

# Putting Consumers “Back” Into Finance

ACFEA Conference July 2, 2009

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Founder and Chairman  
Doorways to Dreams Fund, Inc.

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## Today's talk

- The curious absence of consumers from modern academic finance
- Bringing consumer finance into the classroom: HBS-HLS Consumer Finance course
- New research on consumer finance
- New experiments and entrepreneurship

## Consumer Finance: Absent from HBS and other top MBA Programs

Top 20 US Business Schools*	Banking and Financial Institutions	Behavioral Finance	"Personal" Taxation	Microfinance	Money Management	FS Marketing	Residential Real Estate	Consumer Finance
Berkeley (Haas)	x	x	x	x			x	
Carnegie Mellon (Tepper)	x		x					
Chicago	x							
Columbia	x				x			
Cornell (Johnson)	x	x			x			
Dartmouth (Tuck)	x			x	x			
Duke (Fuqua)		x						
Harvard	x	x	x	x	x			x
Indiana (Kelley)	x	x					x	
Michigan (Ross)	x		x	x				
MIT (Sloan)								
Northwestern (Kellogg)	x			x				
NYU (Stern)	x	x	x		x	x		
University of Pennsylvania (Wharton)			x				x	
Stanford								
UCLA (Anderson)	x	x						
University of North Carolina (Kenan-Flagler)								
University of Texas-Austin (McCombe)	x							
University of Virginia (Darden)								
Yale	x	x		x				
Top 5 European Programs**	Banking and Financial Institutions	Behavioral Finance	"Personal" Taxation	Microfinance	Money Management	FS Marketing	Residential Real Estate	Consumer Finance
London Business School (UK)		x						
Insead (France)	x				x			
IE Business School (Spain)					x			
iese Business School (Spain)	x							
IMD (Switzerland)								

\* In alpha order by university. Each ranked in top 20 by both Business Week and U.S. News.  
 \*\* In alpha order by program. Top ranked European MBA programs by Financial Times Global MBA rankings 2009.

## How can this be?

- Consumer finance sector is huge
- Consumer finance sector is changing due to innovation
- Consumer finance sector is complex
- Consumer finance sector is at the center of economy and regulatory reform

## Huge: US Households, (2008)

(\$ trillions)

Tangible Assets	\$24.9	Mortgages	10.5
Real estate	20.5	Consumer credit	2.6
Other	4.4	Other debt	1.1
Financial Assets	40.8	Equity	51.5
Deposits	7.7		
Credit market instruments	3.9		
Equities	5.5		
Mutual funds (ex MMMFs)	3.2		
Pension reserves	10.3		
Unincorporated business	7.5		
Total	65.7	Total	65.7

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...Huge

	U.S.	Japan*	China*
Total Household Financial Assets	\$ 48,133,600	\$ 16,735,200	\$ 8,493,080
Deposits	\$ 5,834,620	\$ 8,268,650	\$ 5,416,350
Fixed Income Securities	\$ 3,895,130	\$ 1,343,010	\$ 1,693,330
Equities	\$ 22,898,300	\$ 2,339,570	\$ 1,360,370
Net Equity in Insurance and Pension Funds	\$ 13,828,800	\$ 4,123,360	\$ 3,319
Liabilities	\$ 15,846,100	\$ 4,572,690	\$ 2,486,170
Net Worth	\$ 32,287,500	\$ 12,162,500	\$ 6,006,910
Population (in millions)	303.85	127.29	1,328.02
Disposable Personal Income (DPI)	\$ 10,642,100	\$ 2,913,040	\$ 1,737,430
Household/Personal Savings Rate **			
2006	0.82%	3.30%	24.70%
2008	2.43%	3.30%	---
Liabilities to Assets	0.33	0.27	0.29
Net Worth to Assets	0.67	0.73	0.71
Private consumption per head	33,100	22,304	1,150
Per capita DPI	35,024	22,885	1,308

Source: Economic Intelligence Unit, Country Data and Market Indicators unless otherwise noted

\*Figures are EIU estimates

\*\* Savings rates for U.S. are averages for the year based on quarterly calculations by the U.S. Department of Commerce, Bureau of Economic Analysis. Japan figures provided by OECD Economic Outlook, December 2008. China 2006 comes from Chamon and Prasad (2007) but not readily available for 2008.

