



BUREAU OF THE

**Fiscal Service**

U.S. DEPARTMENT OF THE TREASURY

# Behavioral Demand Letter Experiment

## Findings from a Randomized Controlled Trial

Tammy Chang  
August 12, 2014

# Background

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- Federal agencies refer delinquent debts to Treasury at 180 days past delinquency (batch/daily/etc referrals)
- Treasury issues initial “demand letters” to debtors
  - Notice of Referral
  - Debt information
  - Repayment options
- Debts serviced internally for 30 days

# Analytics Objectives

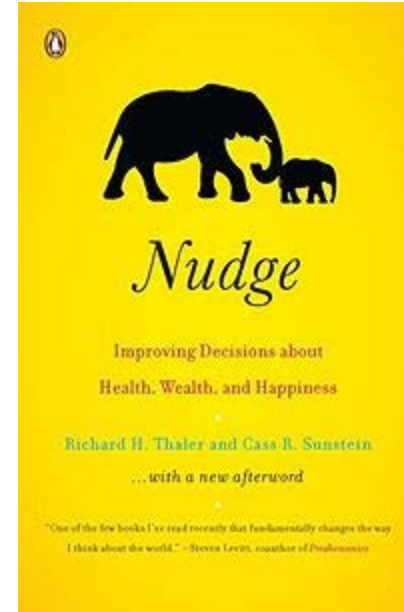
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- Design and run a rigorous and statistically sound experiment
  - Implement a Randomized Controlled Trial (RCT)
- Develop and test an alternative letter
  - Can a letter incorporating insights from behavioral science change debtor behavior?

# Behavioral Science Concepts

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- Social norm
- Limited attention
- Information overload
- Personalization
- Hassle factors
- Primacy



# Collaboration and Context

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- US Social and Behavioral Sciences Team
  - Identify opportunities for behavioral insights to increase efficiency and efficacy of federal agency programs
- Evidence and Innovation Agenda (OMB M-13-17)
  - Promote evidence-based policy
  - Using data to inform and improve agency results
  - Rigorous, low-cost experiments
- 2014 Economic Report of the President



# Outcome Measures of Interest

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- Collections
  - Likelihood of collection
- Debtor contact
  - Likelihood of inbound calls
- Payment method
  - Likelihood of self-initiated Pay.gov payment



**Pay.gov**<sup>®</sup>

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# Demand Letter Examples

## Control

DEPARTMENT OF THE TREASURY  
FINANCIAL MANAGEMENT SERVICE  
P. O. BOX 830794  
BIRMINGHAM, AL 35283-0794



August 21, 2013

000028



JOHN DOE  
U.S. Treasury Financial Management Servi  
P.O. Box 2451  
Birmingham, AL 35201-2451

FedDebt Case Identification: [REDACTED]

Agency Debt Identification: [REDACTED]

Your unpaid delinquent debt owed to the Department of Defense, U S Army Medical Command, Evans Army Community Hospital (EACH), has been referred to the U.S. Department of the Treasury for collection. According to the records of the Department of Defense, you owe \$266.20.

Collection action will continue unless you make payment, within ten (10) days from the date of this letter, in the amount of \$340.74, which includes all applicable fees, interest, and penalties, as of today.

If you wish to avoid further collection action and additional charges, you must immediately pay your debt. Your check or money order should be made payable to the U.S. Treasury-FMS. To ensure proper credit to your account, please include the FedDebt Case Identification Number [REDACTED] in the memo section of your payment. Please note that we accept credit card payments via MasterCard, Visa, Discover, or American Express. Please send your payment with the attached PAYMENT COUPON to: U.S. Department of the Treasury - FMS  
Debt Management Services  
Post Office Box 979101  
St. Louis, MO 63197-9000

You may also make an electronic payment via pay.gov:

(<https://www.pay.gov/paygov/forms/formInstance.html?agencyFormId=16531440>).

Correspondence should be mailed to: U.S. Department of the Treasury  
Debt Management Services  
Post Office Box 830794  
Birmingham, AL 35283-0794

If you are unable to pay your debt in full, please contact a Customer Service Representative toll free at (888) 826-3127, or the Telecommunications Device for the Deaf (TDD) at (866) 896-2947.

