

MEDIA EDUCATION FOUNDATION

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In Debt We Trust

America Before the Bubble Bursts

Transcript

CHAPTER 1: INTRODUCTION

DANNY SCHECHTER: A church in Norfolk, Virginia holds debt revivals. Individuals with large debts are selected and then donations from parishioners pay off those debts. The church members then destroy their credit cards.

BISHOP RUSSELL: It's kind of hard to serve the master and MasterCard, and so we've chosen to get rid of those cards to line our lives up with the Bible. Our debt liquidation program actually takes our members, pays off all of their debts except for their house and their cars.

DANNY SCHECHTER: What you're saying is in a way very unfashionable in a society that preaches the gospel of shopping. (Bishop Russell laughs) Okay, the gospel of buying things.

BISHOP RUSSELL: Exactly. We are desperately hurting because we have established a level of success that says the more credit cards you have, the more you work. When, really, that's not true. Our society has been really set up to keep us struggling and not give us relief. I believe that there is going to be economic fall out and I'm telling my church, be prepared.

DANNY SCHECHTER: What goes up...

BISHOP RUSSELL: Has to come down.

SONG: *Sung to the tune of the American National Anthem: "To Chase and to Wachovia, Wells Fargo, Sally Mae. To MasterCard and Citibank and also B of A. American Express and Visa, Morgan Stanley too. In debt we trust so pay we must, we owe it all to you.*

DANNY SCHECHTER: I pledge allegiance to the card of the United States of credit. One nation under debt, with bankruptcies, late fees, and high interest for all. Credit. You can't live without it and many of us can't live with it. In fact right

now, the United States of America and its people are kept alive by all the money we borrow. It's been called the democratization of credit, but for many it leads to the democratization of dependency. Just look at all the ads on TV selling us more ways to take out loans. Behind our formal institutions and more powerful than our politicians is a hidden financial complex, driving what the country's leading academic expert on the issue, Robert Manning, dubs our "credit card nation".

ROBERT MANNING: We're seeing people who are dependent on credit. We're seeing them trying to struggle and make their minimum payments. Where their ability to be able to pursue the American dream is how much credit the bank is going to offer them.

DANNY SCHECHTER: Hey, it's only money – other people's money, or what we call O.P.M. We're all living beyond our means, we're all living on credit, we're all living with debt, and it's growing every single day. The national savings rate is now zero. Americans spend more than we earn, it's never been like that before. And I have to deal with it also. I have mortgages, I have credit cards, I have all other kinds of loans. Meanwhile, my savings account is shrinking away. I started to make this film about other peoples' problems and I realized it was about me, too. I'm facing a credit squeeze that is as personal as it is political. The question: can we even *live* without credit cards?

DANNY SCHECHTER: Let's spend a few minutes with a certain individual; we'll call Mr. Money. The idea of credit used to be so simple.

MR. MONEY [video clip]: Hello, I'm Mr. Money. People can't seem to get along without me as cash or credit. What does credit mean to you?

MAN [video clip]: Gosh, I don't know. Buy now and pay later, I guess.

MR. MONEY [video clip]: Not bad, but there's a lot more to it than that.

CHAPTER 2: THE CREDIT CARD CRUSADER

ROBERT MANNING: Today's our first day of freshman orientation. Over two thousand freshmen from all over the country, in fact all over the world, are here. Some have a little bit more familiarity with managing their own personal finances than others. I started off here with an antique savings bank. We used to train children to enjoy savings; today we're training them to enjoy how to spend.

DENNIS DEVAREAUX: We're in the fight to save people's lives. People are getting into debt, I mean, everyday. That's just way beyond what they can

handle. And when you meet someone that's eighteen, nineteen years old and they're telling you how they're you know, fifteen, twenty thousand dollars in credit card debt – no one ever sat them down and explained what it was like if you tried to get a job if your credit score was really messed up. I get the feeling a lot of times working with Dr. Manning, we're David and the credit card companies are Goliath. They have the mass media campaigns behind them, the lobbyists in Washington, D.C., and all we have is the truth.

DANNY SCHECHTER: Manning's lecture the next day packs them in: a sign of widespread alarm about so many kids leaving college with an average of twenty thousands dollars of debt.

ROBERT MANNING: So this issue, well, many of you probably have forgotten that the American Revolution was largely driven by the great American planners that were heavily in debt to European banks and they had very onerous terms. And they recognized that they could not financially prosper under such outrageous, financial demands. So part of the American Revolution was to break enslavement from financial debt.

STUDENT: We just constantly are getting bombarded from the credit card companies and it's like don't send it, I don't want it.

MOTHER: My daughter got one the other day, five thousand dollars, and she's never had anything so... would you council for or against getting a credit card?

ROBERT MANNING: I think every student should get a credit card. But if their parents will not co-sign and they don't have an independent source of income, it should be capped at five hundred dollars. And only if the student isn't delinquent in payments, then it would be raised five hundred dollars a year 'till graduation to a limit of twenty-five hundred dollars.

DANNY SCHECHTER: One former student, Andrea Rodriguez, wishes she had listened.

