



Maxed Out: Hard Times, Easy Credit, and the Era of Predatory Lenders

James D. Scurlock

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Foreclosures are hitting record highs; Americans are declaring bankruptcy at rates ten times that during the great Depression; more college students drop out because of debts than due to poor grades; reports of debtor suicides proliferate in the media. In other words, it's a great time to be in the banking business. "Maxed Out" takes us on a road trip that is sometimes hysterical and often horrifying: from Las Vegas to the Bible Belt, from the backwoods to inner cities, where the world's largest financial giants troll for their next victims. Welcome to a country populated by debt pirates, corporate predators, human credit card billboards, debt evangelists, megamillion-dollar spec homes, and, of course, trillions of dollars of easy credit.

Combining startling facts with even more startling examinations of individuals, institutions, the government, and modern religion, James Scurlock separates the myths (there is "good debt" and "bad debt") from the harsh reality (corporations partner with colleges to target today's youth; credit reports are riddled with errors that will never be fixed; and death, for many of those in trouble, is the only way out).

At a time when the financial industry posts ever-higher profits even as its clients drown in the flood of easy credit, Scurlock exposes very real, potentially disastrous systems and policies that are consuming millions of Americans. "Maxed Out" takes readers on a wickedly smart and entertaining tour of what one interviewee calls "the last taboo."

Maxed Out: Hard Times, Easy Credit, and the Era of Predatory Lenders Details

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From Reader Review Maxed Out: Hard Times, Easy Credit, and the Era of Predatory Lenders for online ebook

Brian says

By now, everyone should know about the perils of easy credit and the promises that your home's value will always go up. But James Scurlock saw this coming before many of us did, and warned about it in his documentary and book. The book provides a brief but damning history of how credit came to dominate our lives, along with a ton of examples of how the financial giants screw us at every turn, including, of course, buying politicians who are more than willing to sell their votes to deregulate the industry. But the book's strength is its focus on the people behind the statistics. People like the army girl, now in the brig because she tried to save her marriage by charging things on her army plastic (standard issue, of course). People like the college kids who committed suicide after running up credit card debt, all because those credit card companies gave them a free t-shirt when pitching their wares on campus (I particularly felt the pain for those kids, having been too close to that myself).

Maxed Out is a must read (or must see, for the DVD lovers out there) for anyone who thinks they're alone in the fight against their lenders, or frankly, just anyone who lives in our consumer-based society today.

David Sarkies says

The Story of Consumer Debt

8 August 2010

Maxed out is a story of cheap credit and how the banking system has enslaved a middle class who cannot afford to pay it back. The author journeys across the United States speaking to people who have fallen into the debt trap and exposes how the banks do not necessarily make money from interest but rather from the fees (particularly overdraft fees). In fact the banks make more money lending money than by having it paid back simply because they either package up the debt into securities which they then sell to investors, or they sell the debt to debt collection agencies which then use many tricks to get the money back. What this book demonstrates is that the banks want you to be in debt, and want you to be addicted to debt because they make more money from minimum payments than they do by having the debt paid back. Even then, the money that they lend out is not necessarily theirs anyway - it is yours, if you have enough money to save in the first place.

There are a number of issues that should be explored in this particular commentary, and I felt that a simple paragraph really just brushes over the issues in this book (and accompanying documentary, or is it the other way around). To me there are two types of debt, investment debt and consumer debt. In a way investment debt, while risky, is better than consumer debt because the debt is used to leverage one's ability to generate an income stream. This can be an overdraft with a bank that a business can draw upon to pay its outgoings, particularly when one has a slow period, or it can be a margin loan, which is used to purchase securities, whether in the form of shares, bonds, or managed funds. While this form of debt is risky, if used right it can raise one's ability to generate an income. However, this documentary is not about investment debts (or leverage) but consumer debt.

