



Applying Behavioral Economics in Asset-Building Services

Pamela Chan, CFED

CWDA Conference – October 9, 2014



expanding economic opportunity

CFED advances policies and programs that help low- and moderate-income households to build and preserve economically mobilizing assets. This includes buying a home, pursuing higher education, starting a business and savings for the future.

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Integrating Asset Building

CFED partners with existing social service agencies to incorporate asset building strategies into their programs.



How do I teach my clients to follow a budget?

What can I do to help families build savings?

How can I help my clients get out of debt?

How do I help my clients open safe, affordable bank accounts?

How can I help my clients improve their credit scores?

Innovation Research & Design

CFED partners with organizations serving economically vulnerable consumers to improve or create new strategies that shift financial behaviors and outcomes.



How can I help my clients make payments on-time?

How can I get clients to make a deposit?

How can I get people to sign up for my program?

How can I help clients to increase savings contributions?

How can I encourage clients to use their accounts more?

The BETA Project (2013)

An initiative to build the capacity of asset building programs that want to apply insights and lessons from behavioral economics to their own products and services.



Project Partners



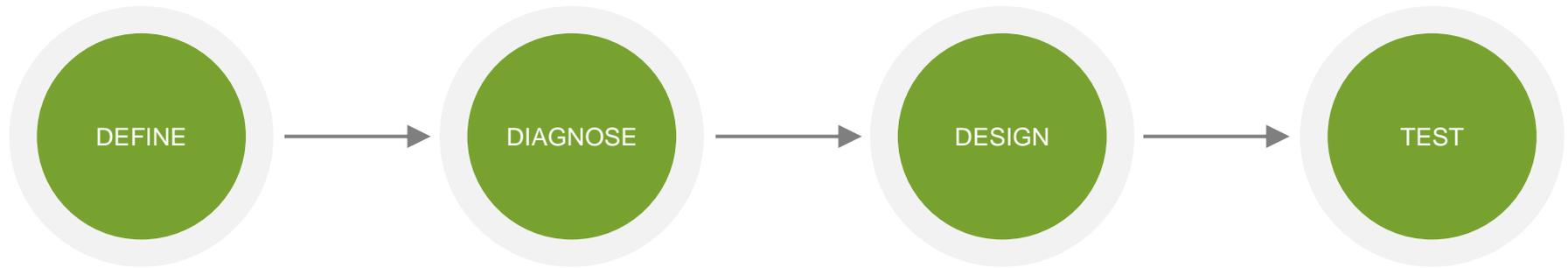
Citi Foundation



Partner Sites



Our Methodology: Behavioral Diagnosis and Design





Problem: Despite multiple avenues for payment, many lease purchase program clients fail to pay their rent on time.

Behavioral Diagnosis Highlights

1. Residents are **anchored** on the 10th of the month for payment.
2. Residents **prioritize** other bills.
3. Residents **do not respond** to the \$25 late fee.

Designed Solutions: Monthly Raffle with Reminders

Play for your purse,

Pay on time
for the chance to win a \$100
cash prize each month!

Offer valid from April through July 2013 only

1st

**cleland
housing network**

Designed Solutions: Emergency Late Fee Waiver

Emergency Late Rent Fee Waiver

From: Cleveland Housing Network
To: [Jane Doe]
Tenant ID : [12345]

Use this waiver to cancel an already incurred late rent payment fee by bringing it to the rent payment office at Cleveland Housing Network.

This waiver is for one time use only.
Your account must be in good standing.
It cannot be used to waive any other fees or stop an eviction.
You must bring the waiver in-person to the CHN office (2999 Payne Avenue).

You choose when to use it.

Expires: 4/1/2014
Serial : [789011]



