FC+ schools

Randomized Control Trial Interim Report August 2016

A social impact study by

CAPITAL Good Fund

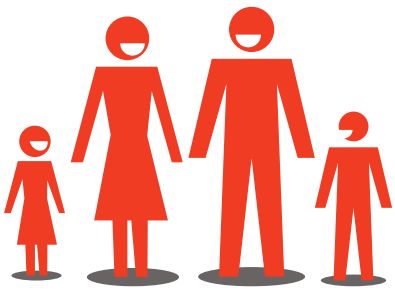
Overview

To solve the multi-faceted and complex challenge of poverty, we need to keep innovating and experimenting. Capital Good Fund has a hypothesis: by improving the health and financial stability of a family, the children will do better in school and have a better chance at escaping poverty themselves. In 2013, we set out to test this hypothesis.

We created the Financial Coaching Plus Schools Program (FC+ Schools) and launched a Randomized Control Trial (RCT) in partnership with Brown University and the Providence Public School District. A treatment group is receiving our rigorous, specialized Financial + Health Coaching, and a control group is not.

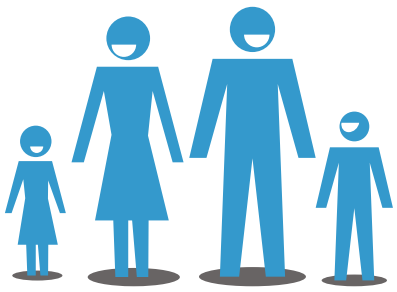
Treatment participants complete four one-on-one Financial Coaching sessions during the first month of their study enrollment followed by check-ins at 6, 12, and 24 months after enrollment. Control group participants complete a brief survey at intake, 6 months, 12 months, and 24 months but receive no Coaching. This survey contains 38 questions addressing multiple areas of personal finance and health, such as bank use, savings, and food security.

As of August 2016, 84 individuals have finished the RCT by completing their 24-month check-in. Of these 84, 33 are treatment participants and 51 are in the control group. We expect that all participants will have completed their final 24-month check-ins, and therefore, the RCT, by the end of 2018.



Control Group

- Financial & Health Info Collected
- No Intervention



Treatment Group

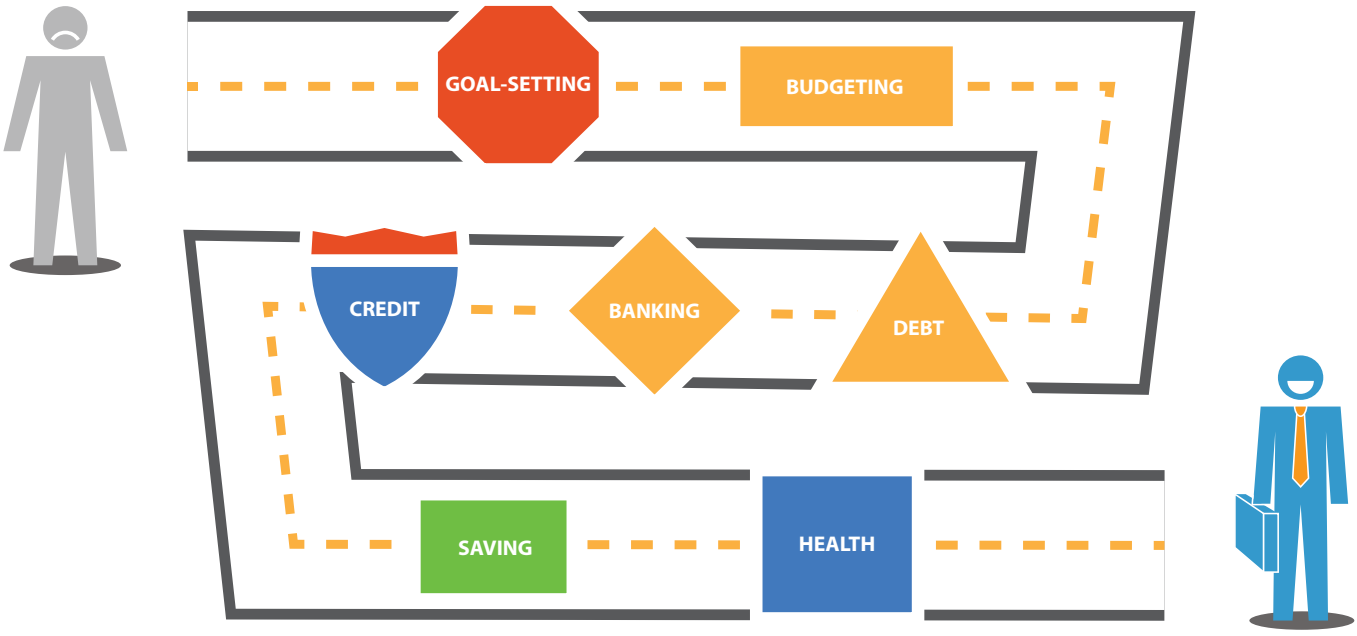
- Financial & Health Info Collected
- Receives Coaching

Treatment Overview

In the RCT, every Coaching relationship starts with understanding what matters most to the participant, today. Our Coaches then set short- and long-term goals—everything from buying a house to going back to school—and create an action plan that is tailored entirely to the client. In other words, no two Coaching relationships are the same.

