Financial Findings Podcast – Episode 2

I Don't Like All of Those Fees--Pragmatism about Financial Services Among Low-Income Parents with Jill Hoiting

Host: Jonathon Ferguson
00:10
Welcome to the Financial findings podcast, where Financial Research Policy and Practice meet. I am your host, Jonathan Ferguson. Our episodes contain interviews with researchers and discuss evidence-based strategies that policymakers and practitioners can implement to strengthen financial wellbeing for individuals at all stages of life. For this episode, I speak with the tail pointing to discuss tails research project, “I Don't Like All of Those Fees: Pragmatism about Financial Services Among Low Income Parents.”

Jill is a PhD student in the social welfare program at the University of Wisconsin Madison, Jill's research interests include affordability, accessibility, and quality of childcare, prevention of expulsion in early education, quality and effectiveness of family support programming and systems, and early childhood and Family Policy. Jill holds a Master of Social Work degree from the University of Wisconsin Madison, and a Bachelor of Science degree from the University of Georgia.

Thanks for joining us today, Jill. So, the first question for you is, what has been a financial aha moment in your life. And that can be something that you've learned from someone, your own research, or discovered yourself?

Guest: Jill Hoiting
01:32
This a great question and a really good opportunity to reflect on my own experiences and how those carried into the research work that I've been doing. And I think back throughout my life, there have been different points in time that different people have definitely given me little nuggets of information that I have ended up using. I remember being really young, and my mom teaching me all about balancing a checkbook, which feels really irrelevant now given all of the technology.

I took studies in consumer sciences and had to take a couple of personal finance classes and those pieces of information for sure have stuck with me. And I think more recently, I've come to understand even more how much those external influences have really influenced how I approached my own finances. I think I rely heavily on my local credit union, and that has so much to do with place and how much access I've had. And they happen to have this incredible mobile banking system that makes things so smooth and easy. For me, I realize now that I spend very little of my cognitive bandwidth on some of these things because of what access they've provided. So those are kind of the things that I've started to reflect on and just think about the financial ecology around me and how that really influences my choices that I have and the decisions I end up making based upon those options.

Host: Jonathon Ferguson

03:15
Thanks for that answer. And it's it leans so much into what your research is grounded in, you did tell us a little bit about your background. I'm hoping that you will go on a little bit further and give us a little bit more about not just your academic background, but the work that you're conducting.

Guest: Jill Hoiting
03:37
In my undergrad studies, I focused on Child and Family Development, as well as psychology. And with those child family development courses, that's where I got that little taste of consumer finance and personal finance. And then I decided to go for my master's right after. I chose social work for their focus on systems and policies--particularly at the University of Wisconsin’s School of Social Work there is very focused on the systemic issues. That really drew me in. So, I focused more on policy and my master's work and then went into the fields and have about 10 years of experience with nonprofits, mostly working with other nonprofits and the work that they do then in their local communities. So again, having that systems focused and that emphasis on how we influence policy.

My content area that I focused on for a long time was around early childhood, both in the early education settings and where children are going into the community in different ways, whether that be in centers or Head Start or a more home-based childcare program, but also the things that influence families so much that they have access to the circumstances in which they live. Getting to have some real-world practice and supporting those agencies like family resources, resource centers, and childcare, resource and referral agencies, those kinds of things. With 10 years of experience in that I saw a lot of what we knew and what we didn't know. And that encouraged me to come back to school and start to focus on research and gain understanding of how to pursue some of the questions that we don't have answers to yet and add to that knowledge. So now I'm back with the School of Social Work again in their PhD program for social welfare. I'm studying early childhood in a lot of different ways and one of those opportunities drew me into this research around financial services.

Host: Jonathon Ferguson
05:47
What led you to complete this research, specifically?

Guest: Jill Hoiting
05:52
I have to go back a little bit to some broader context. And I want to share a little bit more about the baby's first year study. This is a larger study that a team of principal investigators have designed a randomized controlled trial to understand if reducing poverty changes children's developmental trajectories. This broader study takes place in four different metropolitan areas, and mothers were recruited right after giving birth to their child, while they were still in the hospital. And from there, the mothers who chose to participate were randomized into two groups. One group of mothers is receiving a high cash gift--it's $333 a month, so roughly around $4,000 a year. And the second group is the low cash gift group who receives about $20 a month, about $240 a year. And then these cash gifts continue through the first 76 months of their child’s life to cover most of early childhood. They receive this unconditional cash gift on a debit card. So once moms chose to participate in the study, they don't have

to do anything to continue accessing that money, they don't have to continue participation in the study. They don't have to spend the money in certain ways, there really are no conditions, that is with them from here on until 76 months.

