

Financial counseling for front-line workers: A pilot study of engagement and outcomes

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Abstract

Although financial counseling has been studied in community-based settings, programs offered in the workplace are understudied and yet may aid low- to moderate income employees in improving their financial situations. This study examines workers' engagement in and associated credit outcomes from an employer-based financial counseling program in the New York City area. Findings suggest that participants engaged equally in services except for older and non-English speaking workers, who had lower levels of digital engagement. In-person engagement in services was minimal. Credit score improvements were modest, but greater for workers who had scores in the lowest quartile at baseline. These credit score increases may be due to the reduction of delinquent accounts for workers with the lowest baseline scores.

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WORKPLACE FINANCIAL COUNSELING

Financial counseling has long been offered to help consumers and households, better manage their financial resources and improve financial decision-making. Counselors assess consumers' current financial situation and behaviors and offer individualized advice and guidance to help consumers set financial goals and action plans to manage spending, reduce and restructure debt, and increase savings (Collins & O'Rourke, 2010; Langrehr, 1991; Roll & Moulton, 2019a).

Financial counseling is offered in a variety of community-based settings. The National Foundation for Credit Counseling (NFCC) has almost 600 nonprofit member agencies that provide services through a variety of delivery methods. Several municipalities including Denver, CO, Lansing, MI, and Philadelphia, PA have recently established Financial Empowerment Centers based on a model initiated in New York City in 2008. Similarly, the Local Initiatives Support Corporation (LISC) operates a network of over 80 financial opportunity centers (FOCs) with financial counseling as a core service.

Financial counseling is also offered through the workplace. Almost one-fifth of employers offer credit counseling as a benefit to their employees (Society for Human Resource Management [SHRM], 2019). Credit counseling and debt management services have long been offered through at least some employee assistance and work-life programs. In the past few years, these services have become regarded as part of a growing "employee financial wellness" trend aimed at addressing employees' non-retirement financial needs and challenges (Authors, 2019a, 2019b; Bailey, 2019; MetLife, 2019; Winick, 2019).

The workplace offers certain advantages as a delivery channel for financial counseling. Employees who could benefit from financial counseling but were unaware of this service might consider using it if offered by employer as an added perk. The workplace may also be an

effective way to reach employees who live in rural communities that lack community-based financial counseling services and who would not seek help online. Services offered at the workplace and/or remotely may make it easier for workers to access financial counseling around their work schedules and avoid an additional trip to an agency. Financial counseling could also complement other financial wellness products and services such as employer-sponsored small-dollar loans (FINRA Investor Education Foundation & Filene Research Institute, 2017) and matched savings programs (Red Tab Foundation & EARN, 2019).

Prior research has been conducted on workplace financial education and interventions to promote greater retirement plan participation. However, no studies published in the academic literature have examined workplace financial counseling, including for frontline workers, who might benefit most from this service. Though financial counseling has been studied outside of the workplace, the workplace may present unique challenges and opportunities that might affect employee engagement and outcomes.

The purpose of this study is to present results from a pilot study of 2,849 lower-income workers who received workplace financial counseling in the New York City area from 2015 to 2017. We examined engagement in services and credit report and score outcomes. Our findings suggest that workplace financial counseling may be an effective strategy for reaching lower-income consumers and households to produce modest credit outcomes, especially for workers with very low credit scores.

Financial Counseling

Financial counseling has been found effective in improving certain financial outcomes. Elliehausen, Lundquist, and Staten (2007) found positive, but small effects for outcomes such as credit scores and total debt over a three-year period among nearly 8,000 consumer credit

counseling service clients relative to a comparison group with similar baseline credit profiles. Roll and Moulton (2019a) found that financial counseling clients (N = 6,094) experienced greater reductions in debt over an 18-month period compared to a matched, non-counseled group (N = 6,005), even after controlling for participation in debt management plans. Though counseled clients as a whole did not experience a significant increase in credit scores, those in the bottom baseline credit score quartile did. Barron and Staten (2011) found that credit outcomes were similar for phone- or internet-based compared to in-person credit counseling.