Our Financial Coaches work one-on-one with their client over the course of two years. They go through modules of the curriculum we developed in-house, which range from budgeting, credit, and debt to health and savings. Both Coach and client have access to the program modules via our simple and intuitive online portal, making it easy to keep track of goals, build and maintain a budget, and work with credit- and debt-management tools.

Taken together, our philosophy, curriculum, online platform, and cohort of highly-trained Coaches are what lead to the phenomenal impacts we show in this report. We look forward to fully completing the RCT in 2018 and are thrilled to share these interim findings, which strongly suggest that what we do is creating opportunities for lower-income individuals and families.



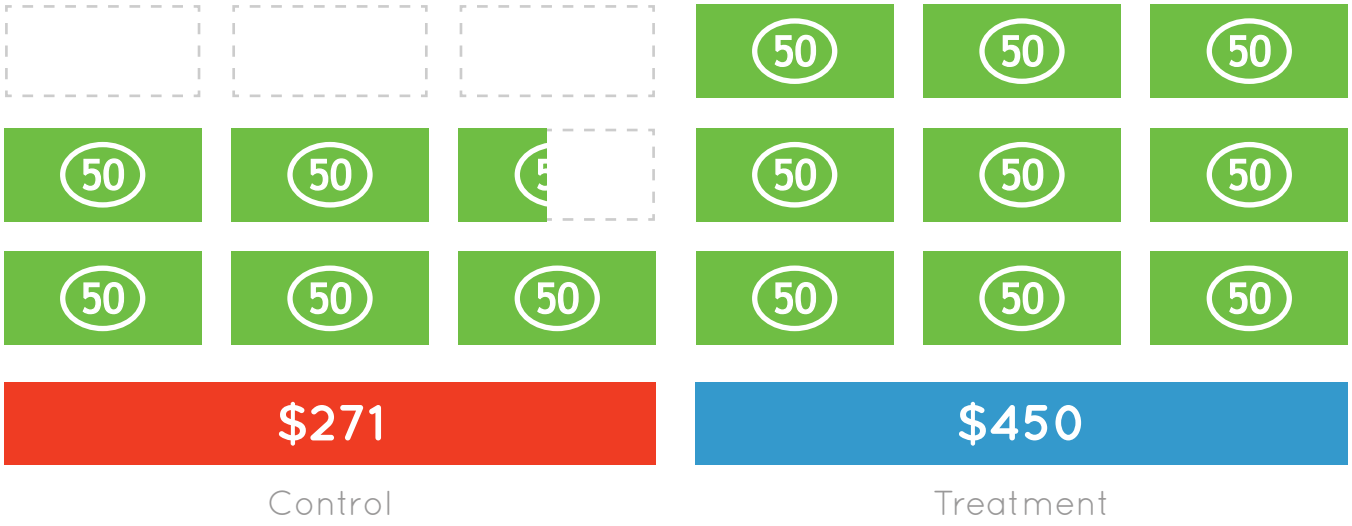
Key Findings

Based on the information gathered via check-in surveys from June 2013 through August 2016, we have been able to compare outcomes for those who have received Coaching with those who have not. The study is ongoing, but our treatment participants have already seen positive results:

- The average control participant increased their income by $271 per month. Meanwhile, the average treatment participant increased their income by $450 per month.
- The average FICO credit score among treatment participants increased 95 points from intake to most recent check-in, with a number of participants developing credit scores for the first time. The control participants had an average FICO score increase of 63 over the same time period.
- Treatment participants who utilized their savings for emergencies increased from intake to most recent check-in by 60%. This indicates that treatment participants are relying on savings, rather than credit cards or predatory loans, to manage emergency expenses.
- Treatment participants reported a 25% decrease in the use of predatory financial services from intake to check-in, while the control group had no change.
- At intake and check-in, we asked study participants if they or a family member had been unable to see a doctor or get a needed medication in the previous six months. 19% of control participants were less able to afford vital medical services, while 39% of treatment participants saw an improvement.
- Food insecurity dropped by 45% for treatment participants, while control participants worried even more that they would run out of food and not have money to purchase more.