U. S. Department of the Treasury  
Debt Management Services

## Treatment

U.S. DEPARTMENT OF THE TREASURY  
Bureau of the Fiscal Service  
P. O. Box 830794  
Birmingham, AL 35283-0794



August 20, 2013

000038



JOHN DOE  
U.S. Treasury Financial Management Servi  
P.O. Box 2451  
Birmingham, AL 35201-2451

**YOU OWE THE U.S. GOVERNMENT \$12,468.31**

**You must pay this amount now to avoid additional penalties, interest, and fees**

Dear John,

**More than 91% of debt in the United States of America is paid on time. You are now in the small fraction of people who have not paid their debt on time.** The Department of Defense has referred your debt of **\$12,468.31** to the U.S. Department of the Treasury, Bureau of the Fiscal Service for collection.

You are required to pay this debt within ten (10) days from the date of this letter to avoid further increases to the amount you owe.

### **How Do I Pay My Debt?**

- **Pay online:** Visit [www.pay.gov/paygov/paymydebt](http://www.pay.gov/paygov/paymydebt)

- **Pay by mail:** Fill out the form at the bottom of this letter and send with your payment (if applicable) to the address on the coupon.

- **Pay by phone:** Please contact us toll free at (888) 826-3127, or the Telecommunications Device for the Deaf (TDD) at (866) 896-2947. You can also call this number with any questions.

Please act now.

Sincerely,

Jeffrey Schramek  
U.S. Department of the Treasury  
Bureau of the Fiscal Service

# Demand Letter Examples

## Treatment

Limited Attention

Social Norm

Personalization

Primacy

Hassle Factor

Previous Pay.gov link:

<https://www.pay.gov/paygov/forms/formInstance.html?agencyFormId=16531440>

New Pay.gov link:

[www.pay.gov/paygov/paymydebt](http://www.pay.gov/paygov/paymydebt)

Messenger

U.S. DEPARTMENT OF THE TREASURY  
Bureau of the Fiscal Service  
P. O. Box 830794  
Birmingham, AL 35283-0794

August 20, 2013

090038

JOHN DOE  
U.S. Treasury Financial Management Servi  
P.O. Box 2451  
Birmingham, AL 35201-2451

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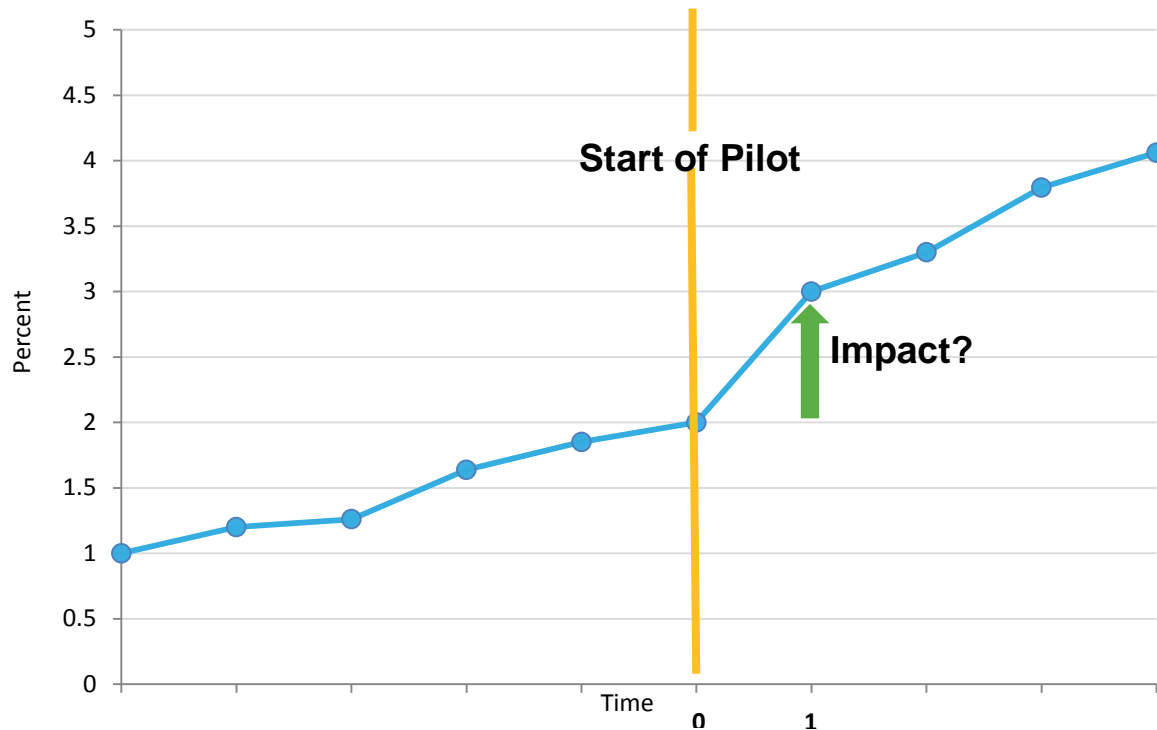
Please act now.