Certain interventions delivered through financial counseling may promote positive outcomes. Collins, Mahon, Martinez, and Walsh (2011) found that credit outcomes were greater among clients whose counselors intervened directly with creditors on their behalf, such as to re-negotiate debt. Clients who received randomly assigned automated email reminders about their financial goals (e.g., increasing savings, reducing debt) were less likely to experience 60+ day delinquencies and had 11 point increases in credit scores relative to a control group (Roll & Moulton, 2019b). Counseling processes and dynamics also affect outcomes. Financial literacy, consumer engagement, and patterns of relating to counselors (e.g., needing approval, preferring to be self-reliant) affected credit counseling outcomes (Mende & van Doorn, 2015).

Positive credit outcomes have also been observed in studies of financial coaching, a service with many similarities to financial counseling such as one-on-one advising concerning financial goals and action steps. Among mostly African American and Latinx and lower-income adults randomly assigned to receive financial coaching through two sites (New York City and Miami, FL), positive treatment effects were observed for savings, debt, credit utilization rates, delinquencies, and credit score outcomes (Theodos, Stacy, & Daniels, 2018). Young adults (ages 18-29) who were working or in a workforce development program and were randomly assigned

to receive a workshop and financial coaching focused on improving credit health had 10 percentage point greater probability of accessing credit within 6 months and had credit scores 26 points higher after 18 months compared to a control group (Modestino, Sederberg, & Tuller, 2019). Participants in an employment program to transition out of Temporary Assistance for Needy Families (TANF) benefits who responded to an offer of financial counseling reduced the amount of debt they had in collections by 131% over a 12-month period relative to non-counseled participants (Collins & Nafziger, 2019).

Though the findings outlined above are encouraging, research evidence on financial counseling is limited (Collins & O'Rourke, 2011; Peeters, Rijk, Soetens, Storms, & Hermans, 2018). Also, except for retirement planning as a related service, financial counseling has not been studied in workplace settings.

Workplace Financial Education and Counseling

Workplace financial education and counseling can address additional sources of stress that may harm productivity, but which may be unaddressed through employee assistance programs (EAPs) that focus on behavioral health issues (Joo & Grable, 2000; Bailey, 2019; Winick, 2019). Studies of workplace financial education found that employees improved their financial knowledge and made financial behavior changes (Garman, Kim, Kratzer, Brunson, & Joo, 1999; Kim, 2007; Prawitz & Cohart, 2014; Skimmyhorn, 2016).

Though a body of literature exists for workplace retirement education and planning, non-retirement financial counseling has not been studied in the workplace. The workplace presents unique challenges for offering financial counseling to employees. For example, staffing instability at the senior management level can hinder program implementation success, as can the departure of an organizational champion (Authors, under review). Additionally, little evidence

suggests outcomes that would support the business case for these programs, such as reduced absenteeism. Some research suggests that employees do not directly connect the offer of workplace-based financial counseling to employment-related outcomes, such as their feelings about their employers (Authors, 2019c). Moreover, workplace financial services in general have not been studied among lower-income employees who may be most in need of these services.

Pilot Study of Workplace Financial Counseling

Neighborhood Trust is a nonprofit social enterprise affiliated with a community development credit union in New York, NY that introduced its Trusted Advisor (TA) workplace financial counseling service in 2011. Neighborhood Trust targeted small- and medium-size employers that employ mostly lower-paid workers in industries such as home health, food services, and retail. The initial TA model was like that offered in community-based settings, where clients attend an initial 60- to 90-minute counseling session to develop an action plan, receive referrals, and may attend follow-up sessions (Elliehausen et al., 2007). However, based on employer feedback, the TA model was scaled back to include an initial 10 minute counseling session focused on a credit report review and at least two action recommendations to improve financial health. Subsequently, counselors provided follow-up support via phone, text, and email and workers could access an online portal to review their action plan and stay in touch with their counselor (see Authors, 2019d for a more detailed explanation of TA).

The purpose of this pilot study was to examine the characteristics of lower-income workers who participated in TA, their engagement in services, and changes in their credit health over a 12-month period. Finding from this study can inform future efforts to design, implement, and evaluate similar services focused on lower-income workers.