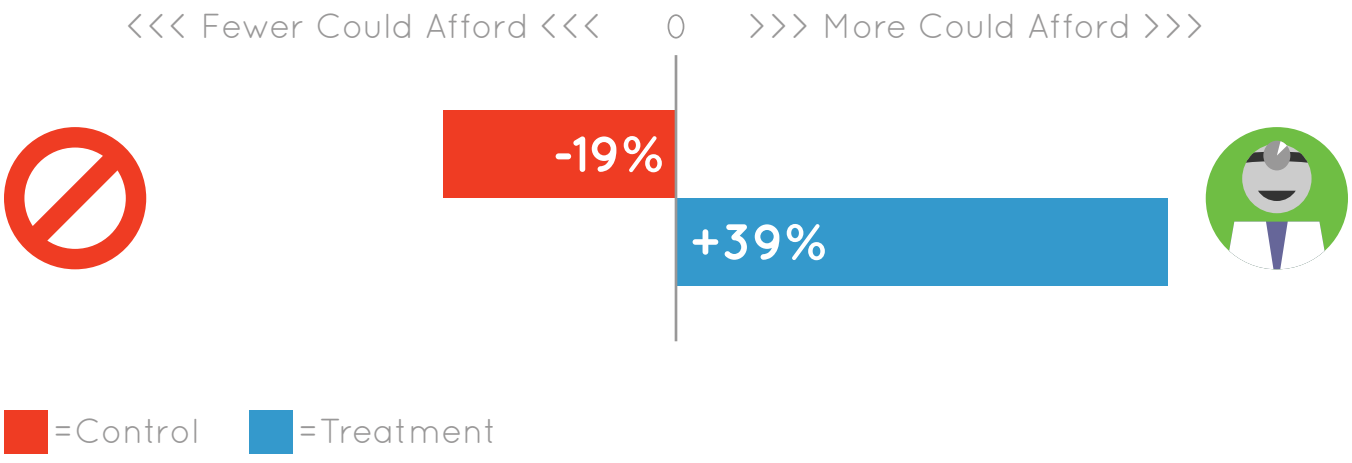
There is much more data to collect and analyze, but it is startling progress. Impacts on education are forthcoming and some outcomes such as repairing credit scores or increasing savings take months, if not years, to change. Still, if the study continues to match our expectations, expect to see FC+ Schools changing lives all across the country!

Participants' Average Increase in Monthly Income



Participants' Ability to Afford Doctor/Medication

(past six months)



Money Management

As a part of our Financial + Health Coaching, clients review their expenses and income with their Coach. Increasing income through public benefits, requesting a raise with a current employer, or increasing the number of hours worked are a few key ways that families can reach their financial goals.

The United States unemployment rate has dropped significantly since we began our study in 2013, so it is not surprising that both our control and treatment groups saw an increase in income. The average control participant increased their income by $271 per month. However, the average treatment participant increased their income by $450 per month, a difference of $179.

Unsurprisingly, this increase in income translated into greater savings among the treatment group. Each participant was asked for the balance of their savings account, including emergency savings and joint savings. At their most recent check-in, 60% of the treatment participants had a savings balance greater than $0, which represented a 50% increase from intake. Meanwhile, control participants only increased their use of savings by 11%, as illustrated in TABLE 1.

TABLE 1: Participants with a savings balance greater than $0

Group	Intake n=142	Check-In n=147	Percent Change
Treatment	30	45	+50%
Control	25	28	+11%

Not only did the number of treatment participants with a savings account balance increase, but the balance of those accounts also dramatically increased. From intake to most recent check-in, the average increase in savings for treatment participants was $393. Meanwhile, control participants experienced an average decrease of $137 in savings over that time period. For our participants, and many other low-income families, having savings is essential for insulating their family against unexpected expenses, like car repairs or medical bills.

When necessary, we encourage participants to use their savings for emergencies rather than turning to credit cards or predatory loans. As shown in TABLE 2, the number of treatment clients who utilized their savings for emergencies increased from intake to most recent check-in by 60%. On average, control participants withdrew $378 from their emergency savings in the previous six months, while treatment participants withdrew $1,818. By using their emergency savings, participants avoid the high interest rates and fees attached to certain credit products.