Now, as far as I am concerned, consumer debt is bad, very bad. The idea is to buy now and pay later. In one sense it can create an ability to purchase a house (though in my mind this is more an investment debt) or a car without the need to save up the money. It may be necessary to have a car sooner rather than later,

particularly if the car is needed for work. However, people use consumer debt to live a lifestyle that they simply cannot afford. New television, couch, holidays. In a sense it gives one the ability to live like a king for a day, and the consequences can be kicked down the road to deal with another day. However there is a catch: once the money is spent, and the object consumed, there is still a hangover - the debt and the interest payments that accompanies it. Moreso, once one tastes that high life through debt, one wants more, and more, and more. As such it becomes a drug, and a very seductive and addictive drug at that.

Remembering that this book deals with debt in America, in some ways it can be applied to other countries as well. We here in Australia are protected by a consumer credit code that restricts the ability of lenders to ensare people into debt slavery, however it does happen. A friend at work suddenly decided she wanted to take her family on an overseas holiday, but did not want to save, so she and her husband borrowed the money, saying that they will worry about the consequences later. However, from experience (not through debt as I am debt free – with the exception of the student loan, but unlike America, that debt is held by the government and you pay it back in the same way you pay tax, that is it is automatically deducted from your pay once you hit a certain threshold), the thrill and exhilaration of an overseas holiday is so addictive that you simply cannot come back and resume your normal life – you want to go back again, and again, and again. While I may justify my desire by ditching the word holiday and replacing it with 'research excursion' in reality I have become addicted to the thrill and simply want to justify my desire to re-experience that thrill.

I guess one of the most shocking things that I discovered from this book is how the credit card companies prey upon young university students. The first thing they see when they arrive at the campus are the multitude of stalls where companies are flogging off credit cards. Remember, they do not actually want us to pay the debt back, but rather continue to gouge us with interest payments and fees and charges. The banks are not concerned either because they have already packaged the loan up as a security and onsold it so that they get all of their money back, and then these loans are merged and packaged up, with bad loans being tied together with good loans, and onsold as AAA securities. In the end these securities end up forming parts of our superfunds so that these companies are screwing us around both ways. Not only are they diverting our income streams to repaying interest, but they are also taking our savings and replacing them with worthless IOUs. To further protect them, they insure the loans so that if the person does go bankrupt, and they lose their capital, they call on the insurer, who then pays up. The belief was that the insurer would never have to pay up, however this all unravelled in 2008.

This book, though, was written prior to 2008 so the consequences of this debt binge had not come to light. However this corporate debt binge, which almost collapsed the world economy, was dealt with through government bailouts. Yet there was never any bailout for the millions of people reduced to debt slavery. George Bush, at the insistence of the credit card companies, even changed the bankruptcy laws so that the debtees could not even hide behind that either. One might suggest that these people are responsible for their own position, but when we consider that innocent people are caught by the actions of others cannot be ignored. There is no healthcare in America, nor is their any government funded tuition. As such if you get sick you have to borrow money, and if you want to go to college you have to borrow money. I borrowed money from the government for my tuition, and the government has said that I can play it back once I reach a certain income level. This is not the case in the United States. Once you borrow the money for university, interest begins to accrue, and it may be at least four years before you begin your first proper job, and you are already saddled with a huge debt, and this is before the wedding, the house, and the kids.

At the beginning we are told of a story of a man who has had to declare bankruptcy, but was it his fault? Not necessarily, namely because his wife had incurred huge debt, dumped it onto him, and then ran off debt free. Stories like this make me glad that I am not married. It also makes me raise the question of debt early on in a relationship, but once again, like many other things in life, relationships bring risk, and it is how we respond to risk and how we tackle it that can determine the course of our life. However, the otherside is that consumer debt is not risk, or if it is, it is much higher than other forms of ris, because the risk is that you will not be able to pay it back, and even if you can, in the end the money you pay in interest, and even in

principle, is dead money because your consumable is not generating an income and the interest payments are simply paid so that you can live as a king for a day and then deal with the hangover later. Unfortunately, the hangover will always be there, and in many cases, it will never go away.

Ashley says

Devoured this one in less than 24 hours, but am having trouble deciding what the main point was exactly. This book was released in 2007, and I know that Scurlock - who has a dry humor and biting delivery - is positively cackling over the ensuing financial meltdown these past few years.