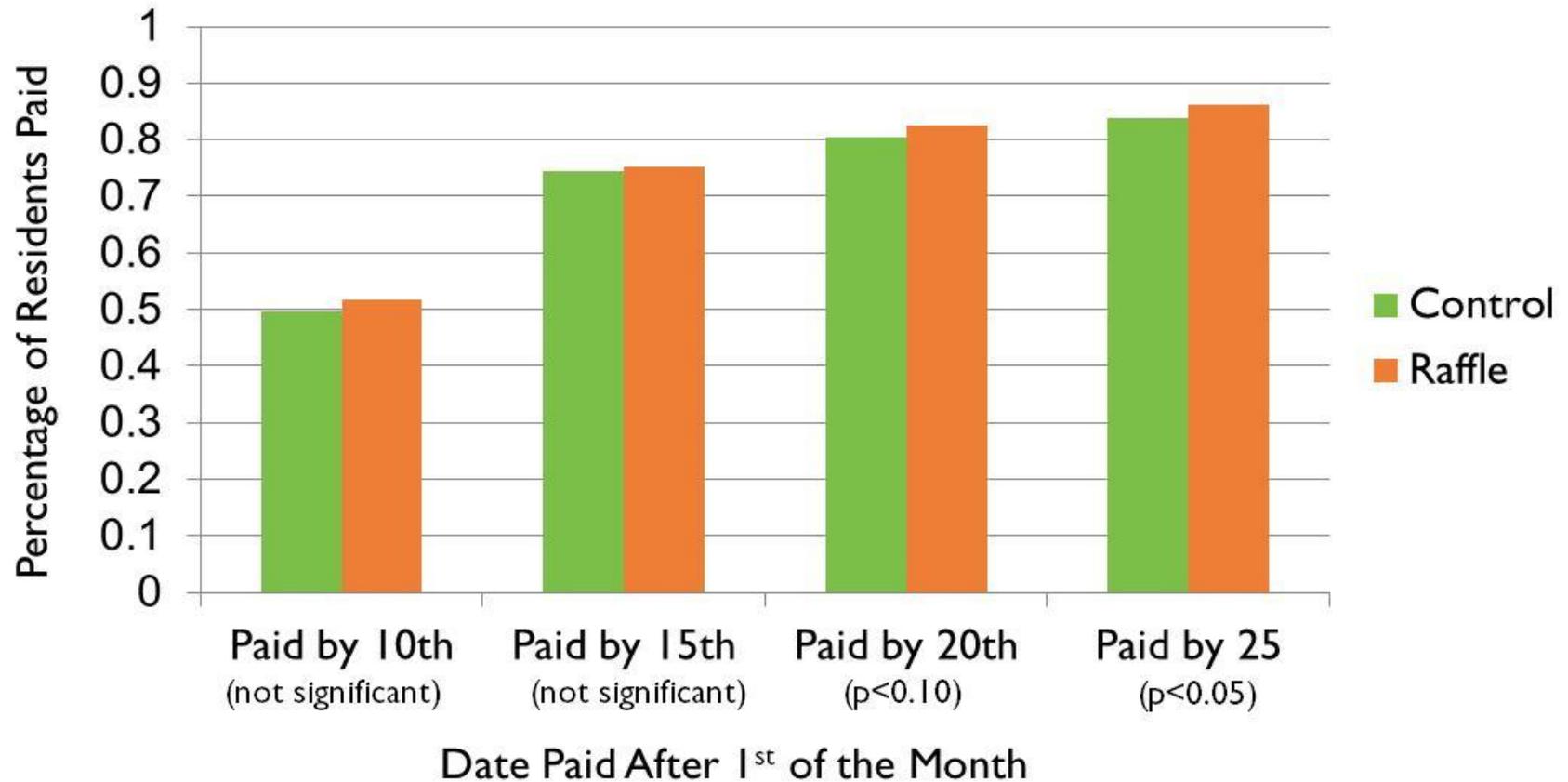
Date Used: _____

Resident
Signature: _____

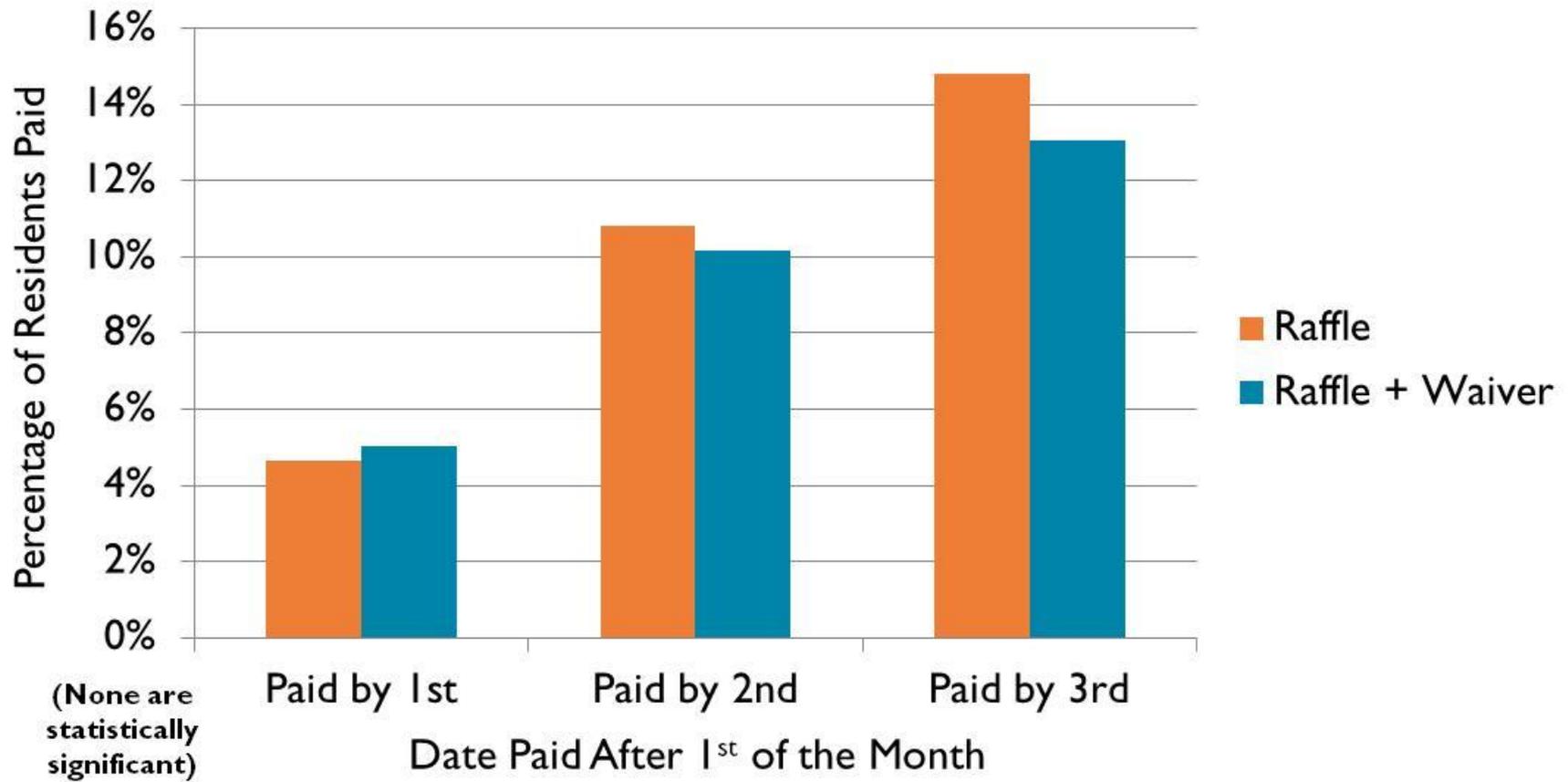
The Raffle Doubled On-Time Payment



Raffle Effects Were Sticky Throughout the Month



Adding the Waiver Did Not Change the Positive Effect of the Raffle



ACCION

Problem: Borrowers have difficulties making consistent, on-time repayments using the Automated Clearing House (ACH) electronic withdrawal system.

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Behavioral Diagnosis Highlights

1. Borrowers may **forget** to check for sufficient funds before the due date.
2. Borrowers tend to stick with the **default** payment date, even though it may not be ideal.
3. Borrowers may be deterred by **hassles** associated with making deposits.

ACCION



P.O. Box 915222
Dallas, TX 75391-5222
www.acciontexas.org
'A partner in your success'

ideas42
Hyunsoo Chang
242 W. 30th Street, Suite 1000
New York, NY 10001

Loan # 99999

Questions about your loan?
Contact us at 1-888-215-2373

*Thanks for your
business!*



Janie Barrera, CEO

Designed Solutions: New Statement with Planning Tool

This Month's Payment

Due Date: 05/21/2015

If paying by *Automatic Bank Withdrawal*,
we suggest you deposit sufficient funds by

Monday, 5/18/2015

Total Amount Due: \$999.99

Payment History

Last Payment Date: 4/22/2013

