

Improving Debt Management Plans Through Behavioral Design



The Challenge

Many Americans live in financial distress, struggling to make ends meet. Over a third of American families lack the savings to cover a \$400 expense, and 17% are unable to pay all their bills. Consumer debt is at record levels, and just under three in ten people say their debt has reached unmanageable levels.

Debt management plans (DMPs), offered by nonprofit credit counseling agencies (CCAs), help individuals gain better control of their finances and effectively repay their debt. But **many CCAs struggle to reach people who could benefit from their debt management plans**. Even when clients enroll, many fail to complete these 3–5 year programs, missing payments and losing access to reduced interest rates and simplified repayment terms.

ideas42 partnered with multiple CCAs across the U.S. to apply behavioral science insights to three critical stages of the DMP journey:

1 Awareness

Helping people discover CCAs and distinguish them from predatory alternatives

2 Sign-up

Reducing friction in the enrollment process

3 Repayment

Bolstering consistent, on-time payments and support-seeking for those who couldn't pay

Over three years, and with support from Capital One, the team conducted extensive research with CCAs, surveyed 300+ clients, and ran three pilot studies focusing on repayment with 4,300+ clients to test behaviorally informed interventions to help more Americans regain control of their financial lives.

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



Consumers

Healthy, safe support system for managing debt



Credit Counseling Agencies

Double bottom line



Creditors

Recover principal and interest

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Key Repayment Findings

Across these pilots to help more people repay more debt, we found both significant success and a critical limitation:

What worked well:

- ✓ Email open rates hit **64–80%**
- ✓ One CCA saw a **151%** increase in client messages and received **17%** more calls
- ✓ Another saw **57%** higher traffic to redesigned landing pages
- ✓ Counselors reported deeper, more transparent conversations with previously hard-to-reach clients

What didn't change:

- ✗ On-time payment rates remained unchanged across all interventions
- ✗ Behavioral nudges—text reminders, action-oriented emails, video testimonials—did not improve payment behavior

Follow-up conversations revealed why payment behavior did not improve: **Clients who missed payments typically faced severe cash flow constraints**—insufficient income, job loss, or unexpected expenses. The desire to pay was present; the money was not. When clients lack funds, no amount of thoughtful messaging will create money that doesn't exist.

But well-designed communications can encourage clients to seek support earlier, maintain trust with their CCA, and access alternative payment options, like partial payments or payment deferrals. Behavioral design cannot make up for a short term cash flow problem, but it can make it easier for people to stay engaged with debt management plans, ultimately getting the debt support they need to regain control of their financial lives.

Actionable Design Principles

The report provides evidence-based recommendations for CCAs to consider at each stage of their client journey. For a full list of barriers and design solutions, please refer to our report on credit counseling at ideas42.org/credit-counselling-outcomes.

For Awareness:

- Leverage referrals from satisfied clients as trusted messengers
- Provide immediate, low-friction next steps (like online assessments)
- Clearly compare DMPs to alternatives, especially those offered by predatory debt settlement companies

For Sign-Up:

- Reduce anxiety by reordering information requests (ask about income before debts)
- Make the process personally relevant through testimonials and personalized language
- Highlight both short- and long-term benefits at key decision points
- Simplify with clearer guidance and error correction options

For Repayment:

- Use destigmatizing, judgment-free language in all communications
- Send timely, personalized reminders with direct payment links
- Make help-seeking behaviors easy with concrete action steps
- Proactively communicate flexible payment options, if people can't pay the full amount (partial payments, deferrals)

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Organizational Learning

CCA partners have deep experience working with debt management plan users, and nonetheless found themselves making significant shifts in their approach.



Taking more holistic views of clients' financial situations



Embracing data-driven decision making



Challenging assumptions about client preferences and capabilities

The Bottom Line

Behavioral design is powerful but not sufficient. While thoughtfully designed communications dramatically improve engagement and help-seeking, they cannot overcome structural barriers like insufficient income. The real value of these design principles lies in:



Helping CCAs reach and engage clients more effectively



Building trust that encourages clients to seek support during financial crises, preventing worse outcomes



Ensuring clients know about all available payment options

For CCAs and similar programs, this work shows the value of investing in behavioral design to improve communication and trust-building, while recognizing that sustainable client success requires addressing both behavioral and structural barriers to financial stability.

For more insights on our findings and recommendations, head to our full report at ideas42.org/credit-counselling-outcomes, where we follow the journeys of three DMP clients 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.