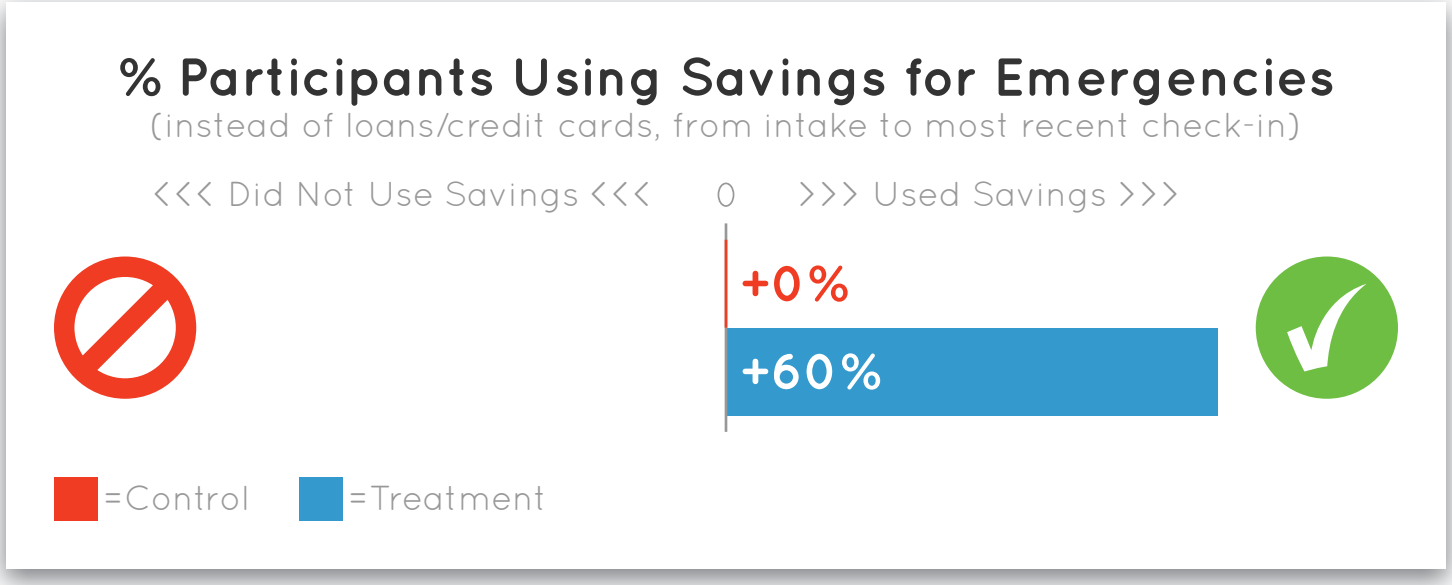
TABLE 2: Participants who utilized their savings for emergencies in the last six months

Group	Intake n=147	Check-In n=147	Percent Change
Treatment	11	18	+60%
Control	15	15	0%

While increasing income can lead to more savings, reducing expenses and adhering to a budget are also key. During their first Financial Coaching session, treatment participants build a budget and then work with their Coach to adhere to it. At their most recent check-in, 80% of treatment participants stated that they use a budget either entirely or mostly. This represents a 27% increase from intake. The control group reported a smaller increase in budgeting (23%), as seen in TABLE 3.

TABLE 3: Participants using a budget either entirely or mostly

Group	Intake n=147	Check-In n=147	Percent Change
Treatment	47	60	+27%
Control	40	50	+23%



Financial Services

Low-income adults are often excluded from the formal financial sector, while also being exposed to predatory financial services that trap them in a cycle of debt. Capital Good Fund aims to help individuals choose alternatives to the dangerous and predatory financial services such as payday lenders, rent-to-own stores, buy-here-pay-here auto dealers, pawn shops, and check cashers. Through the RCT, treatment participants reported a 25% decrease in the use of predatory financial services from intake to check-in, while the control group had no change, as shown in TABLE 4.

TABLE 4: Use of predatory financial services

Group	Intake n=145	Check-In n=145	Percent Change
Treatment	12	9	-25%
Control	11	11	0%

At Capital Good Fund, we also work to remove the barriers that make it difficult for low-income adults to build credit or open a bank account. As RCT participants, neither control nor treatment group members were eligible for a loan from Capital Good Fund. However, we reviewed each treatment participant's credit report in order to create a customized debt management plan and suggest credit-building tools, such as secured credit cards offered by local credit unions.

