

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

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Most consumers do not obtain their annual credit report or participate in credit monitoring offered by credit reporting agencies and financial institutions. In 2010, only about 16 million Americans checked their credit at one of the big three credit bureaus (Consumer Financial Protection Bureau, 2011). Financial decisions made with inaccurate credit information may be costly for consumers, harm their ability to borrow in the future, and, ultimately, diminish financial well-being.

Many possess inaccurate beliefs about their creditworthiness despite the availability of free credit checks (Levinger et al., 2011; Perry, 2008, Courchane et al., 2008). It is unclear how to encourage consumers to obtain objective information about their financial situation. Messaging is a low-cost, behavioral approach to “nudge” consumers into attending to information about their credit record.

A recent study, closely related to this paper, revealed that messaging encouraged student loan borrowers to check their credit, regardless of the message content or frequency of delivery (Homonoff et al., 2019). Other studies have found messaging content that highlighted social information, financial consequences, and moral appeals mattered. Ariely et al (2009) found that social information mattered when making charitable contributions, especially when it was more visible to others. Fellner et al

(2013) found that those who evaded television fees were more likely to pay fees when they were delivered a threatening letter, but found no effect when messaging offered a social comparison or moral appeal. Bursztyn et al (2018) found that moral appeals were effective in encouraging customers to repay their past due debts. Overall, these studies highlight that context matters when designing messaging interventions-- the messages must be natural and credible.

The Study

This study builds on a growing literature on reminder effects. Using a field experiment with a credit union in the United States, the effect of email reminders on credit checks is analyzed. Visits to an online dashboard that displays one's credit score are used to measure attention to information about creditworthiness.

The population for this experiment includes a random sample of 2,045 credit union members who are not enrolled in the credit monitoring service six months after its introduction between October 2018 and April 2019. Members are eligible for the experiment if they are between 18 and 55 years old, have a credit score and file available, and are not enrolled in the credit monitoring service by April 1, 2019. Members who do not have a credit file available are excluded because they will not receive any information from the credit

monitoring service and will not have a score available for view in their dashboard. Enrolled members are also excluded because the interest for this study is what motivates consumers to take up a freely available credit check.

Figure 1 details the summary statistics at baseline for credit union members selected for this study obtained from administrative credit union account data. More than two-thirds have a checking account at the credit union. About one-third have a credit card and line of credit. Almost 20% have an auto loan serviced by the credit union. About 10% have a private student loan. Credit ratings are skewed towards higher scores. More than half of the sample have an “A+” credit rating.

Figure 1: Summary Statistics at Baseline

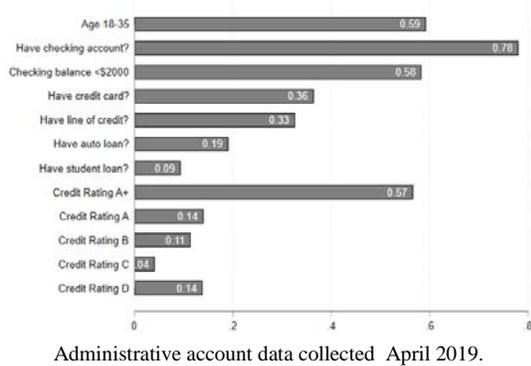
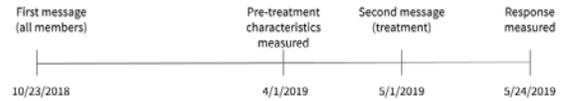


Figure 2 displays a timeline of the experiment, including dates for measurement of pre-treatment characteristics, email message delivery, and measurement of treatment response.

Figure 2: Timeline of Events

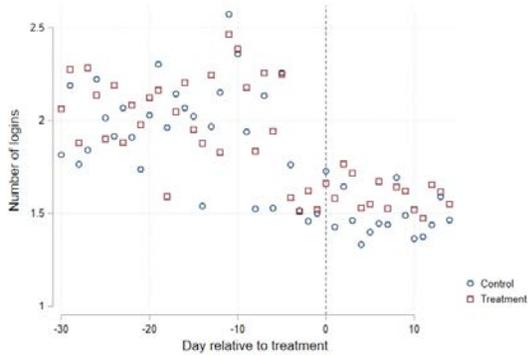


In this experiment there are five treatment arms: control, simple reminder, positive motivation I, positive motivation II, and negative motivation. All email messages include the same subject line, informational video describing the credit monitoring service, additional body text, and a link to the credit monitoring service website on the credit union's website. The control group receives no email message.

The treatment is assigned at the individual level. From the members selected for the study, 1,636 members were randomly assigned to one of the four email message conditions (409 members per condition) while another group of 409 members were randomly chosen to receive no email message from the credit union. Baseline characteristics, including online dashboard login activity, are balanced across the treatment conditions.

Figure 3 displays the daily online login rate before and after treatment for those assigned to the control and treatment groups. Daily logins are higher in April. Login patterns do not appear to differ by treatment assignment over the period measured.

