

Accelerating loan repayment by making savings more concrete

Interventions

Concrete savings

Experiment Type

Field Experiment

Goals

Repay loan

Outcomes

Reduce debt

Focus Areas

Product

Behavioral Concepts

Salience

Framing



Partner: EarnUp

Partner Type: Fintech/tech

What Happened

It didn't work. The intervention actually backfired, making savings more concrete led to a decrease in the likelihood of choosing a savings-oriented payment plan.

Lessons Learned

Making savings more concrete in this context led to a lower likelihood to choose a savings-oriented payment plan.

Background

Beginning in 2017, we partnered with EarnUp, a technology platform that helps consumers to automate their debt payments and get out of debt faster. Together, we tried to encourage people to accelerate debt repayment by nudging more people to “overpay” on their outstanding loans.

Key Insights

While accelerating debt even a little every month can help consumers save thousands of dollars, understanding the impact of these large savings on our future self can be difficult.

- We often define and ascribe value to options or choices by comparing it to other alternatives. The importance of relative comparisons often means when we struggle to accurately value abstract numbers - like the value of the future savings from a faster debt repayment - without some kind of comparison or point of reference.

Experiment

We hypothesized that by giving the savings amount a reference point, it will help people internalize the value of EarnUp’s product and increase roundup rates. To test our hypothesis we recruited 257 people to go through EarnUp’s Sign Up Flow to go through a savings calculator. Of the 257 people, 83% completed the savings calculator and clicked to sign up for a monthly payment plan.

Users were presented different payment plan options. In “Accelerate”, users were prompted to overpay by one additional payment per year, spread over 12- months. In BoostUp, users were prompted to overpay by the same one additional payment, plus an additional 5%. That total was then rounded to the closest \$50.

In the experimental condition, the savings accrued from a faster repayment was presented in concrete terms (two vacations or a home renovation). In the control condition, users were told the benefits of EarnUp.

Experimental condition providing relative comparisons

Awesome! Looks like EarnUp is right for you!
Now choose how much you'd like to save

Take a look at some of our pre-build plans to save you time and money on your loan. You can choose one of these plans below, or [build a custom plan](#) to better suit your budget or needs

EarnUp Convenience	EarnUp Accelerate	EarnUp BoostUp Recommended
 \$0.00 IN MONEY SAVED	 \$35,705.51 IN MONEY SAVED	 \$41,969.50 IN MONEY SAVED
 0.00 YEARS SAVED	 5.00 YEARS SAVED	 5.83 YEARS SAVED
 \$2,200.00 AVERAGE PAYMENT	 \$2,383.34 AVERAGE PAYMENT	 \$2,550.00 AVERAGE PAYMENT
Select	Select	Select
Benefits for all EarnUp Users:  Intelligent Budgeting	These savings are equal to:  2 trips to an all-inclusive luxury hotel	These savings are equal to:  A full home renovation

Control condition

Awesome! Looks like EarnUp is right for you!
Now choose how much you'd like to save

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EarnUp Convenience	EarnUp Accelerate	EarnUp BoostUp Recommended
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 \$2,200.00 AVERAGE PAYMENT	 \$2,383.34 AVERAGE PAYMENT	 \$2,550.00 AVERAGE PAYMENT
Select	Select	Select
Benefits for all EarnUp Users:  Intelligent Budgeting	Benefits for all EarnUp Users:  Flexible payment scheduling	Benefits for all EarnUp Users:  All your loans in one place

Results

Overall, people were more likely to choose “accelerate” (55%) over boostup (45%), although the difference was not statistically different. This is encouraging as it suggests the majority of people had an interest in paying off their loans faster and saving on interest. Among those who chose “savings”, total savings across the group would have been \$3,100,000. However, these savings were not realized because none of the participants fully completed the full EarnUp sign up process.

Interestingly, people in the control condition were 12% more likely to choose a payment plan that offered them savings (83% compared to 71%). This result holds when we include people who saw the monthly payment options, but did not click anything. Controlling for loan size, interest rate and payment amount had no effect on the experiment results.

Why didn't our hypothesis work? From our dataset, we cannot be confident why this backfired. There are reasonable behavioral hypotheses to consider, for example, it is possible the reframes didn't feel contextually relevant, while the Earnup benefits did, but further research will be needed.