ANDREA RODRIGUEZ: I remember the first time when I went to the mall with a friend of mine and there was a whole bunch of people outside, just advertising credit cards for college students. So I applied for one, and of course I didn't put the right income because I wanted a credit card. And a couple of weeks later I received a credit card for a limit of ten thousand dollars. So I went out and I spent, and I spent, and I spent. At that time I was not making any kind of money...

DANNY SCHECHTER: Soon she was in way over her head.

ANDREA RODRIGUEZ: I got a lot of bills, over five grand. For one credit card, over seven thousand dollars, which was not the ten thousand dollar credit card, that was another credit card. So I was like I can't pay this, I was just going crazy. So I decided, my cousin actually is in with finance and I decided just go bankrupt at twenty-one.

WOMAN [video clip]: Gee, Mr. Money! Do girls have to learn all this about credit too?

MR. MONEY [video clip]: Well Judy, women do most of the shopping when they get married and very often spend most of the family income. And now let's see just how shopping can be fun. Real fun!

ROBERT MANNING: This is a toy that's designed for children three years and up, the Barbie register toy. And it actually gives you the exact sound of an acceptance of using a credit card when it processes it at the cash register. There's also Malibu Barbie who comes with her own gold MasterCard. And there's shopping girl Barbie where she has her own store to pick and choose with her credit card.

DANNY SCHECHTER: While Manning was warning parents and students of the dangers of getting suckered, local banks were setting up tables to sign up new customers right outside his lecture room.

BANKER: You don't need anything for deposit. They're giving out free backpacks.

BANKER 2: They get zero percent on the purchases for six months and then it goes to a standard interest rate.

BANKER 3: Well, around students we usually give a line of somewhere between three and five hundred dollars.

STUDENT: What's the interest rate, or how much does it cost to...

BANKER 3: I don't know the interest rate off hand, sorry.

STUDENT: Okay.

DANNY SCHECHTER: Manning knows he's fighting an uphill battle against a culture that thrives on consumption.

ROBERT MANNING: Young people today that seek credit as a social entitlement have no understanding of what it's going to entail to repay those loans back.

Once they're used to living on borrowed money then the banks realize they'll be following that pattern possibly for the rest of their lives.

SONG: *Got free money, but ya have to pay. Got free money, but ya have to pay. Shop 'till you drop, the American way. Got free money, but ya have to pay. From the sea to the shining sea, got free money, but ya have to pay. Signing up for bankruptcy, got free money, but ya have to pay.*

CHAPTER 3: HOW THE COMPANIES OPERATE

ROBERT MANNING: More and more sectors of the American economy recognize that their financial success is based on the success of the credit card industry.

DANNY SCHECHTER: This is Wilmington, Delaware. There's a bank on every corner, behind me the headquarters of MBNA. It's a state known for its favorable business climate, for its low taxes, and for its politicians who will do the bidding of the credit card companies. MBNA is now owned by the Bank of America. Fewer and fewer banks, some say ten in all, dominate ninety-two percent of the industry, supplying, get this, 1.5 billion cards world-wide held by one hundred and fifty-eight million card holders. That averages to ten cards per person. The banks persuaded Congress to deregulate leading to consolidation and higher prices. Pro-business court decisions allowed them to base operations in low-tax states like South Dakota and Delaware and end consumer protections against usury.

ROBERT MANNING: Everything here is very clearly thought out and premeditated.

DANNY SCHECHTER: Three big companies maintain vast databases on every American. They have more data than the CIA, says computer expert Daniel Gross.

DANIEL GROSS: The credit card system as a whole is a huge threat to our freedom. But the really great threat isn't so much these corporations as our nonchalance in the face of the power they have over us. It's our indifference, our negligence, our ignorance that gives them their power that makes them dangerous to us.

DANNY SCHECHTER: We hear a lot about identity fraud and credit card scams against individuals, but not about fines and lawsuits against unethical practices by credit card companies, including deceptive advertising and improper fees.

These credit bureau practices were riddled with abuses too. They've now simplified their products in the way they determine credit scores.

DANIEL GROSS: Credit score numbers are calculated differently by each credit-reporting agency using a proprietary formula.

DANNY SCHECHTER: Proprietary is another word for secret, which is how much of the industry operates. It decides on your credit-worthiness and can often unilaterally change the agreement it has with you, even after you've signed it.

RONALD SILVERMAN: I don't bother reading most of the things I sign when I get them from my credit card companies.

DANNY SCHECHTER: And you're a lawyer!

RONALD SILVERMAN: Most people have difficulty understanding. The amount of paper that your credit card company assaults you with – multiple pages, the pages are at least fifteen in number, the print is very small. And again this is an example of drafting by a risk-minimizing lawyer.

CHAPTER 4: THE MARKETING MACHINE

DANNY SCHECHTER: In 2005 the top ten credit card companies spent over two billion dollars on advertising and marketing. I asked Steve Barnett who worked on advertising for Citibank's credit card division about the way that companies market credit cards.

STEVE BARNETT: Look at the MasterCard ads.