Last Payment Amount: \$999.99

Balance as of 4/30/13: \$99999.99

Total Payment(s) Past Due
\$0.00



For Automatic Bank Withdrawal Payments:

Try this simple tool to help yourself
pay on time and avoid fees!

(Detach and return ONLY if you CANNOT pay by Automatic Bank Withdrawal)

NOTE: Unless you are pre-approved by Accion to use methods listed
below, please **notify Accion** at least 7 business days before the Due
Date by calling 1-800-215-7373

Loan # 99999

(Include Loan # on your check, money order, or cashier's check)

Due Date: 05/21/2015

Total Amount Due: \$999.99 Amount Enclosed: \$ _____

Payment Method (NO CASH PLEASE)

Check Money Order Cashier's Check

Online Payment: www.acciontexas.org/make-a-payment

Fill out if there is a
change of address:

Make My Accion Loan Payment

I will make a deposit at the bank
in the amount of \$ _____
on the following date and time:

_____/_____/_____ @ _____:
(Day of Week) (Month/Day) (Time)

Please post on your refrigerator

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Designed Solutions: Email and Text Message Reminders



A Friendly Reminder: Your Accion Payment is Due!

Accion Texas <BorrowerServices@acciontexas.org>
To: JoeSmith@gmail.com

Tue, Apr 23, 2013 at 9:00 AM



Dear Joe,

Thank you for your business. Your Accion loan payment is due in 10 days!

