

Encouraging Savings at the Check Cashing Window



Preliminary Results from an Evaluation of a Savings Product for Check Cashing Clients in NYC

US Finance Initiative
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usfi@poverty-action.org



Introductions & Agenda



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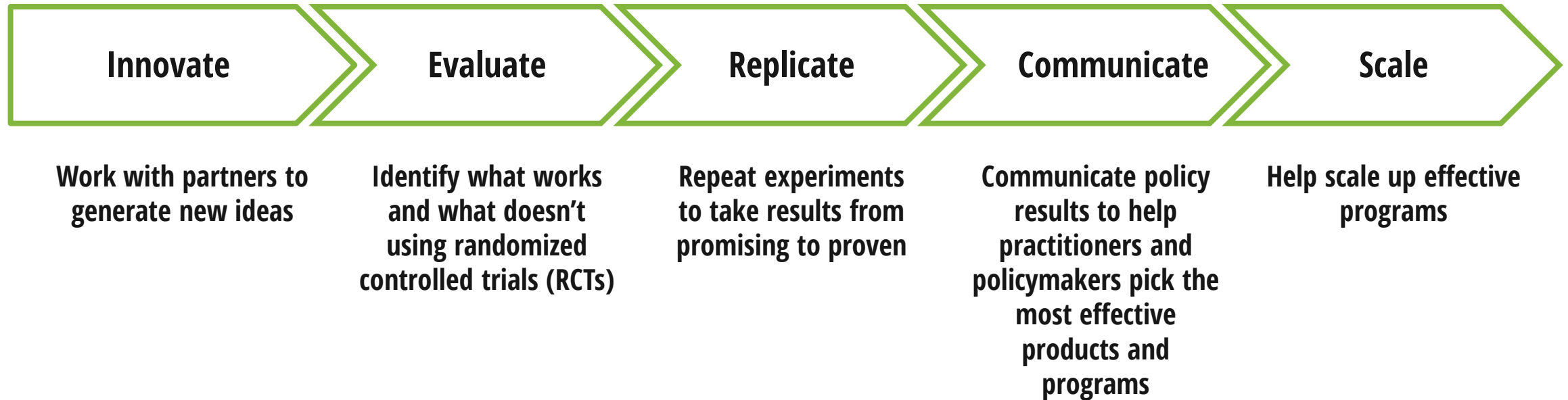
Thiara Falcon

- Introduction to IPA & US Finance Initiative
- Cash & Stash Overview
- Research Design
- Preliminary Results
- RiteCheck's Perspective
- Questions



Innovations for Poverty Action

IPA is a research non-profit that was created in 2002 to discover and promote effective solutions to global poverty problems.



IPA US Finance Initiative (USFI)