Methods

Sample and Measures

Data in this study were anonymized administrative data provided by Neighborhood Trust to comprise an analytic sample of 2,849 lower-paid employees who received services through NTFP's Trusted Advisor (TA) program January 2015 through March 2018 and were tracked for a period of at least six months. Data included employee demographic characteristics, services received, financial needs, and credit report characteristics (e.g., credit score, delinquent and collections accounts).

Dependent variables. Engagement in services was measured with four variables: 1) Counseling sessions: Number of counseling sessions employees attended; 2) Text messages (SMS): Number of texts sent from employees to financial coaches; 3) Web logins: Number of times employees logged in to the NT web portal; 4) Total engagement: A count of all three types of engagement.

Credit outcomes were measured with three variables: 1) Credit score change, the baseline to follow-up difference in an employee's credit score (TransUnion FICO Score 04); 2) Prime score, a dichotomous variable measured by whether an employee increased their score to 660 or higher; and 3) Became scored, a dichotomous variable measured by whether employees without a baseline credit score had a follow-up credit score.

Predictor variable. The independent variable of interest in this study was the number of counseling sessions employees received. We assigned each employee to one of three dosage categories: one session, two sessions, and three or more sessions to help determine whether receiving a greater number of counseling sessions was associated with better credit outcomes, while controlling for other covariates.

Covariates. Covariates included age, gender, race/ethnicity, language, marital status, residence, banking status, and baseline credit score. Language was coded as a dummy variable to indicate

being an English or non-English speaker. Residence was a categorical variable that included New York City's five boroughs plus a code for Residential area included Bronx, Brooklyn, Manhattan, Queens, and Metro/other. Banking status was coded as a dummy variable to indicate whether an employee owned a bank account. Baseline credit score was coded as an ordered categorical variable based on a quartile distribution of scores. Lastly, we controlled for service context variables, including the time lapse between the baseline and follow-up credit score, the year of intake, and the counselor that assisted the employee.

Analysis

For models predicting engagement outcomes which were discrete counts of events (e.g., # of text messages sent), negative binomial regression was used when the data were over-dispersed – when the standard deviation was larger than the mean, specified as:

$$\mu_1 = E(y_i|x_i), \text{ and } Var(y_i|x_i) = u_i + \alpha u_i^2$$

Otherwise, Poisson regression was used, specified as

$$\mu_1 = E(y_i|x_i) = Var(y_i)$$

where μ_1 are the predicted counts and x_i a vector of covariates. Predicted values of each engagement outcome were estimated using the margins command in Stata.

To examine the association between the number of counseling sessions and baseline to follow-up credit outcomes with a correction for endogeneity, this study employed a two-step propensity score estimating strategy proposed by Imbens (2000). Generalized propensity scores (GPS) were estimated using a multinomial logit model predicting the number of counseling sessions employees received (one, two, or three or more) (Guo & Fraser, 2014). Covariates that had a statistically significant association with the number of sessions were used in this selection model and included age, gender, marital status, region, employees' identified financial needs, and

year of intake. Three GPSs were estimated for employees, where each GPS means the probability of receiving treatment dose d for employee k with observed covariates x , which was

$$e(x_{kd}) = pr(D = d|X = x)$$

The sampling weight for employee k was calculated as:

$$\frac{1}{e(x_{kd})}$$

We conducted checks to discern whether propensity score weighting eliminated sample imbalance across dosage groups by conducting multinomial regression models with the propensity score weights to examine the association between number of counseling sessions and covariates such as age and gender. None of these associations were statistically significant, indicating that the sub-samples of employees who received one, two, or three or more counseling sessions were balanced on observed covariates.

Propensity score weights were used in regression models to evaluate credit outcome differences, modeling the number of counseling sessions received as a treatment dosage variable. Ordinary least squares (OLS) regression was used for baseline-follow-up differences in credit scores and the number of collections and delinquent accounts. Logistic regression was used for whether employees become credit scored and achieved a prime score.

