

THE IMPACT OF GAMBLING ON PERSONAL BANKRUPTCY

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EXECUTIVE SUMMARY

The purpose of this study is to determine if gaming losses can be identified as a contributing cause of the increase in personal bankruptcy filings since casinos opened in Louisiana in 1994. Analysis of annual bankruptcy filings in all three districts of Louisiana, over the past ten years, up to and including 1998, has been performed, with particular emphasis given to the petitions filed in the Shreveport Division of the Western District of Louisiana during 1997. The Shreveport Division has been selected for in depth analysis of individual bankruptcy petitions because it is possible to compare findings to a similar analysis performed on 1995 petitions in the Shreveport Division. Interviews with bankruptcy trustees and with bankruptcy attorneys have been performed throughout the state.

Results of the analysis of the 1997 Shreveport Division petitions mirror the findings of the 1995 study. Of the 3,979 petitions examined from 1997 filings, 76 persons (1.5%) indicated losses due to gaming during the period immediately preceding filing for bankruptcy. Of the 76 petitions indicating gambling losses, all either specified casino gaming losses, or did not identify the type of gambling loss. In other words, none of the 76 petitions specified a type of gambling other than casino gaming.

A total of 210 (5.3%) of petitions indicated losses of any kind. The 134 petitioners, other than those indicating gambling losses, indicated other types of losses, including fire, theft, and pawn shop transactions.

The amount of gambling losses ranged from a minimum of \$50 to a maximum of \$80,000. The median loss amount was \$5,000. The average loss amount was \$14,000.

Bankruptcy petitioners do not always fill out the petitions with complete accuracy and/or complete honesty. The disposition of unsecured debt occurring due to gambling losses is subject to different rulings in different bankruptcy jurisdictions. Consequently, some individuals may be disposed to omit acknowledging such losses. Bankruptcy trustees do question all petitioners after the petitioners have completed the petition. At the time of questioning by a trustee, some omitted information can come to light. More often than not, new information is not corrected on the original petition, according to the trustees interviewed.

When interviewed concerning the primary cause of the high number of bankruptcy filings in the state, bankruptcy trustees and bankruptcy attorneys were unanimous in identifying the ease in qualifying for credit and the availability of locations of obtaining credit at all times of day. The trustees did not list the presence of gaming opportunities as a cause of bankruptcy. Three of the eleven attorneys interviewed did indicate gambling as a secondary cause. When asked specifically if gaming was a cause, trustees indicated they would see more petitioners with gambling losses than in years prior to the presence of casinos, but that the number of such petitioners was insignificant compared to those not indicating gambling losses. Eight of the eleven attorneys interviewed indicated gambling was a minor factor in bankruptcy.

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