Sincerely,  
*Jeffrey Schramm*  
Jeffrey Schramm  
U.S. Department of the Treasury  
Bureau of the Fiscal Service



# Measuring Impact: Non-RCT Example

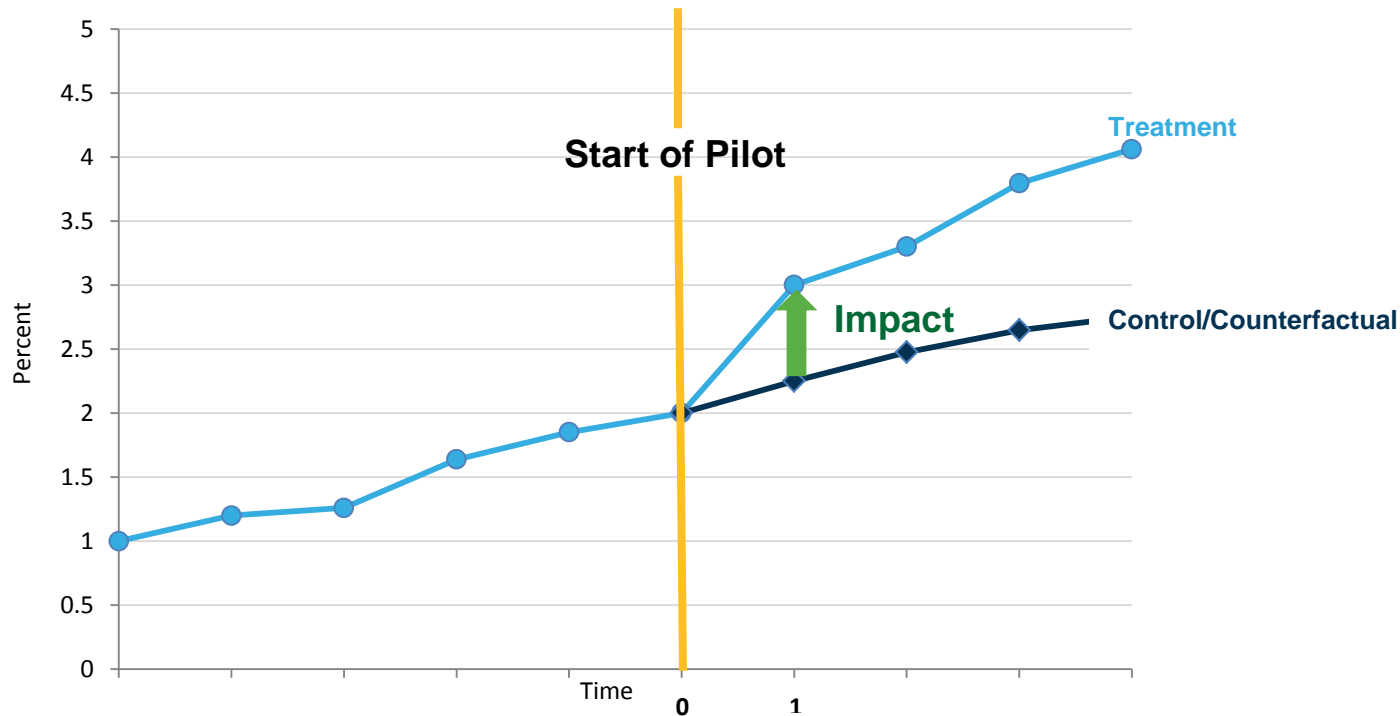
- Before vs. After



- What would have happened without the pilot?