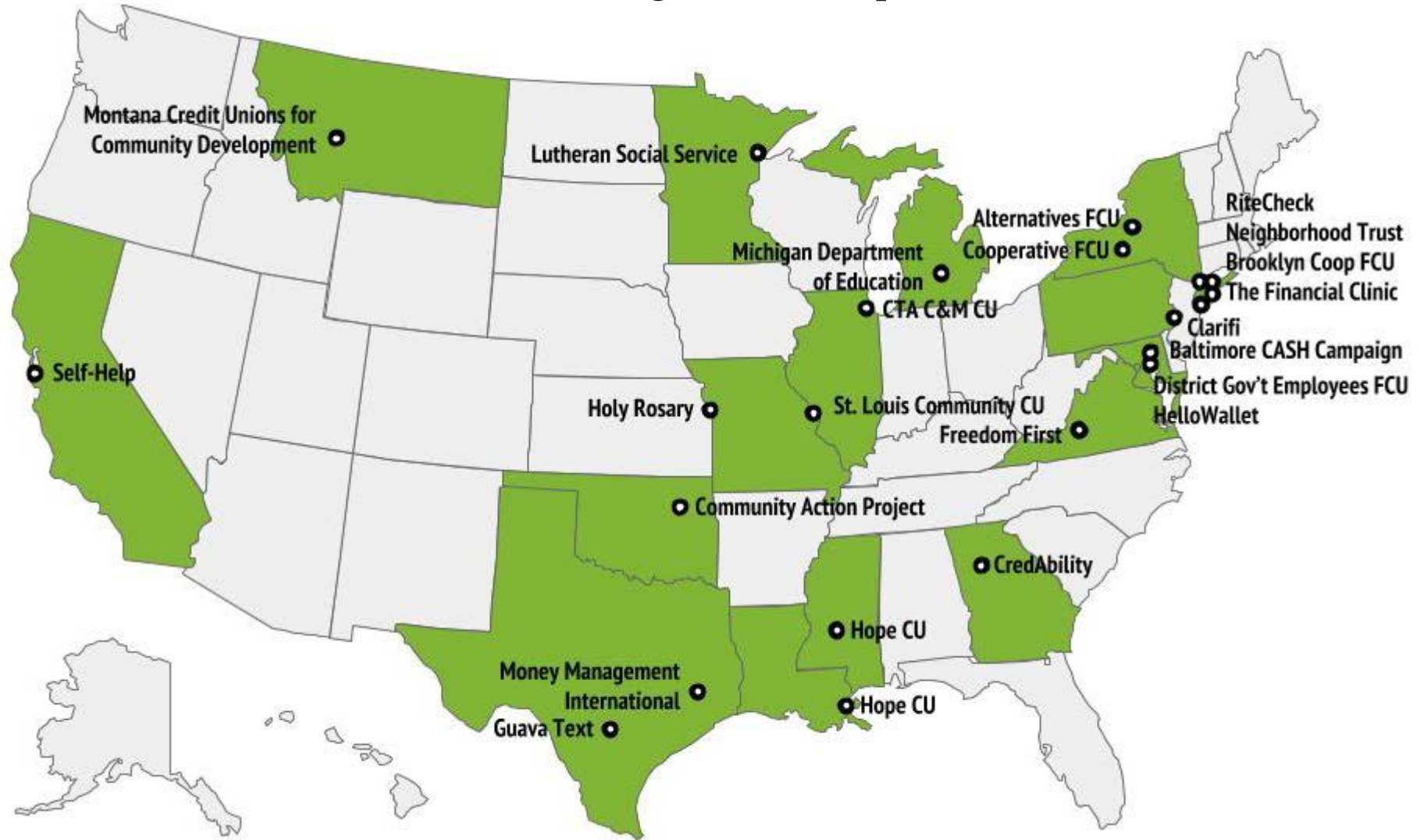
- Develop, rigorously evaluate, and scale cost-effective financial products
- Use insights from behavioral economics
- Led by Professors Jonathan Zinman and Dean Karlan

OUR VISION

Secure financial lives for all households.



USFI Project Map



FINANCIAL PRODUCTS INNOVATION FUND (FPIF)

Supported by



FORDFOUNDATION

- Competitive research fund to support partnerships between academics and financial service providers
- Supports the development of scalable, market-tested products that help households make better financial decisions
- Applications from for-profit and non-profit financial institutions



FPIF ROUND I - CASH & STASH



- RiteCheck Cashing, Inc.
- Savings account with option to set aside money every time a check is cashed
- Novel product due to legal arrangement between RiteCheck and USAlliance Federal Credit Union (formally BethEx Federal Credit Union)
- Demand: 200 accounts opened during pilot study



Product Details

- To open account need a minimum deposit of \$5 and a valid government ID as well as SSN or ITIN
- No monthly minimum balance requirement
- Accounts are interest bearing (0.35% APY)
- Deposits and withdrawals from any RiteCheck store, at any time
- Customers must transact at the teller window by presenting their Cash & Stash account number or a valid photo ID



Product Motivation

- **7.0%** of households were unbanked in 2015; **30.3%** of those households used a check casher
- **29.9%** of households do not have a savings account
- **37%** could pay a \$500 financial shock without difficulty
- **60%** of households experience a financial shock with a median value of **about \$2000**

Sources: Associated Press-NORC Center for Public Affairs. 2016. *Views of the National Economy are Clouded by Personal Finance and Employment Concerns*.
Federal Deposit Insurance Corporation, 2016. *2015 FDIC National Survey of Unbanked and Underbanked Households*.
Pew Charitable Trusts, 2015. *The Role of Emergency Savings in Family Financial Security*.