(A MasterCard ad runs low in the background)

STEVE BARNETT: You'll see a MasterCard ad that shows a family going to a baseball game and paying for different, for the hotdogs and the tickets. And all this costs a certain amount of money, and you can do it with MasterCard. What is the real meaning of the evening? It is the family together and it is priceless. Now think about that advertisement. This is an advertisement urging spending. The trick in the advertisement, which is oh-so-clever, is to say the point of this is it's priceless; it's really not concerned about money. It's concerned about you as an intact, wonderful, caring family. You know, you as an intact, wonderful, caring family can go to some park and play softball with the kids, too. You don't have to spend a hundred and eighty dollars and go to a ball game.

DANNY SCHECHTER: Bankruptcy lawyer Charles Juntica.

CHARLES JUNTICA: People act on those commercials. Those commercials have real influence. They are done scientifically to get into your unconscious mind.

STEVE BARNETT: The priceless campaign which you see in many, many of the MasterCard ads is brilliant because what they're saying is: this credit card, this is not a way to get you in debt. This is not a way to cause you to overspend. This is a way to reinforce your values, your deepest beliefs.

ROBERT MANNING: Their identity is based on the credit cards. Even the color of the plastic that they use now identifies them within a rank order of the credit card nation: gold, silver, platinum, titanium. Everybody's identity now is what their transaction, whether it goes through, whether it's been accepted, whether it's been rejected.

STEVE BARNETT: The credit card issuer says, "wow, that's wonderful. I can issue a platinum card." Well then the platinum card becomes too widespread. "I can issue a black card."

ROBERT MANNING: The black card is the extraordinary, super-elite card of American Express for people who charge approximately three hundred thousand dollars a year.

DANNY SCHECHTER: Need a pricey watch or an exclusive hotel? American Express even publishes this glossy magazine just for wealthy cardholders. It's chock-full of high price, luxury products.

STEVE BARNETT: The more fancy and elite a credit card is, the more money is made from that credit card.

DANNY SCHECHTER: After years of getting unwanted, unsolicited credit card solicitations in my mailbox at home, I come to the office and what happens? I'm being spammed to death with more solicitations in my inbox on email! Less than perfect credit? We'll match you with the right lender. Unsecured gold MasterCard credit card, it just doesn't stop.

CHARLES JUNTICA: Where are the commercials that say don't use credit cards? If you use a credit card, pay it off in thirty days or else you'll pay outlandish interest. Where are those commercials? They don't exist!

DANNY SCHECHTER: Something like this?

[Mock-commercial]: Making priceless commercials: tens of millions. Making a film about credit card abuses: tens of thousands. Getting hooked on credit cards: overpriced. Creating awareness of the problem: priceless. There are some things money can't buy, for everything else there's twenty-nine percent interest.

DOUG LEBDA: Today there are more choices and more complexity about these loan products than ever before.

DANNY SCHECHTER: Doug Lebda founded LendingTree.com, a big internet-based lender.

DOUG LEBDA: Not only complexity in term of the products, but also in terms of how to use them wisely. And all of this comes at a time when we as Americans are expected to take more financial and personal responsibility for our financial futures than did generations in the past.

DANNY SCHECHTER: Doug is right. The consumers are confused, but the companies thrive on that confusion too.

MAN: The focus seems to be on individual responsibility. What is the responsibility of the industry here?

DOUG LEBDA: This is an incredibly complex world that we're living in with very, very complex products, and obviously the stakes are extremely high. I think it's important that consumers stay very informed in that process and we as LendingTree.com as well as the industry in general I think can do a very good job in helping to educate, helping to inform, and making sure the consumers get the right answers.

STEVE BURNETT: Bullshit! Would the banks say the same thing about mortgages? Did they say, "We'll give anybody a mortgage?" No. They have pretty strict restrictions and criteria by which they determine a mortgage.

DANNY SCHECHTER: But that's what they're saying...

STEVE BURNETT: Any, any institution that lends you money is obligated to define the conditions under which they're lending you money which are commensurate with your ability to pay them.

DANNY SCHECHTER: Isn't that their responsibility? Don't they have a responsibility too?

STEVE BURNETT: Who's the they?

DANNY SCHECHTER: The banks! The lenders!

STEVE BURNETT: Of course they do! Of course they do!

CHAPTER 5: HOW DID WE GET INTO THIS MESS?

STEVE BURNETT: We're doomed to shop 'till we drop. Two-thirds of our economy is based on consumption. Which leads to a rather petrifying paradox. If we cut back on consumption, which obviously is good for the environment, it's good for a number of things, the U.S. economy collapses. In a sense we've built an economy that needs rampant consumerism as a fuel to just to keep the engine going.

SONG: *It's always Christmas time for Visa, MasterCard gets presents everyday. They're happy as can be when we Discover 'neath our tree the finance charge that never goes away.*

DANNY SCHECHTER: As of Christmas 2005, the national debt stood at \$8,179,165,267,626.42. Break that down and each American share comes to \$27, 439.48. And that's per person.