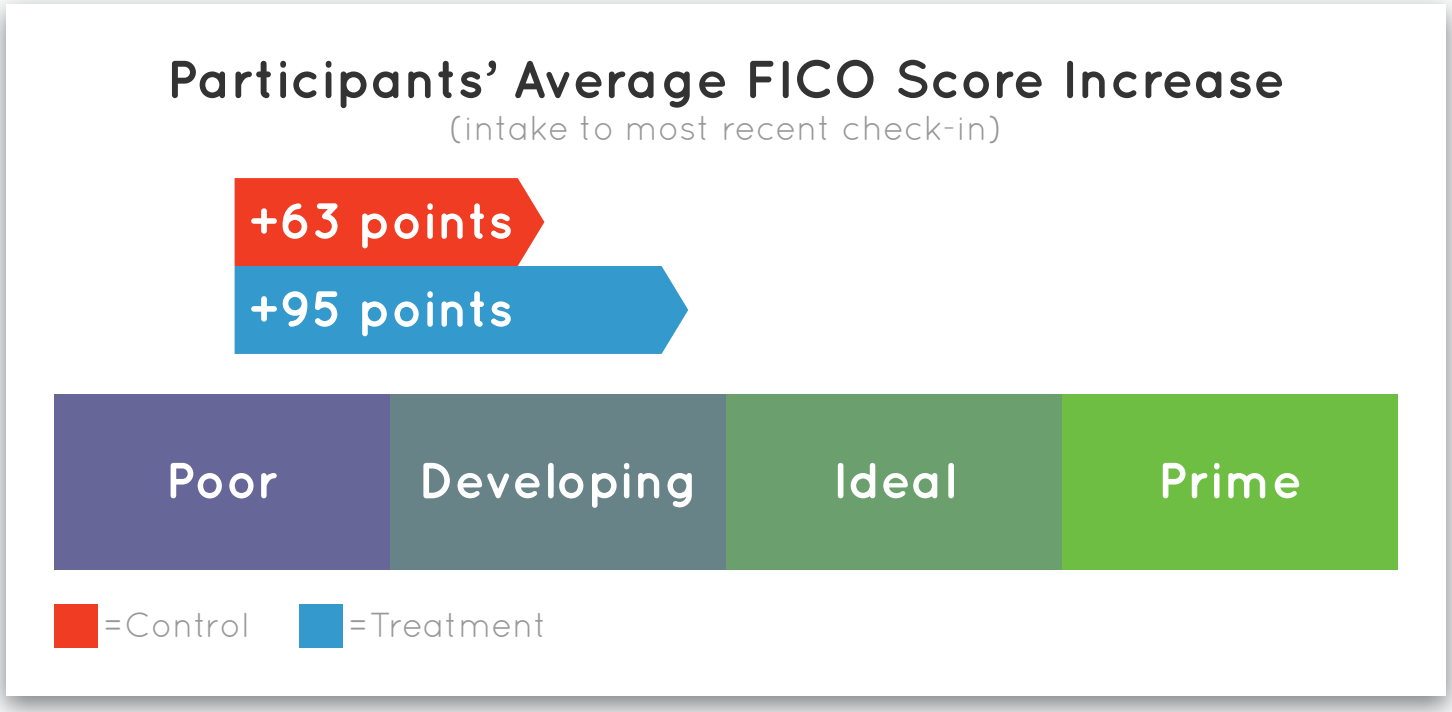
Perhaps most exciting is the impact we observed on the treatment participants' FICO credit scores; on average, their FICO score increased 95 points from intake to most recent check-in, with a number of participants developing credit scores for the first time. The control participants had a smaller average FICO score increase of 63 over the same time period.

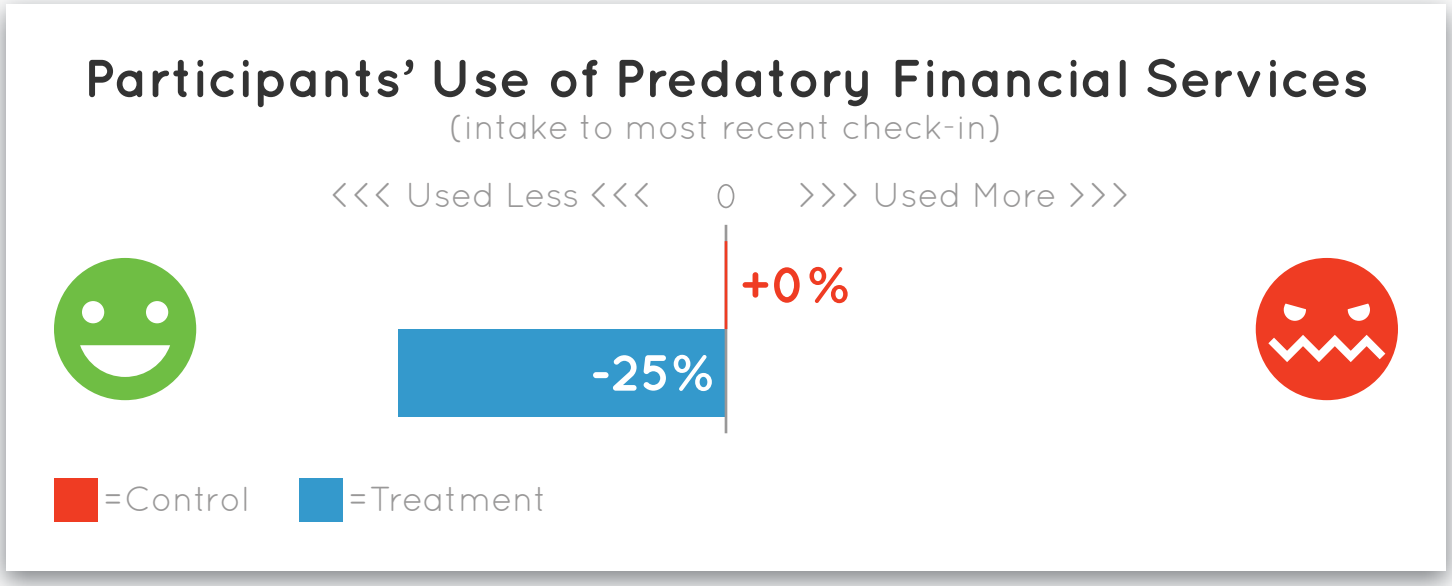
One metric where we hoped to see greater impact was the use of bank accounts among our treatment participants. While bank use did increase among the treatment group by 7%, as shown in TABLE 5, we aimed to have 85% of the treatment group banked by their most recent check-in (the actual number is roughly 40%). We believe that our impact has been limited for two reasons. First, many employers are using prepaid debit cards to pay employees. Second, fewer