We used Imbens's (2000) propensity score approach because it requires fewer assumption and is easier to apply compared to single-scalar balancing (Guo & Fraser, 2014). However, it is worth noting that the propensity score approach used in this study was to attenuate the correlation between counseling sessions and outcomes – not to make a causal inference because unobserved factors like motivation that could influence both sessions received and outcomes.

Because employees received counseling from 23 different financial counselors, we

examined clustering effects. However, intraclass correlation coefficients were less than 0.01, indicating little autocorrelation. Still, counselor was included as a fixed effect and Huber-White robust standard errors were used to adjust for non-constant variance in error terms in regression models.

Results

Sample Description

The mean age of employees was 40. Employees were predominantly female, either Latinx or African American, and single. A third spoke a language other than English, which primarily was Spanish. Concerning employee residence, the Bronx was the most represented (43%), followed by Brooklyn (28%). The range of missing data was 1 to 21%.

Employees were employed by 22 different organizations or companies in the New York City metropolitan area. Industries included nonprofit human services, home health, retail, office cleaning, and shipping. Employees identified a range of financial issues that were most important for them to address through financial counseling; help with credit and managing debt were the most common issues.

Financial characteristics of employees

Compared to national findings, the financial profile of employees was more precarious. Nearly a quarter lacked a bank account compared to 6% nationally. More than a third were "credit invisible" compared to 19% nationally. Similarly, credit scores were lower than national averages and the prevalence of delinquent accounts was much higher than the national average, though prevalence for accounts in collections was similar (see Table 2).

Employee engagement in services

The average number of counseling sessions received by employees was 1.41. Outside of counseling sessions, nearly two-thirds (64.23%) of employees sent at least one text to their counselor for an average of 5.35 text messages. However, only 16.22% of employees logged in to the web portal hosted by Neighborhood Trust at least once.

Employee characteristics were generally unrelated to engagement, with the exception of age and language. Older employees (35-54 years old, $p < .01$; 55+ $p < .05$) received more counseling sessions compared to younger employees (18-34), all other things being equal. However, compared to younger employees (18-34), older employees were less digitally engaged, having fewer web portal logins (35-54 years old, $p < .01$; 55+ $p < .001$). In addition, non-English speakers were less likely to use the web portal compared to English speakers ($p < .001$).

Employee credit outcomes

Credit reports capture consumer repayment behavior and credit scores are used by financial institutions to judge the risk that a consumer will repay a loan or other form of credit. Lack of a credit score or a low score limits consumer access to affordable credit, such as car loans and credit cards, and may also limit employment and housing opportunities. Thus, improving credit health is an important goal for financial counseling. Credit outcomes reported below correspond to an average time period of 12.46 months between the baseline and follow-up credit report.

Credit score changes. Over half of employees (59%) experienced an increase in their credit scores. The average change in credit scores was 5 points, yet there was considerable variation – from a decrease of 220 points to an increase of 264 points, with a standard deviation of 55 points. Employees who received three or more counseling sessions had a credit score change 18.97 points higher than employees who only had one session, all other things being equal ($p < .05$).

Compared to employees in the 1st quartile of baseline credit scores (453-561), employees in the upper 75th percentile of baseline credit scores experienced credit score decreases ($p < .001$).

Credit score changes were not associated with age, gender, race/ethnicity, language, marital status, or banking status.

As a robustness check, baseline credit scores were included in the selection model predicting number of counseling sessions. Results were similar; employees with three or more sessions had a credit score change 17.34 points higher than employee with one session ($p < .05$). In addition, using baseline scores in the selection model, separate outcome models were run for employees with prime (660 and above) and sub-prime (<660) scores. Among employees with prime scores, the relationship between number of counseling sessions and credit score change was not statistically significant. However, for employees with a subprime score, receiving three or more sessions was associated with an increase in credit score that was 24 points higher than employees with just one session ($p < .05$).

Achieving prime scores. Of employees with a subprime credit score (under 660) at baseline, 15% achieved a prime score after receiving services. Employees who received three or more sessions had a 6% greater likelihood of achieving a prime score than those with one session, all other things being equal ($p < .05$). Employee financial characteristics also mattered. Those with a bank account were 3% more likely to a achieve a prime score ($p < .05$). Compared to employees in the 1st quartile of baseline credit scores, employees in the 2nd and 3rd quartiles were 10% and 46% more likely to achieve prime scores ($p < .001$). The likelihood of achieving a prime score was not associated with age, gender, race/ethnicity, language, or marital status.