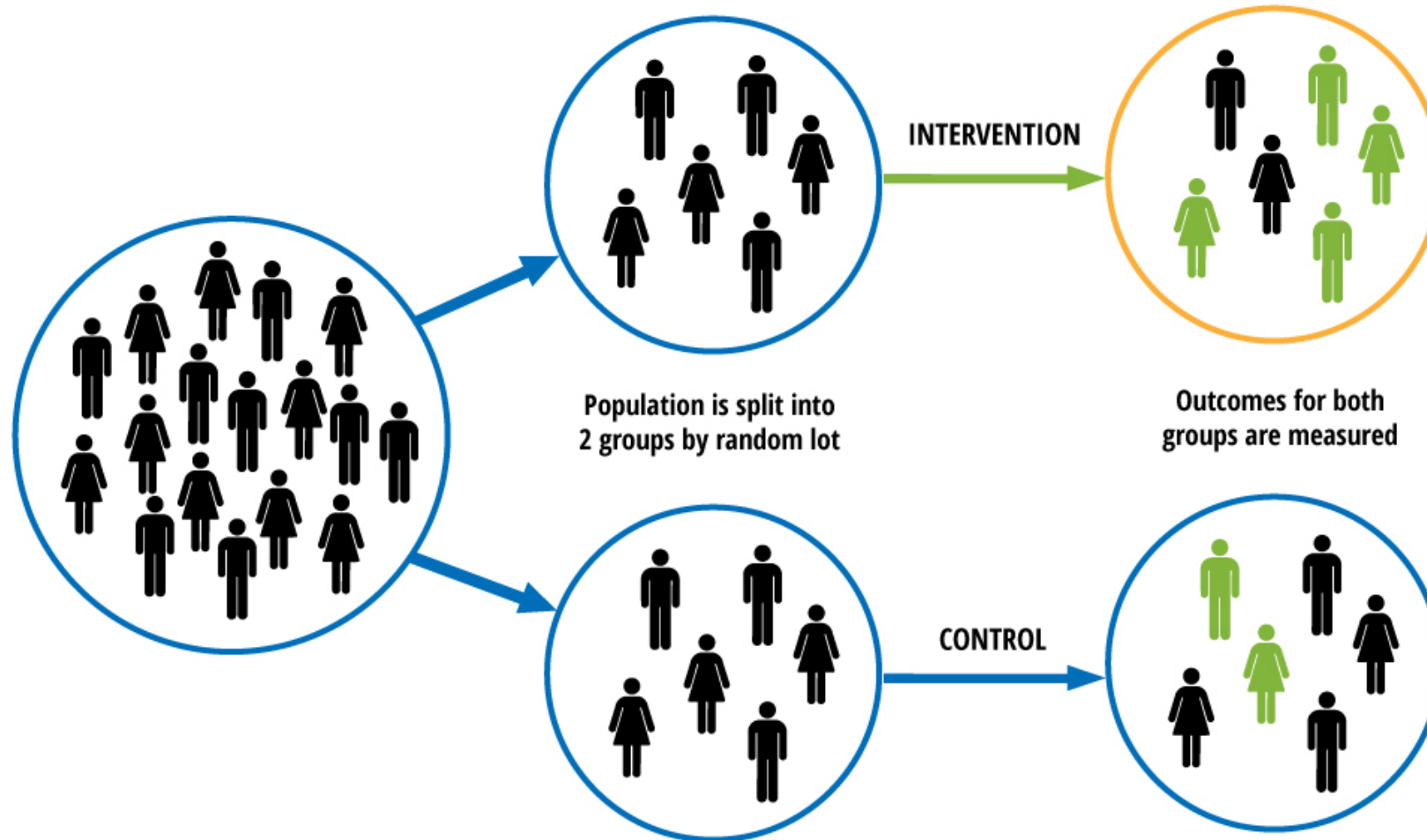


Impulse Savings

- **“Impulse savings”** is a means to combat limited attention, when customers have the cash in hand
- Many reasons why low-income people may not save, but it is a **hard environment to save** without products like Cash & Stash
- **Low friction** to save when cashing check