MAN: I'm gonna be screwed! I don't like that at all.

DANNY SCHECHTER: This debt increases, on average, \$2.83 billion dollars per day.

SONG: *The payments that we're making are the gift that keeps on taking. It leaves us very deeper, leaves us very deeper every year.*

DANNY SCHECHTER: As the national debt threatens to rise to ten trillion, a new national debt clock is being built.

WOMAN: I know nothing about it.

MAN: I know absolutely nothing except for it's just making my family even more poor.

TAMARA DRAUT: Debt is a symptom of much larger economic and structural issues facing households. One: we've seen a decline in incomes or a stagnation of incomes, particularly in the lower-income household range and also for middle-income households. At the same time, costs have really skyrocketed: health care, housing costs, the cost of sending a kid to college. Finally we've got to look

at public policy and what has happened and what we see as a real retrenchment in terms of providing a safety net for households.

CHAPTER 6: A NATION TRANSFORMED

DANNY SCHECHTER: How did it happen? How did we go from being a nation that made things to a nation that buys things? How and why has the economy become reorganized around the means of consumption instead of the means of production? When did the mall replace the factory as America’s economic engine?

MICHAEL HUDSON: People have difficulty realizing that the new economic conflict in our society is between creditors and debtors. There’s still a tendency of many left-wingers to think in terms of a class war, and the war is between employers and employees. But the real economic war, where all the money is being made, is between creditors and debtors because that’s the free lunch.

DANNY SCHECHTER: Credit and debt are transforming our national economy into one based on financial services and service providers. As the gap between the haves and the have-nots deepens, having property is often considered the only way to build wealth. But a 2006 HSBC report found that the biggest rise in housing values is taking place in what they call a “bubble zone” with housing over-valued by as much as forty percent, creating an illusion of trillions of dollars of inflated wealth. Yet for many Americans, reality is now spelled realty.

MAN [video clip]: Mr. Money? My father’s been making payments on our home for years.

MR. MONEY [video clip]: That’s called mortgage credit. Sometimes the payments may run for as long as twenty-five years.

DANNY SCHECHTER: Years ago when suburban families paid off their loans, they had mortgage burning parties. Remember Archie Bunker?

EDITH [“All in the Family” clip]: Congratulations!

ARCHIE [“All in the Family” clip]: Well here it is, here it is the Bunker mortgage, the declaration of independence for us. From now on we own the whole joint.

EDITH [“All in the Family” clip]: I can’t believe it, twenty years!

DANNY SCHECHTER: Today most families will never pay off their mortgages because of constant refinancing.

ARCHIE [“All in the Family” clip]: As Napoleon said to Waterloo, this is it. Okay!

DANNY SCHECHTER: Remember when we called our homes our castles? That’s a metaphor that goes back to the days of feudalism when the lords owned the land and the surfs did the work. And a historian of debt says what went around then is coming back now.

MICHAEL HUDSON: The price of getting a home in America is to enter into a lifetime of debt servitude.

ROY BARNES: In the 1920s, one of the things that brought about the depression among others was this exuberance, this foolishness and then investment of speculative stocks. Listen, I think the next great economic crisis in this nation is going to be brought about by the debt load and the high rates of interest that are charged for them. It is shocking to me that intelligent people; educated people have not taken time to think about this. We cannot sustain over an extended period of time these high levels of debt, particularly at high rates of interest, because what will happen is that whenever it comes to an end, and there is an end to the amount of credit. In other words, when it gets so leveraged it will create an economic crisis so deep that it will threaten us as a nation.

SONG: *We know that your life is hard, so please put down your guard. We’ll send you a gift to give you a lift, a shiny new credit card. Don’t fret if your funds are low; you can use it wherever you go. Whatever you do your debts will accrue and give us a happy glow. It’s so fantastic... fantastic! When you pay with plastic... with plastic!*

CHAPTER 7: BANKRUPCY

CHARLES JUNTICA: You may, you may not know you know someone. I mean your co-worker may look all sad and you think it’s her boyfriend. It’s really the fact that she owes fifteen thousand dollars in credit card debt, another twenty thousands in educational debt and, and is getting calls all night and can’t sleep. But she does not share that with you.

DANNY SCHECHTER: More than two million Americans went bankrupt in 2005. Among them, Joe Sucher, a fellow film producer.

JOE SUCHER: Bankruptcy was kind of like a foreign country I didn't want to visit, sort of a judicial Baghdad.

CHARLES JUNTICA: I'm not particularly religious, but Jesus was a very peaceful man, right? He was not a violent guy. The one time he was a little violent was when he went into the temple and Citibank, Chase Bank, MBNA were in there changing money and he took their tables and he threw them on the ground. Okay, wanna get biblical about this? Let's get biblical about this. They're making fifty-four percent net profit! That is evil! And, and they're making it off of the poorest members of our society. That is evil!

JOE SUCHER: Now do you think, in a worst-case scenario, could I lose the house? After a fifteen-year marriage, two kids, I found myself in divorce hell. Legal briefs filed faster than speeding bullets. In the end I had little in the way of savings and less in the way of income, but I did have credit cards. I used them to keep up with my bills and the offers just kept coming. Low APR, put more muscle into your account, balance transfers. I need to pay the mortgage, child support, home equity. I was over my head and I began missing payments.