Note: figures are in millions USD

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## Changing: Functions and Innovations

### Key Functions of Consumer Finance System

- Payments
- Moving money from the future (borrowing)
- Moving money to the future (saving/investing)
- Managing risk

### Major Innovations in last half century

- Debit cards, mobile banking and electronic payments
- Credit cards, home equity products, relaxed underwriting, adjustable rate mortgages
- Mutual funds an ETFs; Do-it-yourself (brokerage, retirement); prepaid debit
- New insurance products

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## Card-based businesses



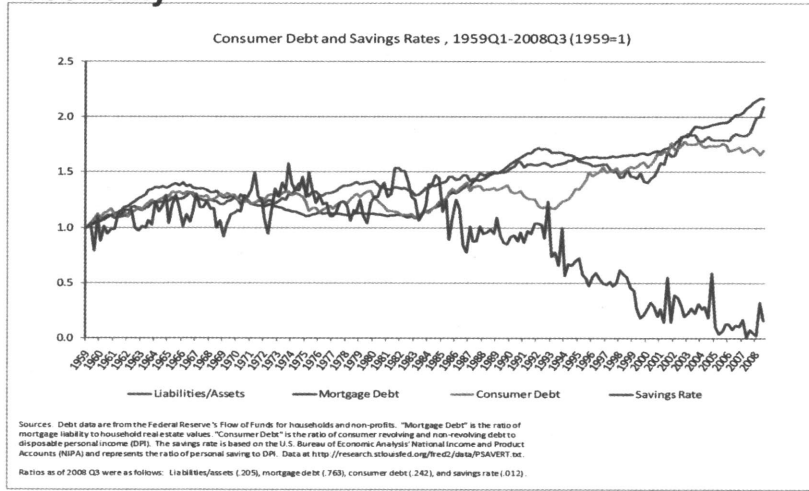
Consumer Payments Volume (\$ billions)						
	2007		2006		2002	
Total payments for goods and services	\$7,577		\$7,175		\$5,727	
Paper-based transactions	\$3,361	44%	\$3,379	47%	\$3,459	60%
Card-based transactions	\$3,368	44%	\$3,044	42%	\$1,899	33%
<i>credit cards</i>	\$2,026	27%	<i>n/a</i>	<i>n/a</i>	\$1,351	24%
<i>debit cards</i>	\$1,169	15%	<i>n/a</i>	<i>n/a</i>	\$477	8%
<i>prepaid</i>	\$142	2%	<i>n/a</i>	<i>n/a</i>	\$55	1%
<i>EBT</i>	\$31	0.4%	<i>n/a</i>	<i>n/a</i>	\$16	0.3%
Electronic/remote payments	\$848	11%	\$751	10%	\$369	6%

Source: Nilson Report, Issue #915, November 2008

Total Bankcards: Debit AND Credit	US	Japan	China
In use in 2007	1.5 billion	839 million	1.58 billion
per person	5.2	6.6	<1

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## Center of short and long run trends in economy



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## Subprime Crisis, Home Foreclosures, Tightening Credit



- Mortgage abuses in subprime lending
- Falling home values and rising rates of foreclosure
- Difficulties in renegotiating mortgages
- Limited consumer credit, especially outside government sources

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## Complex: varies across countries

- **Credit cards in China**
  - Low rate of revolvers versus transactors
  - Carve outs for interchange for certain groups
  - As a result, different economic model
- **US versus China**
  - US a nation of borrowers (recently), but not historically or right now
  - China a nation of savers, but for how many generations?

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## Consumers don't trust (most) financial institutions

BUSINESS | MAY 26, 2009

### Rating the Money Shepherds

*Consumers' Opinions of Financial Firms Drop to All-Time Lows*

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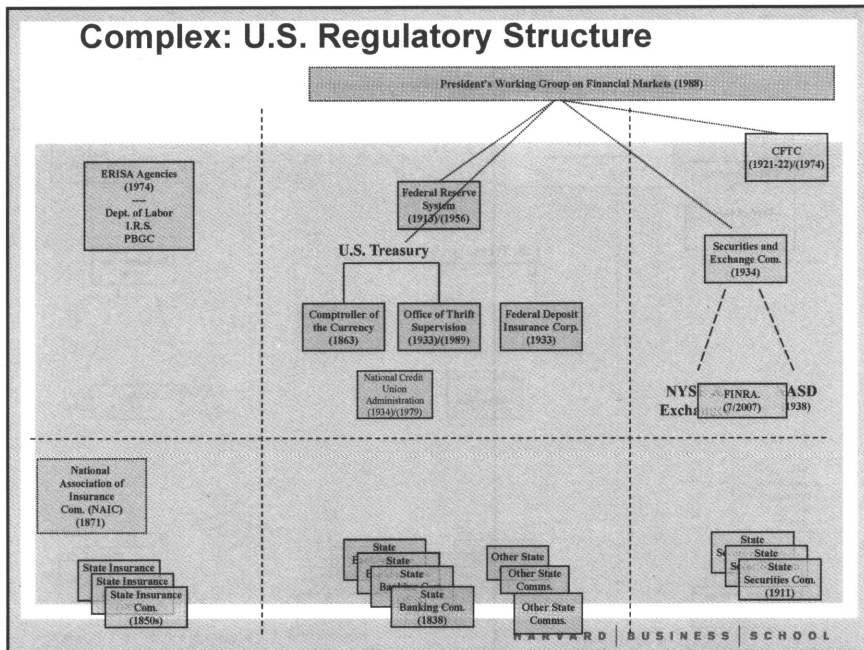
By JANE J. KIM

Stung by the worst financial crisis in years, consumers have been turning in opinions of financial-services firms that have dropped to all-time lows, according to a new survey.