Overall, I know Scurlock's gist was that access to credit is too easy; banks, credit card companies and the like make access too available and people with no business having one, much less five or six, credit cards end up in a bottomless hole. I liked Scurlock's message, but his tales of woe were more captivating than his message, to me. The mentally challenged woman and her son who ended up with several maxed out credit cards between them - despite their only income being from the government - who were pressured into refinancing their home to pay off the credit cards, thus turning unsecured debt into secured debt and are now on the verge of having their home foreclosed upon. The 24 year old college student who killed his sister and parents over a maxed out credit card. The soldier fighting in Iraq who is granted a leave of absence so he could come home and file bankruptcy with his wife.

Scurlock's point is that our system is broken. Tricking consumers into thinking that credit is the key to happiness, a new car will make everything better, that a McMansion is that elusive something you've been searching for is nothing but a mirage. It's a bear trap, as he often calls it, and once it has you in its grasp, you're done for. Contrary to popular belief, especially by the GOP'ers, not everyone can pull themselves up by their bootstraps. An idea I'm warming to more and more over the past few years. Being in banking, though, I feel like a lot of his venom is unwarranted. If you don't understand how a how the mortgage you're signing up for works, don't sign the paperwork. Nevertheless, this a good, harsh look at how we got ourselves into this mess in the first place and how the poorest among us ended up in such a strange position. How, can after sending a foreclosure notice, can one of the megabanks turn around and send you a few convenience checks for being such a great customer? Pawn shops are more regulated than banks at this point and I'm not sure how I feel about that. I'm a big believer in free markets, but Scurlock points out that when the invisible hand of the market is actually being controlled by big business, then it's not really a "free" market. I also liked Scurlock's explanation of the Bankruptcy Reform Act and the nation's debt levels - both were good discussions that give the reader the real scoop, one that the media so often misrepresents.

A few fun (?) facts:

- Utah and Tennessee have the first and second highest bankruptcy rates in the nation.
- In 1997, First USA (a credit card company) paid the University of TN \$19 million for access to its students and alumni. They got names, addresses, telephone numbers, and Social Security numbers.
- Approximately 70% of Americans cannot pay their credit card bills off at the end of the month.
- The bankruptcy rate for military personnel is currently twice the national average (see: Marine who used a government credit card to pay for her boob job and Cadillac Escalade, presents for her boyfriend, an aspiring rapper.) The system of checks and balances in place was woeful, and she was only caught by a fluke.
- 2005 was the first year in which anyone working a full-time job at minimum wage would not be able to afford an apartment in any city in the US (yes, I know the minimum wage has been raised, but this only compounded the problem)
- Bankruptcy law has never been about the poor, who have been traditionally unable to accumulate much debt or take financial risks in the first place. It was created to function as a safety net of sorts for the middle class.

- Of all the crimes you can commit in the US, only 2 have a statute of limitations of more than 10 years:
murder and not paying your student loans

Sara says

I had been looking forward to reading this after hearing a bit about it from an online "no more debt" forum but I have to say, I'm a bit underwhelmed. While I completely agree with the author that credit is way too easy to get today, and that banks and financial institutions have really blown it by being so obsessed with selling debt that they will extend it to anyone, even those who clearly cannot afford to be extended that debt...I still felt that Scurlock didn't lay enough blame on the people who were making the decisions to go after that debt because they wanted the Hummer, boob job, to eat out (insert whatever consumer items you want to in this blank!)

Really, I think the problem is two-fold...it's a problem of behavior, meaning we live in the instant gratification society (of which I am a member and lump myself in) and so we want what we want, when we want it, and damnit, we're not going to be denied! And the second problem is that we lack financial education in this country - perhaps it starts with our parents and role models, it continues in our schools and by the time we are adults with paying jobs, we have no idea what a budget even looks like and are more than happy to take on the credit limits that the banks are more than willing to give us, at double digit interest rates.

I felt that Scurlock, while frequently (and rightfully) blaming both political parties in power, was still a bit too much in the "government should do something about this!" boat...and I suppose as a libertarian, that's where I'll need to agree to disagree with him. The personal responsibility issue is powerful and while I know there are predatory lending practices out there, shame on us as adults for not reading the fine print, recognizing our limitations and asking for explanations when there are things we don't understand.

