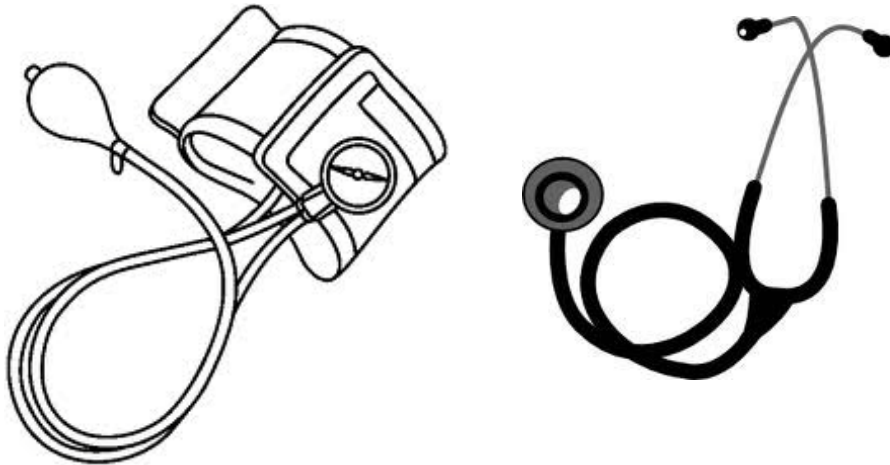


Finding A Yardstick: Field Testing Outcome Measures for Community-based Financial Coaching and Capability Programs

Measurement Tools



J. Michael Collins
University of Wisconsin-
Madison

2013

The Coaching Model

- Focus on improvement
- Focus on the future (not the past)
 - Ongoing collaborative process
- Client sets his/her own goals
 1. Set Goals
 - > Intentions/plans
 2. Accountability & Self-control
 - > External monitor; counter procrastination
 3. Focus attention
 - > Persistence

Financial Coaching Framework

Improve the financial security, mental and physical health, cognitive development, and general well-being of low-income children and families.

Family members develop greater financial capability and are empowered to adapt to new economic contexts through increased self-efficacy, accountability, self-control, attention/reduced inattention, and goal-focused financial behaviors.

High Impact Financial Coaching Programs

Volunteer
Models

Public
Systems

Nonprofit
Professionals

Access to high quality coaching is expanded and integrated into programs.

Skilled
Coaches

Reliable
Metrics

Community
of Practice

Professional
Field

Purposes

- **Diagnosis**

- for the purpose of triaging services and matching clients to appropriate resources



- **Baseline status**

- in order to document the initial or pre-service condition of clients

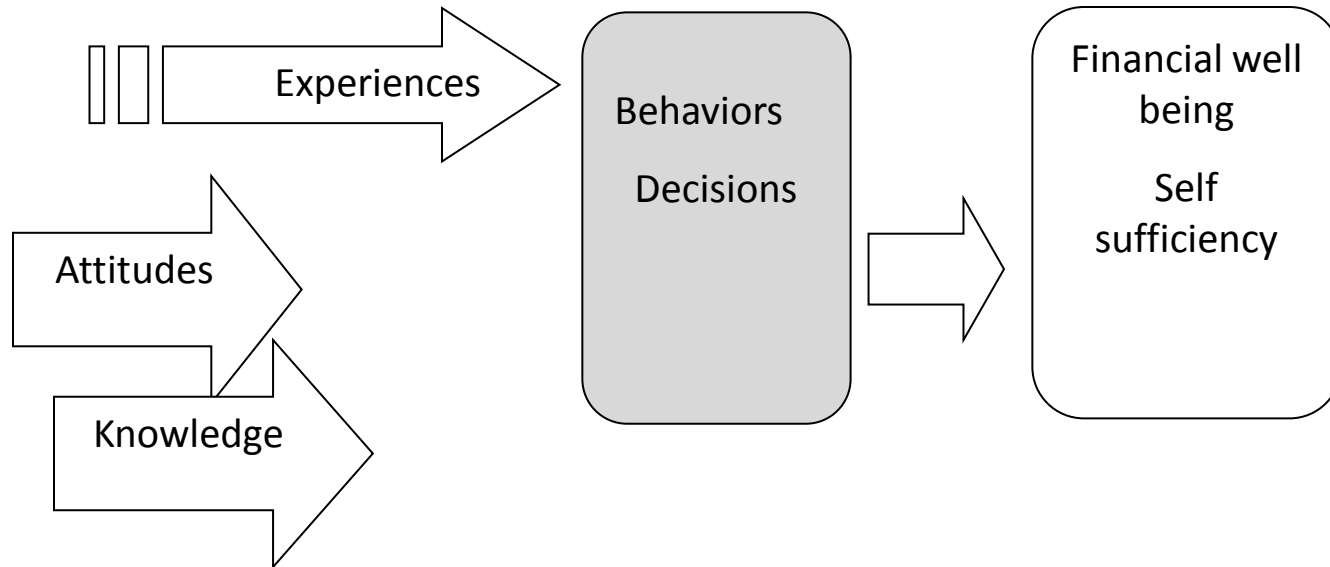


- **Outcome measurement**

- in order to re-assess the status at baseline or prior periods to intermediate or post-service status of clients