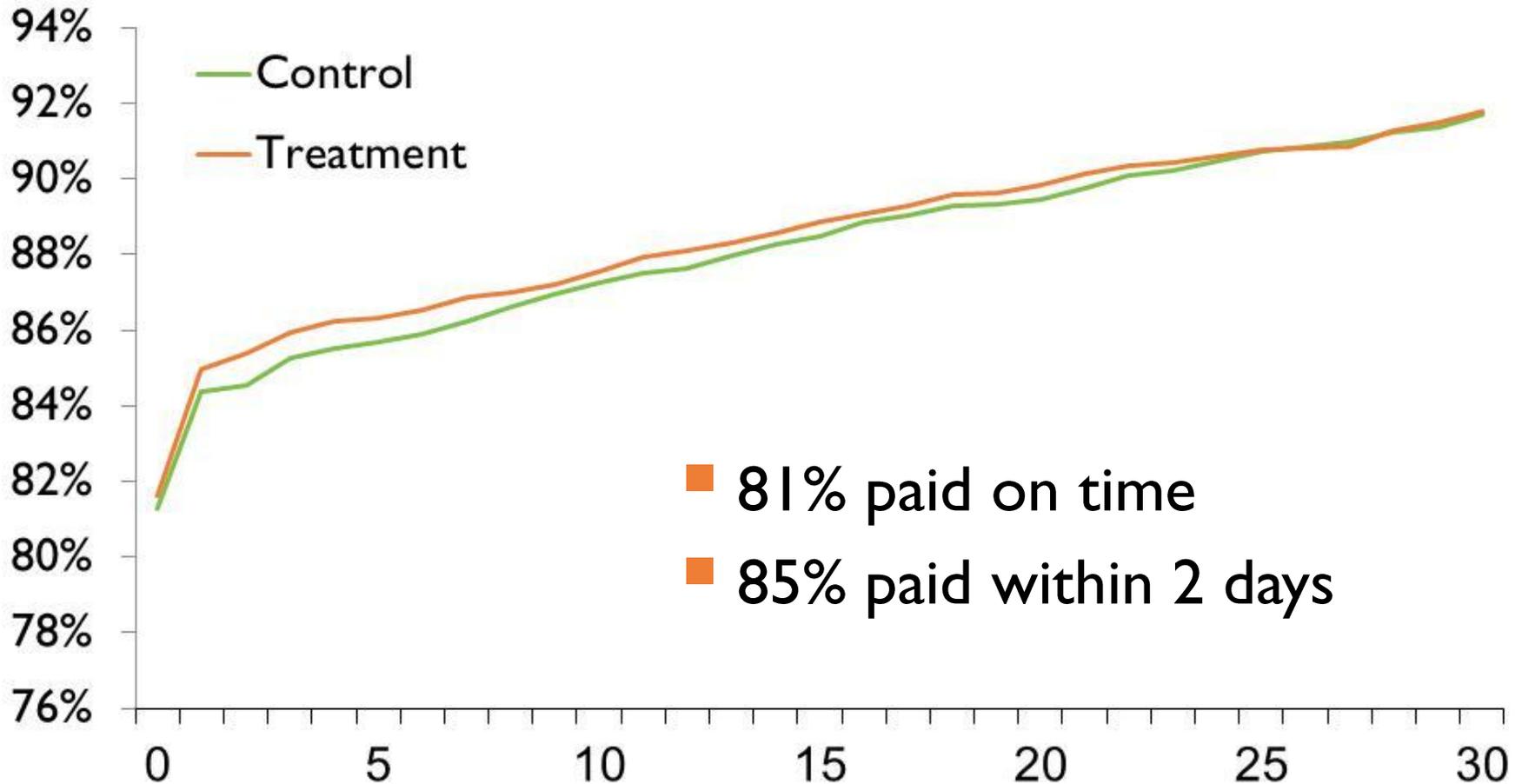
This is a friendly reminder to make sure you have enough funds in your account for the payment.

If you have any questions or concerns, please call us TODAY at 1-888-215-2373.

