Thank you for joining us for today’s webinar:

What Motivates Consumers to Check their Credit?: Evidence from a Field Experiment

The webinar will begin promptly at 12pm CT (1pm ET, 11am MT, 10am PT)
What Motivates Consumers to Check their Credit?: Evidence from a Field Experiment

October 23, 2019
12pm-1pm CST
Brought to you by:
Center for Financial Security
at the University of Wisconsin- Madison
What Motivates Consumers to Check their Credit?: Evidence from a Field Experiment

- Welcome
- Presentations
  - Study Overview & Findings
  - Discussant: Discussion of Project Findings
  - Discussant: Study Implications in Context of Practice/Service Delivery
- Q & A
- Sign off
Our Presenters

Madelaine L’Esperance
Assistant Professor
The University of Alabama
Faculty Affiliate
Center for Financial Security

Justine Kessler
Director of Brand Marketing
UW Credit Union

Chad LaFlash
AVP Membership Services
UW Credit Union

Jeremy Lark
Senior Manager of Client Services
GreenPath Financial Wellness
What Motivates Consumers to Check Their Credit?

Evidence from a Field Experiment

Madelaine L'Esperance
October 23, 2019

Department of Consumer Sciences
The University of Alabama
US Consumer Credit Increasing since 2011

Shaded areas indicate U.S. recessions

Source: Board of Governors of the Federal Reserve System (US)

fred.stlouisfed.org
About 200M Consumers Have a Scored Credit Record
All consumers have access to a free credit report.

About a third also have access to a free credit score.

Only about 8% of consumers check their free report and 14% of consumer use a credit monitoring service.
Credit reports and scores detail information about borrower risk.

Not knowing this information may be costly, harm ability to borrow, and diminish financial well-being.

What approach can be used to motivate consumers to learn about their financial situation?
Approaches to Building Financial Knowledge and Skills

Financial education  Learning by doing
Financial coaching   Learning from others
Financial counseling Nudges
Are email messages effective in motivating consumers to check their credit?
Collaboration with UW Credit Union

Offers free credit monitoring service to all members

Credit score available in online account dashboard, monthly credit report updates, and financial education

Randomly selected members to receive email message encouraging them to use the service
Email Message Conditions

Credit Union Members
N=245,000

Random Sample
N=2045

Control (N=409)
No email message.

Reminder (N=409)
Header text: Track Your Credit
Header image: 810 point credit score
Body text: “As a UW Credit Union member, you can check your credit score and monitor credit activity in Web Branch anytime for free.”

Positive I (N=409)
Header text: Track & Improve Your Credit
Header image: 810 point credit score
Body text: “Thousands of UW Credit Union members are checking their credit for free. As a UW Credit Union member, you can check your credit score and monitor credit activity in Web Branch anytime for free.”

Positive II (N=409)
Header text: Track & Improve Your Credit
Header image: 880 point credit score
Body text: “Thousands of UW Credit Union members are checking their credit for free. As a UW Credit Union member, you can check your credit score and monitor credit activity in Web Branch anytime for free.”

Negative (N=409)
Header text: Track & Protect Your Credit
Header image: 810 point credit score
Body text: “Protect against identity theft and errors that may may harm your ability to borrow in the future with free credit check. As a UW Credit Union member, you can check your credit score and monitor credit activity in Web Branch anytime for free.”
Track and Improve Your Credit

Thousands of UW Credit Union members are checking their credit for free. As a UW Credit Union member, you can check your credit score and monitor credit activity in Web Branch anytime, for free.
Summary Statistics at Baseline

- Age 18-35: 0.59
- Have checking account?: 0.78
- Checking balance <$2000: 0.58
- Have credit card?: 0.36
- Have line of credit?: 0.33
- Have auto loan?: 0.19
- Have student loan?: 0.09
- Credit Rating A+: 0.57
- Credit Rating A: 0.14
- Credit Rating B: 0.11
- Credit Rating C: 0.04
- Credit Rating D: 0.14
Experimental Timeline

- **First message (all members)**: 10/23/2018
- **Pre-treatment characteristics measured**: 4/1/2019
- **Second message (treatment)**: 5/1/2019
- **Response measured**: 5/24/2019
Email Open Rate over Time by Treatment Assignment

Graphs by treatment
Daily Online Login Rate by Treatment Assignment
Effects of Receiving Email Message on Online Login Activity

- Control
- Treatment

Probability of Logging into Online Dashboard

- .56
- .58
- .60
- .62
- .64
- .66
Effects of Receiving Email Message on Online Login Activity
Are messages effective for those who open the email?
Effects of Viewing Email Message on Online Logging In Ever
Effects of Viewing Email Message on Online Login Frequency
Field experiment with credit union who provides free credit monitoring to its members

Interested in whether messaging motivates consumers to learn about their credit

Delivering the message alone is not effective

However, those who open the email view their online dashboard more frequently
Implications

Messaging must be salient to be effective

Well-designed messaging interventions may encourage consumers to learn about finances improving decision-making

‘Nudges’ appear to hold promise as a low-cost approach to build financial capability
Thank you!

