Consumer Decision Making: Discussion

8^{th} Annual FDIC Consumer Research Symposium

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Financial Products are Complicated!

Trailing Interest...

> *[I] left a balance of $2200 that carried over onto the next month's bill. At the end of the following period, I paid the statement balance in full. For the first month I was charged $58 and for the second month I was charged $120. This means I effectively paid 8% to carry a balance of $2200 for one month on a card for which I only have a 16.99% APR. There is no clear way to understand this on their terms and their explanation only confused the matter.*

Kentucky 8/17/2018

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Conforming Mortgage Loans...

...I recently applied for a home equity loan. My initial loan estimate indicated that the estimated payment would be $510. On [date], the underwriter issued the following request via email: "Homeowners insurance dwelling coverage is insufficient." Homeowner's insurance covers the value of the dwelling, not the value of the outstanding loan...The requested additional coverage would result in a significantly higher cost than was provided in my loan estimate.

North Carolina 11/12/2015

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Deferred Interest...

> *Hi, I need to lodge a complaint. I paid my deferred remaining balance of $75 on [date] but on the [date] statement, they charged me for deferred interest charges in the amount of $220. They said they reserve the right how to apply payments. I paid $100 that covered the deferred remaining balance of $75 on the due date. I think it is just unfair....Thank you.*

California 11/30/2016

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1. More than one difference between treatment and control?
2. What distinguishes product complexity from disclosure per se?
3. TILA mandated APR, why did firms not move to APR before?

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1. What about volatility of income, assets, and expenditures?
2. Why do "forgetters" have $\downarrow$ liquid assets and $\uparrow$ online engagement?
3. How do these findings rule out myopia (Dalton et. al. 2018)?

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3. Does occurrence of mistakes present distributional challenges? All people make mistakes, but some are more mistake prone than others (Agarwal et. al. 2009).
4. What type of regulatory action might then be justified? Regulation can reduce scope for mistakes, but it can also endanger value from flexibility and product innovation. Moreover, poor choices by some can improve welfare overall. How do we weigh this against concerns stemming from impacts of mistaken decision making?

Thank You!

"As an alternative to the traditional 30-year mortgage, we also offer an interest-only mortgage, balloon mortgage, reverse mortgage, upside down mortgage, inside out mortgage, loop-de-loop mortgage, and the spinning double axel mortgage with a triple lutz."