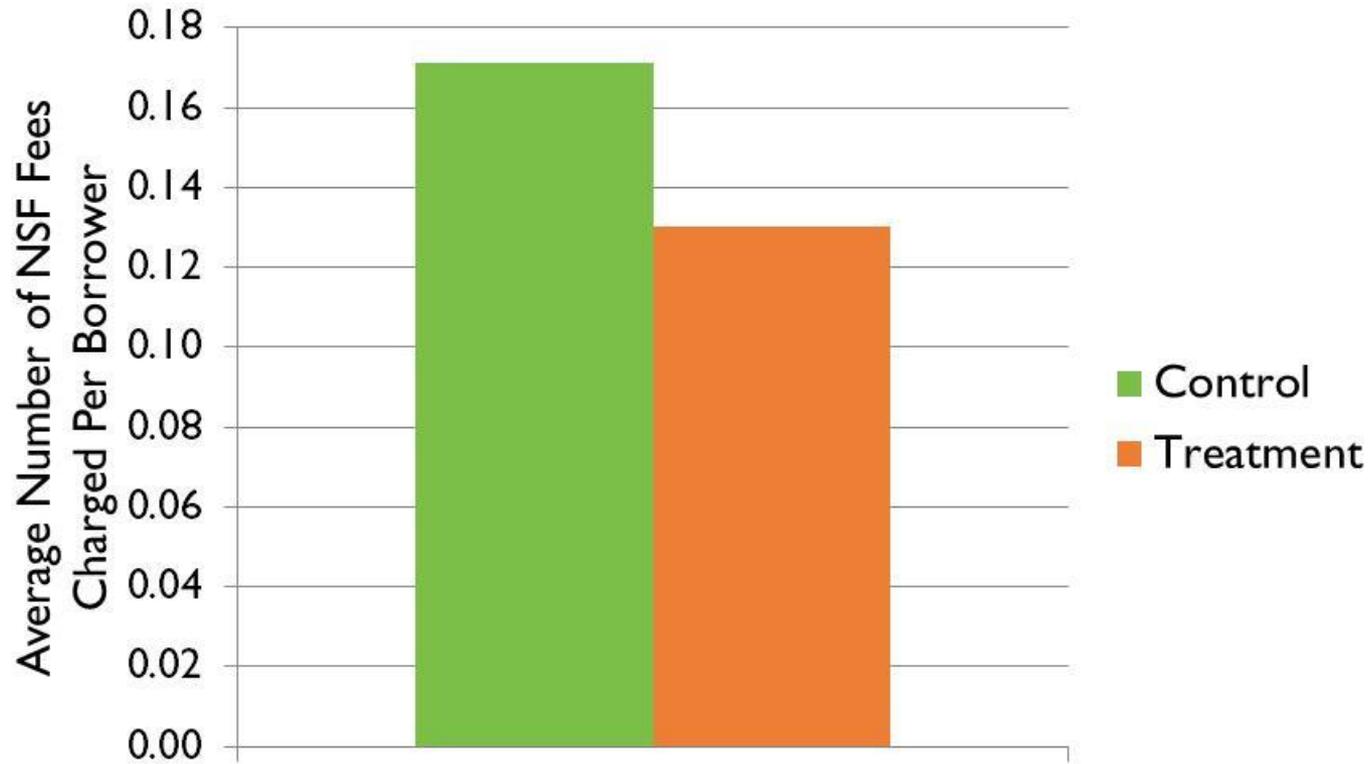
Warm regards,
Accion

Click [here](#) if you don't wish to receive these messages in the future.

No Significant Effect Overall



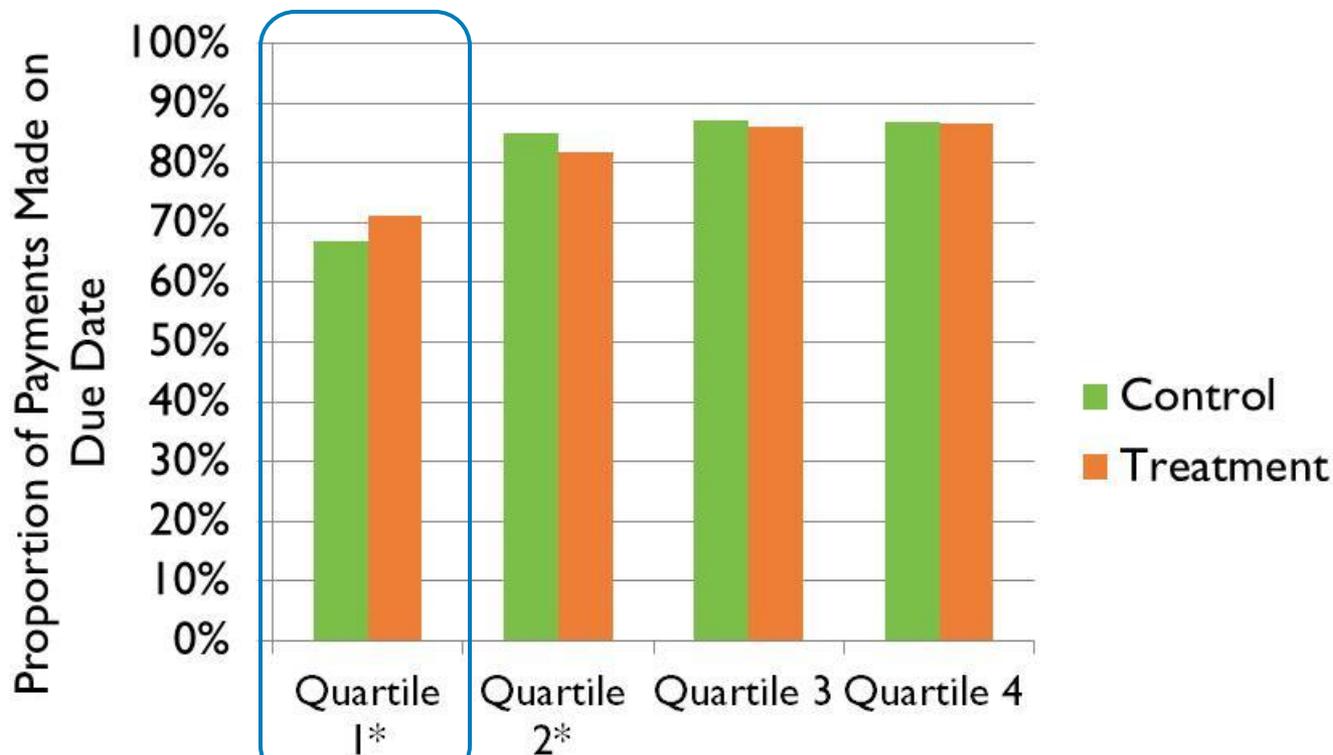
The Number of Fees Charged Decreased



Control vs. Treatment*

*Difference is statistically significant at $p < 0.10$.