Madelaine L’Esperance, PhD
Assistant Professor
The University of Alabama
mlesperance@ua.edu
UW-CFS Field Experiment

What Motivates Consumers to Check their Credit?

Chad LaFlash and Justine Kessler
October 23, 2019
• Founded in 1931 in Madison
• Nearly 300,000 members today
• $3.3 billion in assets
• Highly educated, digitally-oriented membership
• Above-average credit scores
• 80% of members have connections to the University of Wisconsin
• Madison, Milwaukee, and 5 smaller campuses in WI
Focused on Learning

• In-house email survey system sends almost 100,000 surveys each year

• Comprehensive annual brand equity and biennial member satisfaction surveys

• Biennial employee engagement survey

• R&D and data analytics roles
A Strong Research Partner

- UW Business School Design Thinking Course
- UW-CFS research on payday loan alternatives
- Highly engaged with University spin-off Filene Research Institute
- Focus groups & interviews with student audiences
  - Brand awareness, usage and consideration
  - Use of technology
  - Product design
Reaction to Research Results

• Pleased to make progress in understanding our members’ behavior

• Not surprised to see low response to single-contact email message

• Encouraged to dig deeper to uncover insights to guide our business practices
Next Steps

• Test alternative delivery methods (text, chat, in-line messaging, online interrupts)

• Test multiple messages (online and variable)

• Apply learnings to other behavior we want to encourage
  • Making payments on time
  • Responding to customer surveys
  • Completing outstanding paperwork
  • Starting emergency savings accounts
GreenPath Financial Wellness is a national nonprofit organization that provides financial counseling, education and products to empower people to lead financially healthy lives.
62% of Americans feel stressed about money*

41% of Americans carry credit card debt**

80% could benefit from professional financial advice*

Sources:
*GreenPath Financial Wellness Impact Report
**Valuepenguin.com
Remix the American Dream so it works for everyone.
2018 IMPACT REPORT
United States

THE NEED

47,868,063 
Households do not have 3 months savings1

29,877,702 
Households have relied on payday loans or other fringe services1

Feel stressed about money2

Could benefit from professional financial advice3

OUR WORK

205,022 
Households served

57,035 
Households supported through debt management plans

75% 
Of all households served were low or moderate income

OUTCOMES

7,586 
Paid their debts in full through our debt management plan

GreenPath debt management plans helped households reduce $216,890,431 of their consumer debt

31,846 
Families avoided foreclosure with GreenPath’s help

IMPACT

Of GreenPath clients surveyed:

93% 
were provided with clear next steps to improve their situation4

90% 
feel better prepared to handle their finances4

People who were counseled have an average of $668 more available for savings5

Credit scores increased an average of +50 points for credit challenged individuals6

## OUR SERVICES

<table>
<thead>
<tr>
<th>Holistic 1-1 Financial Counseling</th>
<th>Debt Management Plan</th>
<th>Partnerships &amp; Employee Financial Health</th>
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</thead>
<tbody>
<tr>
<td>• Debt Counseling</td>
<td>• Consolidates debt into a single payment. Each payday, a deposit is made into a GreenPath account and we use that money to pay client bills.</td>
<td>• Credit Union Membership Programs</td>
</tr>
<tr>
<td>• Credit Report Review</td>
<td>• Interest rates reduced, penalty fees waived, accounts re-aged to current status. Debts paid off faster.</td>
<td>• Community Reinvestment Support for Banks</td>
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<tr>
<td>• Student Loan Counseling</td>
<td></td>
<td>• Employee Financial Wellness Programs</td>
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<td>• Bankruptcy Counseling</td>
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<td>• Financial Educational Tools &amp; Resources</td>
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<td>• Foreclosure Prevention &amp; Support</td>
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<td>• Homebuyer Counseling</td>
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<td>• Reverse Mortgage Counseling</td>
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PYRAMID OF FINANCIAL WELLNESS

1. Defuse Crisis
   - Stop collection calls, stabilize housing, stop garnishments

2. Improve Cash Flow
   - Reduce fees and interest, stop living paycheck to paycheck

3. Build Resilience
   - Spend less than you earn, establish emergency fund, build credit, make informed decisions

4. Grow Assets
   - Save for retirement and other goals

5. Achieve Dreams
CREDIT IN THE REAL WORLD

Credit= Unnecessary (until it isn’t!)
Score, Score, Score
In the Dark
We don’t judge people by their financial situation. We empower and support them.
Madelaine L’Esperance  
Assistant Professor  
The University of Alabama  
Faculty Affiliate  
Center for Financial Security

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Chad LaFlash  
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Jeremy Lark  
Senior Manager of Client Services  
GreenPath Financial Wellness
Thank you for joining the Center for Financial Security for today’s webinar. Please remember that today’s webinar was recorded and will be posted on our websites: cfs.wisc.edu & cfsrdrc.wisc.edu within two business days.

Please join us for our November 12th webinar for a presentation and discussion of Sarah Halpern-Meekin’s new book:

Social Poverty: Low-Income Parents and the Struggle for Family and Community Ties

Please contact Hallie Lienhardt with questions:

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608-890-0229