DANNY SCHECHTER: Soon the offers turned to threats.

PHONE MESSAGE: Mr. Sucher, we are attempting to reach you because we need to speak with you. I received an email from my people saying that we need to get in contact with you and I hope if you get this message that you can return my call.

JOE SUCHER: In this weird financial netherworld, I was discovering all sorts of seedy, slimy little profit niches. The attorneys, the debt collectors, the lingo and language all coded under ambiguous phrases like skiptracing, scrubbing. One company even advertised the profit potential offered by bankrupt individuals even if they were dead.

MR. JOHNSON [phone message]: My name is Mr. Johnson. Please return my call today concerning a personal business matter. Thank you.

SEN. KENNEDY [TV clip]: Five billion dollars! Five billion dollars to the credit card companies! That's what this bill is all about! Where do you think it comes from? People who've gone into bankruptcy. Who are those people? They are the people who have the heart attacks; they are the men and women whose jobs have been outsourced. They are the mothers, the single moms, who aren't getting paid back on alimony and childcare support. Those are the people that are being hurt.

DANNY SCHECHTER: Kennedy won people's hearts, but the credit card industry won the vote. Bankruptcy reform passed and President Bush quickly signed it into law. In six months it would take effect.

JIM LEHRER [TV clip]: President Bush signed a sweeping revision of bankruptcy rules today. The new law makes it harder to erase debts by declaring personal bankruptcy. At today's ceremony the president said it will cut down on fraud. Opponents have said it helps creditors at the expense of the poor.

DANNY SCHECHTER: Joe is still fighting to keep up his morale and also keep his home, which showed up on foreclosure.com. He's not alone.

LORRAINE BRACCO: Having to declare bankruptcy is a very difficult situation.

DANNY SCHECHTER: Lorraine Bracco, who plays the therapist on the Sopranos TV show, went through a similar ordeal.

LORRAINE BRACCO: You know, bankruptcy is very expensive. The attorney fees are a fortune. I blamed myself for getting myself into this situation. We think every actress or movie star or every rich person has no problems and we're just like everybody else.

STEVE BURNETT: If the bankruptcy laws become more difficult, you're going to find that the banks and the financial lenders all of a sudden will be saddled with assets. Houses, whatever they can recover that they really don't want and that they're going to have a lot of trouble disposing of. There has to be a reduction in the level of consumerism. As people essentially go under in various ways, that triggers a vicious cycle of even more economic collapse. Now you have almost the perfect storm.

DANNY SCHECHTER: The victims of Hurricane Katrina found their finances devastated along with their homes and communities. The so-called bankruptcy reform bill – passed just weeks earlier – specifically ruled out floods as grounds for bankruptcy.

SONG: *When the levees they are leaking, and the storm has hit you hard. Help is on the way my friend; they send you a credit card.*

ROY BARNES: What I don't understand is why Congresses allowed this.

SONG: *We're kicking up Congress' keys; they're like our employees. We're stacking the debts by writing the checks so we can do as we please. The bill on bankruptcy, the benefits are in the street. It keeps you on track for paying us back as your top priority. It's so fantastic... fantastic! When you pay with plastic!*

CHAPTER 8: THE POLITICS OF CREDIT

DANNY SCHECHTER: The halls of Congress: quiet, clean, official. Here's where the people's business supposedly gets done.

MICHAEL HUDSON: The largest contributors to political campaigns in America are the financial institutions. The second largest contributors are large real estate developers. That means that if you're running for office, you have to get elected by promising to support policies that are supported by the real estate sector and by the financial sector that lends to the real estate sector. So the politicians are pretty much bought.

DANNY SCHECHTER: And the credit card industry is the leading profit engine of the banking industry, generating pre-tax earnings of over thirty billion dollars annually. Some members of Congress do worry about the debt problem. They know we are living on borrowed money and borrowed time.

REP. SHEILA JACKSON LEE: This is a multi-billion dollar industry. They are making more dollars on the excessive fees than they would at any time on the alleged goods that you are supposed to be buying. This is, of course, a calamity waiting for the Congress to wake up and provide us relief.

REP. SHEILA JACKSON LEE [to Congress]: Since this bill was written, Mr. Speaker, Enron, WorldCom, Adelphia, United Airlines, Ltd. Steel, Kmart, Polaroid, Global Crossing have filed bankruptcy and they did not have to use a means test.

MR. SPEAKER [to Congress]: Time has expired.

REP. SHEILA JACKSON LEE [to Congress]: Does the old, stale bill deal with the loan sharks?

MR. SPEAKER: The gentlemen will suspend!

REP. SHEILA JACKSON LEE [to Congress]: This is a travesty and should be defeated.

REP. SHEILA JACKSON LEE: Well you know, when you spend upwards of four million dollars and I think that was a low number by the credit card companies to get their bill if you will. This was one of the more well funded legislative initiatives that has probably come through the United States Congress.

