

Deferred Interest Products Focus Group Discussion Guide

A. Introduction and Icebreaker (5 minutes)

Thank you all for coming to talk to us today. My name is _____, and I work for Fors Marsh Group. We are a private research firm, and we are helping the Consumer Financial Protection Bureau. The Consumer Financial Protection Bureau is a federal government agency that was created to help consumers. We are here helping the CFPB gather information to understand consumers' experiences.

Before we get started, I want to go over a few things:

- There are no wrong answers. Our whole purpose for being here is to hear what you think, so please speak up, especially if what you have to say is different than what someone else is saying. You may represent what a lot of others think.
- You don't have to answer every question, but I do want to hear from everyone, so I might call on you at some point.
- You might have already noticed the glass behind me/cameras. There are some people who are involved in the project observing from behind the glass, and we are recording the session. Even though people are observing, please speak openly about your opinions and experiences. We want to learn from you, so it is important that you share your honest opinions.
- What we talk about here is confidential. That means your name will not be associated with anything you say in our reports and your responses will not be linked to your identity in any way.
- Likewise, we want to respect everyone's privacy in this room and not share any of our discussion from today with others who were not here.
- Please also make sure to review the Privacy Act Statement provided to you in hard copy.

Privacy Notice

5 U.S.C. 552(a)(e)(3)

The information you provide through your responses to Fors Marsh will assist the study sponsor, the Consumer Financial Protection Bureau ("CFPB"), in gathering information to understand consumers' experiences with credit card rewards and deferred interest.

The CFPB will not obtain or access any directly identifying information from Fors Marsh about study participants. Video recording of the focus group will not be provided to the CFPB. The CFPB will only obtain, and access, de-identified results and aggregated analyses of those results.

Information collected on behalf of the Bureau by Fors Marsh will be treated in accordance with the System of Records Notice ("SORN"), CFPB.022, <https://www.federalregister.gov/articles/2012/11/14/2012-27582/privacy-act-of-1974-as-amended>. This information will not be disclosed as outlined in the Routine Uses for the SORN. Direct identifying information will only be used by Fors Marsh to facilitate the study and will be kept private except as required by law.

This collection of information is authorized by Pub. L. No. 111-203, Title X, Sections 1013 and 1022, codified at 12 U.S.C. §§ 5493 and 5512.

Participation in this exercise is voluntary, you are not required to participate or share any identifying information with Fors March, including name and email address, and you may withdraw participation at any time. However, if you do not include the requested information, you may not participate in the group discussion.

Does anyone have any questions before we begin?

Okay, great. First, I'm going to have everyone go around and tell me your name, how long you've lived in this area, and, if you won the lottery tomorrow and could anywhere in the world in vacation, where would you go and why.

B. Background Information and Experience with Special Financing on Store Credit Cards (30 minutes)

Let's begin by talking for a few minutes about your past experiences with special financing offers on store credit cards.

These store credit card offers are sometimes called "promotional offers" or "special promotions." For a specific purchase that you make in the store with that card, you get a zero percent rate of interest for a defined period – like 6 months or a year.

Store credit cards are credit cards with a store brand on them. The Home Depot card or the Lowe's card are examples. Generally, you can only use these cards at that store. (There are a few store cards that you can use at other merchants as well because the card has a Visa, MasterCard or American Express logo on it. An example would be the Best Buy card or the Macy's card.) Both kinds of store cards may offer special 0% financing on purchases for a defined period.

[Note for Moderator: If necessary, you may need to explain that these kinds of offers are different from introductory rate offers that you may get in the mail for non-store credit card offers. In this focus group, we are not looking to talk about these non-store credit cards – even ones that come with an introductory low or even 0% rate of interest. We are talking about special 0% financing for a particular purchase made at a store with that store's credit card. These offers (and these cards) are typically obtained in the store or via the store's website. And the 0% rate only applies for a defined period to the particular purchase; it doesn't apply to all purchases in a defined period.]

Before we get started, I want to say that we're not here to evaluate your spending or make any judgments about how you use credit cards or financing – we just want to get a sense of how people make decisions, so we can better help consumers in the future.