mainstream banks are offering free or low-cost starter bank accounts for lower-income families, leaving them with checking products that often carry many fees that quickly add up.

TABLE 5: Use of bank accounts among participants

Group	Intake n=145	Check-In n=146	Percent Change
Treatment	53	57	+7%
Control	41	41	-2%





Health Services

In 2013, a health module was added to our Financial Coaching curriculum because of the connection between high healthcare costs and financial stability. A study in 2007 found that—of 2,300 bankruptcies—62% were due to medical concerns, and many of our clients have identified health as a major barrier to their financial stability.

The components of health that we address are food security, health insurance, access to primary care, emergency health services, and wellness. For both the treatment and control groups, 11% of participants were uninsured at their most recent check-in, which is not surprising because of the number of undocumented participants we serve.

Unfortunately, even those with medical insurance can struggle to cover medical costs. In 2011, the average person spent $735 per year out-of-pocket on healthcare costs. Therefore, we work with participants to locate primary care physicians and urgent care facilities in their area and provide suggestions regarding what type of medical coverage is most cost-effective. This helps participants use cost-effective healthcare options, and avoid unnecessary trips to the emergency room, which cost an average of $1,233 per visit.

At intake and check-in, we asked study participants if they or a family member had been unable to see a doctor or get a needed medication due to cost in the previous six months. The number of control participants who had been unable to afford a doctor or medication increased by 19%, whereas treatment participants saw a 39% decrease, as shown in TABLE 6.

TABLE 6: Participants unable to afford a doctor or medication

Group	Intake n=147	Check-In n=147	Percent Change
Treatment	25	15	-39%
Control	19	22	+19%

An individual's primary care physician (PCP) acts as their ambassador and advocate within the healthcare system. Having a trusted PCP is essential to the

maintenance and improvement of personal health. During Financial Coaching, we review each participant's relationship with their PCP and, if necessary, discuss resources for selecting a new one. Through the RCT, we saw a 48% reduction of treatment participants without a PCP from intake to the most recent check-in, as shown in TABLE 7.

TABLE 7: Participants without a primary care physician (PCP)			
Group	Intake n=147	Check-In n=147	Percent Change
Treatment	17	9	-48%
Control	18	12	-32%

Also, 41% of treatment participants improved their relationship with their PCP from "poor," "fair," or "good," to either "very good" or "excellent," as shown in TABLE 8. Control group participants were less comfortable with their PCP at their most recent check-in than at intake.

TABLE 8: Participants who improved their relationship with their PCP from "poor," "fair," or "good," to either "very good" or excellent"			
Group	Intake n=135	Check-In n=135	Percent Change
Treatment	30	42	+41%
Control	32	31	-4%

Another interesting data point is that 37% of our RCT participants suffered from a chronic illness at intake. While we did not see any clear evidence that Financial + Health Coaching eliminated the symptoms of chronic illnesses, it is apparent that Coaching encouraged participants to get such illnesses better managed and treated. We connect clients with appropriate health services and ensure they are able to afford necessary medications.

Overall, more treatment and control participants reported having chronic illnesses at their most recent check-in than at intake. Fourteen additional control participants and 13 additional treatment participants reported having a chronic illness at their most recent check-in than at intake. Of the participants who consistently had a chronic illness, treatment participants were managing their illness better, with a 31% increase in those following their doctor's recommendation. Again, the control group performed worse at check-in than at intake, with an 8% reduction in those following their doctor's recommendations.

Food Security

The outcomes that have remained most consistent over the past three years of the study have been improvements in food security among our treatment participants. Our survey includes two questions relating to food security.

The first question asks if the participant has worried about running out of food and not having money to purchase more in the past six months. At intake, 44% of the treatment participants had never worried about running out of food compared to 32% at check-in, a 27% decrease. Meanwhile, the percent of control participants who worried about running out of food either a "few times" or "often" increased by 4% from intake to check-in, as shown in TABLE 10.