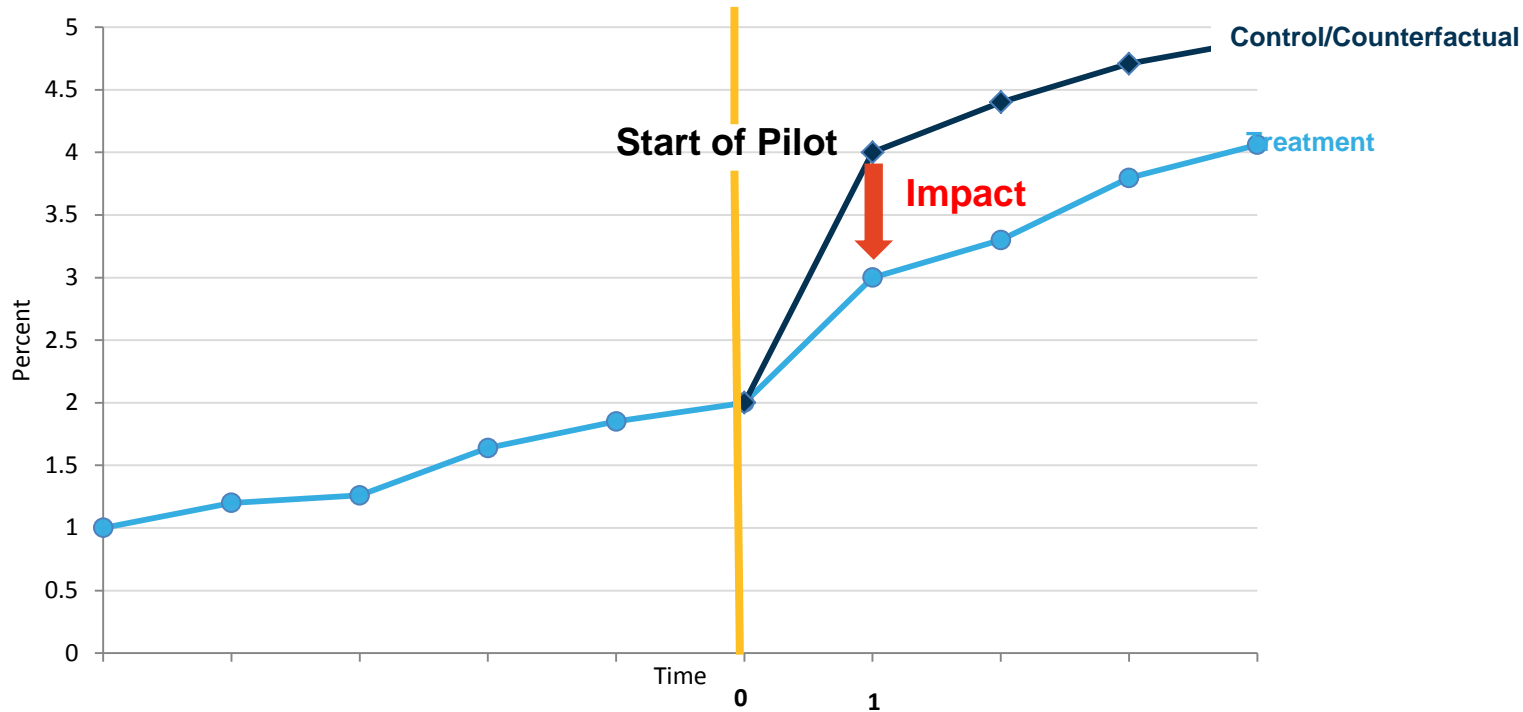
# Measuring Impact: Example 1

- Control vs. Treatment



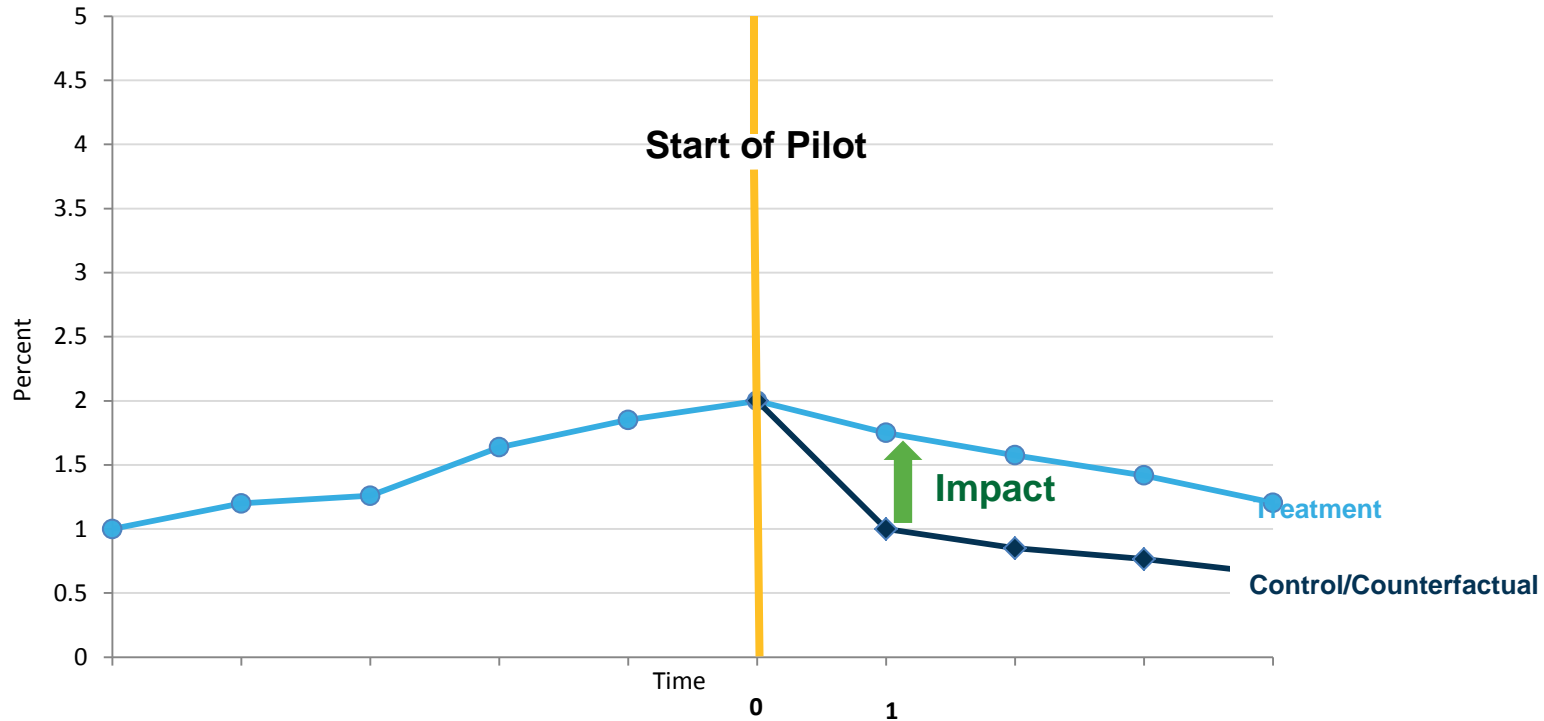
# Measuring Impact: Example 2

- Control vs. Treatment



# Measuring Impact: Example 3

- Control vs. Treatment



# RCT Methodology

- [illegible]