DANNY SCHECHTER: It's much worse than even Congresswomen Jackson Lee realizes. This new book reports that the bank spent thirty-six million lobbying on the bankruptcy bill. Credit card companies added another thirteen million. Accounting firms put in another six million. And business associations added almost a hundred million. That's a hundred and fifty-four million dollars in all just to get one bill passed. Up against the industry's economic clout and political access, you have a handful of consumer advocates, like The Center for Responsible Lending's, Josh Nassar.

JOSH NASSAR: For every time that I'm able to meet with a member of Congress, most times that member of Congress has met with tons of industry people already.

DANNY SCHECHTER: Most people think most policies are decided inside the Congress, you know, like you see on C-SPAN. But what really goes on up here, in terms of these issues that we're discussing?

JOSH NASSAR: Well the truth is that a lot of the decisions that are made here by the members of Congress and a lot of the conversations that the lobbyists have with members of Congress are made in clubs. Like here, this is the National Republican club, Capitol Hill Club over here, and there are tons of fundraisers every night. This is where the lobbyists really get one-on-one time with the members of Congress and a lot of deals are made. A lot of decisions are done in these buildings right here in the capitol.

DANNY SCHECHTER: When the lobbyists come in, what do they bring with them?

JOSH NASSAR: Well they have to make a contribution to attend. A lot of the times it's five hundred dollars to a thousand per individual, per event. So they can make several events in one evening and talk to several different members.

DANNY SCHECHTER: So money buys access in a way.

JOSH NASSAR: At least an opportunity to make your case.

PROTESTORS CHANTING: Save social security! Bush! Save social security! Where's our money at?

DANNY SCHECHTER: Citizen activists, like members of ACORN representing poor people, also try to get their voices heard.

ACTIVIST: You know when I was sixteen – I'm fifty-five – I earned five something an hour in a factory. Well we can't afford to live like this!

REPRESENTATIVE: Well it's better than nothing.

ACTIVIST: 'Cause it is nothing! It is nothing! No, the civil conversation's done!

DANNY SCHECHTER: Now who are you up against? You are up against powerful forces, a big industry, big budgets, big lobbyists. They go to meetings. A guy was telling me he goes to a meeting with guys giving out checks with thousands of dollars.

ACORN REPRESENTATIVE: Well when they have committee hearings they'll have one panel for the banking industry and the brokers and so forth; then they'll have another panel for the consumers. We'll fly someone in from Minnesota or something, a person who has been victimized by predatory lending to tell their story. I mean, this is heart wrenching, but by then the bankers are gone, the brokers are gone, and member of Congress, some of those have filtered out, it might be after lunch. They don't give a darn. Really, it's all about money.

SONG: *If you can't maintain a certain amount, no bank is gonna let you have a checking account. So when you gotta to cash a check cause your kids need to eat, there's a check cashing place 'bout a block up the street. When the money's tight, you don't have to wait. There's a five hundred percent interest rate that you keep rollin' over on that payday loan. If you can't afford a freezer, you can rent to own. You gotta to make those payments, bro, you can't miss one. You can buy it three times over by the time you're done. If you do miss a payment they will repossess, and when your ice cream melts it's gonna make a mess cause they're predators, predators. They keep devouring more and more! They're predators! Predators! They're getting' rich by preyin' on the poor!*

CHAPTER 9: PREDATORS AT WORK

MAN ON THE STREET: When you get a check and you don't have a bank, to get the money immediately, you can't wait. It's not like you're getting paid on Fridays and you get cash. And you go take care of your business, you getting a check. What am I going to do with this? I don't go to the bank 'cause I don't have an account there. They give me the run around about this, that, and the other. Got to have three hundred dollars in the bank to start an account and all this. So, I go to the check cashing spot. That's the scam. That's how they catch people.

DANNY SCHECHTER: Check cashing stores and tax rebate joints are everywhere in poor neighborhoods. Traditional banks are not.

SARAH LUDWIG: We're in the center Bedford-Stuyvesant Brooklyn, which is one of the largest black communities in this country. You have signs all over the neighborhood that say, "No credit, bad credit, no problem, come to us." "Need fast cash, come to us."

DANNY SCHECHTER: Sarah Ludwig works with the group that sees the credit crisis as an issue of economic justice. As in every aspect of American life, it is the people who are least able to afford it who are targeted the most, she says.

SARAH LUDWIG: If you look at this map, for example, what you see for New York City is that this chain, Rent-A-Center, which is a rent to own store, has located all of its stores in predominantly low-income communities of color.

DANNY SCHECHTER: These stores are deliberately concentrated in poor neighborhoods. You want to buy a 19-inch TV? You can get one at a mall for \$195. Renting to own it here will eventually cost you over \$700, over 78 installments with an interest rate of 238%.

MICHAEL HUDSON: What happened about 20 years ago is the bankers said, they made an anthropological discovery, a breakthrough. They found out that the poor are honest. Almost the only people who believe they should repay their debts are the poor people. And in fact, the less money you have, the more you believe the debts should be paid. What this means is that even though the poorer you are, the higher interest rate you pay, the poorer you are, the greater the likelihood the bank has that you are going to repay the debt.