Eboni says

After reading this book you will understand the deceptive, tragic, and even illegal methods banks use to take your hard earned money.

Chazzle says

Maxed Out, by James D. Scurlock - 3 and ½ stars; even though the book contains much that is predictable, it still spins its tales in a fascinating way. One example is the tale of Yolanda, an illegal immigrant from Mexico who makes about \$20,000/year by digging recyclables from trash bins at night; in her fifty years in the U.S., she never took out a loan on anything in her life; one of her daughters breaks her heart by ringing up hundreds of dollars in bills every month on her cell phone; pinning her hopes on a son, she sobbed when he came home shortly after graduating from M.I.T. with a \$40,000 Lexus, purchased on credit. Also describes general policies, comparing the legal maximum profits that casinos can make and the maximum interest rates that pawn shops can charge to the literally no-limit interest rates that banks can charge on loans. A real wake-up call of a book.

Sabiel says

Scurlock starts at the beginning. Apparently the guy who invented the first plastic crackpipe (aka credit card) was like, a total genius who wanted to make the world a better place by inventing a new currency, i.e. credit. This would therefore make us more efficient human beings by simplifying transactions (and racking up fees and interest in the process).

He then visits a real estate agent in Vegas who sells 20,000 sq. foot mansions to people who can barely afford them, but are able to obtain precarious loans thereby allowing them to "buy" (they will never have much equity since they CAN'T AFFORD THE HOUSE) their obscenely overpriced and overspaced houses. In other words, credit has disconnected the link between income and buying power. Which is bad. Very bad. And if you don't think it's bad enough, he visits a couple of sad Southern moms who have lost their kids to suicide after being preyed on by credit card solicitors handing them T-shirts to fill out an app, and subsequently racking up 30-40 grand in debt, dropping out, and working in the food service industry. Both National Merit Scholars, BTW.

Over the duration of the book, Scurlock visits many other people who have equally Paxil-desire-inducing stories. Apparently Fergie, Duchess of York, almost went bankrupt after she charged millions (wedding, lifestyle) to her credit line from the central bank. More suicides. Sad stories of widows saddled with their husbands' shady debts.

The author touches on the disaster that is the Bankruptcy "Reform" Act, bankrolled by banking lobbyists who literally wrote the bill and padded the Republican Party's Senators to pass it. He laments that making bankruptcy inaccessible does not stop people from going broke or being unable to pay their bills.

In the end, Scurlock offers no clear solutions. Which is disappointing. Although he does meet with Elizabeth Warren, a Harvard Law School professor and an expert on consumer debt. She has testified in Congress many times on behalf of American consumers, to no avail. (After all, Scurlock mentions, there is no PAC for Americans in Debt. What would such a constituency be called? Debtor Dads?**) So the end of the book is depressing. It's supposed to be. The final anecdote is one of an illegal immigrant, who worked hard to legalize herself and educate her children (one went to MIT). Her children end up falling into the quintessentially American trap of falling into debt immediately after graduation, saddling their parents with multiple car loans, and extravagance beyond reach. Clearly, debt is toxic and contagious. Appealing. Denying oneself a 50k Lex after working hard in college is verboten.

If credit is available, we Americans will buy something with it. And eventually we'll all go bankrupt as a nation.

**James Carville, I thought of that one myself. All rights reserved.

Nola Redd says

As I read...surprisingly, this is a page-turner! I started it before bed thinking it would help me go to sleep and stayed up past midnight, finally forcing myself to put it down. I was shocked! That doesn't usually happen to me with nonfiction.

Finished review:

Although I usually try to write a review soon after finishing the book, I actually had to wait quite awhile to

write this one. Frankly, the reason came down to a strong difference of opinion on a minor portion of the book. Still the author does an excellent job of presenting his case, and – other than the aforementioned difference – provided an enjoyable and thought-provoking read.

I came to this book after listening to Dave Ramsey, debt-free guru, promote the movie of a similar name. When I searched the local library for the movie, I learned that the book also existed! Perhaps that is why the difference was so great – the author seems to take great pains to smack Ramsey over the head with some twisted up differences. The one that stuck the most to me was the false portrayal of why Ramsey recommends ordering your credit report on an annual basis. Scurlock rants about how other folks suggest ordering the report so you can clean up problems and then go further into debt, and he implies this is Ramsey's reason, as well. But as anyone who listens to Dave knows, the only reason he suggests ordering it is to make sure that you've cleaned up ALL of your debts, including those pesky old college-day hangerons.