Measurement Model



Categories of Measures

Savings (household level)

Banking (household level)

Debt (household level)

Credit (*individual* level)

Psychology (*individual or household*)

Economic Sufficiency (household level)

Human Services (household level)

Categories of Measures

Savings:

- many variations; too difficult to measure
- ambiguous at least in short run

Banking

- hard to measure and interpret

Debt

- ambiguous at least in short run

Credit

- requires access to reports
- still developing standards

Psychology

- lack standards

Economic Sufficiency

- longer term and broader in scope

Human Services

- requires public agency cooperation



	Pros	Cons
Survey	Flexible, especially when collected at intake or as part of services	Self-report bias; lack of cooperation, especially for follow-up; can be costly to collect, requiring incentives.
Credit score	Single metric; widely used in industry to allocate and price credit; well understood benchmarks	Proprietary formula based on credit report for a fee. Some clients have 'thin' files and no score. Slow to change even as behaviors improve.
Credit report items	Number of accounts, delinquencies and balance ratios available from credit report; more likely to move than score	Some clients lack reports; benchmarks not well agreed upon; privacy and consent barriers.
Bank balances	Directly manage assets; more accurate than self-report(?)	Very "noisy." Only a snapshot of one point in time; regulatory, privacy and client consent barriers.
Budgeting data	Self-reported in concert with transaction records and relevant documents for verification	Complicated and time consuming; one point in time. Challenging to collect longitudinally.
Public records	Legal filings generally posted within 1-2 months of judgment, foreclosure, or bankruptcy	Relatively low probability events. Data quality and access is uneven across communities.
Public agency data	Public benefits use, earned income reported under FICA, education, unemployment, and other issues are related to household financial status.	Requires agreements with state agencies; consent and human subjects limits. Generally need large-scale projects.

Data	Time	Measures	Use
<i>Bon Secours (Baltimore)</i>	fall 2012 to spring 2013	8Q survey; credit records (debt, delinquencies, judgments, credit scores)	X-sectional reliability (combined); validity
<i>The Financial Clinic (New York City)</i>	fall 2012 to spring 2013	8Q survey; credit records (debt, delinquencies, judgments, credit scores)	X-sectional reliability (combined); validity
<i>University of Wisconsin-Extension (UW-Extension)</i>	fall 2012 to spring 2013	8Q survey	X-sectional reliability (combined); small <u>panel</u> to examine pre- post outcomes
<i>LISC Chicago (always used alone)</i>	January 2011 to December 2012	Full intake (100+ measures), budgets, credit records (debt, delinquencies, judgments, credit scores); survey Qs (4 in common)	X-sectional reliability and validity; <u>panel</u> to examine pre-post outcomes; analysis of credit scores

will help improve this program and provide better services in the future. Completing this survey is voluntary and we thank you for your time!

1. Over the last 3 months, have you followed a personal budget, spending plan, or financial plan?

Yes No Don't know

2. Do you currently have at least one financial goal?

Yes

No → Go to Question 3

2a. What is your main financial goal?

3. How confident are you in your ability to achieve a financial goal you set for yourself today?

Not at all confident Less than confident Somewhat confident Relatively confident Very confident

4. In the last 3 months, did you use an automatic deposit or transfer to put money away for a future use such as saving for retirement or education?

Yes No Don't know

5. Have you set aside emergency or rainy day funds that would cover your expenses for 3 months, in case of sickness, job loss, economic downturn, or other emergencies?

Yes No Don't know

6. Over the past 3 months, would you say your household's spending was less than, more than, or about equal to your income? Please do not include large purchases such as a house or car.