But some firms held up better than others. Amid a flight to safety, more consumers are trusting credit unions, insurers and regional banks over brokerage and investment firms, according to Forrester Research Inc.'s sixth annual survey of "customer advocacy."

The survey ranks financial-services companies based on their customers' perception that their providers are looking out for their best interests, not just their own bottom lines. For the first

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## New Regulatory Proposals

7

111TH CONGRESS  
1ST SESSION

# S. 566

To create a Financial Product Safety Commission, to provide consumers with stronger protections and better information in connection with consumer financial products, and to give providers of consumer financial products more regulatory certainty.

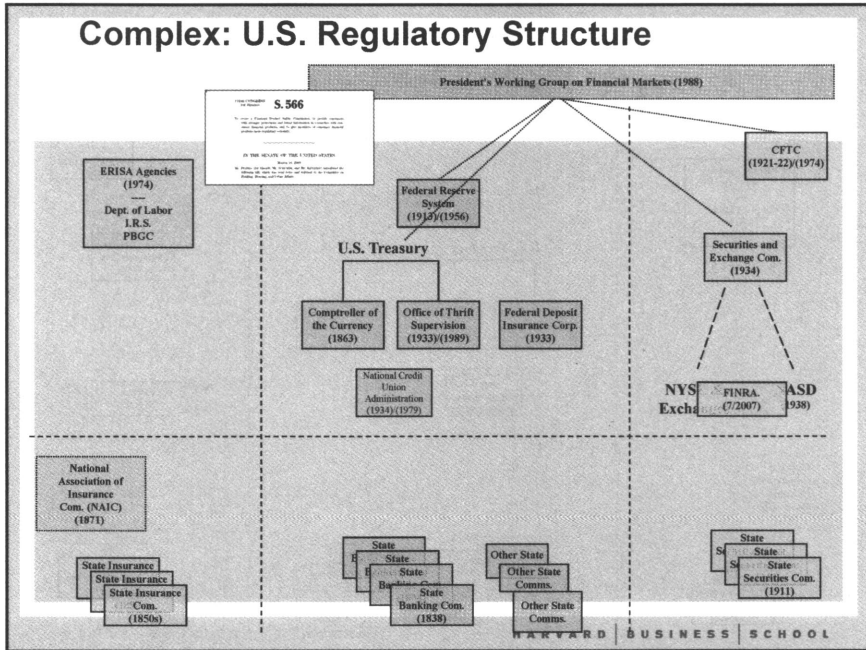
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IN THE SENATE OF THE UNITED STATES

MARCH 10, 2009

Mr. DURBIN (for himself, Mr. SCHUMER, and Mr. KENNEDY) introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

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What should we, as scholars, do?

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## Animating The Field of Consumer Finance

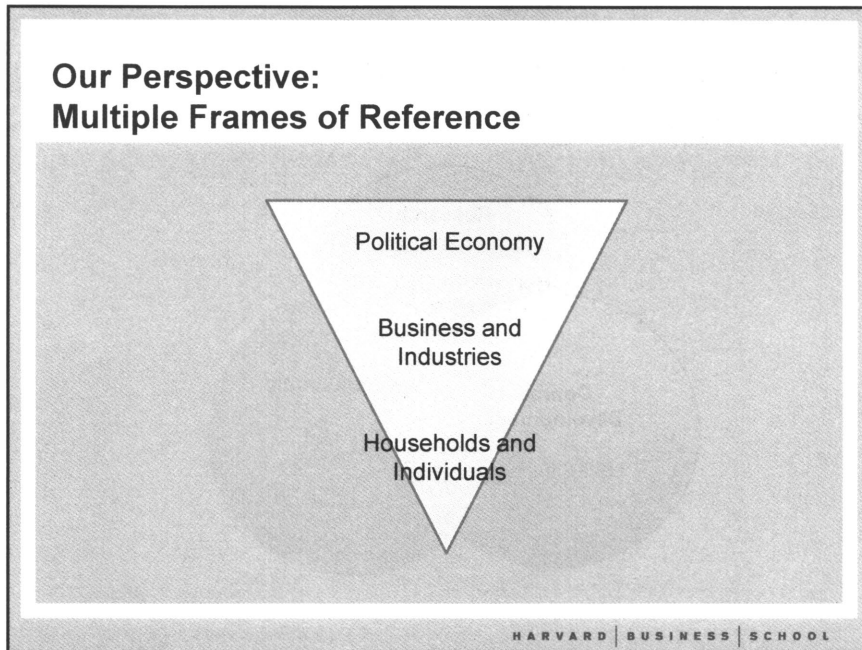
The diagram consists of three overlapping circles. The top circle is labeled 'Research' and lists 'Harvard, Boston Fed, and CFB'. The bottom-left circle is labeled 'Course Development' and lists 'HBS Offerings'. The bottom-right circle is labeled 'Entrepreneurship' and lists 'D2D Fund and Partners'. The circles overlap in the center.

