Insights from the Common Cents Lab & the Latino Community Credit Union

Mariel Beasley, Common Cents Lab
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Agenda

What is Common Cents Lab?
Behavioral Economics 101
Examples from the Field
Deep dive with LCCU
  - History
  - Projects
Questions
Common Cents is a behavioral science research lab at Duke University that creates and tests interventions to help low- and middle-income households increase their financial well-being.

Common Cents is supported by MetLife Foundation.
2 offices (Durham, NC & San Francisco, CA)

Key leadership include:

Dan Ariely  Mariel Beasley  Kristen Berman  Wendy De La Rosa
Common Cents has top advisors across the financial industry, tech, and academia.

- **EVELYN STARK**
  Assistant VP of Financial Inclusion at MetLife Foundation

- **SCOTT COOK**
  Co-founder and Chairman of Intuit

- **JOHN LYNCH**
  Director of the Center for Research on Consumer Financial Decision Making

- **RACHEL SCHNEIDER**
  Senior Vice President at Center for Financial Services Innovation

- **CATHIE MAHON**
  President/CEO of the National Federation of Community Development Credit Unions

- **ANAT BINUR**
  Investment Partner at Innovation Endeavors

- **IDA RADEMACHER**
  Executive Director of the Initiative on Financial Security (IFS) at the Aspen Institute

- **PARKER THOMAS**
  Partner at AngelList

- **THOMAS BROWN**
  Partner at Paul Hastings
We create and test interventions that use behavioral insights to increase the financial well-being of low- to moderate-income households across 5 main areas:

- Improving cash flow management
- Decreasing expenses
- Decreasing Debt
- Increasing short-term savings
- Increasing long-term savings
We strive to meet our goal of measurably improving the financial lives of 1.9 million people living in the United States through a 3-prong approach:

**PARTNERSHIPS**
Create interventions with partners

**PRODUCTS**
Create consumer-facing products from the ground up

**RESEARCH**
Disseminate research broadly to industry and thought leaders
43.5% of United States households do not have enough in liquid assets to subsist at the poverty level without income for three months.

Only one third of households making less than $15,000 per year have a savings account.
In a study of over 800 people, we asked:

On a scale of 1-100, how much do you agree with the following statement?

A) I am financially secure

B) I want to be financially secure

Average scores:

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<th>A</th>
<th>B</th>
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<tr>
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<td>35</td>
<td>95</td>
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Take a moment to think about what specific actions you can take to become more financially secure...Think about actions that you can easily start within the next month.

92% listed 3 or more actions
People **want** to be financially secure. They **know** what to do to become financially secure. Yet, they **are not** financially secure.

Common Cents creates **changes to the environment** to help people increase their financial well-being.
• Accumulates information
• Accounts for probabilities
• Accurately weights costs & benefits (across domains and timeframes)
• Maximizes own utility
• Has stable preferences
The Benefits of Investing Early and Often

FREE!

Financial Education Classes

Register NOW for the Fall series of Money Management Mentoring classes at:

Starting Thursday, Oct 30
5:30–7:30pm

Contact us today for your FREE guide.
• Don’t save enough money
• Take on too much debt
• Eat too much
• Don’t exercise enough
• Text & drive
• Overheat/cool our homes
• Drive when we could walk, bus, or carpool
• Throw recyclables in the trash
Just knowing information **does NOT** lead to behavior change
The ENVIRONMENT has a profound effect on the decisions we make.
The Role of Timing
Procrastination, Hyperbolic Discounting (Present Bias), Limited Attention, Pre-Commitment

The Role of Choice Structure
Default Bias, Friction Costs, Decision Paralysis, Active Choice

The Role of Society
Reciprocity, Norms, Social Proof
Pre-Commitment
People want to save their tax refund, so we asked them to commit to saving before the refund arrived, when temptation to spend is lower.

Hi [first name] — you got a federal tax refund this year! 💸
What percent (%) would you like to save?

Hi [first name] — you might get a federal tax refund this year! 💸
If you do get one, what percent (%) would you like to save?

Increased people deciding to save from 18.6% to 26.6%
Active Choice
When people get refi offers, they may think they have three choices: yes, no, or not right now. We reframed the choice set to emphasize just yes or no.

Dear
Our records indicate that you are likely paying too much on a high interest rate personal loan.

As your trusted, member-owned credit union, we don’t want you to struggle with debt -- we want to see you thrive. The WealthBuilder

The decision is yours. You have two choices:

___ I DO want to reduce my personal debt and start saving today. Let us know by calling

___ I DO NOT want to change my current debt situation or increase savings. Let us know by calling

3x uptake rates (compared to the generic letter)
Norms
People associate salaried positions with long-term employment and hourly with short-term. We reframed salary and found people had a higher intention to save when framed as yearly.