Less than More than Equal to Don't know

7. In the last 3 months, have you paid a late fee on a loan or bill?

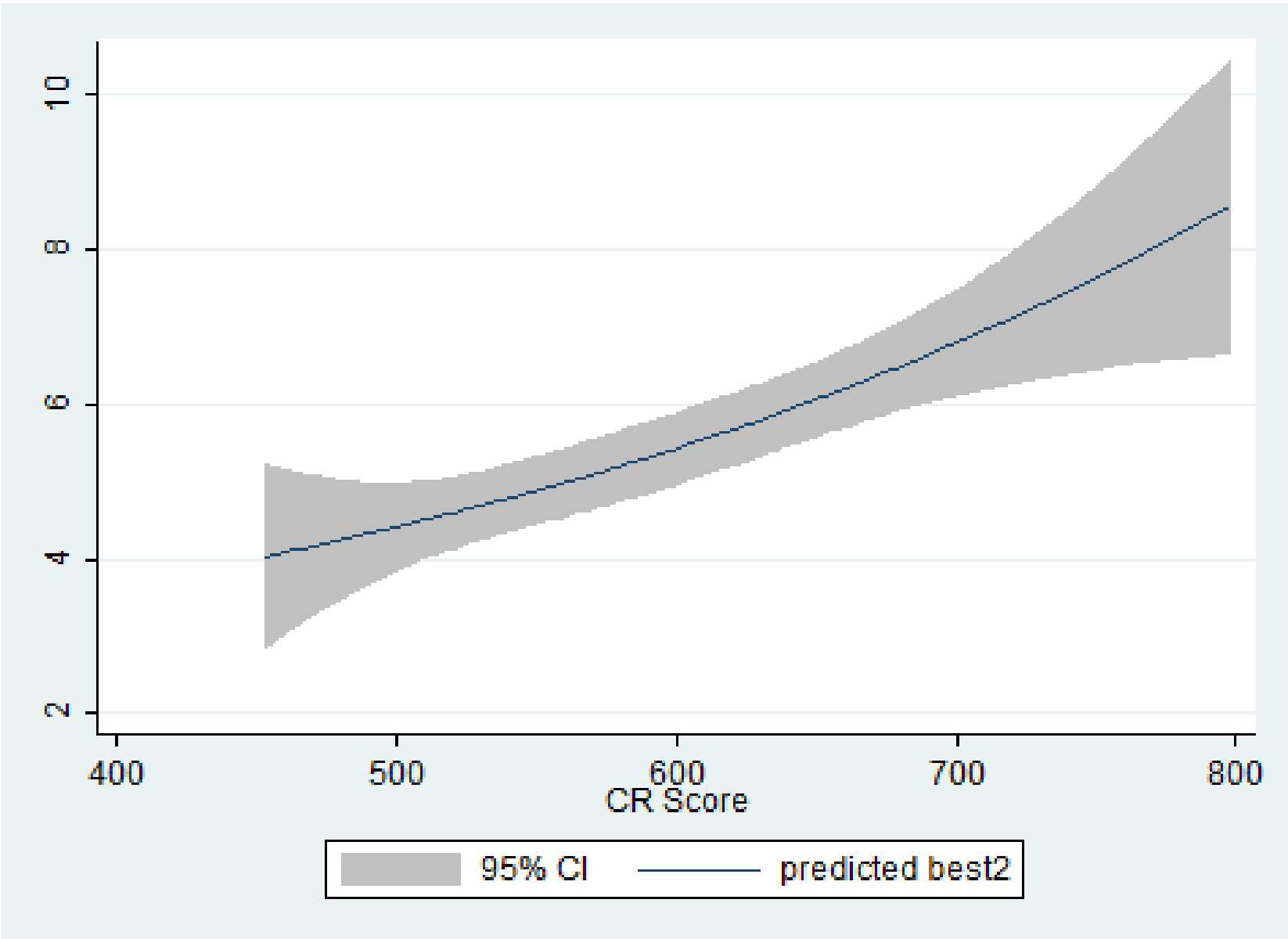
Yes No Don't know

8. How would you rate your current credit record?

Very bad Bad About average Good Very good Don't know

Question	Concept	Evaluation
1	Budgeting	Modify. Language related to budget, spending plan and financial planning maybe too broad. Key construct is planning ahead.
2	Goal	Perhaps retain, but drop written portion unless useful programmatically. Goals maybe a key activity of coaching but have little diagnostic value.
3	Confidence	Keep. Appears more predictive of credit and savings behaviors than reporting a goal.
4	Auto Deposit/Save	Keep. Language may need to be refined (currently restricted savings examples).
5	Emergency Fund	Keep. Language is convoluted. Time period of 3 months maybe excessive. Not clear how spending for an emergency might be handled.
6	Spending	Modify. Currently 3 possible responses. Key factor appears to be spending less than income. Change to yes-no.
7	Late fee	Keep. Time period could be modified but fees are strongly predictive.
8	Credit rating	Retain (as score proxy). Appears to have little relationship to other behaviors, but is correlated with current credit score (0.63)

Fig 1: Scale vs Credit Score (TFC/BS)