[Note for Moderator: For the following questions, be prepared to adjust the discussion according to participants' situations with special financing. In particular, some participants may still be in the promotional period, some may be out of the promotional period but still paying off, some will have paid the promotional balance off (during the promotional period or otherwise), and a few may have no experience with special financing. Not all questions will not apply to everyone, so ask questions in batches ("For those of you still paying off your purchase,") and ask participants to indicate where they are in the process as they describe their experiences/beliefs.]

1. How many have used a store card for any kind of purchase? Which store cards do you have?

2. Before this session, how many of you had heard of these special financing offers that are sometimes available to make a larger purchase on a store credit card?

Reminder: these kinds of offers generally say that if you use the store card to make a certain purchase, you will pay no interest on that purchase for a set number of months so long as you pay for that purchase in full before the zero interest period ends. Also, if you want to take advantage of one of these offers and don't already have the store card, the store will often let you sign up then and there for it so that you can do so.

3. How many of you have in fact used a store credit card with special financing to fund a larger purchase? *[Note to Moderator: This question is targeted at general use of these offers, rather than at the latest specific instance of use, which is what most of the later and more detailed questions focus on.]*

- a. How often have you done this?
- b. What sorts of things have you purchased using these special financing offers?
- c. In general, were these purchases planned before you knew about the special financing offer? What prompted these purchases generally?
- d. Were these special financing purchases generally made with different store cards, or were they all on the same store card?
- e. Generally, did you get the store card to get the special offer, or did you already have the store card before you took the offer?
- f. How would you generally rate your experiences with these special offers?
- g. How well do you think you understood the terms of these special offers when you took the offer to make the purchase?
- h. Were you ever surprised by any charges in connection with purchases you made using these special promotions on store cards? What were those surprises?

4. Please now think back to the most recent large purchase you made with a zero-interest special offer on a store card. If you don't know if you have ever taken one of these offers, just think back to your last large purchase with a store card. *[Note: some questions will need to be adjusted if they cannot remember taking a special offer, but can only remember using a store card. Our interest, though, is in the special offers on store cards; not in general store card use, without more.]*

- a. What store or website was your purchase in?
- b. Did you sign up for the store card to make that purchase? Or did you already have the card?
- c. How did you determine that the special offer was the best method of payment?
 - i. What were the benefits?
 - ii. What were the disadvantages?

- d. What other methods of payment did you have available? [Other credit cards? Debit card? Cash? Prepaid card? Check? Paypal? Other?] And which did you at least consider using?
 - e. What stopped you from using any of these other forms of payment?
 - f. Did you end up following your original plan of what payment method to use? If not, what changed your mind?
5. Did you talk to a sales associate at the store? (If not, how did you get information about the special offer?) *[Remaining sub-questions assume that they did talk to a sales associate.]*
- a. Who approached whom?
 - b. How did the special offer on the store credit card get brought up in conversation? How did you learn about that?
 - c. How knowledgeable was the sales associate about the special offer on the store credit card?
 - d. Did they say anything that caused you to take the special offer on the store card?
 - e. What was it like to work with them?
 - i. How did they make you feel when you were deciding to buy?
 - ii. Did you feel comfortable?
 - iii. Did you feel pressured? In what way?
6. For those of you who considered other payment options, I want to focus down on your choice to use the special offer rather than any of those alternatives. *[Note: skip this question if material already adequately explored in response to 4.c – 4.e above.]*
- a. How did you determine which option to use?
 - b. Was there anything you were specifically looking for?
 - i. What things were important to you?
 - ii. What were you trying to avoid?
 - c. What did you find appealing about the store card offer?
 - d. Did you already have the store credit card? How did that influence your decision to buy?
7. We've talked about how you assessed the special offer against other payment alternatives. Now I want to ask about some other ways in which it might – or might not – have impacted choices you made.
- a. Do you think the special offer caused you to buy the item? Meaning that you would not have bought the item but for the offer?
 - b. Do you at least think it affected which store you bought the item in?
 - c. What about how much you were willing to spend on the item? Did the special offer change that? How?

