COMMON CENTS LAB
END OF YEAR
2016 REPORT

COMMON CENTS LAB

MetLife Foundation

INCREASING DEPOSITS AMONG CHECK CASHERS (LATINO COMMUNITY CREDIT UNION)

PROJECT AT A GLANCE

PARTNER TYPE	PROJECT TYPE	PROJECT STATUS
CREDIT UNION	EXPERIMENT	COMPLETED

The Latino Community Credit Union was founded in 2000 as a grassroots response to a wave of muggings of Latino immigrants in Durham. Since then, it has become a large credit union providing access to financial services to over 60,000 members in North Carolina, many of whom have little or no credit history in the U.S.

LCCU partnered with Common Cents to find ways to help members manage their cash flow by increasing short- and long-term savings. Through the diagnostic work described below, we narrowed this question to two main challenges: (1) How to increase deposits among members who only cash their checks; and (2) How to increase automatic transfers to savings accounts among members who are getting a loan.

Behavioral diagnosis

Common Cents performed several rounds of data analysis of members' deposits and cash checking patterns. Common Cents also interviewed 12 LCCU members, with both high and low levels of engagement with the credit union. The interviews covered topics on access and use of financial products, and savings practices. We paired the interviews with a deep-dive into the process of making deposits and using other LCCU products. This exercise included site observations at branches and interviews with customer-facing staff.

Key insights

We learned that many members use shortcuts to decide how much to deposit into their savings account, such as depositing the amount of money they have left by the time they receive their next check or their smallest check if they have multiple sources of employment.

We decided to focus the first part of the project on further increasing the shortcuts to savings among check-cashers (which represents about 18% of the total volume of transactions that members make at LCCU's branches).

Experiment 1: How can we increase shortcuts to savings among check-cashers?

In October 2016, we launched a pilot experiment aimed at increasing deposits among members who walk into LCCU branches to cash their whole checks. This experiment had four conditions: a control and three experiment conditions, which changed the check cashing slip.

First, the slips created friction cost to cashing a check, as there was no slip required prior to the experiment. Second, the slips contained different combinations of the following ideas: defaulting members into depositing 50% of their checks, signing a risk waiver that highlights the opportunity costs of not depositing, thus increasing the pain of paying for the check cashing fee.

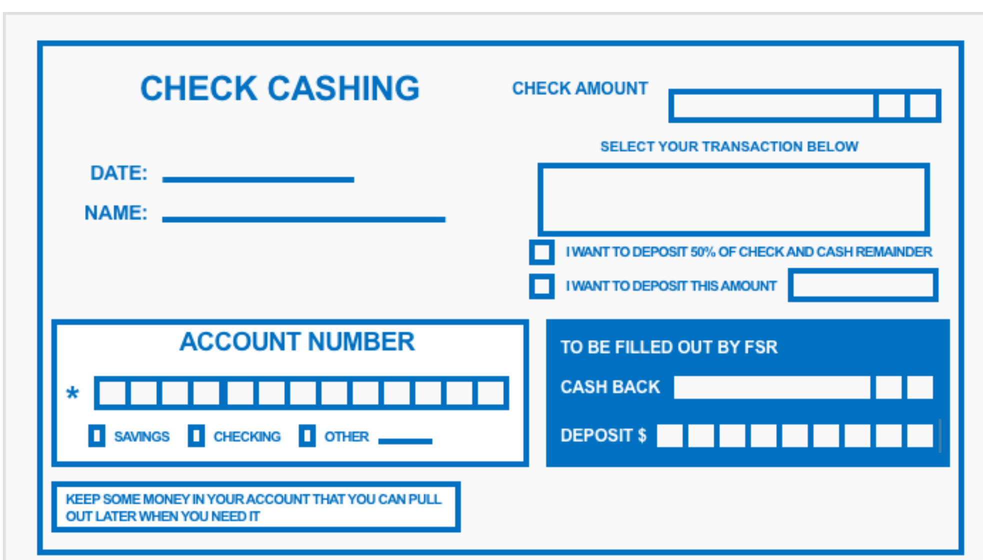

CHECK CASHING
CHECK AMOUNT
SELECT YOUR TRANSACTION BELOW
DATE:
NAME:
I WANT TO DEPOSIT 50% OF CHECK AND CASH REMAINDER
I WANT TO DEPOSIT THIS AMOUNT
ACCOUNT NUMBER
*
SAVINGS CHECKING OTHER
TO BE FILLED OUT BY FSR
CASH BACK
DEPOSIT $
KEEP SOME MONEY IN YOUR ACCOUNT THAT YOU CAN PULL OUT LATER WHEN YOU NEED IT

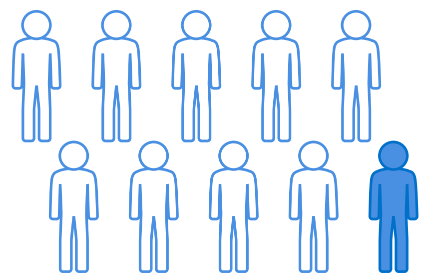
Figure [3]: Check cashing slip with pain of paying, default and opportunity cost.

We observed that members in the treatment group made significantly more deposits. In 9.26% of the cases, the slips prompted a behavior change, switching check-cashers into depositors. These members deposited an average of $169 of their paycheck, equivalent to 22% of their check's value.

If adopted and implemented across the board, the slips could impact short-term savings of 10,000 members. Following the current analysis, we will compare follow-up outcomes, observing whether members who received the slips made more deposits between one an two months of the intervention.

9.26%

OF MEMBERS IN THE TREATMENT CONDITION SAVED PART OF THIER PAYCHECK,



KEEPING AN AVERAGE OF

$169

IN THEIR ACCOUNT.

HTTP://COMMONCENTSLAB.ORG