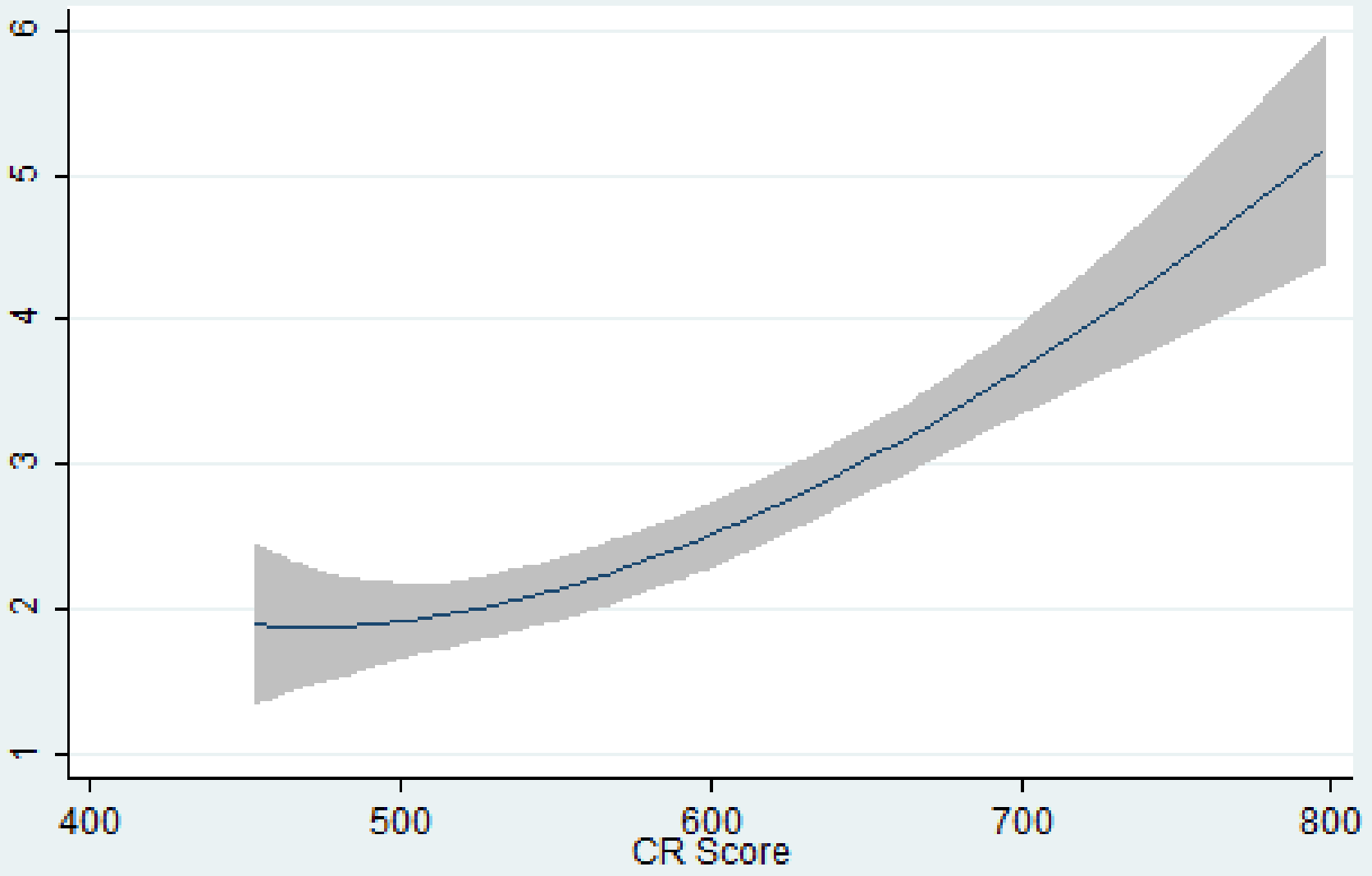
Recommended Financial Capability Scale (0-8 point scale)

1. Over the last 3 months, have you followed a personal budget, spending plan, or financial plan? (Yes=1, No =0)
2. How confident are you in your ability to achieve a financial goal you set for yourself today? * Not at all confident (0) * Somewhat confident (1) * Very confident (2)
3. Have you set aside funds that would cover your expenses for 3 months if you or someone in your family lost a job, got sick or had another other emergency? (Yes=1, No=0)
4. Do you currently have an automatic deposit or electronic transfer set up to put money away for a future use such as saving for retirement or education? (Yes=1, No =0)
5. Over the past 3 months, would you say your household's spending on living expenses was less than its total income? (Yes=1, No or DK=0) #
6. In the last 3 months, have you paid a late fee on a loan or bill? (Yes=1, No =0)

How would you rate your current credit record?

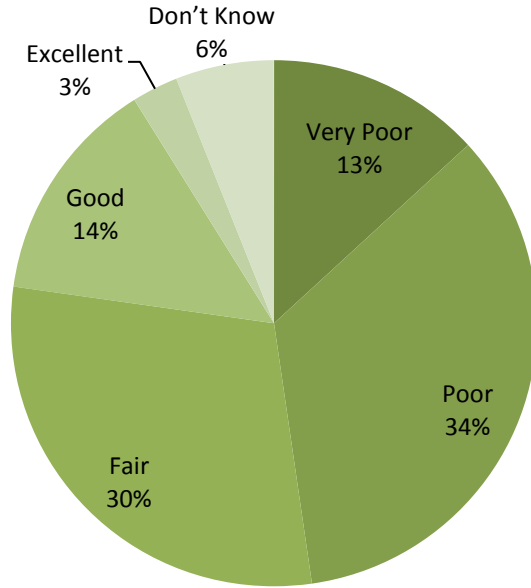
* Very bad * Bad * About average * Good * Very good (* Don't know)

Fig 5 Self Assessed Credit Quality and Credit Score (TFC/BS)