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## Animating Students

- **Exec Ed offerings**
  - Consumer Financial Services Program
  - Specialized offerings: Microfinance, Credit Unions
- **MBA/JD course on Consumer Finance**

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### Our Approach: A Dual Functional Perspective

- **What are the key functions delivered by the financial system to households?**
  - Payments
  - Moving money from today to tomorrow investing
  - Moving money from tomorrow to today – borrowing
  - Managing risk – e.g., insurance

*Many products with different names but identical functions*
- **What are the key governmental objectives?**
  - Protection of consumers
  - Elimination of externalities of failure
  - Redistributive policies and equitable
  - Considerations of political economy
  - Prevention of crime

*Many regulatory tactics can be used to achieve objectives*

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## The Coverage of the Course

Class	Primary Function				Primary Perspective			Materials Used			
	Payments	Saving	Credit	Risk	Consumer	Business	Government	Primary Sources	Substantive Not	HBS Case Study	Legal Memo/real
Introduction	x	x	x	x	x	x	x	x	x	x	x
Budgets and Decision Making		x	x		x	x	x	x	x		
Lottery Linked Savings		x			x	x				x	x
Friends and Family/Peer to Peer Lending		x			x	x				x	x
Checking/Debit products, ChexSystems and Overdraft	x		x		x	x	x			x	x
Insurance: Weather risk and Genetic Testing			x		x	x	x			x	x
Health Care				x	x	x	x			x	
A better Credit Card : E-duction			x		x	x				x	
Wal-Mart's Foiled attempts in banking	x	x				x	x	x			x
Cooperative business models, indirect lending and fees	x		x			x	x			x	x
Mortgage and mortgage modifications			x		x	x	x	x		x	
Paying for Distribution: The Trilateral Dilemma		x	x	x		x	x	x	x	x	x
Protecting Consumers: The FPSC Proposal	x	x	x				x	x			x

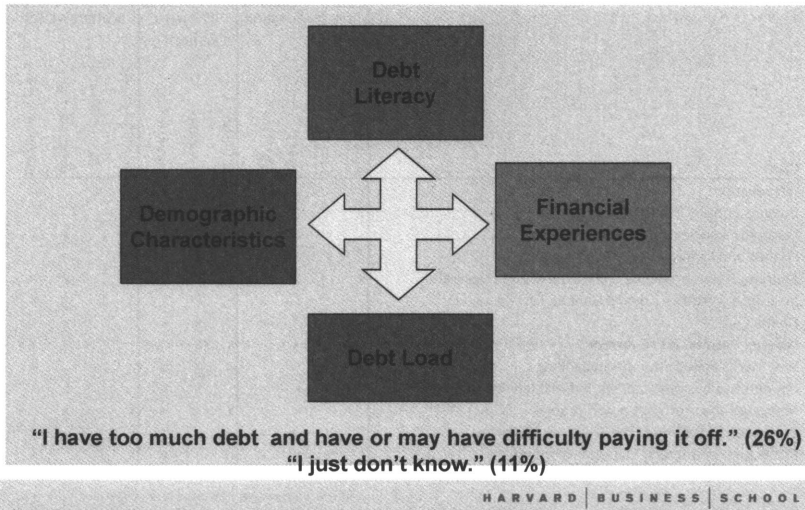
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## Understanding Consumers

- **Multiple approaches to understanding consumers**
  - Economics
  - Knowledge
  - Psychology
  - Sociology
- **Example: Christmas Eve Closing case**
  - Actual family in Lawrence, MA: Should they take the new mortgage?
  - Why is Tim Sullivan, the broker, coming to work on Christmas Eve to close this mortgage?
  - Legal angles:
    - How Would Federal Loan Modifications Programs apply?
    - How should we regulate the distribution of consumer products?