Becoming scored. Among employees without a baseline credit score, 28% received a score at follow-up, i.e., they became credit scored. Employees receiving two counseling sessions were

18% more likely to become scored than those with only one session, all other things being equal ($p < .05$). The likelihood of becoming scored was not associated with age, gender, race/ethnicity, language, or marital status.

Discussion

In this study, we examine financial characteristics of mostly female, African-American and Latinx employees of small- and medium-size companies in low-pay industries such as food service who participated in workplace financial counseling offered by a nonprofit organization in New York city. We also examine these workers' engagement in services and changes in their credit health. We find that most employees had sub-prime or no credit scores and had worse credit profiles than national averages, suggesting that services reached their intended target population despite workplace implementation challenges.

Engagement in services varied little by demographic characteristics, except that older and non-English speaking workers had less digital engagement. As organizations like Neighborhood Trust are compelled to adapt their services to the workplace by incorporating digital technologies, care must be taken to ensure all workers have full access to services. This is part of a larger problem of financial technology leaving behind vulnerable groups of consumers who lack broadband access, do not own laptops or mobile devices, and/or who prefer in-person services.

Overall, credit outcomes were modest, but positive. More than a quarter of those without credit scores became scored, 12% achieved a prime score, and workers decreased both delinquent and collections accounts. However, positive changes in credit health were greater among workers who received three or more counseling sessions. This finding may simply reflect that these workers were more motivated, yet it also raises the possibility that lower-income

workers may need more than an initial session to review their credit report. We also find that workers in the lowest quartile of baseline credit scores experienced the greatest increases in their scores, mirroring findings from prior studies (Elliehausen et al., 2007; Roll & Moulton, 2019). In fact, credit scores for workers with the upper 75% of baseline credit scores (>568) experienced decreases in their scores.

The key driver of these differences in credit score outcomes is likely related to delinquent accounts. Most (84%) of workers with baseline scores in the lowest quartile had one or more delinquent accounts compared to only 19% of the upper 75th and experienced much greater average reductions in these accounts. Workers with the worst credit scores seemingly were able to improve scores by clearing up delinquencies, whereas other factors such as a high utilization ratio may have made it more difficult for the upper 75th to improve their scores, at least within the one year time lapse between baseline and follow-up credit reports used for this study.

While increasing one's credit score is desirable, it is especially important to achieve prime scores to access less expensive forms of credit, yet this was not possible within the study period for most workers with subprime scores. It may take longer than 12 months to achieve this goal, yet lower-income workers may also face structural barriers that makes prime scores difficult to achieve. The credit utilization ratio is an important driver of credit scores, but lower-income workers likely find it difficult to keep this ratio low due to low wages in general, and income volatility more specifically. The continued reliance of creditors on credit scoring algorithms that disregard rent, utility, and mobile phone payments also makes it difficult for many lower-income workers to demonstrate credit worthiness (Birkenmaier, 2018; Brevoort, Grimm, & Kambara, 2016).

WORKPLACE FINANCIAL COUNSELING

To help lower-income workers cope with these structural challenges, financial counselors can focus attention on ways to increase income. This might include helping workers maximize use of public benefits, such as refundable tax credits, child care and housing subsidies, and subsidized health insurance. Counselors might also make referrals to career and workforce development services and resources and help workers access and use financial products aimed at improving credit, such as credit-builder loans offered by credit unions. In helping workers address these challenges, it is also important that counselors adopt cultural humility in helping workers of color. For example, counselors should understand and respect financial obligations to extended family and friends and religious communities, regard clients as their whole selves, not just as financial agents, and engage in self-disclosure to find mutual experiences to build rapport (Hawkins & Zuiker, 2019).