More Borrowers with Small Loan Payments Paid On-Time



Monthly Principal Payment, By Quartile

*Difference is statistically significant at $p < 0.10$.



Problem: Individuals open credit union accounts during a five-week financial education course, but do not use these accounts or use them infrequently.

Behavioral Diagnosis Highlights

1. Clients take action during the course to open accounts, but **not to start using** the accounts.
2. Clients may be deterred by **hassles** associated with accessing the account on a regular basis.
3. After the course ends, client **attention** shifts away from the account.

Find My ATM

Make a plan to find the nearest ATM location to your home or work.

Detach this sheet, fold it in half, and use it to record your ATM location below.

✂ DETACH HERE

What is the website for looking it up? www. _____ .com

Where will I look it up? _____

Which day will I do it? Date: ___/___/___

What time will I do it? Time: ___:___ AM/PM



NTPCU account holders can look up ATM locations at:
www.cu24.com/ATMLocator/

Brooklyn Coop account holders can look up ATM locations at:
<http://www.allpointnetwork.com/>

FOLD HERE

My ATM Location

Street Address: _____

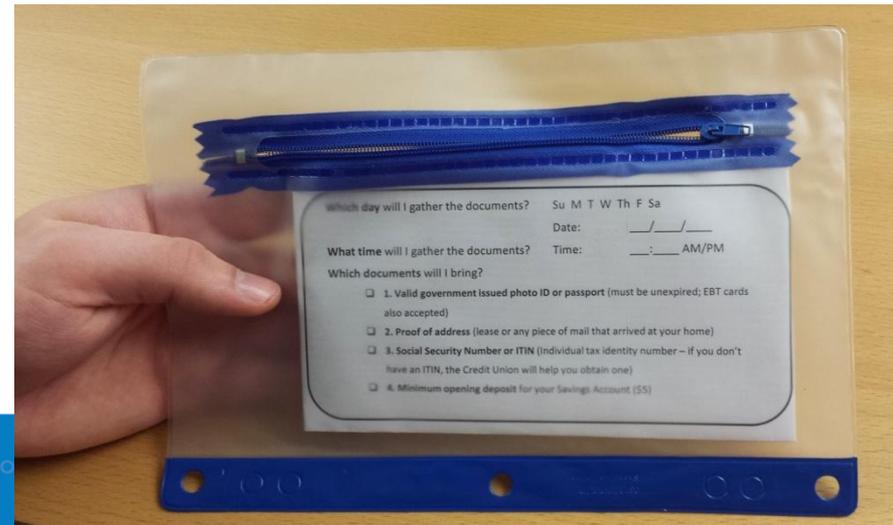
Borough/City: _____

Intersection: _____

Subway or Bus Stop; _____



Designed Solutions: Plan-Making Activities and Pouch





Direct Deposit Instructions

To Whom It May Concern:

Please note our direct deposit instructions below for funds to be deposited in the name of:

Financial Institution: Neighborhood Trust Federal Credit Union
1112 St. Nicholas Avenue
New York, NY 10032

Account Type	Account Number	Routing Number	Deposit Type
Savings (Share)		026083713	<input type="checkbox"/> Full Paycheck <input type="checkbox"/> ___% of Paycheck <input type="checkbox"/> \$ _____ Per Paycheck <input type="checkbox"/> Remainder of Paycheck

Employee Name: _____

Employee Address: _____

Social Security #: _____

Signature

Date

Please contact us with any questions at 212-740-0900.