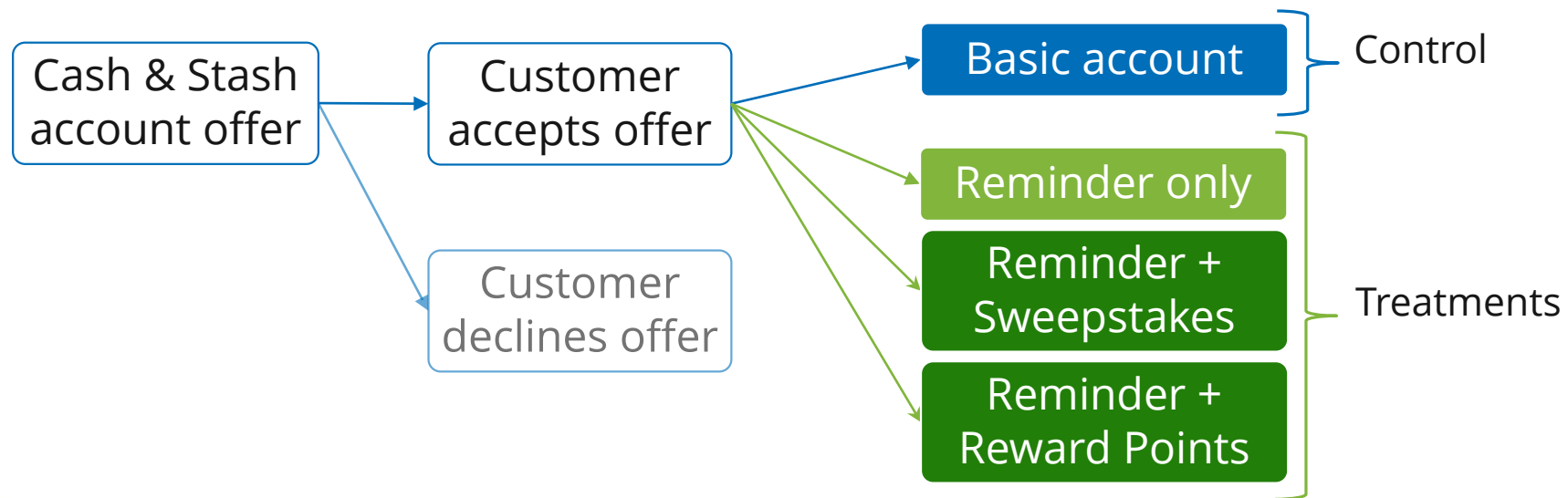


Randomized Controlled Trials



Cash & Stash Research Design

- This design tests on how **behavioral insights can increase product usage** for people who want to save; Cash & Stash creates an **environment where limited attention is reduced**.
- Overall, there were **3 treatment groups with 872 clients**. The groups tested three behavioral means to combat limited attention: (1) reminders, (2) sweepstakes, and (3) reward points.



Implementation

- Study ran **February 2015 to June 2016**.
- **Promotional period**, where marketers made offers, ran February to April 2015. Customers randomized on the spot.
- Customers who opened accounts during the initial pilot period (April 2013 - Dec 2014) and post-promotion period (May 2015 - May 2016) were randomized in batches by IPA.



Reminder Messages



Control: No Prompt

T1: Reminder Only

“Would you like to make a deposit into your Cash & Stash account?”

T2: Sweepstakes

“Would you like to make a deposit into your Cash & Stash account? Each dollar in your weekly balance is a sweepstakes entry. The bigger your balance, the more chances you have to win!”

T3: Rewards

“Would you like to make a deposit into your Cash & Stash account? Each week you get triple points for every dollar of your balance. The more you have in your account the more points you earn!”