Additional research is needed to examine the extent to which workplace financial counseling is effective and sustainable. In actuality, in-person service engagement in the workplace was minimal. Employers may be reluctant to allow workers to receive services on company time and many of these workers work in remote locations (e.g., home health aides in patients' homes) and/or lack private office space for counseling. A more sustainable approach may be what Neighborhood Trust is currently using – a fully remote model with services accessed digitally and by phone. In this sense, the workplace is not the setting per se; rather, the employer acts as a conduit or delivery channel. As more employers begin offering other types of financial wellness benefits such as small-dollar loans, savings programs, and student debt repayment assistance, an important direction for research is to determine whether workers' outcomes are enhanced when they also have access to financial counseling.

WORKPLACE FINANCIAL COUNSELING

Table 1. Sample Description (N=2,849)

Covariate	Dosage			Total
	1 session	2 sessions	3+ sessions	
Age	39.69 (12.78)	40.65 (12.67)	42.09 (11.96)	40.01 (12.72)
Gender				
Female	88.17	90.44	83.10	88.12
Male	11.83	9.56	16.90	11.88
Race/ethnicity				
African American	38.48	35.38	38.89	38.05
Latinx	47.37	51.25	48.99	48.07
Other	14.16	13.37	12.12	13.88
Language				
English	67.65	64.15	67.14	67.10
Non-English	32.35	35.85	32.86	32.89
Marital Status				
Single	60.93	56.89	60.11	60.27
Married/partnered	28.28	28.14	26.40	28.12
Divorced/separated	10.79	14.97	13.48	11.62
Year of intake				
2015	27.99	43.90	37.56	30.99
2016	44.07	39.76	44.13	43.45
2017	27.94	16.34	18.31	25.55
N	2,226	410	213	2,849

Table 2. Baseline Financial Characteristics (N=2,849).

	% or Mean (SD)	National Figure
Banking status – banked	77	93.5 ⁱ
Credit Score, baseline	636.76 (92.92)	699 ⁱⁱ
650 or higher	43	69
600 – 650	21	10
Under 600	36	21
No credit score	36	19 ⁱⁱⁱ
1 or more accounts in collections	36	32 ^{iv}
1 or more delinquent accounts	35	5 ^{ix}

Note: ⁱ(FDIC, 2017); ⁱⁱ(Dornhelm, 2018); ⁱⁱⁱ(Consumer Financial Protection Bureau, 2015); ^{iv}(Hassani & McKernan, 2018); ^v(Ratcliffe et al., 2014).

WORKPLACE FINANCIAL COUNSELING

Table 3. Credit Outcomes.

Covariates	Credit Score Change ¹		Achieve Prime Score ²		Become Credit Scored ²	
	β	SE	dy/dx	SE	dy/dx	SE
Dosage (1 session)						
2 Sessions	.48	5.44	-.00	.01	.18*	.07
3+ Sessions	18.97*	8.18	.06*	.03	-.10	.06
Gender (Female)						
Male	-8.72	6.91	.02	.03	.05	.10
Age	-.24	.26	-.00	.00	-.00	.00
Race/Ethnicity (African American)						
Latinx	-9.78	10.59	.03	.02	.13	.08
Other	3.97	7.24	.00	.01	.06	.09
Marital Status (Single)						
Married/Partner	9.64	7.08	.48	-.02	.01	.08
Divorced/Separate	13.11	8.37	1.37	.02	.04	.10
Language (English)						
Non-English	9.11	11.59	1.03	-.00	.02	.09
Banking Status (Unbanked)						
Banked	5.51	7.77	.03**	.01	.05	.06
Baseline Credit Score (1 st quartile)						
2 nd quartile	-40.88***	9.12	.10***	.14.01	-	-
3 rd quartile	-42.94***	9.83	.46 ³ ***	178.53	-	-
4 th quartile	-50.70***	8.38	-	-	-	-
Constant	23.50	29.14	-	.03	-	-
N	950		539		545	
R ²	0.26		0.31		0.14	

Note: * $p < .05$, ** $p < .01$, *** $p < .001$ (two-tailed test). Covariates also include residence, year of intake, credit report lapse, and counselor. Reference groups are in parentheses. ¹Ordinary Least Square regression. ²Marginal effects from Probit regression. ³Credit scores in the 3rd quartile ranged from 640 to 708, including many that already had prime scores.

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