- d. Did the offer affect how many items you bought? If so, in what way?
 - e. Will the special offer influence how frequently you use the store card in the future? How and why?
8. Did the financing offer make the purchase more affordable for you?
- a. In what ways was it more affordable?
 - b. In what ways was it less affordable?
 - c. What was the cost like during the 0% or low interest period?
 - d. What about the cost after the 0% interest period?
9. After you took the offer, did you use that store card again?
- a. If so, what caused that?
 - b. Was that during the no or low-interest period? After?
 - c. Did you notice anything about the interest charges on those other purchases?
 - d. If you didn't use the store card again after the special offer, why was that?
 - e. Have you seen other special financing offers available on this card? Have you considered taking them? Why or why not?

[Reminder for Moderator: The following questions will not apply to everyone. Please adjust accordingly, covering these topics over the course of the conversation.]

10. I'm going to ask a few more questions about the terms of the last special financing offer that you took.
- a. When you took the offer, how long did you think the no interest rate would last? Were you right?
 - b. What did you expect the rate would be after the no interest period? Were you right?
 - c. Did you expect that the zero percent interest rate would apply to anything other than the purchase you made using the special financing offer? Were you right?
 - d. What was your plan for paying off the purchase you made with the special offer? Did you stick to it? If so, why? If not, why not?
 - e. Did you think the minimum payment would be enough to pay off the purchase before the end of the zero percent interest period? Did you think it would be enough to avoid paying interest on that purchase?
11. How did you think interest would be charged on the purchase?
- a. What would happen during the low or interest free period?

- b. What would happen after the low or interest free period?
 - c. How, if at all, did you think you could avoid paying interest on the purchase?
 - d. Did you understand what amount you would need to pay each month to pay the purchase off before the end of the no or low-interest period? How did you understand this? If you did understand this, was that because you calculated the amount yourself or because someone told you? Who told you and how?
 - e. Did you have a balance on the card when you took a special offer? Or did you use the card for other purchases during the promotional period use?
 - f. If you had an existing balance or used the card for other purchases, did you know whether your monthly payments were being used to pay off the purchase you made with the special offer or were being used to pay off the other balances? (Or some combination of both?) Did you think this mattered or not? Why? Did you consider allocating your payments to the promotional balance? How would you have done that?
 - g. What about interest on other purchases? Was that affected by the offer? If so, how?
12. When was this purchase made?
- a. Are you still making payments on it?
 - b. Were you charged interest on this purchase?
 - c. Was the actual amount of interest you were charged what you expected to pay?
 - d. If you're in the process of paying it off, what do you expect to happen after the zero percent period is over?
13. Did you pay for the purchase in full before the low or no-interest period ended?
- a. Why?
 - b. Why not?
 - c. Could you tell if you had paid in full?
 - d. Did you plan to pay it off during the period?
 - e. If you planned to pay it off, but didn't do so, why was that?
 - f. If you are still in the promotional period, what is your plan to pay it off? Did you pay off the last offer you took in the promotional period?
14. Do you think your understanding of the terms of the offer when you took it was accurate? Did anything subsequently surprise you after you took the offer?
- a. Were there any areas that were unclear to you?

- b. What information was not well communicated?
15. For those who did not pay the purchase off in the no-interest period, did you understand how many dollars in interest you would owe when the period ended? Was this amount more or less than you expected? Roughly what you expected? Exactly what you expected?
16. For those still paying the purchase off, how do you intend to repay the amount you owe?
- a. Do you intend to pay in full during the 0% period?
 - b. How likely is it that you will be able to do this/stick to your plan?
 - c. What happens if you aren't able to do this? How much do you think you will have to pay?
 - d. Do you think the payments you plan to make during the 0% interest period will be manageable?
 - i. What would make the payments more manageable?
 - ii. If you make the minimum payments, will the amount be paid in full during the no-interest period?
 - iii. If you use the card for other purchases, do you understand whether the company uses any payment you make to pay off the balance on the special offer purchase first or on other purchases first?
 - e. What about any payments due after the 0% interest period?
 - i. What would make the payments more manageable?
17. How do you feel about the overall experience of taking one of these offers on your store card?
- a. Are you happy with your decision to use it?
 - b. Given a do-over, what would you have done differently?
 - c. What would have made the offer better?
18. Would you use this kind of zero-interest offer on a store card again?
- a. Why or why not?
 - b. If you used it again, what kind of items would you use it for?

