

The Effect of Text Reminders and APR Information on Creditworthiness in the United States

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Anat Bracha (Federal Reserve Bank of Boston)

Abstract: This paper presents evidence from a field experiment on the effect of text message reminders on credit scores of low-to-moderate-income (LMI) individuals around Boston. We randomly assign individuals to receive monthly reminder for a year and then examines the change in their financial standing, including their credit score. We find heterogeneous effect: while text reminders significantly help LMI individuals with initially low credit score, they hurt LMI individuals with initially high credit score. The positive effect on low-score individuals stems mainly from the reduction of debt, and the negative effect on the initially high-credit score individuals is due to more accounts in collection. We also test the effect of providing credit card APR information, and find only sporadic effects with no effect on credit scores.