Improving Debt Management Plan Success Through Behavioral Design

The Challenge

Many Americans are living in financial distress, struggling to make ends meet. Close to a third of American families lack the savings to cover a $500 expense, and 17% are unable to pay all their bills. Consumer debt is at record levels, and spending on interest and fees reached an all-time high of $415 billion in 2024. The impacts are particularly severe for financially vulnerable households and households of color, who spend disproportionately higher amounts of their income on interest and fees.

Debt Management Plans (DMPs), offered by nonprofit Credit Counseling Agencies (CCAs), help individuals gain better control of their finances and effectively repay their credit card debt. DMPs are a tool that can help clients access better interest rates and terms on their debt. DMPs also allow clients to submit a single payment to the CCA, which then repays their various creditors—relieving the stress of dealing with multiple providers. Despite these benefits, many CCAs face challenges in client uptake, engagement, and retention. Difficulties like long, complicated applications, unfamiliarity with CCAs, or feelings of shame, often prevent clients from taking action even when solutions are within reach.

Our Approach

With support from Capital One, ideas42 partnered with multiple CCAs across the United States to address some of the behavioral barriers that show up throughout a client's DMP journey. Our goals were to:

- ✓ Create a viable path for clients to successfully pay off debt
- ✓ Help CCAs fulfill their mission and continue serving consumers
- ✓ Enable creditors to recover more debt in arrears

Improving DMP outcomes is a win-win-win for consumers, CCAs, and creditors

Consumers	*Credit Counseling Agencies*	*Creditors*
Healthy, safe support system for managing debt	Double bottom line	Recover principal and interest

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Overcoming Barriers to DMP Participation

We interviewed prospective and existing clients to identify key behavioral barriers in their experiences with debt management plans, focusing on their journeys through **Awareness**, **Sign-Up**, and **Repayment**. A few of these behavioral barriers are highlighted below, along with design principles that CCAs can implement to address them. For a full list of barriers and design solutions, please refer to our report on credit counseling at ideas42.org/ReportDomain.

1 People tend to avoid unpleasant information or situations, even when doing so can be beneficial

During sign-up and repayment, clients often struggle to face their financial situation—hesitating to disclose all debts due to fear of judgment from counselors, or avoiding reaching out for support due to the shame of missing DMP payments. This avoidance behavior, or "ostriching," can prevent clients from seeking help when they need it most and their progress towards becoming free of credit card debt.

Design Principles to Counter *Ostriching*

- ✔ Identify opportunities during the enrollment process to **ease applicants' anxiety and fear**. Begin with relatively simple questions (e.g., "what is your monthly income?") before progressing to more complex topics like expenses and debts which induce more stress.

- ✔ Engage in proactive outreach in the repayment stage by leveraging **empathetic messaging and judgement-free language** (e.g., highlighting that there are options when they struggle with payment) to help clients feel supported.

2 People tend to focus on the most prominent and striking pieces of information when making decisions

Salience bias—the tendency to focus on the most attention-grabbing options—can make it difficult to identify and engage with CCAs, particularly in the online "debt settlement" marketplace dominated by heavily marketed, and often predatory, services. For existing DMP clients—especially those living under financial strain, who are juggling multiple jobs, or constantly putting out urgent fires—it is easy to miss payments in the absence of salient cues or without payment reminders.

Design Principles to Counter *Salience Bias*

- ✔ To **build trust**, especially for clients who may be wary of financial scams, highlight the CCAs logo, include a local address if available, and emphasize nonprofit status.

- ✔ **Utilize timely, clear and actionable reminders** during the repayment stages, such as text messages with specific payment dates and amounts due, and with easy access and a direct link to their payment portal.

3 Small, minor inconveniences can disproportionately hinder people from taking action

Hassle factors—seemingly minor obstacles such as complex instructions and dense language—can disproportionately discourage action, and significantly hinder DMP sign-up and repayment.

Design Principles to Address *Hassle Factors*

- ✔ **Simplify information requests** during the registration process by outlining next steps and providing examples or definitions to reduce mental effort. For example, asking clients to "report household expenses" can be too vague—using a more illustrative prompt (e.g., "from weekly groceries, to haircuts, to new clothes and beyond") provides a frame of reference.

- ✔ Emphasize that estimates are fine to **help prevent clients from feeling stuck** when they don't have all the information at hand.

Pilot Spotlight
Testing Behavioral Designs to Improve Timely and Consistent Repayment

Interventions

We worked with six CCAs to co-design solutions targeted at addressing the key barriers identified. This spotlight highlights the designs specifically aimed at improving timely and consistent repayment, including:

SMS Payment Reminders

Personalized text messages with explicit calls to action for clients after a missed payment—using an empathetic and judgement-free framing to encourage repayment or outreach for support.

Action-Oriented Emails

Clear, empathetic emails with actionable next steps and easy navigation for seamless payment or help seeking actions.

Video Testimonials

Relatable client stories destigmatizing debt and highlighting resilience and success with DMPs.

Digital Reminders

Digital calendar reminders and planning tools for upcoming payments.

Results

In collaboration with a New Jersey-based CCA, we conducted a pilot study to gauge the feasibility and effect of these solutions on client behavior and outcomes. While further tests are needed to determine causality, preliminary findings show promising results:

High Engagement

Email open rates reached an impressive **64%**, with **16%** of clients interacting with at least one feature.

Reduced Drop-Off

Payment bouncebacks decreased by **0.87%** during the pilot period, although more testing is required to pinpoint causality.

Improved Call Center Communication

Clients were able to make clearer and more focused requests, after receiving support reminders.

For more insights on our findings and recommendations, head to our full report at **ideas42.org/ReportDomain**, where we follow the journeys of three DMP clients—Manny, Jae, and Leo—and explore how behaviorally informed strategies can address key barriers to success.

For more information or to discuss collaboration opportunities, please contact FinancialHealth@ideas42.org.

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