

MAXED OUT: THE CARDS ARE STACKED

Written by Dave Howard

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There is something in your pants that can burn you. Specifically, it's in your wallet. A new film by James Scurlock, [MAXED OUT](#), takes an in-depth look at how the credit card companies have exploited the definitions of credit to cater to the self-entitlement of the American consumer.

One thing the Bush Years will be positively remembered for is the emergence of op-ed documentary filmmaking. MAXED OUT takes a humorous yet tragic look into the lives of those who are ensnared in the credit quagmire. James Scurlock's style is efficient, straightforward filmmaking that cuts right to the heart. There isn't the unnecessary eye candy of "ENRON-Smartest Guys In The Room" to soften the blow of the real damage these largely unregulated companies inflict. He simply lets his subjects tell their story. This film is a wake up call for the rest of us. MAXED OUT deserves to be the most talked about film of the year.

Scurlock takes us on a journey to visit the world of boiler room collection buccaneers, pawn brokers and predatory lending agents and their targets.

MAXED OUT reveals that the semantics have changed in the culture of the lender and debtor. When we hear that "There are more homeowners now than ever" The word "owner" is misleading. That means there are more Americans in debt than ever before. Banks are the owners.

Being a "good customer" no longer means you have a good credit. It means you are willing to pay minimum balances for the rest of your life. Think being a 42 year old mentally disabled man

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would exclude you from having credit? Think again, as you see his signature of traced block letters on a contract. A CitiFinancial agent paid him a visit to help him “re-finance” and is now trying to foreclose on his house. The disabled man and his family continue to receive “preferred customer” credit cards.

Another story revolves around a National Guardsman serving in Iraq. Due to his open ended commitment, his financial picture has changed. He can no longer pay his bills on a National Guardsman’s salary. Fortunately, he was allowed to return from Iraq for a few days... to file bankruptcy. How many more soldiers are out there? Only time will tell.

Sure, the film tends to focus on “worst case scenarios.” However, like all good filmmaking, it forced me to take a hard look at myself. I’ve had credit ups and downs. I am probably still paying off a “splurge” dinner I ate in 2004. Am I a sucker?

Yes, yes I am.

Regrettably, MAXED OUT does not offer many solutions to the crisis. To avoid regulation, the financial institutions have stacked the deck by contributing to politicians on both sides of the aisle. Universities will not educate the students the credit card companies prey on. Universities will, however, take the millions they are paid to have eager MBNA reps with nifty free swag on campus.

his film should be required viewing for all incoming freshman.

See this film and start the conversation.

[Maxed Out opens in limited release March 9.](#)

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Director, James Scurlock, recently hosted a round table discussion of his film.

Interviewer: How was your film financed?

James Scurlock That's a VERY good question. Variety reported that I maxed out credit cards. Not true. I paid for it with my own money and one investor. So it's paid for.

Thank God.

I: I was trying to figure out, based on what you portrayed in the film. Should we feel angrier at the credit card companies and the banks or feel guilty about using credit so much ourselves? Aren't the consumers, in a sense, kind of equal partners— we or at least as much to blame as the people who are taking advantage of this?

JS: Well, yeah, there is plenty of blame to go around. But I will tell you when I started this, I started with "This is all consumer behavior." I think what most people think. I am storist. The bigger story is how the banks have changed in a generation. The problem is a lot of people don't realize the banks have changed. They still think banks are rationing credit.. That is you get an approval it means you can afford to pay it back. When it reality they are giving credit cards to students, to people who just declared bankruptcy, to widows on Social Security. So, there is a huge disconnect. One thing I will say is that the banks have done nothing to bridge the gap and really alert consumers to the "new reality". In fact, a lot of the verbiage in the ads is "You've earned this." College students have been given offers saying "You've graduated!" People are getting credit cards when they have maxed out their own credit cards saying "Thanks to your responsible use of credit" now you can have another credit card.

I just got a letter from Chase. I just paid off my United Mileage Plus card. And I got a frantic letter from FILL..Executive Vice President of JP Morgan/Chase saying "We noticed you made this very large payment and we hope you are still going to be out customer and here are some convenience checks to get you started. So I think the industry does share in the blame.

I: Coming away from your film, I don't expect the banks to take care of me, but I do

expect the government to oversee and regulate the banks. They aren't doing that.