Designed Solutions: Direct Deposit Forms and Account Cards



My Financial Advisor

Name: _____

Phone: _____

Email: _____



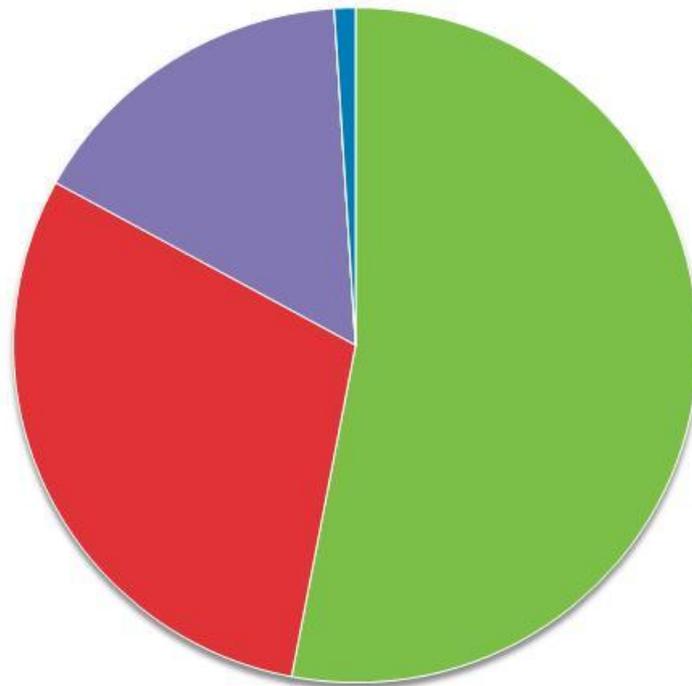
Address
1112 St. Nicholas Avenue
(at West 166th Street)
New York, NY 10032

Hours
MTWTF 9 am - 4 pm
Th 9 am - 6 pm
Sat 10 am - 2 pm



Clients Found the Plan-making Activities Useful

Please rate how useful the Take Action Plans were during the course:



■ 5 - Highest Rating

■ 4

■ 3 - Neutral

■ 2

■ 1 - Lowest Rating

(81 responses total)

Effect on Account Opening and Usage Rates Was Suggestive

Comparison Group

(103 clients;
5 advisors;
16 workshops)



Treatment Group

(62 clients;
2 advisors;
6 workshops)



- 53% of clients offered an account at Neighborhood Trust Federal Credit Union in treatment group opened an account, compared to 19% in comparison group
- 52% of treatment group clients offered an account at NTFCU had multiple (2 or more) transactions during testing period, compared to 15% in comparison group
- **However, results are indicative in nature only due to inability to randomize based on small sample size**

Key Takeaways for Practice

- Shifting behaviors requires understanding the target population's decision-making context.
 - “Customer insight” techniques such as client experience mapping and prototyping are incredibly helpful.
- The diagnosis and design are only our best guess.
 - Testing is necessary to know if a nudge is going to work in real life or not, but apply wisely as it can be complicated.
- Impacts (if any) are often small, but significant.
 - A one time fix isn't enough, need to apply regularly to find the right package of nudges.

DIY Behavioral Diagnosis & Design Using the EAST Framework

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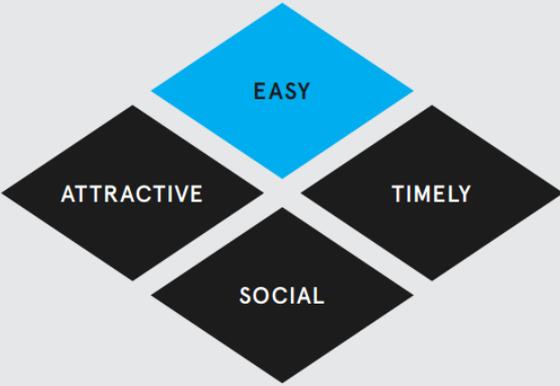
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The EAST Framework is a simple way to diagnose behavioral barriers and identify potential solutions.

THE BEHAVIOURAL INSIGHTS TEAM



EAST
Four simple ways to apply behavioural insights

Owain Service, Michael Hallsworth, David Halpern, Felicity Algate, Rory Gallagher, Sam Nguyen, Simon Ruda, Michael Sanders with Marcos Pelenur, Alex Gyani, Hugo Harper, Joanne Reinhard & Elspeth Kirkman.

IN PARTNERSHIP WITH  Cabinet Office 

Source: UK Behavioral Insights Team, available at http://behaviouralinsights.co.uk/sites/default/files/BIT%20Publication%20EAST_FA_WEB.pdf



Is the Desired Behavior Easy?

- Small details matter; little challenge can bring on procrastination...sometimes indefinitely
 - Things that are a little annoying to do, probably won't get done
- Potential solutions:
 - Defaults
 - Removing hassles
 - Simplifying messages



Is the Desired Behavior Attractive?

- People can only pay attention to so much at one time and people have a lot on their plates
 - Things that don't capture people's attention or seem appealing get lost
- Potential solutions
 - Attract attention with images, colors, personalization, etc.
 - Offer carefully designed rewards
 - Impose carefully designed sanctions



Does the Desired Behavior Leverage Social Cues?

- People are heavily influenced by what others around them do or say
 - Things that don't seem like a social norm are less likely to get done
- Potential Solutions:
 - Show that most people perform the desired behavior
 - Use the power of social networks
 - Encourage people to make a commitments to others



Is the Desired Behavior **Timely**?

- People easily forget things that aren't top of mind at that moment
 - Things that don't seem so important at the moment or that seem too far in the future often don't get done
- Potential solutions:
 - Prompt people when they are mostly likely receptive
 - Adjust the immediate costs and benefits to taking action
 - Help people plan out steps to action



How might we help borrowers make deposits in time for their auto-payments?