However, the design of the study does include some behavioral nudges that's kind of a hint that the money is linked with their child. For example, the money comes on the day of the month that the child was born. So, say My birthday is June 11, it would come on the 11th every month, and the card is designed in a way that says “for my baby” on the front, so there are a few things that show there's a connection to children. So, this debit card can be used for in store purchases, online purchases, ATM withdrawals, cash advances the bank, so there's a number of different ways moms can use it. And there's not a charge with purchases, or withdrawals through a bank teller. And there's no charges for customer service or card replacement. But only the monthly gifts can be dispersed through the debit card. So, it's not a reloadable card in any way, shape, or form. But that context, I think, is important in terms of these one thousand mothers who are participating in the baby's first year study.

We then approached a subsample to be part of a smaller qualitative study. This was the personal motivation for this study. First, the fact that I got to participate really early on, and this study around early childhood was just fascinating, given my interest in the past and my work. So, to be able to participate has just been great from a student perspective and learning all of all of these things about research, particularly for the qualitative research. This is where we hear mom's narratives directly, and getting to understand their voice, the meaning that they give, to participating in the study with what the money has meant for their families has been a unique opportunity and a great experience to understand directly from them how they're experiencing this.

A little bit more than on the qualitative study itself--we then randomly selected 80 mothers from the broader study to participate in this qualitative study, we narrowed down to two of the metropolitan areas for logistics, but we did make sure that we stratified our sampling so that we had equal numbers of moms receiving that high cash gift and that low cash gift. We made sure we had a representative sample of mothers who are first time mothers to understand how their unique perspectives might come into play. And so, the offerings that we get with the qualitative study, like they just have so many benefits, that we can understand this nuance to the life experiences that mothers have, we can learn things that are not always possible through other methods of data collection. So like things you wouldn't be able to pick up in a survey, we can start to understand for mother's own voices or the meaning that people give to different things. Those are all things that we can start to uncover with the qualitative work. One of the things that the principal investigator for the qualitative studies, Megan, and I started to find early on in our first wave of interviews was moms were talking about fintech. For those who don't know, we think about FinTech, for our purposes, as a catch all term that includes mobile applications or software, different technologies that improve and automate elements of financial services. And particularly for us, we're looking from the consumer perspective around FinTech. We're definitely asking questions about their financial lives--how they access their paychecks, how they pay their bills, what their expenses look like--we didn't specifically ask about FinTech, so this really struck stuck out for us and got our attention. We approached a few other collaborators, Melody Harvey, and Michael Collins from the (UW-Madison) Department of Consumer Science. That's where we started to look into this matter of mothers, the financial ecology that surrounds them, and the context in which they're making these decisions about their finances. That’s what motivated us to start looking at these specific research questions within the baby's first years, Mother's Voices qualitative study.

Host: Jonathon Ferguson
12:54
That's certainly very comprehensive. And were there any specific constraints or limitations on your research,

Guest: Jill Hoiting
13:02
I do want to give a major thank you to the moms who have participated in the qualitative study, as you said, it's all about stories and the fact that they were still open. So, you know, with a lot of qualitative research, we're not trying to produce these generalizable conclusions. But rather, we're really exploring, exploring these nuances and experiences, the perceptions, and the meaning that mothers give their life circumstances. And so, we those things are often hidden in the other elements of data collection, especially in terms of the quantitative surveys or some of the other types of flexion, that might be happening. And so, we're able to just ask more and get that nuance. So, we're looking at this variety of experiences rather than, you know, being able to really specifically look at particular phenomenon. So. So the first constraint is that we're not looking to produce these generalizable conclusions. But we're exploring the nuances across mother's experiences. Also, we do have the advantage of looking across two waves of interviews. So, the first one was when the children in this study were about one years old, and then again, when they were about two years old. But you know, things can still change beyond that. So, we are still capturing a specific point in time within mothers’ lives and the kind of financial decisions they're making at that point in time. And then, lastly, you know, we some of the pieces that we look at in the study like experiences with banks, we did ask more explicitly about experiences there. But other things we didn't like FinTech services, and so that really came out more spontaneously from others. So, with that, though we don't have an exact count, like of how many mothers were using these FinTech services. So, we're, we're probably under capturing or under counting mother's experiences with these types of products from our data. So, there are some limitations there. It's really great to know because it was spontaneous, that gives us a new glimpse of something we didn't necessarily know about other's lives. But again, there's that limitation.

Host: Jonathon Ferguson
15:30
With all research, there'll be some limitation, some constraints. But your research was able to find some meaningful things. Would you be able to tell us what your research findings were?

Guest: Jill Hoiting
15:48
Yes, we find that four prominent factors shaped mother's use of financial services and products. First, their perceptions of and experiences with banks. Second, their perceptions of and experiences within tech services and products. Also, their employers’ choices about how they pay employees. And then lastly, the modalities required to pay bills, as well as those that mothers found most convenient, and those but they found to be most safe.