JS: I think that we all go in with the false expectation that we are going to be treated fairly. It's not like going to a Used Car dealer, for example. But now, all these really large banks all have sub-prime financing arms. This line between the bank that is going to take care of you and the financing company that is going to rip you off is totally blurred. And you are right, it is not being regulated.

I: What was the saddest story of all of the people you talked to who are struggling with this. What moved you the most?

JS: I think the story was the National Guardsman. Here is a man, who is doing his duty for us and fighting this war because he made a commitment as a soldier and no one is taking care of him. The military isn't making up his pay. His employers are not making up his pay. The credit card companies aren't cutting him any sort of break. So he literally has to be recalled from Iraq in order to come home to declare bankruptcy for a few days and then be shipped back. The just made me very angry.

I: Do you think he is the exception or the rule?

JS: I think he is becoming the rule. President Bush just signed this law limiting the interest rates that can be imposed on active duty military to 36% percent, because it has just become such a huge problem. There are soldiers who could not be deployed because their credit ratings were so bad... They were considered a security risk. So all the consumer advocates are saying "Well, if 36% is good enough for the military, why isn't it good for everybody.

I: 36% is still exorbitant though...Isn't that usurious?

JS: Most people don't know what usury is anymore. We got rid of usury in the late 70's when the Supreme Court decided you could export interest rates. And the credit card companies found in South Dakota that they were willing to rid of their usury laws. So other states have followed. So what that means is you can be based in a state such as South Dakota or Delaware

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where you don't have caps where the interest can be charged. Even is your customers are living in states where there are usury laws where there are caps on interest rates. So effectively there are no usury rates at all.

I: When you were studying at Wharton did you learn how the credit card industry operates? Or was did you have to delve into a smoke screen?

JS: They teach theory in business school. And theory and the real world isn't always the same thing. That was something I was really curious about. If you think of theory, the situation we have now should not be happening. You should not have foreclosures, bankruptcies and defaults skyrocketing. Savings are plummeting, while bank profits keep going up and up. It doesn't make any sense. We are at a time where economic theory doesn't work. And I found that curious and I wanted to know why banks could be making money while their customers were going broke,

I: What about education of the general public, some of the terms that the people were throwing around in the film it are obvious that they are not comfortable with the jargon. You mention things like "Sub Prime"

JS: One of the problems with making this film is that it is an academic topic. Nobody likes to talk debt or math. It was really hard to make this accessible. And I think everyone is being affected by this. And everyone understands what it means to be screwed. So it's not so much a stretch when you get down to it. The industry has really redefined so many terms. An "asset" used to be a hedge against inflation, a vehicle for saving for your old age. Now it's an ATM. Now it's just something you cash out on the fly to pay off your credit card bills. A "good customer" used to be someone who paid their bills on time. Now it's a customer who doesn't pay their bills on time. All of the stuff you learn in business school has just been turned on its head.

I: I have a friend who has an excellent credit score, but she is so into debt she is going into bankruptcy. I said "Why are you doing that if you have excellent credit. Does that make sense to you?"

JS: It does make sense if you know how the industry works. Credit scores have nothing to do with how much money you make. So there is a disconnect between how much credit someone

gets vs. their ability to pay it back. That didn't used to exist. Your credit score is a secret... this is all shrouded in secrecy, but from everything we know... or at least what Suzy Ormann tells us, your credit score is pretty good reflection of how you floated debt in the past. So if you floated your debt pretty well in the past. You are going to have a pretty good credit score.

Now Enron floated its debt perfectly well until a few days before the whole thing went down. So it's not a good system. And I can understand why your friend is in that situation.

I: You talk about the National Debt spiraling out of control. What can we as Americans do about that? It doesn't look like the politicicans on either side of aisle are helping out much.

JS: Right. I think people have to get aware of what's happening. And there is so much wishful thinking going on and not a whole lot of looking beneath the surface. What an individual can do, I really don't know. Write your congressman. We are getting to the point where, and Alan Greenspan talks about this. There is no money left in the social security trust. It's doesn't exist. The money has been spent. In a couple of years, from what I am told,

we are going to have start paying more in Social security than we are taking in and that's gonna be a really interesting situation because we have been able to float so much debt by borrowing or "stealing" from Social Security, depending on how you want to define it.