C. Store Credit Card Offer Activity (10 Minutes)

We are going to move on to an activity now. I'd like you to imagine you need to buy a new washer / dryer, and you have decided to go with a store's special financing offer to buy the washer /dryer for \$1200. You already have the store card on which the special financing offer is available, and I want you to assume that at least until you buy the washer/dryer you are not carrying any balance on that store card. The offer is promoted this way. And just so we are all clear, the "promotional balance" is the cost of the washer/dryer on your first credit card statement that includes this purchase – so

that's \$1200. [Note to moderator: You should read the offer, but also hand it out on sheets of paper. Please use at least 12 point font.]

12 months Special Financing – No interest if paid in full within 12 months

* INTEREST CHARGES accrue on the promotional balance from the transaction date and all accrued INTEREST CHARGES for the entire promotional period will be added to your account if the promotional balance is not paid in full by the end of the promotional period or if you fail to make a required payment on your account when due. Minimum monthly payments are required. INTEREST CHARGE will be determined by applying an ANNUAL PERCENTAGE RATE ("APR") of 26.99%.

I'd like to discuss this store offer in a little more detail. Please keep in mind that I'm not testing you or trying to trick you. I am simply trying to understand how you think about store financing offers and what they mean to you.

1. What did you notice when reviewing the store offer?
 - a. Was there anything in particular that stood out to you?
 - b. What did you find appealing?
 - c. What did you find concerning?
 - d. What did you find confusing?
2. Do you think the financing offer has hidden costs? What sort of hidden costs?
3. What do you think happens once the promotional period is over?
 - a. How would this affect you?
 - b. Would you plan for this?

For the next few questions, I'm going to ask you to consider a number of ways of paying off this balance on your credit card bill. And I want you to assume that you don't use this store card to make any other purchases, so the only balance you are working to pay off is the one resulting from your original purchase of the \$1200 washer/dryer.

4. First, I want to assume that you pay \$100 a month until the purchase is paid off. What do you expect to happen if you made monthly payments of \$100 each month until the balance on the store card was paid off?
 - a. How quickly would you have the balance paid off?
 - b. What would the interest charges be like?
 - c. How confident are you that your understanding is correct?

5. Now I want you to assume that instead of paying \$100 a month, you can only afford to pay \$50 a month until the purchase is paid off. What do you expect to happen if you paid \$50 a month?
 - a. How quickly would you have the balance paid off?
 - b. What would the interest charges be like? How do you think they are calculated?
 - c. At the end of the 12 month zero-interest promotional period, how much do you estimate you would you owe overall – in principal and interest?
 - d. How confident are you that your understanding / estimate is correct?

6. Finally, I want you to assume that instead of paying \$100 or \$50 a month, you are only able to pay the minimum payment, which is \$35 per month. What do you expect to happen if you paid the minimum monthly payment of \$35?
 - a. How quickly would you have the balance paid off?
 - b. What would the interest charges be like? How do you think they are calculated?
 - c. Is this different than in the previous \$50 a month payment scenario? How so?
 - d. At the end of the 12 month zero-interest promotional period, how much do you estimate you would you owe overall – in principal and interest?
 - e. How confident are you that your understanding / estimate is correct?

D. Current Credit Card vs. Store Credit Card Activity (15 minutes)

Now I want to give you some different scenarios. I would like you to imagine that the furnace in your house has broken, and you need a new one. You find the furnace you need, well-priced at – you guessed it – \$1200. It's a big-box store. You've done some research, and you can't find it cheaper.

You have a couple of options on how to finance this purchase: first, a non-store credit card you currently have; and second a store credit card with a special financing offer.

You don't have any existing balance on either card. And to keep things simple, let's assume that after you make this purchase with one of the credit cards, you switch to using your debit card. So the only purchase that ends up on either card is the furnace.

The special financing offer has exactly the same terms as the one I've already described. Here it is again. *[Note to Moderator: You can refer participants to the same offer that they have in front of them.]*

12 months Special Financing – No interest if paid in full within 12 months

* INTEREST CHARGES accrue on the promotional balance from the transaction date and all accrued INTEREST CHARGES for the entire promotional period will be added to your account if the promotional balance is not paid in full by the end of the promotional period or if you fail to make a required payment

on your account when due. Minimum monthly payments are required. INTEREST CHARGE will be determined by applying an ANNUAL PERCENTAGE RATE ("APR") of 26.99%

The alternative credit card you have doesn't come with a special financing offer. It has a fixed APR of 13.9%.

