

Teaching Students The Rules Of The Game Of Credit: The New Jersey Experience

By Steven R. Neuner

In the last issue of *NABTalk*, we highlighted the M. Ellen Carpenter Financial Literacy Program, which is a joint program of the Boston Bar Association and the U.S. Bankruptcy Court for the District of Massachusetts. In this issue, we continue our discussion about the importance of financial literacy programming, and in particular, Chapter 7 Trustees' participation in these programs. In this, and in future issues, we will feature a financial literacy program in which NABT members participate. We invite you to contact us so that we can feature your program and encourage others to either start a financial literacy program in their district, or participate in one that already exists. To tell us about your program, or for additional information about making a financial literacy presentation in your community, please contact me, Lynne Riley (NABT Financial Literacy Committee Chair) at riley@are-law.com. Further information and teaching materials can be viewed and downloaded at the CARE (Credit Abuse Resistance Education) Program website, www.careprogram.us.

This issue features a financial literacy program in New Jersey developed in 2005 by NABT members and Chapter 7 trustees Steven Neuner and John Hargrave, and NABT member Nona Ostrove. It is the New Jersey Bankruptcy Lawyers Foundation Financial Literacy Project, and it has grown through the initiative and persistence of these NABT members and trustees, together with the assistance and support of Chief Bankruptcy Judge Judith Wizmur of the District of New Jersey. We applaud Steve, John, Judith and Judge Wizmur for their efforts and success with this important program.

—Lynne Riley, NABT Financial Literacy Committee Chair

As any good trial attorney will tell you, to get your message across to a jury you must use stories and word pictures to show them, not tell them, the point you are making. You then let them come to the proper conclusion on their own. We also know that people are primarily visual learners. It was with these precepts in mind that, back in 2005, I joined my fellow trustee John Hargrave and Nona Ostrove, partner to another trustee (Thomas Subranni), to craft a program for the New Jersey Bankruptcy Lawyers Foundation¹ Financial Literacy Project [NJBLFLiP] that could get through to a tough audience: high school and college students, ages 17 to 20. That program has now been seen over 43 times and by over 1,500 students in high schools and college campuses throughout New Jersey. The program is still growing, but the job of getting this presentation into the schools was anything but easy, and the challenges continue. Still, with the support of our Chief Bankruptcy Judge, Judith Wizmur, a group of dedicated volunteers, and the Foundation, the program has grown in visibility and acceptance. This article will detail some of our experiences and the lessons we have learned.

At the outset, we realized that with the MTV generation and its short attention span our program had to have an active and interesting visual backdrop. Thus, we put together a fast-paced PowerPoint presentation that has been refined over the years (most recently with the help, and considerable skill and talent of Bob Cooper, Judge Wizmur's permanent law clerk) so that it now has color and animation. We knew the visuals had to be interesting and the catchphrases memorable. We also knew that students in this age group have a perspective that is short-term, and focused on their immediate concerns. Thus, we have strived to make sure that our points are geared to the concerns in their lives now. Lastly, we

knew we would quickly lose the audience if we preached to them.

The first message our students hear is that credit is something that they will soon all be offered, and indeed something they all will need in some form or other. The next message is that they need to know the "rules of the game" or they could end up getting fleeced. The image I like to present is one of the gambler who sits down at a blackjack table with money but no idea how the game is played. In New Jersey, with legalized gambling (a surprising number of our students have been in, if not gambled, in the casinos), this image hits home.

Next, to get the interaction and dialogue going (and to have some fun) we set up a skit where the students are the lender. They become the shareholders and directors of a mythical start-up bank, EZ Money National Bank (whose slogan is "If we won't lend you money, nobody will!"). We pick a student volunteer who becomes "JB Moneybags," the President (and Chief Loan Officer) of this start-up bank, who has been hired by the Directors (i.e., the audience) at a nice high salary with nice perks. Another student becomes a needy borrower. We offer "JB" a \$500.00 "Federal Reserve Bank" loan at 4% interest. We then introduce him to his first loan applicant. From there, we get JB and the audience working to figure out at what rate to lend the money out. The student "JB" often has no idea what to charge. Some have suggested at the outset a loan at 4 or 5%. I will often turn to the audience to "help him/her out." This can get to be a lot of fun, with the audience offering suggestions on the rate and terms. Sometimes I have used a game show format ("Deal? Or No Deal?") or I have started auction-style bidding on the "best price." The key here, and throughout, is to try to make it fun and interesting. Whatever the number, we start JB and the audience considering the "What-if's" of the loan, to flesh out the concept of risk-based

pricing. Note that all of this is done without any use of jargon or financial verbiage. We will prompt JB to ask his borrower if he/she has borrowed money before, what they want the money for, how they are going to pay it back, etc. Sometimes, the audience will be prompted for "credit references." Eventually we settle the loan rate at 24%. Then the fun begins. We start asking how our borrower can negotiate a better deal, and introduce some "collateral" consisting of dolls, toys, and even a bag of "magic seeds" with an indeterminate but suspiciously high street value. To make this fun, our presenters have developed some funny back stories to explain how these items have antique, collectible or special value. At its best, we have JB clutching these dolls and items while we negotiate the terms down to 12 percent. Often, we ask JB and the audience if the collateral makes them feel better about the loan, i.e., more "secure."

