*Hakan Özyılmaz*

*The Debt Payment Puzzle: An Experimental Investigation*

This paper studies the sources of suboptimal allocations observed in credit card repayments using a diagnostic laboratory experiment.  We find that optimization ability and limited attention are jointly insufficient to explain the puzzle. Moving beyond existing results, we find  that the inherent negative frame of the debt payment problem interferes with subjects' ability to optimize and hinders learning. We show that subjects predominantly rely on irrelevant balance information while forming their decisions, regardless of how vividly the balance  information is displayed. Using additional treatments, we find that the debt frame increases subjects' focus on the irrelevant balance information.