Neither the store card or your existing card have an annual fee or offer any kind of rewards like points or miles.

1. Which offer would you choose?
 - a. What made you pick that one?
 - b. What kept you from choosing the other one?
 - c. What kind of things were you looking for?
 - d. What kind of things would concern you?
 - e. What would your plan be for paying your credit card bill?

Now I'm going to give you a few scenarios and ask you which credit card you would prefer to use under each scenario. Remember, you can only use one of these two cards: the store card with the special offer, or the regular credit card. And whichever you choose, the only purchase on the card to pay off will be the balance associated with buying the furnace. If you want to hear or see the terms of the two cards again, let me know.

In the first scenario, imagine you have \$100 a month available to pay your credit card bill. Let's call this Scenario 1.

2. Which card would you choose in Scenario 1?
 - a. What made you pick that one?
 - b. What kept you from choosing the alternative card?
 - c. Can you describe to me how interest would be charged under each choice?

Now, let's consider a different scenario – Scenario 2. In Scenario 2, you have \$50 a month available – not \$100 a month – to pay your credit card bill.

3. Which card would you choose in Scenario 2?
 - a. What made you pick that one?
 - b. What kept you from choosing the alternative card?
 - c. Can you describe to me how interest would be charged under each choice?

Now let's go to Scenario 3. In Scenario 3 you choose the special financing offer on the store card. That's because you think you will have \$100 a month to pay your store credit card bill. But after 6 months of paying \$100 a month, you have a sudden and unexpected increase in your monthly expenses. You don't have to use the credit card for these – we'll assume you use your debit card. But now you only have \$50 a month to pay your store credit card bill. So, from month 7 until the balance on the furnace is paid off, that's what you pay.

4. Under Scenario 3, do you think you made the right choice taking the special financing offer? Or do you wish – knowing what you know now about not being able to keep to \$100 monthly credit card payments – that you had used the other credit card?
 - a. Can you explain your views on this point?
 - b. At the end of month 12, how much do you think you will still owe in interest and principal?
 - c. And if you had used the other card?

Here's a final scenario, Scenario 4. This is exactly the same as Scenario 3, except that the unexpected increase in your monthly expenses comes after 11 months, not after 6 months. In month 12, the final month of the zero-percent promotional period, instead of paying \$100, as you have done every month to that point, now you can only pay \$50 until the furnace is paid off.

5. Under Scenario 4, do you think you made the right choice taking the special financing offer? Or do you wish – knowing what you know now about not being able to keep to \$100 monthly credit card payments – that you had used the other credit card?
 - a. Can you explain your views on this point?
 - b. At the end of month 12, how much do you think you will still owe in interest and principal?
 - c. And if you had used the other card?

A final question. In all the scenarios above, I was talking about a furnace – or, before that, a washer/dryer.

6. Would you use a special financing offer like this if you were planning to upgrade your TV? Or get a newer home theater system? Does that make a difference?
 - a. How does what you're buying affect how you might choose to pay for it?
 - b. Would what you're buying affect how likely you might be to use a special financing offer?

OPTIONAL SECTION IF TIME ALLOWS ...

E. Different Promotional Periods and Item Costs (5 minutes)

Finally, I want to give you one more special financing scenario.

You go to a store to buy a TV. You're considering two different TVs there.

First, a base model at \$1200. For this one, you are offered the same terms as the special financing offers we considered above.

Second, an upgraded model for \$2400. For this one, you are offered the same special financing terms, but, if you spend this much, the store will extend the zero-percent period to 24 months, not just the 12 months available for the cheaper TV.

1. Which offer would you choose?
 - a. What made you pick that one?
 - b. What kept you from choosing the other one?
 - c. What kind of things were you looking for?
 - d. What kind of things could concern you?
 - e. What would be your plan for paying off the TV you chose?

Thank you, those are all the questions I have for you today. Was there anything else that you wanted to say about any of the special financing offers before we finish?