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### Debt Literacy, Financial Experiences, and Overindebtedness (with Lusardi)



### Debt Literacy: Ability to do analysis drawn from everyday life + Self-reported measure

**Q1: Suppose you owe \$1,000 on your credit card and the interest rate you are charged is 20% per year compounded annually. If you didn’t pay anything off, at this interest rate, how many years would it take for the amount you owe to double?**

	Interest compounding	Percent
• 2 years	2 years	9.6
• Under 5 years	<b>Less than 5 years (correct)</b>	<b>35.9</b>
• 5 to 10 years	5 to 10 years	18.8
• More than 10 years	More than 10 years	13.1
• Do not know	Do not know	18.3
• Prefer not to answer	No answer	4.3

(A. Lusardi and P. Tufano, “Debt literacy, financial experiences and indebtedness.” (Working Paper))

## Actual competence and self-assessment relate to demographics

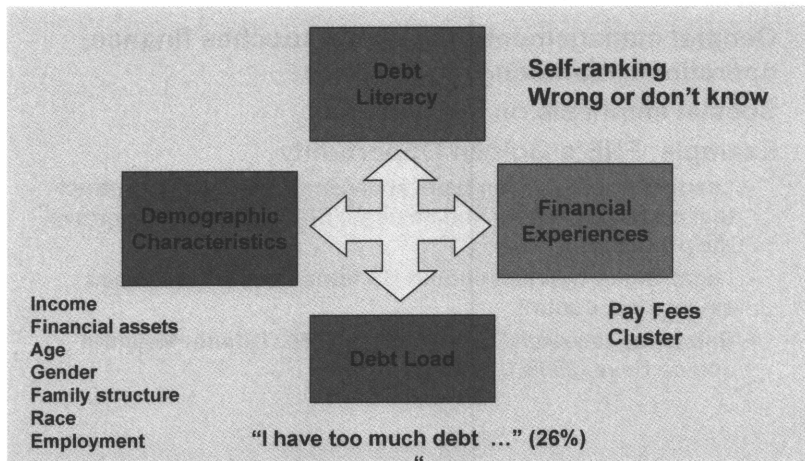
Suppose you owe \$1,000 on your credit card and the interest rate you are charged is 20% per year compounded annually. If you didn't pay anything off, at this interest rate, how many years would it take for the amount you owe to double?

	Age						Gender		Household income			
	Total	< 30	31 to 40	41 to 50	51 to 65	> 65	Male	Female	Under \$30,000	\$30,000 - \$49,999	\$50,000 - \$74,999	Above \$75,000
2 years	9.5%	10%	14%	10%	7%	10%	9%	11%	14%	7%	10%	6%
Less than 5 years*	36.5%	43%	33%	34%	38%	29%	46%	25%	28%	32%	39%	48%
Between 5 and 10 years	18.8%	22%	20%	21%	16%	16%	16%	22%	18%	19%	20%	18%
More than 10 years	13.1%	5%	11%	14%	18%	11%	14%	12%	10%	18%	17%	10%
Do not know	18.3%	16%	16%	19%	16%	28%	11%	25%	26%	18%	11%	14%
Prefer not to answer	4.3%	4%	6%	2%	5%	6%	4%	5%	6%	5%	2%	3%
Number of observations	1,000	141	189	226	328	116	505	495	264	163	193	380

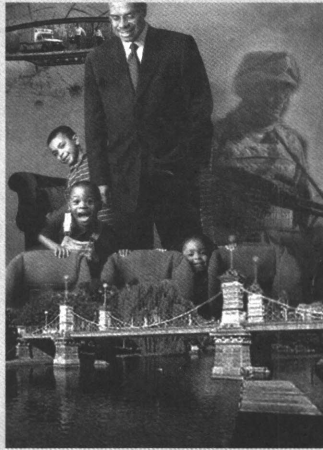
On a scale from 1 to 7, where 1 means very low and 7 means very high, how would you assess your overall financial knowledge?

	Age						Gender		Household income			
	Total	< 30	31 to 40	41 to 50	51 to 65	> 65	Male	Female	Under \$30,000	\$30,000 - \$49,999	\$50,000 - \$74,999	Above \$75,000
1 = Very low	2.0%	3%	3%	2%	2%	1%	2%	2%	5%	1%	1%	1%
2	2.9%	3%	1%	4%	4%	3%	3%	3%	5%	4%	1%	1%
3	7.7%	9%	11%	10%	6%	3%	7%	9%	11%	7%	6%	6%
4	19.5%	27%	27%	18%	16%	12%	17%	23%	24%	18%	15%	18%
5	31.9%	30%	31%	28%	36%	31%	32%	32%	27%	31%	40%	33%
6	18.9%	13%	15%	20%	19%	31%	23%	15%	13%	20%	22%	24%
7 = Very High	10.7%	9%	8%	12%	10%	16%	12%	10%	8%	10%	11%	14%
Do not know	2.3%	4%	1%	3%	2%	2%	2%	3%	3%	5%	2%	1%
Prefer not to answer	3.9%	3%	5%	3%	6%	1%	4%	4%	6%	5%	2%	3%
Average score	4.88	4.68	4.67	4.89	4.93	5.33	5.01	4.74	4.45	4.91	5.1	5.17

## How do these relate to one another



## Understanding emotion: What does saving look and feel like?



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## Understanding Business Models

- **General management orientation: touches finance, operations, marketing, compliance**
- **Special emphasis on innovations**
- **Example: FNB's Golden Opportunity**
  - Leading South African bank analyzing new deposit product that combines lottery and savings: Should the CEO approve the product?
  - Legal angle: Can and should US firms offer lottery-based savings accounts?
  - Relates to research (Tufano 2008 (AER), Tufano, Maynard and de Neve (2008)).