Even Digit: Control Group Current Letter	Odd Digit: Treatment Group New Letter
XXX-XX-XXX0	XXX-XX-XXX1
XXX-XX-XXX2	XXX-XX-XXX3
XXX-XX-XXX4	XXX-XX-XXX5
XXX-XX-XXX6	XXX-XX-XXX7
XXX-XX-XXX8	XXX-XX-XXX9

# Sample

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- Six agency programs
  - Consistent referrals
  - Smaller balances
  - Administrative debts

## Agency Programs

- VA: Compensation and Pension
- Railroad Retirement Board: Unemployment Insurance Act Annuitant
- DOD: Defense Financial Accounting Services
- DOD: Brooke Army Medical Center
- USDA: Administrative Consumer
- Treasury: Securities and Savings Bonds

- Referrals from October 28, 2013 – March 31, 2014

# Outcome Measures Data

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- Existing data from FedDebt
  - Referral Dates
  - Collection Dates and Type
  - Call Dates and Types
  - Payment Type
  - Debt Characteristics
- Timeframe
  - 30 days after referral
  - 60 days after referral

# Descriptive Statistics

- Equal assignment across control/treatment

	Control	Treatment	Total	% Control
VA	1,270	1,264	2,534	50.12%
BPD	359	361	720	49.86%
DFAS	8,246	8,282	16,528	49.89%
BAMC	205	186	391	52.43%
USDA	445	374	819	54.33%
RRB	167	146	313	53.35%
Total	10,692	10,613	21,305	50.19%

- Percent of debts with any collection  
(within 30 days of referral, by agency)

	Collection	No Collection	Total	% With Coll
VA	167	2,367	2,534	6.59%
BPD	92	628	720	12.78%
DFAS	900	15,628	16,528	5.45%
BAMC	7	384	391	1.79%
USDA	65	754	819	7.94%
RRB	23	290	313	7.35%
Total	1,254	20,051	21,305	5.89%

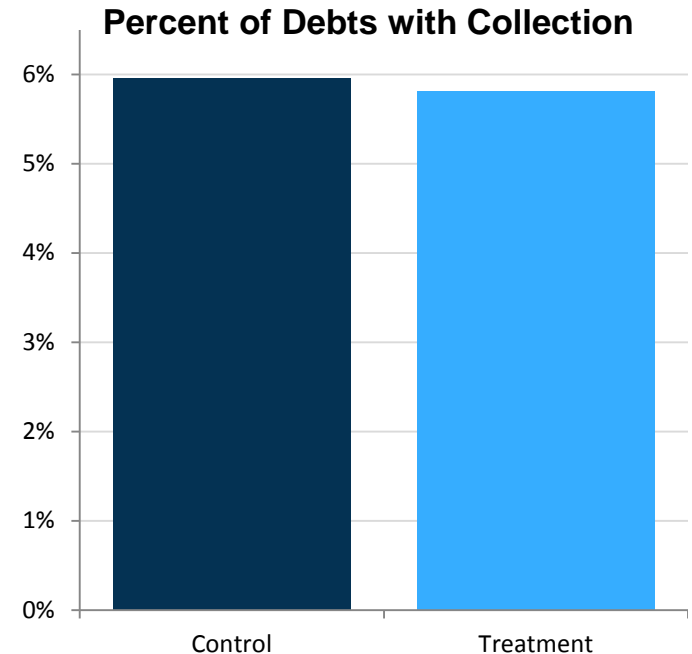


# Results: Collections

- Likelihood of Collection
  - Lower likelihood of collection on treatment group

Collections within 30 days of referral

	Control	Treatment	Total	
<b>Collection</b>	637	617	1,254	5.89%
<b>No collection</b>	10,055	9,996	20,051	94.11%
<b>Total</b>	10,692	10,613	21,305	100%
	50.19%	49.81%		
<b>% With Coll</b>	5.96%	5.81%	<b>Difference: -0.15%</b>	