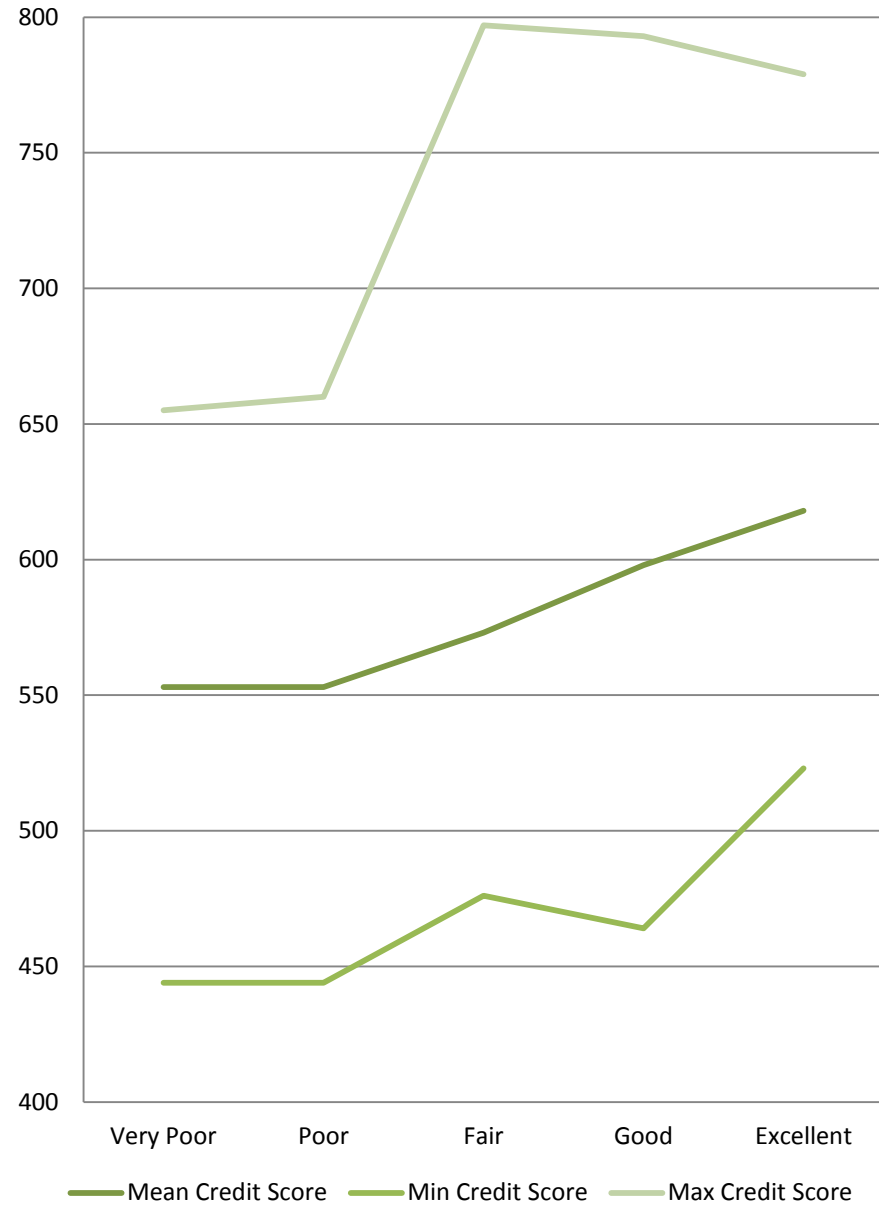


95% CI predicted creditrecord

Rate your credit: Self Report



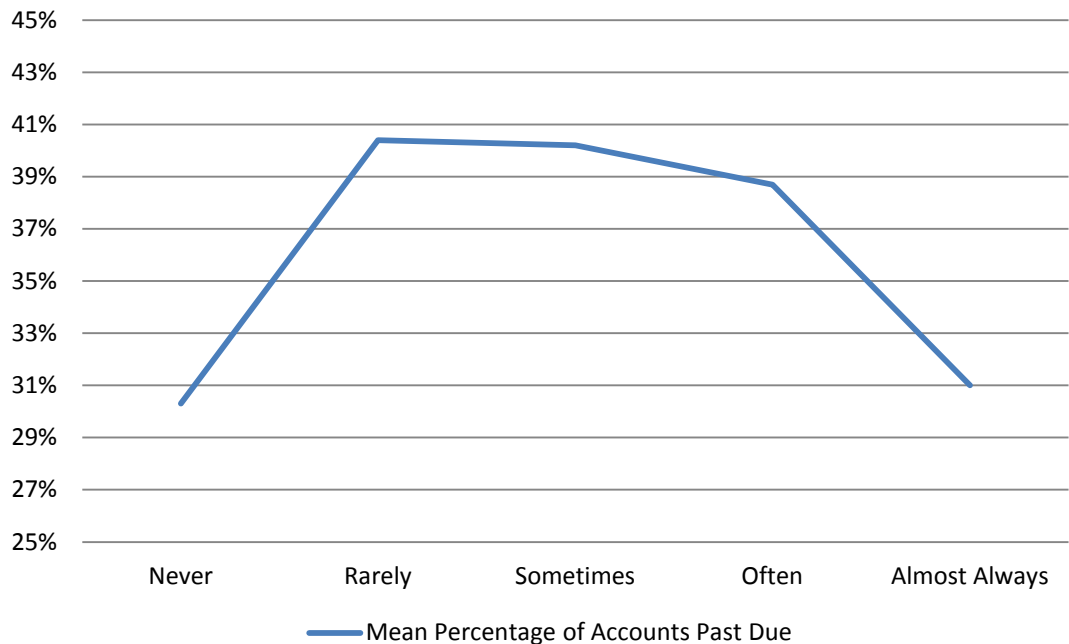
Credit Score vs. Self Assessments



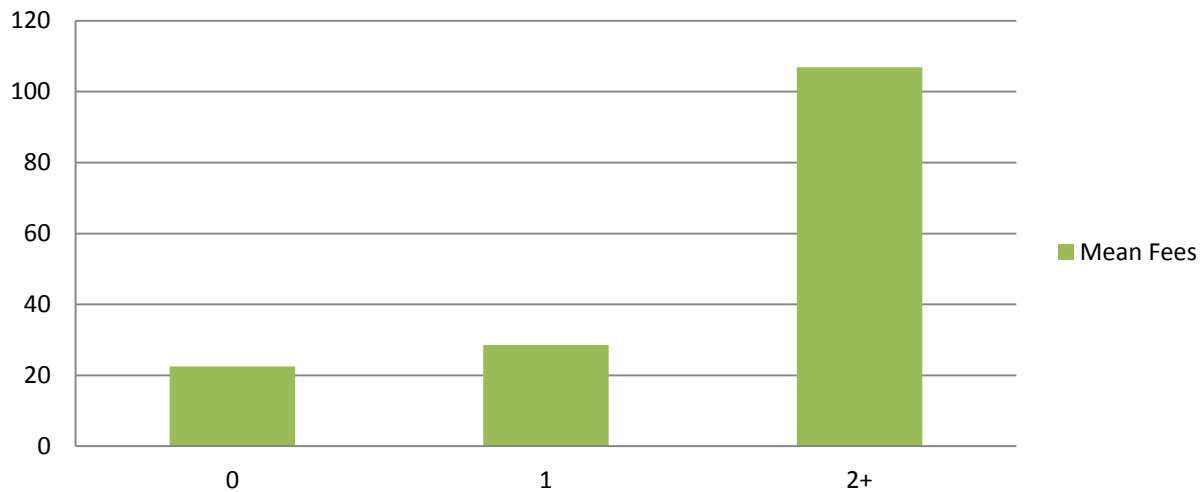
