retirement left. She's concerned about what their future holds. And she said, "And here I am at sixty-five years old, filling out a dumbass survey for a university study. How have we failed?" And they were living the dream. I mean, they had, you know, they had achieved them their entire lives. They had worked. And one slip up, one illness, one job loss. And it's done. They're Americans. Are that vulnerable? They're living in that much precarity. Most of us, almost all of us are living in that much precarity. And her struggle and her, I would say, dismay at being of an age where they should be solid and they're not. And Alan, the real pickle of that is they're not going to recover to where they were at one time. They're sixty-five and about sixty-seven years old. No one, who's going to hire them? How do they ever recoup the wealth, albeit probably not much, but they owned a home and their rig, and they had some retirement. They're not going to recoup that. They're too old and no one is going to hire them. And she also mentioned that we're living only on Social Security. That's the story. That's one of the ones that has just really resonated with me.

Alan Kaplinsky:

Yeah, I can imagine. Yeah. Let's talk about things that could be done in the... What could be done to correct this morass, this problem that you've identified? What would be productive in terms of policies for people to not be dependent on turning to credit products when they face financial hardship?

Pamela Foohey:

I think we got to go back to what this book is really about. We like to say we wrote a book about bankruptcy that really isn't all that much about bankruptcy. One... I'm going to go back to the story thing. The chapter that I really wanted to write, and maybe I both enjoyed writing, but it was also really striking, was about all the single women who are in bankruptcy, some of whom have children. There is a small portion of that chapter of the stories of financial abuse, of women who file bankruptcy and the financial abuses from their former domestic partners. In that chapter, obviously the stories are written by women, but the financial abuse is most often endured by women, which is just coercive control by an intimate partner centered around money, whether it's taking out debts in the partner's name without permission or because it's presented as the only reasonable course for doing so for this couple at the time.

One woman in our book wrote that her bankruptcy was basically caused by... the path to bankruptcy was because she separated from an abusive husband, and all their debts were in her name because he did not have good credit, or that's what it was presented as in the relationship. And then her aunt gave her the money to file bankruptcy and for the bankruptcy attorney. In some ways, these debts are a version of predatory debts, but the question then comes, how can bankruptcy solve this?

I think you need to go back to why people are filing, and it's because they have medical debts because insurance is so expensive and the medical system is so expensive, and they're filing because they are underemployed or they lose their job and the two or three or four months they're out of work just plunges them into situation where they can't recover financially because they were unable to save to begin with, which goes back to how much money people are able to make in our economy right now. Also, people have student loans, which goes to how much it costs to be educated and then how much money you make after you are educated for the types of education that people are getting with those student loans.

Those are the programs that need to be tackled. With that, I will turn it over to my co-authors to see if they have thoughts about how to solve that.

Robert Lawless:

Yeah. It's sad to say it's a hard question because I think none of us are under the illusion that this is going to change anytime soon, because the changes that are needed are big and the current climate is not friendly to them. We need better healthcare funding. We need to go back to economic exchange, where I give you something that's of value to you and you give me value in return instead of kind of a many... Nowadays, people felt you're on your own. If we was able to con you, good for me and bad for you. There's increasingly ways to just try to extract value from people without returning some good or service that's of value to them. I'm thinking of things like financial services in some ways, some of the crypto schemes that we see, but there's also just broader... There has to be more sharing of risk, and there's not right now a political climate that's favorable to that.

I think there are some things... One thing Pamela mentioned, the idea, the problem with coerced debt in abusive relationships, I think there is some political will to do something about that. There might be some political will to try to make the bankruptcy system a little bit better, making it easier for people to afford to pay attorneys to get more and better professional help than they're maybe getting now. Student loan debt, that waxes and wanes every now and then. There seems to be a political moment to do something about student loan debt. I actually think the bankruptcy system would be a good vehicle for that. People forget, bankruptcy's not a free ride. If you have assets or income, the bankruptcy court's going to make you devote whatever assets or income you have to repayment. It's just that everyone who files bankruptcy has no spare income and no assets to pay. The bankruptcy system I think would be a good vehicle to deal with some of this student loan debt, and there have been proposals in Congress to do that.

What can be done to fix this? Lots of different things. No one is going to solve all the problems. There's big policy changes and there's smaller more things that can be done to smaller problems.