TABLE 10: Participants who worried about running out of food either a "few times" or "often"

Group	Intake n=148	Check-In n=148	Percent Change
Treatment	33	24	-27%
Control	41	42	+4%

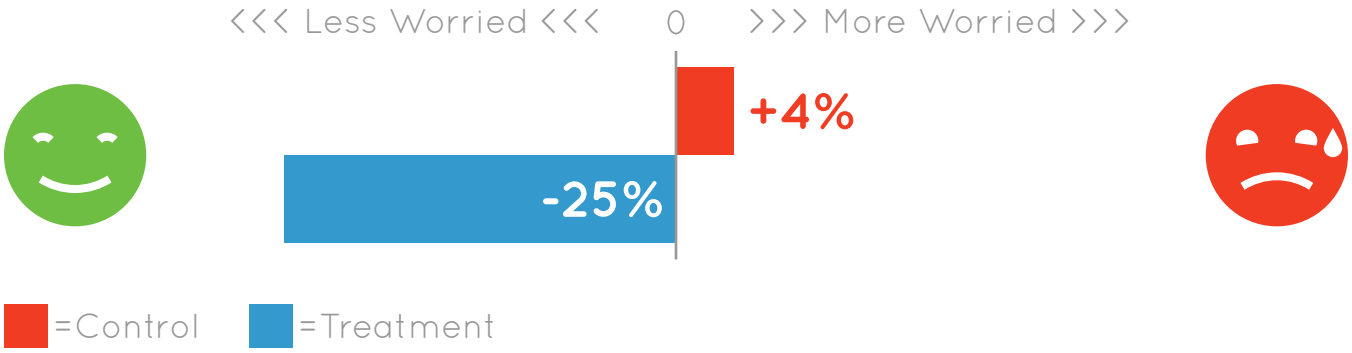
The second question about food security asks if participants had ever actually run out of food in the previous six months. There was a 45% reduction in treatment participants who actually ran out of food either "often" or "a few times" in the previous six months, as shown in TABLE 11. This is perhaps the outcome that has the most potential to change the trajectory of a family—after all, a hungry child is unlikely to do well in school, and the more we move the needle on food security the more we can create the conditions for academic success.

TABLE 11: Participants who actually ran out of food either "often" or "a few times" in the previous six months

Group	Intake n=148	Check-In n=148	Percent Change
Treatment	36	20	-45%
Control	41	36	-11%

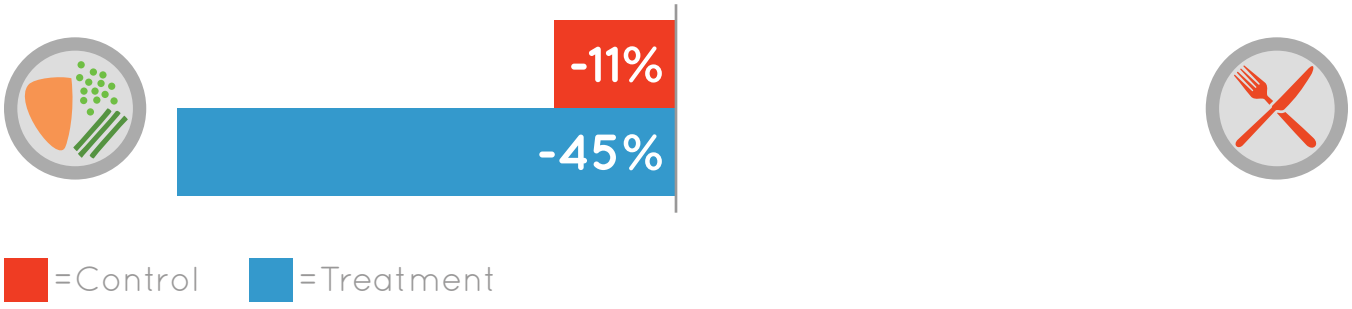
Participants Worried About Running Out of Food

