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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Introductions & Agenda

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• 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.

- **Innovate**: Work with partners to generate new ideas
- **Evaluate**: Identify what works and what doesn’t using randomized controlled trials (RCTs)
- **Replicate**: Repeat experiments to take results from promising to proven
- **Communicate**: Communicate policy results to help practitioners and policymakers pick the most effective products and programs
- **Scale**: Help scale up effective programs
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.
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
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:**
- Federal Deposit Insurance Corporation, 2016. *2015 FDIC National Survey of Unbanked and Underbanked Households.*
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

Population is split into 2 groups by random lot

INTERVENTION

Outcomes for both groups are measured

CONTROL
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