Alan Kaplinsky:

And I take it when you're talking about bankruptcy, it's something that needs to be done at the federal level because the bankruptcy code is a federal statute. I would think that, given the current political situation, there's just no way that any kind of bankruptcy reform is ever going to be approved anytime in the near future. Elizabeth Warren, who would be a champion of that, who used to be a bankruptcy law professor at Harvard, I'm sure there are a lot of things she'd like to do, but it would be an exercise of futility to get anything through Congress today.

Robert Lawless:

Well, Senator Warren, first, we should acknowledge, was one of the founders of the Consumer Bankruptcy Project. We've continued the research that her and Terry Sullivan and Jay Westbrook started. Sometimes I think on both the left and the right, there's a lot of interest in populism and household finance, and I almost think sometimes that that starts to bend back on each other. Senator Hawley, for example, has taken some positions to try to help people with everyday problems. Representative Marjorie Taylor Greene has made comments that are sympathetic to trying to do something to help everyday people with their household finances. There are people, I think, on the right that might have some interest in doing something. I had to make a bet, I bet like you, which is nothing's going to change.

I go back to, you mentioned at the beginning, the Consumer Financial Protection Bureau. Senator Warren proposed that as a Harvard law professor, and it seemed like, back in the 2000s, that had no chance of passing, but there was a political moment in the Great Recession where that became salient. I think something could happen here with bankruptcy reform.

Alan Kaplinsky:

Yeah, okay. We're drawing to the end of our program today, and I would be remiss if I didn't have you explain how people can buy your book. Any one of you, here's your opportunity to sell. It really is, as I said, just an outstanding book that I'm very happy to recommend to our listeners reading, but how do they get it? Can they go online and get it through Amazon?

Pamela Foohey:

Yeah, so it is available online. You can find it on Amazon if you type in Debt's Grip. You can also go to the University of California University Press website and search Debt's Grip. And if you buy it through the University of California Press website and you put in the code UCP30, you can get 30% off when you check out.

Alan Kaplinsky:

Yeah. What is the code again? Can you repeat it, this code?

Pamela Foohey:

The code is UCP30.

Alan Kaplinsky:

UCP, University of California Press, I guess.

Pamela Foohey:

Yes.

Alan Kaplinsky:

UCP30, okay. All right. I want to thank all of you.

First of all, Pamela, thank you for illuminating the human stories behind bankruptcy, helping us understand how people navigate financial distress. Your mention toward the end of our interview how a lot of times the distress is suffered by women who have been with abusive domestic partners, and that abuse being financial abuse, I think a lot of people probably haven't focused on that.

And Robert, thank you for grounding our conversation in decades of data and for cutting through the myths that often surround bankruptcy.

And Deborah, thank you for bringing the sociological lens that reminds us that these struggles are deeply tied to broader social and economic structures.

I'm going to try to see if I can give our listeners some takeaways from our program today, and hope I don't miss anything. If I do, you could add anything that you'd like.

First, bankruptcy is rarely about irresponsibility. It's often the endpoint of a system that pushes health, job, and financial risks onto individuals who can't absorb them. Second, these risks fall unevenly, especially on Black families, single mothers, and older Americans, reflecting longstanding, what I would consider structural inequalities. And third, the people who file for bankruptcy are doing everything they can to stay afloat, and their stories show just how thin the margin of survival has become for many households. Finally, because policy choices create these vulnerabilities, better policy can fix them from stronger safety nets to a more accessible and humane bankruptcy system.

Did I miss anything that... At least those are my takeaways from our conversation today and my takeaways from having read your book.

Deborah Thorne:

That does it.

Robert Lawless:

Perfect.

Pamela Foohey:

Spot on.

Alan Kaplinsky:

Yeah, okay. Well, that's great.

So thank you again, all of you, for taking the time to be in our program today. I really appreciate it.

Deborah Thorne:

We do too, thank you.

Alan Kaplinsky:

So to make sure that you don't miss any of our future episodes, you can subscribe to our show on your favorite podcast platform, be it Apple Podcasts, YouTube, Spotify, or wherever you listen. Don't forget to check out our blog, consumerfinancemonitor.com, for daily insights on the consumer finance industry. If you have questions or suggestions for our show, please email me at podcast@ballardspahr.com. Stay tuned each Thursday for a new episode of our show. Thank you again for listening and have a good day.