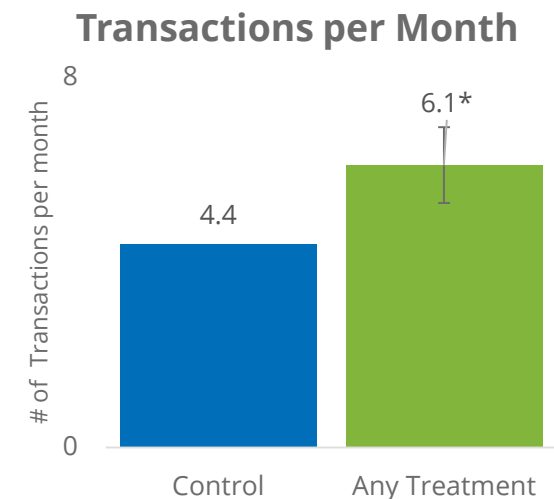
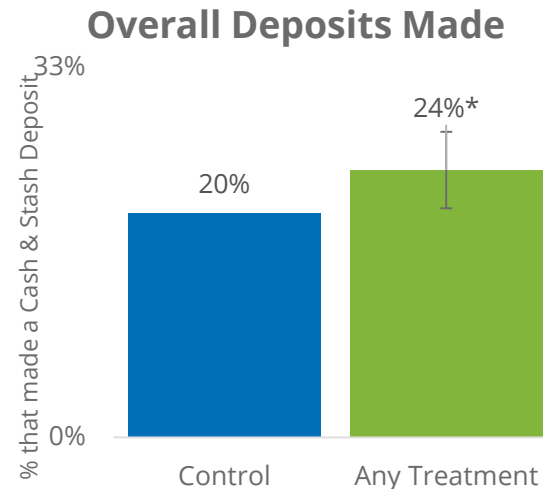
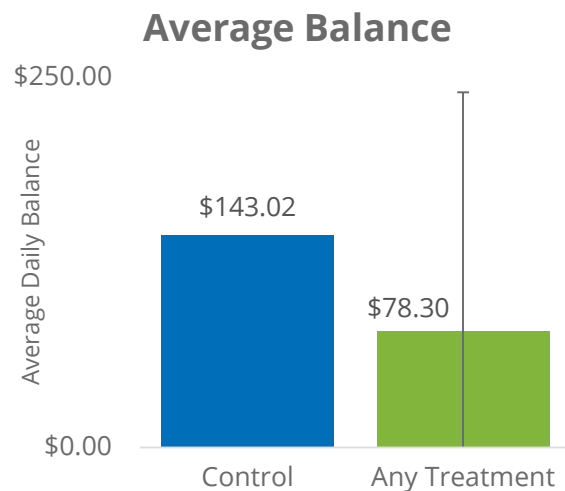
Implementation Challenges

- In the first few months of the evaluation, mystery shoppers found that **fewer than one in ten tellers gave the appropriate reminder.**
- After retraining and the implementation of an incentive program, treatment reminders were made 50% of the time, but often **details about Sweepstakes and Points were omitted.**
- A combination of marketers and tellers opened **872 accounts by June 2016 out of a goal of 1,200.** Estimation of take-up rate ranged from 19%, marketer interactions, to less than 1%, the total RiteCheck customer base.



Preliminary Results

- Due to implementation challenges we could not specifically test the effects of individual interventions.
- Among these results we note a **significant increase in usage of Cash & Stash, but no significant change in savings balances.**
- We also see an **increase in number of non-Cash & Stash transactions** among those assigned to any treatment groups.



* Indicates that the result is significant at a $p < .05$ level or greater.



Qualitative Interviews

- **Cash & Stash account is popular among tellers.** Over 60% of tellers have accounts.
- Tellers struggled with the **time constraints** necessitated by the check casher service model.
- Tellers encouraged customers to use **Cash & Stash as a way to save money on other transactions and products.**



Takeaways & Further Research

- **Reminders impacted account usage unexpectedly**: deposits increased, but we observed no change in savings balances. Qualitatively, we think customers may have been using Cash & Stash more as a transactional account.
- Cash & Stash seems a like a promising product to enhance customer loyalty among RiteCheck customers: those in **any treatment group made 1.5 more transactions, on average, per month.**
- **Keep research design simple**, especially when an intervention is delivered by frontline staff!
- Future product tests might look at **automating reminders.**



RiteCheck's Perspective

- Motivation
 - Beyond Transactional
 - Loyalty
 - Conversation with Prof. Jonathan Zinman – tipping
- Experience working partnering with a credit union
 - Philosophical Compatibility
 - The Wheels Came off
- Lessons learned
 - Why we're not banks – Deep cultural commitment to frictionless transactions
 - Program necessarily introduces friction
 - Credit Union NCUA Regulations
 - Customer – Garnishes and Attachments
 - Cashiers – IPA Nudges
- Plans going forward – Build a better mousetrap with USAlliance





Questions

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Thank you



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