Don't Know Credit vs. Rated Credit



Self Report of Frequency of Paying On Time



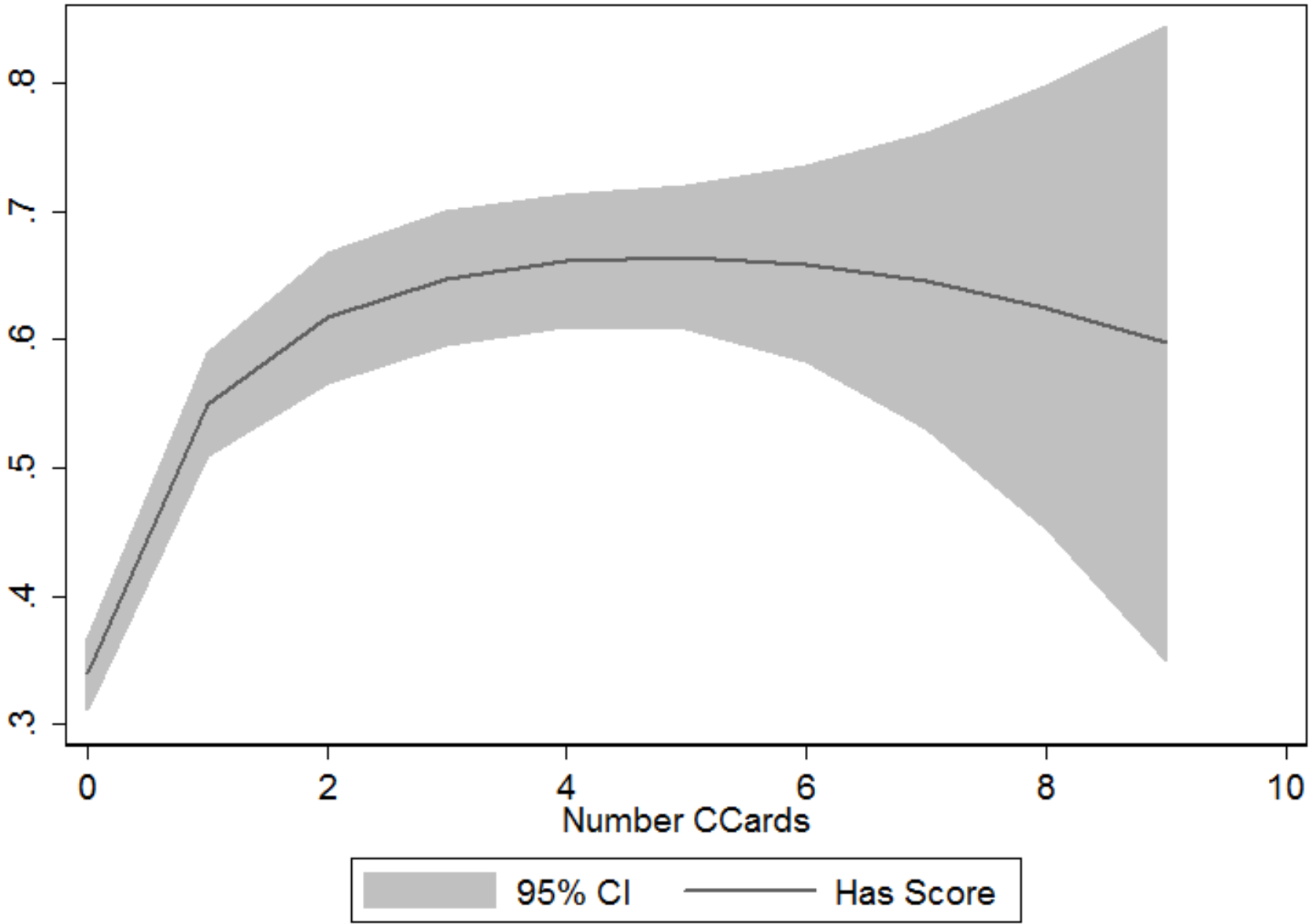
Mean Fees by Number of Late Fees Reported in Last 3 months



