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Announcement of Pilot Regarding Early Intervention Credit Counseling

Many consumers who are struggling with credit card debt do not seek help until they are in a state of crisis and their options are limited for avoiding default. Reaching consumers struggling with credit card debt early on might be a promising strategy for financial educators, credit counselors, and others who aim to help consumers. However, to date, only limited research has been done on the effectiveness of such a strategy.

Pilot Project Description

Barclaycard (Barclays Bank Delaware), a global credit card issuer, and Clarifi (Consumer Credit Counseling Service of Delaware Valley), a credit counseling agency, have entered into an agreement in which certain Barclaycard customers residing in Clarifi's service area of Delaware, Pennsylvania, and New Jersey will be given an opportunity to enroll in Clarifi's credit counseling services at no cost to the customers. Barclaycard customers who receive this offer have been identified by Barclaycard to be at risk of default. Barclaycard and Clarifi have offered to share insights from this trial project with the CFPB to inform the Bureau's work and support its mission to empower consumers to lead better financial lives. The information shared by Barclaycard and Clarifi will be de-identified, and appropriate precautions will be taken to ensure that individual consumers cannot be identified through the data. Performing this study will help the CFPB to assess the impact of providing credit counseling and debt management plans to customers who enroll in the services and compare results related to certain financial outcomes of those customers to those who did not enroll.

Research Questions and Goals

The CFPB's research study associated with this pilot will explore four questions:

1. For consumers at risk of default, is having access to credit counseling and debt management services early on correlated with better financial outcomes, as compared to consumers who are offered the services and do not opt to take them up or consumers who are not offered any credit counseling services?
2. Are the services more effective for particular segments of consumers (for example, those with lower levels of debt, those with longer histories of credit usage, etc.)?
3. Are there differences in credit behavior among consumers who enroll in credit counseling/debt management services, those who are offered the services and do not opt to take them up, and those who are not offered any credit counseling services?
4. What types of "triggers" for default – e.g., transaction patterns, balances near credit limit, changes in payment behavior – offer the most analytical value when it comes to forecasting delinquency?

Within the scope of these research questions, the research goals for this project are to:

- Evaluate the effectiveness of early intervention credit counseling in helping consumers avoid defaulting on their credit card debt;
- Gain insight into whether notifications from card issuers can help raise cardholders' awareness of their credit performance; and
- Evaluate the analytical value of certain metrics in determining a consumer's potential to default