About three fourths of the mothers in our study were banked at one point in time. During the two waves of interviews, we do learn that mothers have a pretty big sense of mistrust, in banks from their either past experiences or their perceptions, things they've heard or learned from others, too. So one mother, Stephanie, as we spoke to her, she told us that she knows well, these ins and outs of banks and having previously worked on a national branch for a bank, she still felt ripped off by bank overdraft charges, because she saw some of their accounting practices, really putting her at a disadvantage as being like in that consumer role. And so, she tells us, “So it's like, you have the money in the bank, you see it, you buy something, or you make a transaction, you see the amount that's been taken out of the bank, you know, it's simple mathematics. You know, you see it's been taken out deducted from the balance you have, you know, you have leftover, you take care of your things. And then all of a sudden, bam, $15 fee. I don't like the way that stuff works. I think it's a big scam, to be honest. And I'd rather if I'm already poor, I'm not going to continue paying $35 fees. On top of that, I'll just manage the whole money outside of the bank for now. And if I needed to do something like I'll use my PayPal accounts, or I'll get a reusable debit card, or reloadable one.”

So, after ending up with that negative balance, Stephanie had closed her account and turn to those alternative services and products that she described instead. And she didn't see this situation is her fault for not properly managing her funds, but rather the bank setting up practices that don't work well for those living with tight finances. She tells us “I have enough experience. But having financial knowledge doesn't equate to having finances. So, it doesn't matter how much financial education and knowledge you have. If you don't have freaking money, then you can't do anything with the knowledge.”

So ironically, Stephanie saw that the financial knowledge that she gained from her experience with the bank, as helping her more to manage money outside of the bank itself, and where she can use the services and products she likes, like the Pay Pal or the reloadable debit cards. And those ways she feels she's in control. And Stephanie went on to tell us about some of her other experience, where she tells us “I transitioned to a chime account, and it works a lot better because you don't get any unnecessary or unexpected bank fees. I've been using it for about I'd say a good five months. It's very convenient, it's helpful, you don't expect fees, they give you a $20 overage every month, if you need to, they don't charge you for it. You just repay it when you get your next deposit. It's convenient. So yes, it's easy to send if you need to transfer something if you need to pay a bill. I've never had any issues with that account.”

So, in this way, Stephanie sees these FinTech services is meeting her needs and offering her benefits versus surprising her with fees. As she so experienced with the bank's previously, when it comes to FinTech, we saw that mother's most commonly reported using cash transfer apps. But some also used FinTech applications to manage bills or build their credits. And even though many of the mothers did report at some point, having trouble maintaining consistent cell phone service. Many really did still rely on the array of apps that their phones had as part of their financial management systems. And when we compared mother's use of like their prepaid cards and fintech options by their banking status, we really saw that these services and products were used by mothers regardless of whether they were banked. So, it's really not so much in lieu of traditional banking products at this point, but mother's seeing their use in addition to having these traditional banking services too. But the types of services and products available to moms weren't the only thing that shaped their financial management. And so that's where we see the role of employers playing a major part.

Sasha is another mother that we spoke to. And at one point, Sasha had been working at a big box store. And she tells us, "they gave us paper checks, so we just had to cash them in this store, up there, you know, like in the front of the store, and they charge like $10, if I'm not mistaken, it depends on how much money you have to get out, depending on that." So, without a bank account, Sasha is paying her employer to access her own paycheck.

We heard from another mother, Simone. She explained that she did Mobile deposit when she could, but often money was too tight to wait for the check to clear. And so, in those instances, she would cash your check and then pay a fee at a local store, like a Walgreens, to have the money put on a prepaid card that she could immediately access the funds on. And so, she tells us, "Whenever I have the patience to wait for the money to be processed into my account, then I do Mobile deposit. Because when I do it that way, sometimes it takes four or five days to clear the check in my accounts. But like whenever I know I need access to the money right away, I'll just, you know, cash it, and then have them loaded onto my card once it's already cashed." The alternative, she said would be to avoid the fee by cashing the check. But she also told us "I hate carrying cash too much is going on nowadays to walk around with a purse full of cash."

So, for her own safety and her own peace of mind, she paid the fees to work around her lack of access to a directly deposited paycheck. So, you can see the ways that employers set up their payments, really does impact how mothers are able to access their own money, whether they're paying a cost for accessing their own paychecks. We hear from other mothers who worked at stores that have payment systems that cost in other ways. For example, they might offer their paychecks to be put onto a card. We heard from others that they can charge a fee for when those prepaid cards are used outside of their employer stores. So, in essence, there's an additional cost to being able to access their own paychecks.

It was very much not, not the norm, but we did hear exceptions to the rule that some employer practices did support mothers in a positive way to be able to access funds. So again, that would be the exception versus the rule in terms of how payments are or paycheck processes, payroll processes, tend to impact the financial lives of these mothers.