The simple point of this skit is that credit is different from other products they buy, in that there are different prices for different borrowers. This leads us into credit scoring as the students' "permanent grade point average." To make this immediately relevant, we point out that this score can affect what they pay for auto insurance. ("Why," we ask them, "would how responsibly you handle money tell insurers how responsibly you will handle a car?") This leads to credit cards as easy to obtain but expensive unsecured loans. We go through how the cost of credit cards adds up. One slide shows them that it will take them ten years to pay off a \$2000.00 credit card debt paying only the minimum, but only 2.5 years if they pay a flat \$25 more per month. We go through the little "gotchas" the credit card lenders like to put in the fine print, like late charges, default interest rates, and universal default. We end the program with a segment on identity theft.

The program is designed to fit in a standard 40-minute class period. However, we designed it so the pieces on the end are expendable if we get involved in an animated discussion earlier. And we have had some VERY animated groups!

The visuals are obviously a big part of this program. So also are our presenters and the personal experiences and observations they bring with them. We encourage them to include personal anecdotes and stories about the bankruptcy cases they

have seen to illustrate the points being made. We also solicit and encourage questions and audience participation. We have done this program successfully before groups from 20 to 300 students.

In the past three years, we have learned a lot in doing this program and in refining it. Here are a few of the lessons we have learned.

1. Once students see credit-related issues as being of real concern in their lives, they quickly become quite interested. Getting them to that point, however, requires imagination and effort. Word pictures and "real life stories" give the problem and issues reality and immediacy. We ask our presenters to avoid long speeches, but instead to engage the students. After more than 30 seconds of a monologue, I have observed that the students visibly start to tune out. Keep the visuals moving. Keep changing the pace. Be yourself but stay on message. Do the unexpected. But be ready for anything. In one class I presented, a spitball fight broke out in the middle of the program. However, when it was over, every student in that rowdy group had asked at least one intelligent question. They were listening, after all.

2. Always ask questions, and always take the time to answer any questions the audience may have. We will often ask students if any of them have debit cards or even credit cards and ask how they use them, or how they pay for them. Some of our presenters have developed an interesting way to introduce identity theft and its source as the misuse of private information. They start by asking students a series of seemingly innocuous questions about private matters: What is your favorite sport team? What is the name of your pet? What street do you live on? What is your sister's/brother's name? This leads to the revelation how much private information they have given a stranger. The students are now ready to listen to how to protect themselves.

3. Above all, keep it simple and keep it memorable. We use catchy phrases and themes. Here are some we have incorporated into the program:

- a. Just about everyone uses credit... before you start you need to know the rules of the game.
- b. Credit is buying the use of somebody else's money. The price is not the same for everyone...

c. You are your credit history. Your credit score is your lifetime grade point average.

d. Credit cards: the message you are being sold? "Buy now, pay later."

e. The credit card industry wants you! What's in it for them?

f. Credit cards: if you can eat it, drink it, watch, listen or read it - pay cash for it, DON'T charge it.

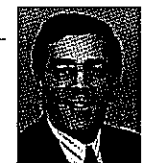
g. Identity theft, everyone is a target. The key is access to your private information. Most of the time you will provide this yourself.

Our biggest challenge has been getting schools and school administrators to invite us into their schools. We have learned a lot in this area as well. School administrators have enormous pressures on them to meet curriculum requirements. Each class period is valuable and irreplaceable. Surprisingly, at least in New Jersey, schools are being bombarded with a variety of "educational" programs, some of questionable quality or motivations. Some of these programs actually charge for their presentations. Others are presented with the idea to selling something. Thus, we have learned to emphasize that we are not selling anything, and our program is free. To overcome the initial skepticism, we point out that this is a volunteer public service program by a group of bankruptcy lawyers.

Word of mouth, credibility and our reputation are critical to developing this program and gaining acceptance in area schools. We have learned to ask each teacher or administrator who sees our program to tell others about it and to remind them that we can and do come back on a year by year or semester by semester basis. Truly, we have found, word of mouth is the best advertising.

We have also worked to gain visibility through other organizations focused on financial literacy. We have given seminars and programs and placed exhibits at

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About the Author

Steven R. Neuner has been a Chapter 7 Trustee in New Jersey for over 20 years. He is an NABT President's Circle member and a regular attendee at the annual conventions. Steve is certified as a Business Bankruptcy Specialist by the American Board of Certification. His office is in Marlton, NJ, about 20 miles east of Philadelphia.