And, incidentally and on a side note, if someone is hiding a debt of several thousand dollars from their husband, they aren't going to suicide because the of credit report. They are going to suicide because they have the guilt and shame of a gambling addiction. To lay that at Dave's feet is, in my opinion, ludicrous.

With that said – and I had to say it, I tried hard not to, but hey, I had to say it – I enjoyed much of the information given in the rest of the book (although I wondered what else might be manipulated). None of it was new to me because I've already followed Dave's advice and ditched all debt other than my home (which I'm working on paying off), but it was interestingly packaged. I felt it would be thought provoking to those who are unfamiliar with the ideas.

The writing was clear and strong, although I'm not so sure the book itself went anywhere. There didn't seem to be a progression as much as a slew of interesting facts and stories. Still, I was expecting a dry and academic read, and was surprised to find the book to be a page turner. Overall, it was very enjoyable.

But it did make me wonder if Dave knows just how badly he got slammed, after providing free advertising for the movie over the course of several months...

Melissa says

Why has the cost of living skyrocketed while wages have stayed the same? Two words: easy credit. It's driven the cost of everything up while driving the world into debt. This cannot go on much longer. Something's gonna give.

Sally Duros says

This book is the companion piece to the film, Maxed Out. It's full of data that is chilling and prescient of our current economic chaos. This is an interview related to the film.

No credit cards were used when making this film

By Sally Duros
Chicago Sun-Times Real Estate Editor

<http://www.sallyduros.com/no-credit-c...>

March 2, 2007 — Has the American Dream become the American Mirage because of the powerful debt industry? James Scurlock thinks so, and he makes a substantive case in the film, “Maxed Out,” which starts a run at Chicago’s Century Landmark Theater March 16.

Scurlock, 34, a successful entrepreneur from Seattle, wanted to explore Americans’ preoccupation with luxury as a way to better understand how we, as individuals and as a nation, have accumulated record levels of debt.

What he discovered is that while many Americans still view credit as a privilege that we have earned, it is, in reality, a lucrative service that is “peddled” to us by a growing, prosperous debt industry. In addition, although we are free to choose whether or not to use a credit card, joblessness, lack of health insurance and other life situations often force an individual’s hand to reach for the credit card again, and again and again.

It’s a problem with significant crossover into home ownership, especially for those holding subprime mortgages who might reach for the credit card when they can’t make payments.

“This redefinition of a mortgage from a savings vehicle into an ATM is really striking,” Scurlock says. “Beneath those HSBC numbers of foreclosures are people losing their homes and savings.”

“I started out wanting to make a funny film,” Scurlock says in a phone interview. “I thought it would be this romp. Obviously it took a turn at some point. I did not expect that.”

Scurlock did this film because he wanted people to understand how the credit-card industry has transformed itself. And he wanted people to understand that “We have a choice of whether to participate or not.”

In the film, Scurlock talks with owners of a pawn shop, a debt collection agency, a Las Vegas Realtor and individuals whose lives were completely and tragically, shaped by credit-card debt. He also takes swipes at personal finance guru Suze Orman and the all-powerful FICO score, which he argues serves the lending industry not the consumer.

Don’t talk yourself out of seeing “Maxed Out” by telling yourself Scurlock is one of those lefties preaching victimization to the radical choir. He’s not.

Scurlock was voted the most conservative student in his high school, and attended the Wharton School of the University of Pennsylvania. He says that although “Maxed Out” has politics in it, it was not politically motivated.

“I don’t think this is a political issue,” Scurlock says. “This is a personal issue that crosses every line, whether you are a Republican or Democrat, black or white, rich or poor.”

“We traveled the country and we found people with crushing debt in every segment you can imagine,” he says.

“Everybody wants a strong country and a strong economy that’s rooted in reality,” he says.

