Date	**October 20, 2017 (Friday)**
Speaker	**Prof. Jaimie Lien**
Affiliation	**CUHK**
Paper Title	**Prediction and Learning about Credit Card Spending**
Abstract	**Many contracts require that consumers make estimates of their own future needs and behavior at the time of signing. We study the contract choices and service usage of credit card consumers with a choice between two possible credit card fee structures: a card with an upfront lump-sum fee without any spending requirement; and a card with an annual fee which can be waived if a minimum amount is charged to the card account in each year. This menu of contracts intends to screen consumers with different spending patterns based upon consumers' own predictions about their future credit card needs. Using panel data of over 16,500 credit card accounts, we examine the extent to which consumers accurately predict their own credit card usage in their contract choice, and how they learn from their experiences with ex-post mistakes. Compared prior literature on fixed fee versus use-based fee contract selection, our study shows that contract choice and subsequent learning behavior depend on forward-looking incentives rather than an intrinsic appeal of payment schemes with single upfront payments. Following ex-post mistakes made in the first year of membership, consumers adjusted their spending behavior and contract continuation choice according to their future monetary incentives to do so. Finally, we examine the relationship between education and financial planning indicators in the credit card context. In the aggregate, the relationship between education and mistakes made is negative, while there is a positive relationship between mistakes, months of rolling debt, installment plan participation, and cash advance withdrawals.**
Host Faculty	**Wooyoung Lim**