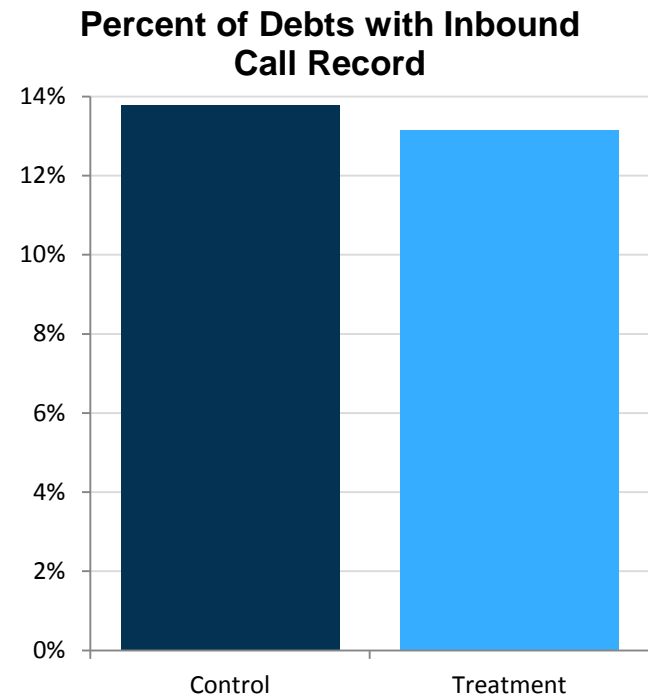
- Difference statistically *insignificant*

# Results: Calls

- Likelihood of Inbound Call
  - Lower likelihood of calls from treatment group

Inbound calls within 30 days of referral

	Control	Treatment	Total	
Inbound call	1,473	1,396	2,869	13.47%
No inbound call	9,219	9,217	18,436	86.53%
Total	10,692	10,613	21,305	100%
% With Call	13.78%	13.15%	Difference: -0.62%	



- Difference statistically *insignificant*

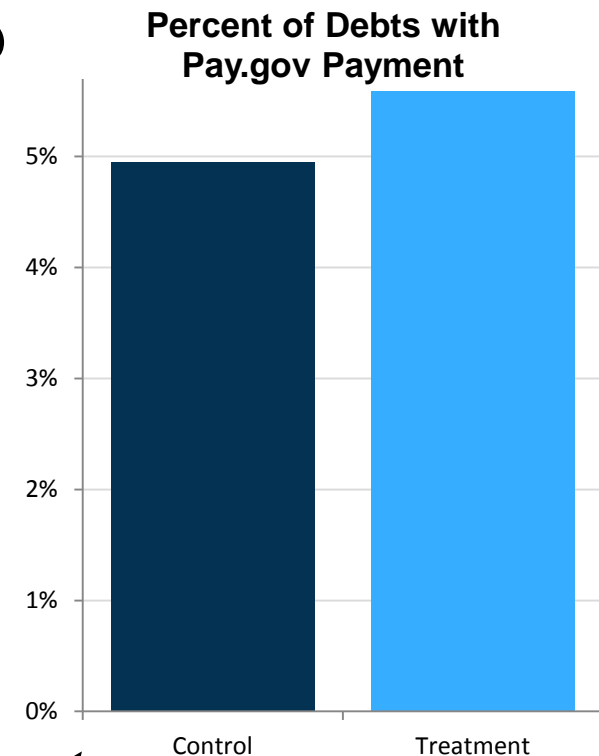
# Results: Pay.gov

- Likelihood of Pay.gov payment
  - Higher likelihood of self-initiated Pay.gov payments from treatment group

Payments within 30 days of referral

	Control	Treatment	Total	
Pay.gov	529	593	1,122	5.27%
No or other payment	10,163	10,020	20,183	94.73%
Total	10,692	10,613	21,305	100%
% Pay.gov	4.95%	5.59%	Difference: 0.64%	

- Odds ratio of 1.5: treatment group odds 1.5 times higher than control group odds of having Pay.gov payment
- Difference statistically ***significant***



# Discussion/Recommendations

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- Findings on likelihood of collection depart from previous research
- No effect on payment or contact likelihood
  - What does this tell us?
- Ability to influence payment method decision
  - Change other Pay.gov references
- Successful RCT!

# Contact Information

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Questions?

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