MILDRED BROWN: It's not about race and so forth anymore. It's more of a class separation in this country. And the very, very wealthy continue to thrive and survive. The rest of us are just trying to scratch and make it.

DANNY SCHECHTER: Josh Zinner and a small team of legal aid lawyers are barely coping.

JOSH ZINNER: Here in New York City, we have a foreclosure prevention hotline and we get calls from all over the city from low and moderate-income homeowners who are at risk of foreclosure particularly from predatory lending. And we're just getting deluged these days. Foreclosure rates are very high.

DANNY SCHECHTER: Welcome to Bushwick, in Brooklyn, an area the *New York Times* calls the hot, new neighborhood. In a real estate story, that does not describe local suffering. Rick Echevarria's community organization is fighting to help people stay in their homes.

RICK ECHEVARRIA: One of the questions that we're often asked is "Well, Rick, how is it that a bank would lend six hundred or eight hundred thousand dollars on a property that is only worth three or four hundred thousand dollars? I mean, what are they going to do if the mortgage borrower doesn't pay the mortgage?" And we explain to them, the first lender is selling the debt and being completely reimbursed, so there's no risk for them.

JOSH ZINNER: They're selling these mortgages into the secondary market through Wall Street. So, what they're doing is they're having these mortgages, basically selling hundreds of millions of dollars worth of these mortgages, into these securitization trusts.

STEVE BARNETT: I will guarantee you that if you own a house or an apartment that the bank that issued you, your mortgage is not the bank that holds your mortgage today.

RONALD SILVERMAN: The severity of the problem of home mortgage lending in a predatory way may be quantified in the following terms: you are talking in recent years of a problem that every year transfers hundreds of billions of dollars.

DANNY SCHECHTER: Hundreds of billions?

RONALD SILVERMAN: Hundreds of billions of dollars.

DANNY SCHECHTER: You said billions?

RONALD SILVERMAN: I said billions, not millions, from the pockets of the poor to people who are in far better positions than their so-called victims.

DANNY SCHECHTER: Poor neighborhoods are littered with posters offering foreclosure counseling.

JOSH ZINNER: You'll see those signs all over the neighborhood, and once they go into foreclosure it becomes a matter of public record. And people will get deluged by it. I mean, it's sort of a feeding frenzy where people are deluged with phone calls, with mailings, with people coming to their door. These self-styled foreclosure rescue specialists and the pitch is always, "We can help you save your home". What in fact happens is people lose their home.

DANNY SCHECHTER: That's what happened to the Fayez family. They trusted one of these scammers who demanded their house deed when they took out a loan. The family was soon dispossessed and out on the street. Their ordeal was so shocking that it made the newspaper.

MRS. FAYEZ: When the marshall came, my children was having lunch on a Wednesday, the coldest day in January. And he said, “You have 10 minutes to leave.” My children have suffered nightmares. My son Daniel would hide under the seat of the car. When you will see a police officer, you know, they still remember what they were having for lunch. What they had in the microwave that was left there. They could not even pack their things. Here I am, a hardworking mother of four, at the time, not wanting to go on welfare. Sure, they will pay our rent for us and give us food, but that’s not our ambition. Wanting to keep our house as an inheritance for our children, it’s not something wrong. And we weren’t well educated as to how swift and conniving these people are.

DANNY SCHECHTER: That’s what happened to Mary Paskiewicz. She teared up as she told me her story in front of the home she grew up in South Philadelphia. She lost it to a fraudulent home improvement scam.

MARY PASKIEWICZ: It was very hard. I lost my father in this house. It upsets me. It upsets me immensely. I haven’t been back around here for a while.

DANNY SCHECHTER: It is your place, still in your heart.

MARY PASKIEWICZ: Yeah. (sobbing) Yeah, it is. My father died in this house and he never wanted me to lose it. And I feel like I failed him, too.

DANNY SCHECHTER: The military, including soldiers just back from Iraq, are also being targeted. The *New York Daily News* reports more than a hundred thousand U.S. troops have been saddled with long-term debt in return for short-term cash from payday loan stores, charging interest rates that would make the mob blush. Poorly paid soldiers put up their paychecks as collateral on these high interest short-term loans.

CHRISTINE MURRAY: Here in the Norfolk region is the largest naval station in the world. Plus you have the largest Naval Amphibious base in the world. And three years ago, there were three payday lenders in the area. As of yesterday, there are now twenty-six.

DARRIN ELMORE: I know some guys that keep using it and using it and using it, and they don’t know how to stop because it’s the money right there in their hand, right quick-like.

MICHAEL THOMAS: The money’s more accessible in this area so everybody almost attacks one specific area until it dwindles, then they just move to the next one.

DANNY SCHECHTER: Counselors here at a Norfolk Navy Base told what they're confronting.