Credit Report Items

1. Credit score
2. # 30 day delinquencies
3. # items in collections
4. # items judgments (public records section)
5. A. \$ revolving credit limit (mainly credit cards, not HELOCs)
6. B. \$ revolving credit outstanding (mainly credit cards, not HELOCs)
7. Ratio: B/A

Fig 7. Probability of Credit Score by Number of Active Cards



Demographics

1. Client age
2. Presence of spouse/partner
3. Number of dependents
4. Employment status (full, part, unemployed, disability)
5. Gender
6. Education (HS, some college, 4+ degree)

LISC Data

	mean	sd	count
Written Goal	0.516	0.500	1370
Goal Length	23.06	37.51	1370
Have Budget	0.193	0.395	1336
Late/NSF	0.466	0.499	1343
Have Check Acct	0.577	0.494	1337
In Collections	0.404	0.491	1323
Emerg Save	0.211	0.408	1330
Age	41.35	12.23	1370
Income	9941.8	14032.7	1310
Ed Level (1-3, 1=hs)	1.168	0.775	1349
Male	0.445	0.497	1370
Fin Svs Intake	0.442	0.497	1370
30 day Dels CR	1.137	3.799	1035
CR Score	580.5	80.44	1035
Sav Bal (if >0)	1984.7	9813.1	431
Net Worth (0=0)	3125.8	64106.8	1352

TFC*, BS*, UWEX Data

	mean
Do You Have a Budget, Spending, or Financial Plan?	0.512
Have You Used An Automatic Deposit to Put Money Away	0.401
Have You Set Aside Emergency Funds?	0.283
Have You Paid a Late Fee on a Loan or Bill?	0.345
Spend less than income	0.351
Spend more than income	0.406
Do You Have At Least One Financial Goal?	0.815
Length of written goal:	24.65
How Confident in Achieving Goal?	3.342
CR Score *	584.5
Debt Amt *	43281.2
Log Debt *	8.499
30 Day Del *	6.352

Fig 6: Scale Pre-Post Measures (UWEX)

