



Project Catalyst Announcement 2014-03

Date: December 12, 2014

Subject: Announcement of Pilot to Promote Regular Saving Behavior Among Prepaid Card Users

Background:

The CFPB has been working to empower consumers to make better informed financial decisions. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Bureau is charged with providing “opportunities for consumers to access . . . savings, borrowing, and other services found at mainstream financial institutions.” Promoting consumer savings and regular saving behavior has been a focus for the CFPB. However, many consumers, especially those who have low and moderate incomes, often do not have access to or use a traditional savings account and instead rely on a checking or prepaid account as both their primary transactional account and savings vehicle. These consumers have to mentally separate their funds allocated to spending and saving, thus possibly making saving more challenging.

American Express has created a feature for its Serve Prepaid Card called Reserve, which allows Serve cardholders to create a subaccount within their main prepaid account dedicated for savings. Cardholders can save money in their Reserve subaccount until they are ready to use the money, at which point they must manually transfer the funds to their main Serve account. American Express has also built in automatic transfer functions, which allow consumers to schedule regular fund transfers from their Serve transaction account to their Reserve subaccount.

To encourage consumer saving behavior, American Express will implement two types of strategies:

- Marketing – American Express will implement a marketing campaign to educate Serve cardholders regarding the importance and benefits of saving and to encourage them to save regularly using Reserve
- Promotional Incentives – American Express will offer promotions to motivate regular saving behavior through Reserve

American Express’s program will employ a randomized controlled trial for the purpose of being able to assess results in a statistically meaningful way.

Through CFPB’s Project Catalyst initiative, American Express has agreed to share insights with the Bureau from its trial program focused on encouraging saving among certain prepaid card users. In order to expand our efforts to encourage and support consumers in saving, the CFPB is launching a research pilot using insights from behavioral economics and current work being done by American Express to evaluate the effectiveness of certain practices to encourage prepaid users to develop regular saving behavior. The information shared by American Express will be anonymized, and

appropriate precautions will be taken to ensure that individual consumers cannot be identified through the data.

Research Goals and Design:

The CFPB’s research study associated with this pilot will explore two major research questions:

1. Can certain strategies encourage or support regular consumer saving behavior?
2. Is saving behavior associated with better outcomes for consumers, particularly for low-income and underserved consumers?

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

- Gain insight into consumer saving behavior and identify practices that promote saving behavior among prepaid card users
- Evaluate the impact of saving on consumer wellbeing among prepaid card users