DANITA JACOBS: In this office we have a completely anonymous survey that asks very specific questions about "Have you used a payday lender?" and it goes on from there. We had 164 respondents recently and the first question was "Did you have to renew your loan to take out another one to pay the first one back?" And out of that 164, 111 said yes, they did have to do that. The next question is, is "If so, how many times did you have to do that?" And they range from, "We only did it once," 13 people only did it once, to one person who had to roll over that loan 40 to 60 times. One person said, "I hopefully will never do payday loan again." One person said, "I was living off payday loans." One person said, "I had to feed my family, I had no choice." One person said, "It took almost a year to get out from under one loan. It was a trap. They are designed to force dependence."

CARTOON: In the future of our country, waves of destructive forces will continue to batter against our foundation. When any force weakens the interlocked blocks of our political and economic freedoms as good citizens we must be quick to use the tools our constitution gives us.

CHAPTER 10: WHAT MUST BE DONE?

DANNY SCHECHTER: My tour of our credit card nation was ending. How depressing to find so many people suffering and to realize that I'm part of the problem. I'm back with my calculator, my bills, trying to make ends meet. With billions at stake, with both political parties implicated, it's like a turnstile that you get into, but you never get out of. What can break through and create a sense of national outrage about credit scams and predatory practices? Can this problem become a national issue in a country that seems to believe, "in debt we trust"?

DAVE RAMSEY: We have people come into our office all the time, and they're going "Hey dude, can you get me out?" Ninety percent of the marriages end on money problems.

DANNY SCHECHTER: Conservatives like Nashville radio host Dave Ramsey encourage cutting up your credit cards.

DAVE RAMSEY: These things are gone forever. We're going to have a plasectomy. We're going to discover freedom, baby. That's right, we're going to get rid of the titanium card. Right? Oh, we're out of here. Bank of America, yeah, I got an American flag on my card. That'll do me just fine. Thank you very

much. Here's a platinum card, Capitol One, let's make it into two. What do you think? This has been going on long enough.

LORRIANE BRACCO: Mistakes, we all make mistakes. We're only human. The second chance comes when the judge turns around and says, "Ms. Bracco, you have used this system in the right way. Congratulations, I hope for you a brighter future."

STEVE BARNETT: It is very clear that hope for the future is help at the state level, with state legislatures and state attorney generals. And non-profit and community groups are organizing and entering together with consumer organizations and demanding a fair and more equitable society. Where the cost of credit is based on what the true cost really is.

SARAH LUDWIG: In all the problems that we're seeing are just ripe for a really large organizing effort and that it cries out for people to band together, because this is effecting so many of us. And it just needs to be identified as an issue that many of us can rally around. It's an economic justice issue, it's a civil rights issue, and it's a question of just basic fundamental fairness.

STUDENT: It's really frustrating to see people's lives being destroyed because these guys are seeking the buck. They're just after the chase in revenue, the chase in profit. It's net income to them. But to us, it's people's lives that are at stake. And so that's the fight that we're in here.

ROY BARNES: I think that this issue can be a catalyst of bringing folks together behind a single idea. And that is that these abuses have to be changed, and they have to be stopped.

DANNY SCHECHTER: Back in the south, like in Norfolk Virginia, where the civil rights movement is remembered, a new cry for liberation is being heard.

BISHOP RUSSELL: I see this as a movement towards liberation. And that's all the civil rights were about, liberating people.

NINA ADAMS: What he's teaching us is being free from the enemy, which is debt.

DANNY SCHECHTER: We have a president who says he believes in faith-based solutions.

BISHOP RUSSELL: Yeah, I heard that.

DANNY SCHECHTER: Now you have one, but they're not listening in Washington, are they?

BISHOP RUSSELL: No, no, no. They aren't, they aren't. And so it has to start on this local level. And people like you, and other people who are concerned about our problem, keep voicing it. Then the people, I believe, will catch on.

TRACY BERRY: Pay cash. Get rid of your credit cards. Cut 'em up.

DANNY SCHECHTER: Do people think you were nuts?

TRACY BERRY: Sure they did, but look whose laughing now.

DANNY SCHECHTER: Your family?

TRACY BERRY: [Laughing] I'm out of debt.

DANNY SCHECHTER: In the end, it will take a coming together of all segments of the American people – poor and middle class, white and black, left and right – to press the politicians and the financial institutions deliberation from debt before the bubble bursts.

ROY BARNES: In debt we trust, you better not trust long.

CHURCH MEMBERS [singing]: *Let's stomp that devil out, stomp that devil out, stomp that devil out, stomp that devil out, stomp that devil out. To the left, to right, to the front, hold your hands up, scream, let's stomp that devil out...*

GOVERNMENT SPEAKER: The U.S. is in the red big time. It's scary. The run-up in debt has economists, Wall Street analysts, academics, and Congress kneeling at a state of nervous breakdown. In economic terms, we have never experienced the impact in danger of such a debt load before. No markers, no reference point, it's terra incognita.

WOMAN [video clip]: Oh, gee, our time's up already, Mr. Money.

MR. MONEY [video clip]: To benefit from the many credit services throughout the country, everyone should understand the use of wise credit.

[End]