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## Understanding the Interaction between Business Models and Financial Regulation

- **Inherent tension between profit maximizing and certain public policy goals**
- **Example: Central Bank – The ChexSystems**
  - Evaluation of new database that improves the capacity of firm to distinguish among potential debit account. Which debit customers do we want?
    - “Lower-quality” customers can be quite profitable due to overdraft fees
  - Legal angle: FDIC study on bank overdraft fees and associated proposals to restrict fees and standardize regulation

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## The economics of “free” checking with “courtesy overdraft”: HBS Case study

### ACCOUNT COSTS

- Account acquisition: \$100
- Account maintenance: \$160 per year on a fully allocated basis
- Conditional losses on involuntarily closed accounts: \$250

### ACCOUNT REVENUE

- Spread on deposited funds: 3% on average balance of \$1000 = \$30
- Debit card revenue \$30 (but only 50% use them)
- Other small fees: \$10
- Overdraft fees: \$25 per overdraft
  - 11% never overdraft
  - 78% overdraft 1-2 times a year.
  - 11% overdraft 50 times a year

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## US National data FDIC – November 2008

- Banks earned \$1.97 billion in OD-related fees in 2006, or 74% of all service charges on deposit accounts.
- The median overdraft fee was \$27; the median overdraft was \$36. Time to remediate is a few days.
- Incidence of overdraft per account per year
  - None 75%
  - 1-4 /year 12%
  - 5-9 5%
  - 10-19 4%
  - Over 20 5%

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## Empirical determinants of county-level scaled closures

- Personal traits matter: More closures in counties with
  - Reductions in income
  - Increases in unemployment
  - More single moms
  - Less education
  - More young and old residents
  - Certain racial groups
- Community traits matters: More closure in communities with weaker social capital
  - Greater crime
  - Less civic engagement (voting)
- Industry decisions matter: More closures in counties with
  - Fewer “local” banks
  - More competition among banks
  - More payday lenders (Also natural experiment—pdl ban → less closures)

(Campbell, Martinez-Jerez and Tufano, Bouncing out of the System, Working Paper)

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## Reimagining the Regulation of Consumer Finance

- **Should the Obama Administration support the creation of a Financial Product Safety Commission?**
  - What products should be covered?
  - What goals should the Commission seek to advance?
    - Eliminating unsafe products
    - Ensuring the full and fair disclosure of information
    - Improving financial literacy
    - Lowering levels of consumer debt
  - What regulatory tools should the Commission employ?
    - Disclosure
    - Defaults
    - Penalties
    - Criminal sanction
  - What relationship to other regulatory agencies?

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## Entrepreneurship: Bridging Academia and Practice


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## Animating Business and Policy Leaders: Doorways to Dreams Fund



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**Understanding the Mind of the Saver...**  
Methodology: Working with Credit Unions



**Improving Financial Decision Making...**  
Financial Literacy 101:re Games, Financial Dashboard




**Building Savings...**  
Savings Events, Price-Linked Savings



**Highlight: Asset Building**  
D2D has developed innovations in asset building that currently operate or have the potential to operate at scale: Split Refunds and Online IDA

**Click on Missy Meekah to learn about our first game**



**News**

**Change is in the Air**  
March 13, 2009  
After a string of programmatic successes and period of organizational growth, founding Executive Director Jeff Zinsmeyer informed the D2D board late last year that he is ready to hand the reins to a new leader. Effective March 13, Jeff will leave D2D and long-time D2D Associate Director Timothy Fricke will assume his responsibilities as Executive Director.

**Strong Start for Prize-Linked Savings Pilot**  
March 13, 2009  
After six weeks of operation, D2D's prize-linked savings project, Save To Win, has over 2,800 accounts and \$450,000 in savings. Eight Michigan credit unions are leading this innovative approach to saving, with support from the Filene Research Institute and funding from the Wal-Mart Foundation and the Center for Financial Services Innovation.

**Entertainment Approach to Financial Literacy Works to Reverse Debt Culture**  
February 10, 2009  
BOSTON, MA: Feb. 13, 2009-Doorways to Dreams Fund (D2D) launched today its new financial literacy video game, Celebrity Calamity (www.celibritycalamity.com), to help address concerns about high personal debt levels in the US.  
[View the Press Release here \(PDF\)](#)

**100**

**The Savings Bond Working Group**  
D2D is hosting the Savings Bond Working Group to explore options to get savings bonds back on the tax return. Find out more about the Savings Bond Working Group here.