“And everybody wants a strong banking system. Everybody wants to go to Bank of America or Citigroup and believe that they are going to be treated fairly. That is essential. That is the primary product that these companies sell. You trust them with your money, your livelihood and your savings. Your life really.”

“Now that is being blurred,” he says, “these huge banks are buying subprime lenders. Subprime mortgages

are being commingled with good loans and being sold to Wall Street and suddenly no one can tell which is which.”

“I thought credit cards and debt was a pretty academic subject,” Scurlock says. “But this is people’s lives. This is oftentimes how you define yourself. This is a really emotional subject, a core part of our lives.”

James ScurlockMaxed Out

Sarah says

Fantastically organized and thoroughly depressing. I think he needed to use the phrase "bear trap" more, though, as it only appeared on every other page.

Anita says

Good expose of the evolution of credit/debt and the institutions who specialize in "lending" but for the sole purpose of profit for the banks, credit card, and collection entities. Illustrates tactics used to prey on the least educated and most vulnerable. Shows how consumer protection laws have been systematically eliminated and how these behemoth institutions expect the Federal Gov't to bail them out. The ultimate in capitalist corruption; when the money runs out, just sell credit... Written in an engaging style, it's easy to read but the message is important.

Bea Elwood says

A good companion to the 2011 best documentary film "Inside Job" (an eye opening look at the 2008 financial crisis and banking industry). Over the last two years I've paid \$8000 towards the \$55,000 of personal debt I have and along the way I've been reading books not by Dave Ramsey or Suzie Orman but that mention them a great deal as financial gurus. (Orman in particular preaches knowing and “growing your credit rating”).

This look at easy credit, written in 2007 which is scary when it foreshadows the very economic collapse it warns of, and points out you can have amazing credit scores and literally own nothing. From surfing the wave of higher and higher debt and the continued ignorance of consumers who think they wouldn't be approved of credit they didn't qualify for (i.e. couldn't afford).

I feel this book supports my beliefs that “we” need to be self-monitoring and stop letting the banking industry destroy our economy by reverting back to an attitude and behavior of saving money and paying for everything with cash or going without.

Ingrid says

"The two-tiered system we have tolerated for too long has shielded our representatives in Congress from

appreciating both the magnitude and the urgency of the problem facing middle-class Americans."

Maxed Out reads like an impassioned essay on corporate and consumer responsibility. I picked it up because I saw the documentary back in 2007, and it's amazing to me to read this now, after the bubble burst. Like Scurlock says, "The global economy remains a distant intangible to most of us, myself included." I'd be curious to read an updated edition, to see what insight Scurlock gleaned when seeing everything he had been proselytizing had come true. Curiously, the book had the same effect on me now that it did then, and that is to remind me about prudent personal financial behaviors, and to be more wary of any and all institutions.

I thoroughly agree, and how unfortunate it is, that regulation has been equated with socialism and deregulation has been mistaken for freedom. Scurlock makes a very concise and well thought out case for bringing back consumer protection and reforming that whole industry, while being realistic in his assessment that there has to be a delicate balance between the freedom of the financial industry and the freedom of consumers.

It's amazing to me the invisible forces at work that many of us don't fully comprehend or engage with: lobbyists, the financial institutions, the government, private corporations...what is most surprising is what the government allows-and does-in my name.

I've a lot to think about. Either way, great book, quick read.

Lissa says

This book provides an interesting look at the credit industry. Written in 2006 and published in 2007 before the economic implosion, Scurlock sounds a warning bell that the retail-driven American economy is on shaky ground. Middle class families were (and are) drowning in debt, the poor were (and are) being targeted for credit cards, and the housing boom is threatening to peter out (which happened spectacularly). Scurlock certainly hit the nail on the head, although it seems that we, as a nation, still have not learned the hard lessons about easy credit. Instead, we still fund our nation by loans proffered by countries that are, at best, lukewarm towards us.

The only real problem I had with this book was its anecdotal nature. There are few notes about sources, and most of the book is composed of stories about downtrodden Americans who have fallen into the "bear trap" and couldn't find a way out (at least a way that didn't involve suicide or homicide). Still, this is an interesting read, and it will likely have you wonder if you should really open that next solicitation from Bank of America.