Figure 3: Daily Online Login Rate by Treatment Assignment

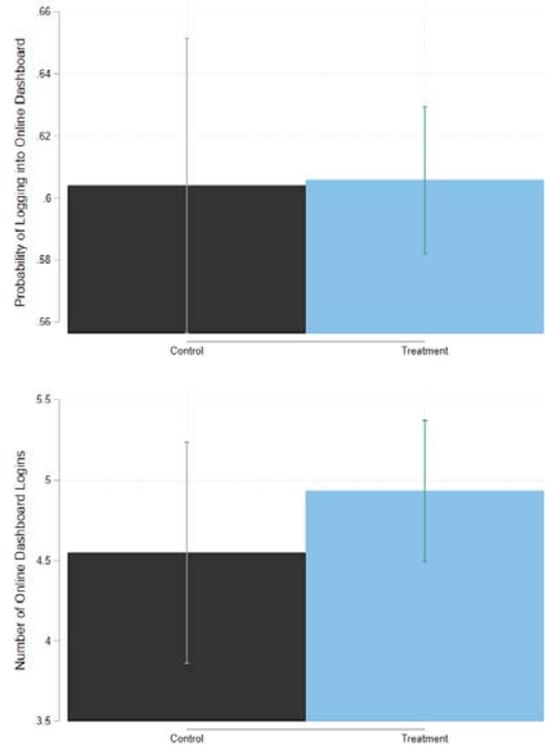


Administrative account data collected April 2019 to May 2019.

Results

The results from the study reveal that the reminders were largely ineffective in encouraging consumers to check their credit. Figure 4 displays the effect of receiving an email message on logins to the online dashboard where credit score is displayed. The top panel shows the probability of logging into the online dashboard for the treatment and control groups. Regardless of treatment condition, about two-thirds of members log in to their online dashboard in the two weeks following treatment. The bottom panel displays the average number of logins by treatment condition. Those who receive an email message login about 8 times while those who do not receive a message login to the online dashboard about 7.5 times. There is no statistically significant difference in credit monitoring activity across treatment arms.

Figure 4: Effects of Receiving Email Message on Online Login Activity



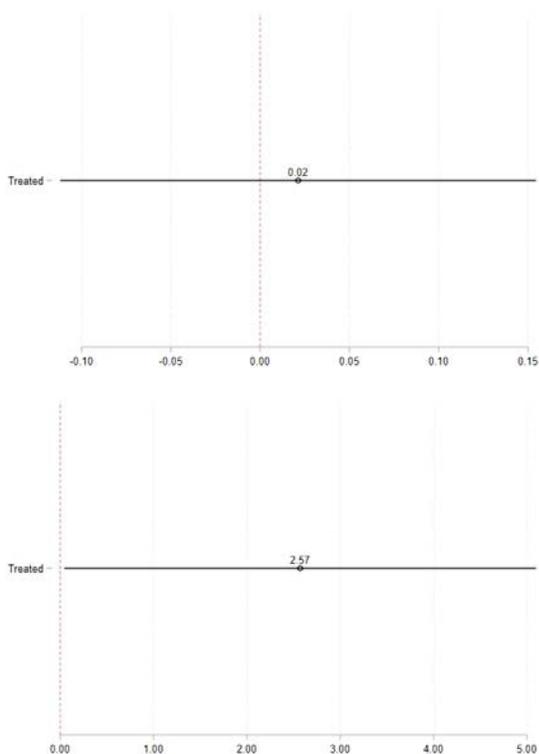
Administrative account data collected April 2019 to May 2019. Bars represent 95% confidence intervals.

Many credit union members did not comply with their treatment assignment, failing to view the email message. In an additional analysis, the assignment to a treatment email message condition is used to instrument for probability of viewing the email message. Since email message assignment is random, this approach allows for estimation of the effect of opening the message on online dashboard logins. The model includes controls for baseline characteristics and login activity.

Figure 5 illustrates the effects of viewing the email message on online dashboard login activity. The top panel shows that those who opened the email are 2.1 percentage points more likely to log-in to online banking

where their credit score is displayed. The bottom panel shows that members who view the message log in to their online dashboard 2.57 more times than those who do not. When the email message is salient, credit union members pay attention to their credit rating-- monitoring their online account dashboard more frequently.

Figure 5: Effects of Viewing Email Message on Online Login Activity



Administrative account data collected April 2019 to May 2019. Bars represent 95% confidence intervals. Controls include baseline login activity, credit rating, and account characteristics.

Conclusion

This study uses a field experiment with a financial institution who offers a free credit monitoring service to its members to measure the effectiveness of email messaging “nudges” to check one's credit on

attention to information about one's credit record. The evidence presented builds on prior work on the effects of non-monetary incentives on household financial behavior using a sample of credit union members in the United States.

Overall, findings suggest that a single email message, regardless of its content, is largely ineffective at encouraging consumers to check their credit. These messages are not effective at encouraging a higher probability or frequency of logins to review one's credit score dashboard. However, the message encourages those who open the email to check their online account more often.

These findings have implications for policies that aim to better inform borrowers and improve financial well-being. First, the findings suggest that one-time messaging “nudges” are only effective at motivating consumers to monitor their credit, if they actually view the message. Other studies reveal the importance of the context and content of messaging interventions. Also, targeting these interventions to those who are most vulnerable may be a difficult endeavor due in part to the “pain” that prevents them from internalizing information about their financial standing. Policies that implement a similar behavioral intervention should consider these nuances to deliver a salient message.

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