And then lastly, we talked to a mom and heard about the modalities that they use to pay their bills. So, we heard about how they access the money coming in, but also how they pay money out to cover their expenses.

And there were a number of different factors that influenced how mothers thought about their bills. Some of them were around their own preferences, like things that were most convenient, or those that kept them safest. Others, they didn't have a choice, and it was based on what how they had to pay bills.

We hear from Victoria, about how she manages this. And she tells us that "I usually pull the money off of my debit card. And then for my like electricity bill, I go to like a pay station, and I'll give them the money and then they'll pay the bill. And then for my rent, I'll pull the money off the card and file a money order. And then that's how I pay my rent. So pretty much pay everything basically with cash except for my phone bill on my internet. I pay with my card." We see here that Victoria is using a number of different modalities, to be able to cover her bills in different ways. And we hear from mothers that they're thinking about this and a lot of different ways, but they're very intentional about how they're paying these bills.

We hear mothers are very thoughtful about minimizing the fees that are associated with these different modalities. For example, Angelina and her partner were relying on his unemployment insurance payments to cover their bills. Since it costs money to make withdrawals from the state issued card connected to his UI payments, they opted to pay their bills directly from the card to avoid these charges. So, we think about all of these different aspects and factors moms are balancing, as they're figuring out, which are the most convenient, safest, and allowable ways for them to pay their bills. Across these four different areas around banking systems--FinTech services, products, their employers' policies, as well as the modalities they pay for their bills--we see that there's a fairly complex financial management practices system going on here, just to receive income and to pay their bills. What that can mean is that it can be taxing to cognitive bandwidth, holding all of these pieces just around financial services, takes up space, and thinking that on top of everything else, that's moms and parents manage in their lives that aren't specific to finances, that can really, you know, take a lot of the cognitive bandwidth that they have. It also leaves room for potentially costly errors when they have these delicate systems set up. And these mothers know exactly how much money it will take when they need to do these things. But if one piece falls out of place, a domino effect can happen. And it can have consequences that are pretty costly in terms of managing all of those bills and keeping up with everything.

We also hear through the narratives of moms that there isn't necessarily a desire for being traditionally banked. We don't hear that expressed in their narratives. And according to their narratives, these FinTech products appear to be taking the lead in meeting some of their needs and preferences.

Host: Jonathon Ferguson
26:52
Are there any specific policy implications or practitioner implications you think, stem from this research? Or are there other things you think that are important to keep in mind as we think about how this research can be used in building a future for folks who are uncertain situations like this?

Guest: Jill Hoiting
27:14
The desire or preference for being banked or not? And it really speaks to how do we think about financial inclusion? And what are our goals and expanding financial inclusion? What does that look like? So, I think that's one question to really consider and how these findings might inform our answers to that, in general, I think a press both practice and policy, some themes stood out.

One of those being understanding points of mistrust. And whether you're, if you're a practitioner, working with families around finances, or thinking about how to structure policies, understanding where this mistrust comes from, what are the issues that we're hearing, like for a lot of moms, we hear from their mistrust happening with banks, because of kind of that gotcha, or those surprise fees. Whereas other services, including FinTech services, products, they may have a fee, but it's upfront, and it doesn't feel like it was a gotcha feeling or an unfair practice, you know, so that transparency on the front end was big. So, understanding those components around mistrust.

Also, acknowledging again, those demands on cognitive bandwidth. We, as humans, only have so much that we can manage. The options that stood out for moms, they're not always the greatest. So, they're making decisions based on the options available to them. And so how do we create the best options for these moms, so they have the choice and the flexibility to do what makes the most sense for their families, and allows them that best approach for their own finances and how they want to approach these things? In terms of where we're at with policies, it feels a little bit in terms of wait and see, in terms of these regulatory practices. We've certainly learned how regulation has evolved over time. So, what lessons can we learn there as we start to think about how FinTech will evolve and what regulations are there? You know, we hear about the flexibility and these options that FinTech presents to mothers, which are fantastic. The flip side of it is that mothers don't necessarily have protections under some of these services and products that they would in other circumstances. So where is the balance? And how do we continue to promote protections under all financial services without losing that choice, the flexibility, the transparency, that mothers are looking for in these things? So just as we continue to see this sector evolve, how are those components looked at and embedded into these, these policies?

Host: Jonathon Ferguson
30:31
Thanks again for providing all that information. If our listeners want to find out more about this research, or other things, you have going on? Where might they be able to find that information?

Guest: Jill Hoiting
30:45
If folks would like to learn more about these mothers' experiences, and particularly around financial services, recently, the article about this research was published in the Journal of family and economic issues. An article called "I don't like all those fees, pragmatism about financial services among low-income parents."

Host: Jonathon Ferguson
31:10
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