Imagine you earn $35/hour...

Imagine you earn $70,000/year...

Allocated ~5% more of their income toward long-term savings (11% vs 16%)
### 2016 Partners

<table>
<thead>
<tr>
<th><strong>Using feedback to encourage completion of Debt Management Plans</strong></th>
<th><strong>Creating a savings pocket with an auto-loan to pay for insurance &amp; repairs</strong></th>
<th><strong>Encouraging “rainy day savings” by opening named savings accounts for all new members</strong></th>
<th><strong>Increasing deposits among check-cashers by using defaults, regret, and simplification</strong></th>
<th><strong>Increasing long-term savings through automatic transfers linked to deposits</strong></th>
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<tbody>
<tr>
<td><strong>GreenPath.</strong> financial wellness</td>
<td><strong>Credit Union 1</strong></td>
<td><strong>Duke Credit Union</strong></td>
<td><strong>Cooperativa Latino Credit Union</strong></td>
<td><strong>Self-Help Credit Union</strong></td>
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</table>
How do we become our member’s primary financial institution?
DESIRED OUTCOME

Members will be more active users of the credit union

MEASUREMENT

• Number of transactions per member

• Average savings per member, direct deposit rates, checking account rates, and number of products per member
SINGAGE

La Cooperativa le ha ahorrado a sus socios más de $37 millones en el pago de intereses

Nuestros socios han ganado más de $10 millones en intereses

La Cooperativa cuenta con la red de cajeros automáticos más grande de Carolina del Norte

We have saved our members more than $37 million in interest payments

Our members have earned $10MM in interest

Largest ATM network in North Carolina
Most differences not significant.

*New branch manager in control

*New branch in treatment and bringing in new members just because they are new

Signs in the branch appear to have little to no effect
Welcome! You are now both a member and an owner of the Latino Community Credit Union (LCCU). LCCU is a cooperative financial institution in which individuals pool their money to provide loans and services to other members. When you become a member of LCCU, you gain privileges such as access to competitive rates and low fees and, in return, you assume the responsibilities associated with membership such as saving your money with LCCU and making payments on time.

LCCU will:

- Put members' needs first
- Offer ethical and affordable products
- Provide all members with competitive rates and low fees
- Treat members with respect

As a member-owner, I, __________________________will:

- Use my debit card responsibly
- Save my money with LCCU
- Make payments on time
- Sign up for direct deposit
- Use financial education resources

_________________________________________  ________________________________
Member Signature                           LCCU Signature
REWARDS CARD

Porque eres un gran socio, La Cooperativa TE PREMIA! Cada vez que hagas una transacción marca uno de los círculos. ¡Llena el tarjetón y reclama tu premio!

LCCU wants to reward you for being a great member! For each transaction you make with LCCU, color in one of the circles. Fill up your card and claim your prize!
Suggests punch cards were worse.

- Sent in the mail
- Potentially confusing to use
- Targeted low-use branches
- Control had more high-users
Interventions delivered

- in-person,
- directly to the customer, and
- emphasizing relationship

appear to have better effect among low-use members
CHECK CASHING

Date: _______________
Name: __________________

ACCOUNT NUMBER
*Start Account Number Here, Leading Zeroes Not Required

Check amount: __________________

SELECT YOUR TRANSACTION:
- I want to deposit 50% of check and cash remainder
- I want to deposit this amount: __________________

To be filled out by FSR

Cash Back: __________________
Deposit $: __________________

3Keep some money in your account that you can pull out later when you need it.
RISK WAIVER FOR CHECK CASHING

I confirm that I am assuming all risk and liability if the cash, given to me by LCCU in exchange for this check, gets lost or stolen. I understand that if I deposit the check into my account, my money will be safer and is insured by the federal government.

Print name _________________________________
Signature ________________________________
Date ________________________________
Simplify with round numbers

EASY CHECK CASHING

USE THIS SLIP IF YOU INTEND TO CASH A CHECK

Date: ______________

Name: _________________

Check amount

Easy Deposit
(Examples: $50, $30, $20)$

To be filled out by FSR

Cash Back

Deposit $________________

$ Want different amount back? Ask for slip #378

Keep some money in your account that you can pull out later when you need it
Early Results: How many deposited at least part of their check?

Control: 0%
Default: 5%
Default + Pain: 10%
Simplify: 15%

**Too early to tell if differences are statistically significant**
Questions?