P.O. Box 915222
Dallas, TX 75391-5222

Loan Number 99999
Due Date 05/21/2015
Current Amount Due \$999.99
Total Amount Due \$999.99

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242 W. 30th Street, Suite 1000
New York, NY 10001

Your ACCION Texas Loan Notes
Outstanding Balance \$99999.99
Last Payment Amount \$999.99
Last Payment Date 4/22/2013

Past Payment(s) Due				Total Past Due
30 – 59 Days	60 – 89 Days	90 – 119 Days	120 + Days	
\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

If you pay by Automatic Bank Withdrawal, this statement is for information ONLY!

You can also make an online payment at www.acciontexas.org.

Questions about your Loan?
You can contact us at: 1-888-215-2373

IF YOUR PAYMENT IS TO BE EFFECTIVE ON MONDAY, PLEASE BE ADVISED THAT YOUR BANK MAY SET YOUR PAYMENT ASIDE ON SATURDAY SO THAT THE FUNDS WILL NOT BE AVAILABLE TO YOU.

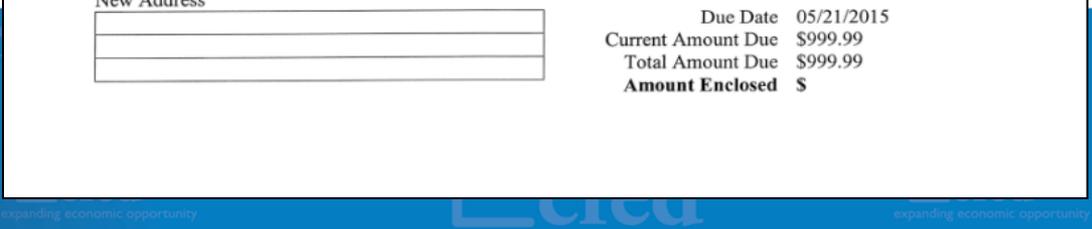
To ensure proper credit, detach and return bottom portion with your payment. Please include your Loan number on your check, money order or cashiers check. **NO CASH PLEASE!**

Check Box for change of address

Loan Number 99999

New Address

Due Date 05/21/2015
Current Amount Due \$999.99
Total Amount Due \$999.99
Amount Enclosed \$



Redesigned statement



P.O. Box 915222
Dallas, TX 75391-5222
www.acciontexas.org
'A partner in your success'

Loan # 99999

Questions about your loan?
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New York, NY 10001

Thanks for your
business!



Janie Barrera, CEO

This Month's Payment

Due Date: 05/21/2015

If paying by *Automatic Bank Withdrawal*,
we suggest you deposit sufficient funds by

Monday, 5/18/2015

Total Amount Due: \$999.99

Payment History

Last Payment Date: 4/22/2013

Last Payment Amount: \$999.99

Balance as of 4/30/13: **\$99999.99**

Total Payment(s) Past Due ☺
\$0.00

For Automatic Bank Withdrawal Payments:

Try this simple tool to help yourself
pay on time and avoid fees!

(Detach and return ONLY if you CANNOT pay by Automatic Bank Withdrawal)

Make My Accion Loan Payment

I will make a deposit at the bank
in the amount of \$ _____
on the following date and time:

_____/_____/_____ @ _____
(Day of Week) (Month/Day) (Time)

Please post on your refrigerator

NOTE: Unless you are pre-approved by Accion to use methods listed below, please notify Accion at least 7 business days before the Due Date by calling 1-800-215-7373

Loan # 99999

(Include Loan # on your check, money order, or cashier's check)

Due Date: 05/21/2015

Total Amount Due: \$999.99 Amount Enclosed: \$ _____

Payment Method (NO CASH PLEASE)

Check Money Order Cashier's Check

Online Payment: www.acciontexas.org/make-a-payment

Fill out if there is a
change of address: _____

Easy?

1. Suggested deposit date clear and obvious
2. Simplified past payment information
3. Laid out what to do if you can't make your payment or need to change form of payment

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*Thanks for your
business!*



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Fill out if there is a
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Attractive?

1. Modernized the layout and design of the statement
2. Included a picture of the CEO with a thank you message
3. Added a real post-it note

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Thanks for your business!



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Fill out if there is a change of address: _____

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I will make a deposit at the bank in the amount of \$ _____ on the following date and time:

_____/_____/_____ @ _____:_____
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Please post on your refrigerator

Social?

Did not focus on addressing techniques to establish social norms or commitments to other people.

Included a small feature - positive reinforcement for not owing any past due payment.

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Timely?

Simple guidance to plan making the deposit

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Timely?

Email and text reminders



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To: JoeSmith@gmail.com



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Warm regards,
Accion

Click [here](#) if you don't wish to receive these messages in the future.

Contact

Pamela Chan

Sr. Research Manager, CFED

Email: [pchan\[at\]cfed.org](mailto:pchan@cfed.org)

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