**Savings Bond Training Tools**  
Computer Based Training tools for the Tax Season 2009 Savings Bond Pilot are now available. [Click here for the Training Tools](#)

## Using what we learned, can we...

- ...excite people to save?
- ...help them manage their daily finances better?
- ...get out of debt?

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## Wide range of savings interventions

Wide range of savings interventions

Force to Save    Make Hard Not to Save    Make Easy to Save    Bribe to Save    Social Support    Make Fun & Exciting

See P. Tufano and D. Schneider, "Using Financial Innovation to Support Savers: From Coercion to Excitement" in *Insufficient Funds* ed. R. Blank and M. Barr (Russell Sage, 2009)

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## Savings with a Thrill since 1957

national savings & investments

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### Premium Bonds

- » At a glance
- » How they work
- » Are they right for me?
- » Interest rates
- » Investing regularly
- » Terms and conditions
- » All about ERNIE
- » History of Premium Bonds
- » Have I won?
- » Invest now

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## At a glance

Two £1 million jackpots every month

We hold a prize draw every month. There are two £1 million jackpots plus over a million other tax-free prizes. The more Bonds you have, the better your chances of winning.

**Why choose this product?**

**Who can invest?**

**Minimum purchase**

**Maximum holding**

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**Prizes**

**Tax status**

If you want an investment which offers the fun and excitement of a chance of a big win.

Anyone aged 16 or over, can also be bought on behalf of under-16s by parents and grand-parents.

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As well as the two £1 million jackpots you can win anything from £50 to £100,000 for each Bond number you hold.

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- Two £1 million jackpots
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- » Need help to decide?
- » Tax and savings

### Security

- » Privacy policy
- » Online security
- » Backed by HM Treasury

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## A US Experiment: Save to Win!

**SAVE TO WIN**

Click here for savings promotion raffle rules.

**WHAT IS SAVE TO WIN?**  
It's a special savings account at your credit union that helps you chances to win a grand prize of \$100,000, plus monthly cash prizes! Each \$25 deposit into this savings account helps you build your savings and gets you another chance to win - up to 10 chances every month. That's up to 120 entries into the grand prize drawing. Plus, all the money you deposit into the Save to Win account is all yours, plus interest! You can't lose!

**HOW DO I OPEN AN ACCOUNT?**  
If your credit union appears in the list below, simply contact a financial service representative at your participating credit union and request a 12-month Save to Win share certificate. If you don't already belong to one of these participating credit unions, click the logo below to find out more about these participating credit unions and how to join.

Save To Win is Offered at the Following Credit Unions:

Central Macomb CREDIT UNION, CHRISTIAN FINANCIAL CREDIT UNION, ECUA Credit Union, ECUA Credit Union, NuUnion, OPTION Credit Union

Brought To You With Key Participation By: IMCUL, filene

And Special Sponsorship by D2O Fund, Inc.

D2O Fund, Inc. is a non-profit corporation seeking to promote growth in local areas. Share generally. D2O's mission includes supporting access to financial services for low-income families by creating, testing, and evaluating innovative financial products & services.

SAVINGS BARELY SCRATCHING THE SURFACE?  
**\$100,000 GRAND PRIZE**

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## Teaching basic finance skills

- **Challenge:** How can you train people to manage their credit and debit accounts better?
- **Reality:** Mixed data as to success of financial education efforts.
- **Counter-reality:** Ample data as to success of experiential learning, marketing campaigns and impact of media on society



Financial Entertainment

## Why digital media and casual games?

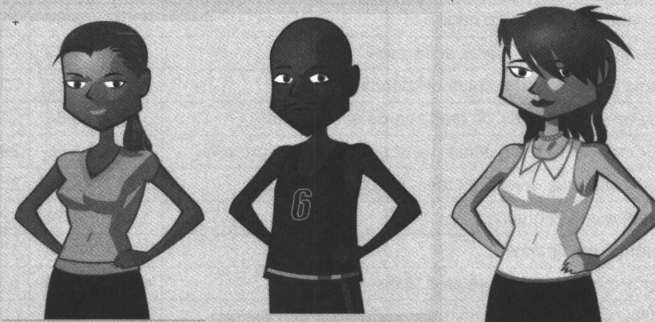
- Digital media offers the potential to marry fun and education:
  - 72% of Americans play video games;
  - The rates of play are highest among those under the age of 35;
  - Casual video games are the fastest growing segment in the game industry; and
  - The casual segment is dominated by female players



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## Our first title: Celebrity Calamity

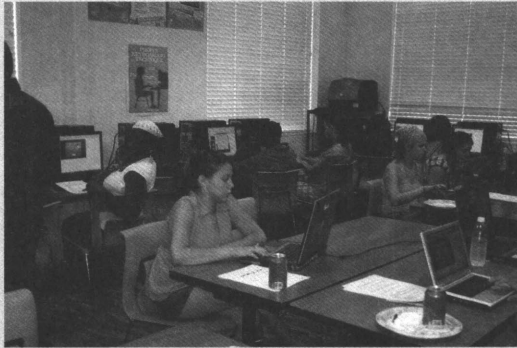
- Congratulations! You have a new job as the financial manager of a celebrity...
- ...unfortunately things are financially out of control!