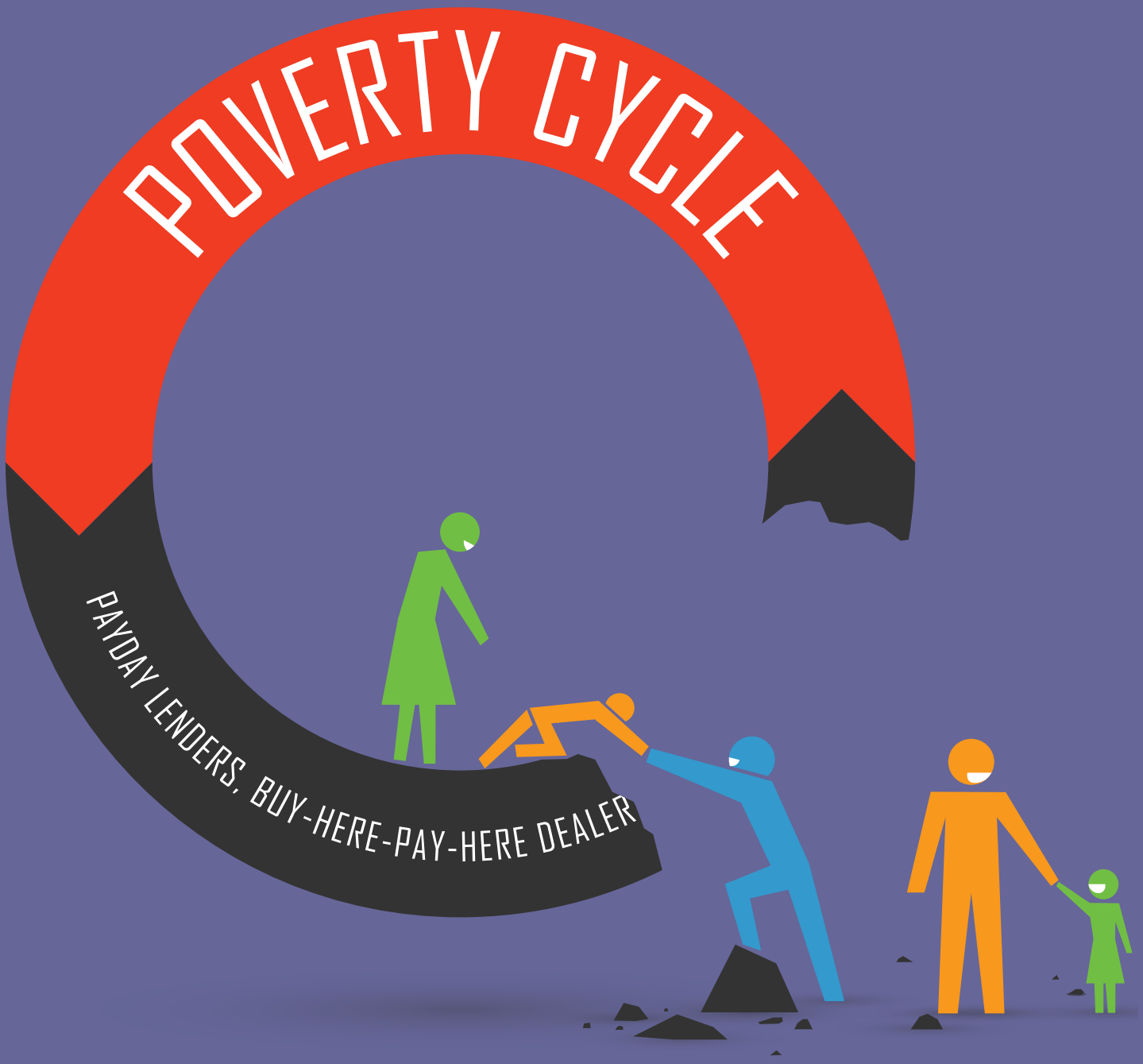
(intake to most recent check-in)



Participants Who Ran Out of Food

(past six months)




POVERTY CYCLE
PAYDAY LENDERS, BUY-HERE-PAY-HERE DEALER

Conclusion

Capital Good Fund's goal is to have 250 participants complete the study by the end of 2018. 125 of these participants will be in the treatment group and receive Financial + Health Coaching. The other 125 will simply be tracked.

While the health component of our Coaching is the most recent curriculum addition, our greatest outcomes have been in this area. For example, the number of control participants who had been unable to afford a doctor or medication increased by 19%, while treatment participants saw a 39% decrease. We also saw a 48% reduction of treatment participants without a primary care physician from intake to the most recent check-in. These outcomes show that our Coaching better connects participants with the healthcare system and allows them to meet their important healthcare needs.

Overall, we have seen that when a family increases their disposable income, they will often use their additional funds to meet their most pressing needs, such as seeing a doctor or putting food on the table. We've also seen marked improvements in treatment participants' FICO credit scores, savings account balances, and use of savings in emergencies. These improvements speak to the ability of Coaching to have long-term, sustainable impact on the lives of our clients and their families. We believe that these outcomes will ultimately create an environment of financial stability and good health in which children can excel in school; this, in turn, should result in higher graduation rates, better employment prospects, and a rupture in the cycle of intergenerational poverty.

In our next report we will do our first analysis of educational outcomes—grades, test scores, and attendance—for the children of both the treatment and control groups. We are thankful to all our funders, supporters, coaches, and clients, and look forward to continuing to change lives, and share the rich and insightful data that we collect every day.

CAPITAL Good Fund

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