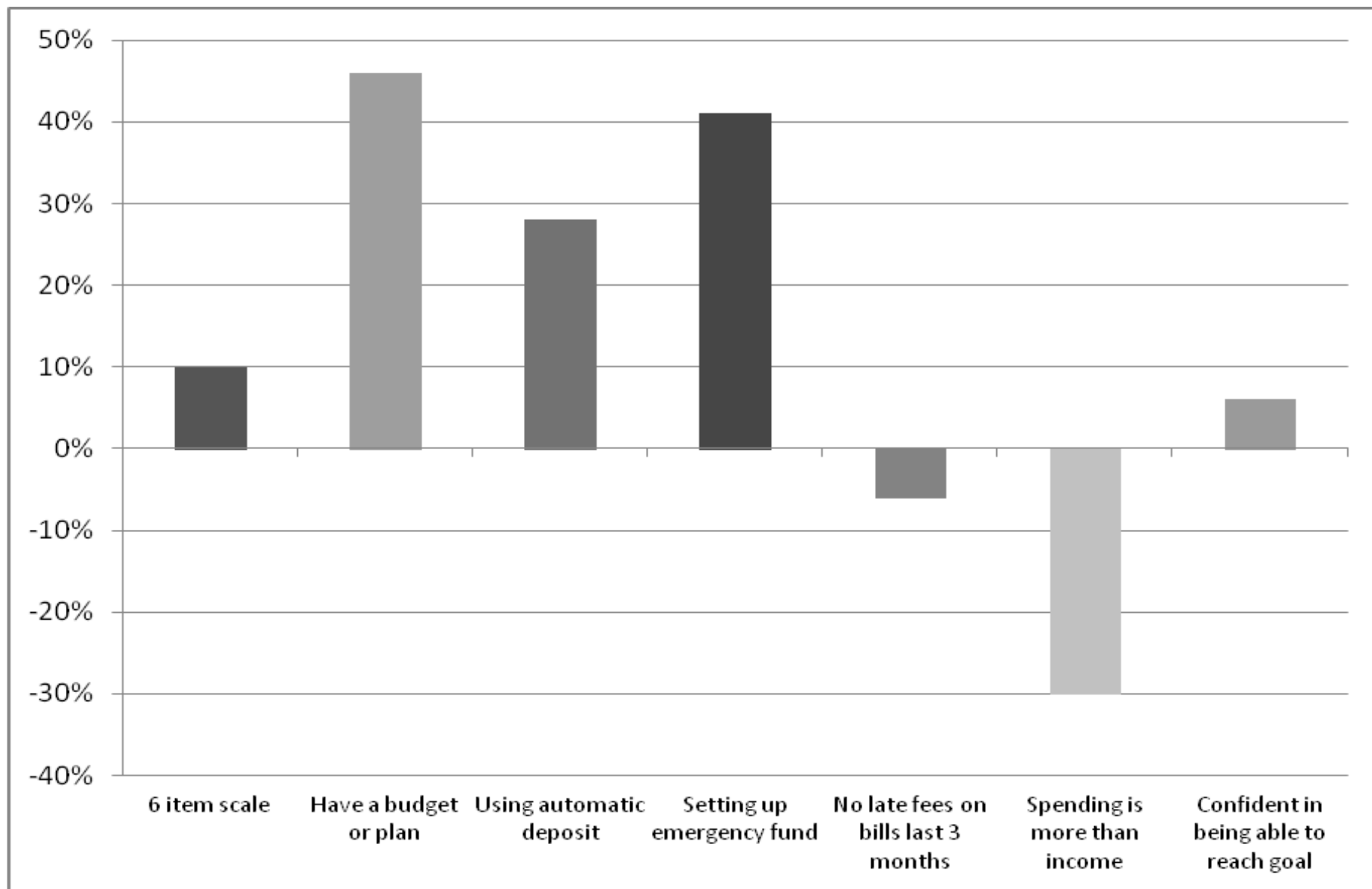
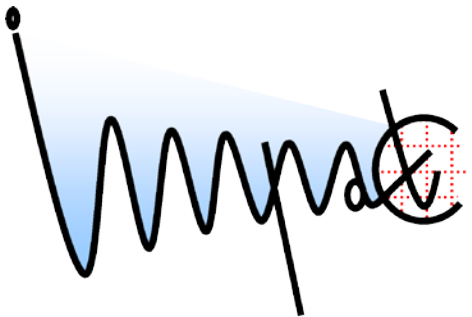


Table 15. Coaching Outcomes: LISC data



	(1)	(2)	(3)
	CR Score t2	Sav Bal t2	Dels t2
Financial	3.704	89.124*	-0.047
Counsel	(3.320)	(43.250)	(0.167)
Constant	-2.946	-18.772	1.189
	(13.181)	(46.898)	(0.739)
R-squared	0.931	0.991	0.644
N	242	176	156

Take Aways



- No measure is perfect
- Some measures are better than none
- Changes in measures can be hard to interpret
- Self reports do have value
 - Objective data also have limitations
- Details matter
 - Context, wording, layout, format, mode, timing
- Field needs leadership to move to consistency

Questions:

Measures

1. Are these outcomes of interest? To whom?
2. Other ways to measure goals?
3. What is cost of credit report data? Benefit?
4. What is the appropriate time frame for pre-post measurement

Process

1. Is the data collection process a burden? For whom?
2. How to handle data entry?
3. How well can you follow over time?
4. What percentage of clients will likely cooperate?

Questions:

Next Steps

1. What support is needed?
2. Will the field accept a narrower and more standard set of outcomes?
3. How interested are organizations in sharing their data?
4. What are barriers to more research?
5. How can human subjects protections be best protected?
6. What other administrative data could be obtained?

J. Michael Collins
jmcollins @ wisc.edu
608.616.0369

cfs.wisc.edu

ssc.wisc.edu/~jmcollin/

Twitter: @jmcollinswisc

Center for
Financial Security



UNIVERSITY OF WISCONSIN-MADISON