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Financial Variables Associated with Successful Debt Liquidation

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Gratitude is expressed to the Consumer Credit Counseling Service of Greater Knoxville, Tennessee, for providing the data.

Abstract

This study employed discriminant analysis to identify factors which discriminated between families who liquidated their debts and families who did not. Data were obtained from the Consumer Credit Counseling Service of Greater Knoxville. Debt-to-income ratio was a strong discriminator, suggesting that if a family is going to be able to liquidate its debts, this ratio must be lowered. Medical debt was the most consistently significant variable, with the suc cessful completions having a higher medical debt than the dropouts. In such cases, the estab lished consumption patterns may be sound and thus enable the family to get out of debt. It follows that there is a need for better health insurance for families in the income category represented here. Total debt-to-income ratio was significant for adjusted income, which sug gests that family size and income adequacy have a bearing on the family's capability to liq uidate heavy debt. This analysis provides insights concerning key financial variables which play a part in helping families overcome financial difficulty.

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