I: Is this debt problem beginning to show up in any other countries?

JS: Absolutely, we are exporting it. Great Britain has a worse situation; I was just out there promoting my book. However they do have regulations. The things that the companies have gotten away with here, they have tried to get away withy in the UK . And there regulators have said "No! No! No!, You can't charge any fees you want." You can't arbitrarily decide that someone owes you \$40 for a late fee or an over limit fee. The problem is being felt around the world now. The only thing that is different is how the government is dealing with i

I: What advice would you give people? Cut up their cards?

JS: I don't think a lot of people can afford to give up their credit cards. A lot people can't afford to be out of debt right now. My hope with the film is that people become aware of what all these euphemisms mean now. "Preferred Customer" is not a great thing. That means you are willing to pay minimum balance and fees just to get more credit. So I really think people need to understand how the industry has changed. And they need to act accordingly.

I: We have spoken a bit about you contemporizes, but who are your influences?

JS: Geez, I really don't consider myself a filmmaker. I think my editor is a great filmmaker. I think she did a terrific job,. I was just really curious. [Barbara Ehrenreich](#) (*Nickel and Dime, Bait and Switch*) has been a big influence . I think really anyone who has taken an issue that effects a lot of people and tried to get under and treat it with compassion and honesty and humor. And make it watchable. A lot of times these movies seem so opaque, academic, tedious and boring. Ninety minutes could seem like four hours. A few people have been able to present these subjects in a way that really grabs you.

: You talk about class difference, but there seems to be a racial component. Do you think some of these companies are marketing in a "racial poverty" profiling?

JS: Absolutely. I don't know how organic that is, I am not sure how that comes about. We went to several poverty stricken black neighborhoods, were their wasn't even a bank. Just check cashing places. A lot of minorities who qualify for regular rates are getting sub-prime loans, which is tragic. There are a number of class action lawsuits against lenders for that.

You know we were down in Mississippi on the steps of a woman's house whose grandfather had been a sharecropper. She had become a sharecropper herself, rather to the bank than the landowner. It was very troubling. It was troubling going into black neighborhoods, where they had worked and saved and built the American Dream. These lenders have come in and obliterated these neighborhoods.

It's a civil right issues sometimes and the state Attorney Generals have taken on this issue and the Federal regulators, stepped in a said they "No, this is OUR jurisdiction"

I: Will you make a follow up film to this?

I think after this I am done with debt for a while. It's exhausting.

I: It really upsets me that congress will not even talk about this.

JS: That made me angry as well. We were editing the film and this guy who helped us out called me up and said "HEY! Great News. As a quick quid pro quo, the Senate banking committee has decided to hold hearings on the credit card industry." It had been ten years since the credit card industry were called before congress to testify.

We have never been able to interview anyone from the industry on the record. So we thought we were finally going to get some answers from these guys. So the executives are brought into the committee room and are sat boy girl boy girl

with these consumer advocates. Which is very interesting because this is different from you see the shot of the auto executives or the tobacco executives. They didn't want that shot. They wanted everyone co-mingled.

So the senators make their statements and the executives make their statements and all of a sudden, Richard Shelby, the head of the committee bangs down the gavel and says "I'm Sorry, there is no time for questions today, but if we think of something we'll write you." And that was it. No questions. So here is this industry that is so important and obtrusive and holds so much sway over people's lives and yet they don't have to answer a single question

(EDITOR'S NOTE: Since this interview, Congress has had hearings with the credit card companies. The hearings coincide with the film's release. I have been searching the internets as to what actually happend.. can't find anything)

I: Why do you think they ended the proceedings?

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JS: Well I think you can guess. (Laughs)

I: In the 80's Robert Townsend became a film school legend by shooting the movie "The Hollywood Shuffle" using only his AMEX for financing. Obviously you wouldn't recommend this. Outside of robbing a bank what would you suggest for young indeed filmmakers?

JS: I wouldn't recommend robbing a bank to get it done. I was in the investing world for a while and I had to wait till I was 30 to start doing film. It's a very expensive proposition. Even a documentary. I would suggest they find a wealthy uncle or inherit some money or find a production company that is really into what they are doing. But Films are speculative investments. It's a lot easier to get money than distribution. So you need to be very careful..