[www.celebritycalamity.org](http://www.celebritycalamity.org)

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## Testing and evaluation are critical components



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### Preliminary Game Efficacy Testing: Self-Confidence

**Table 1: Self-Confidence (Pre and Post, % Change)**

Rate your degree of confidence in the following:	Pre	Post	%
Change bad spending habits	3.50	3.89	11%
Identify needs and wants separately.	4.02	4.30	7%
Avoid impulse and emotional spending.	3.23	3.93	22%
Pay off new charges on credit cards every month.	3.16	3.84	21%
Pay more than the minimum amount on credit card bills.	3.16	4.09	29%
Avoid late fees, over-limit fees, and overdraft fees.	3.23	4.05	25%
Save money regularly.	3.14	4.14	32%
Manage my finances.	3.57	4.09	15%
Perform assigned job-related tasks.	4.23	4.43	5%
Follow directions from my boss/supervisor.	4.66	4.61	-1%

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**Preliminary Game Efficacy Testing: Knowledge**

*Table 2: Knowledge (Pre and Post, % Change)*

Knowledge Area:	Pre	Post	%
Annual Percentage Rate (APR)	55%	86%	58%
Finance Charges	48%	82%	71%
Pay More Than the Minimum	82%	93%	14%
Interest Compounding	61%	64%	4%

**Can we help people manage their debt?**

- **Decisions by credit card holders**
  - Should I buy this and put it on my card?
  - Should I take out money from my card on this ATM?
  - How much should I pay against my balance?

### Current Statement: Framing about Repayment Decision

**Credit Card Issuer, Inc.**

ACCOUNT SUMMARY:  
 Account number [REDACTED]  
 New balance \$9,811.31  
 Minimum payment due \$ 294.45  
 Payment due date 04/28/08

AMOUNT ENCLOSED \$ [REDACTED]

Please make your payment payable to:  
 AFFINITY PLUS FEDERAL CU  
 Address Change? Check box. Refer new address and telephone number on back of this form.

Statement closing date 04/03/08  
 Previous balance \$10,133.16  
 Payments and credits 606.00  
 Purchases 78.03  
 Debit adjustments 52.01  
 Cash advances 61.50  
 FINANCE CHARGES 92.61  
 New balance \$9,811.31  
 Minimum payment due \$ 294.45  
 Payment due date 04/28/08

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### Existing research: Eliminate minimum payment framing

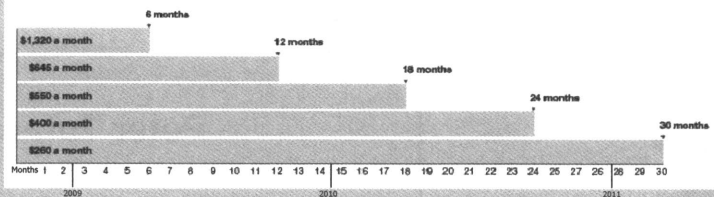
- Laboratory experiment regarding payments when “minimum payment” line is excluded for some participants.
  - For transactors, elimination of minimum had no effect.
  - For revolvers, when a suggested minimum payment was given the average repayment was £99 (23% of the balance). When no required minimum payment was stated, the repayment averaged £175 (40% of the balance.)
- Neil Stewart, “The Cost of Anchoring on Credit Card Minimum Payments”, *Psychological Science* 20, 39-41 (2009)



### Concept of Intervention: Providing advice on how to work out of debt

- Working with Credit Card issuer (Affinity Plus Federal Credit Union), portfolio of about 30,000 cards
- Randomized experiment
  - Provide credit card consumers in treatment group with add'l information on statements
- Track outcomes
  - Repayment decisions – primary metric
  - Spending decisions
  - Delinquencies and defaults

### How much will I have to pay each month to be debt free?



## For more information

- [www.people.hbs.edu/ptufano](http://www.people.hbs.edu/ptufano) for papers
- [www.d2dfund.org](http://www.d2dfund.org) for progress on projects
- <http://www.exed.hbs.edu/programs/cfs/> for information on the Exec Ed version of the consumer finance course (*October 18–23, 2009*)
- Contact me: Peter Tufano, [ptufano@hbs.edu](mailto:ptufano@hbs.edu)

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# Putting People Back Into Finance



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**D2D FUND**  
SAVINGS INNOVATIONS FOR  
LOWER-INCOME CONSUMERS

**Founder and Chairman**  
Doorways to Dreams Fund, Inc.

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