



3 Approaches to Using Administrative Data To Measure Financial Health

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The past year has forced financial service providers to look deeply at the value they bring to their customers and employees by reimagining strategies to support their financial health. Companies can inform these strategies by using some of their most powerful assets: their data. Analyzing administrative data alongside survey data can support understanding of customers' and employees' financial health and allow providers to improve the lifetime value of each relationship.

This brief presents three approaches for measuring financial health using administrative data, with examples of how [Financial Health Leaders](#) have used each approach.

Financial health comes about when daily systems help people build resilience and pursue opportunity. Your company can measure the financial health of your customers or employees by collecting survey or administrative data across [eight indicators of financial health](#), based on the Spend, Save, Borrow, and Plan components.

Learn more about how you can get started with the [FinHealth Score](#)®.

Approach 1

Track Individual Administrative Metrics

Choose metrics from existing administrative data that align with indicators of financial health to track over time.



See how LendingClub uses individual administrative metrics to see the financial health impact of its Balance Transfer feature.

Approach 2

Align With a Survey-Based Measure of Financial Health

Construct a measure of financial health based on administrative data that aligns closely with survey results.



Learn how Credit Karma uses administrative data and survey results to shape customer segmentation.

Approach 3

Independently Model Financial Health

Create a fully independent measure of financial health based on administrative data.



Read how CommBank teamed up with academics to create an independent administrative score and lead research into Australians' financial health.

Using this brief as a guide, we invite companies to use administrative data to diagnose their customers' and employees' financial health, measure the impact of innovations, and guide strategic decision-making.

Why Measure With Administrative Data?

Administrative data refers to data that companies hold as a result of their typical business operations.

Unlike survey data, administrative data are not primarily collected for the purpose of research. Administrative data provide significant opportunities to learn about customer and employee financial health beyond survey data, since they provide real-time and precise insights on the majority of individuals. Some examples of administrative data include checking account transactions, product engagement, and 401(k) plan contributions. [See appendix for additional examples.](#)



Companies can use administrative data to:

- **Track changes frequently or in real time.**

This method of measurement is more responsive to changes in financial health following product adoption or enhancements. Surveys require regular deployment, which must be managed carefully to avoid user fatigue.

- **Unlock high levels of precision and granularity.**

Administrative data can capture data points that are difficult for a survey respondent to report accurately, like exact savings or credit card revolving balances. Longitudinal administrative data also mitigate recency bias to reflect changes more precisely over time and are not subject to potentially different interpretations of a survey question by respondents.

- **Capture insights across a large sample or group.**

While survey coverage depends on response rates and survey frequency, administrative data can allow companies to analyze trends across their entire customer or employee base. They also provide additional opportunities to disaggregate data along known characteristics, such as income level.

However, administrative data are quantitative and limited to only what a company can collect on its own customers or employees.

This means they cannot always provide the same breadth and insights that a survey instrument can. For this reason, using a combination of both administrative and survey data gives companies the richest insights about their customers' and employees' financial health.

3 Approaches to Measuring Financial Health With Administrative Data

There are many ways to use administrative data to assess, monitor, and improve financial health – this brief lists three foundational approaches to consider. Each approach requires different resources, has unique purposes, and produces unique outputs. However, all are designed to capture granular and actionable insights about the financial health of individuals or groups. The most feasible approach for your business will depend on factors such as your proposed use case, available data types, and time and resources available for analysis.

Approach 1

Track Individual Administrative Metrics

OVERVIEW

Choose metrics from your existing administrative data that align with indicators of financial health to track over time. This is the simplest way to start uncovering trends and movements that affect your customers' or employees' financial health, and it can also be scaled to give clear insights and allow for sophisticated tracking.

WHY USE THIS APPROACH?

- To track a specific type of financial health impact that could result from products or services.
- To develop a set of metrics that can be used to monitor changes over time.

BEST FOR...

Companies with products targeting specific financial health outcomes or with access to data on few financial health indicators due to the nature of the business.

GETTING STARTED

1. Assess available administrative data and identify key metrics that are connected to financial health, such as savings ratios, carried balances on credit cards, or credit scores, that your company can track on a regular basis. [See appendix for more examples.](#)
2. Choose metrics that are clear, available for most of the population whose financial health you are seeking to measure, and possible to measure consistently and reliably over time.
3. Track each metric separately or build a dashboard to see how metrics change over time.
4. Identify team members responsible for monitoring changes. Design a timeline for regular review of metrics to maintain a consistent pulse on your customer and employee financial health.
5. Use this system to assess the impact of your products and services on the financial lives of your customers or employees over time. Make adjustments based on trends and insights revealed by the data.

SEE IT IN ACTION



[LendingClub](#) offers multiple online loan products, including personal, auto refinancing, and business loans. The company tracks metrics based on administrative data to assess changes in its customers' financial health. By tracking these metrics individually and looking at how they move together, LendingClub can assess how well its products help borrowers reduce their debt load and improve their credit scores. Focusing on these metrics connects the measurement specifically to actions taken in the product.

The [Balance Transfer](#) product allows LendingClub to pay down third-party credit card debt directly on behalf of its customers. Through measurement, the organization found that over half of customers who used this feature sustained their reduced credit card balances and higher FICO scores more than a year later, outperforming customers who did not use this feature. As a result, LendingClub recognized the value in promoting the Balance Transfer feature more prominently to customers most likely to benefit from it. LendingClub is using individual metrics to understand the impact of its lending products to pinpoint where its products deliver the most value. By tracking these metrics over time, LendingClub is able to promote more prominently products that favor the financial health of its users, and hold itself accountable to its vision to become a financial health business.

LendingClub will continue measuring the financial health of its borrowers, with plans to introduce new measurements in the [Save and Spend](#) categories of financial health, using deposit data made available through its acquisition of Radius Bank. This will help the company continue building solutions that support its customers' financial health.

Align With a Survey-Based Measure of Financial Health

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| OVERVIEW | Construct a measure of financial health based on administrative data that aligns closely with your survey results. This approach can help companies that are already measuring through surveys and want to track changes for a wider population and more regularly than surveys will allow. |
| WHY USE THIS APPROACH? | <ul style="list-style-type: none">• To identify potential changes in financial health and anticipate customer needs when a survey is not feasible or practical, such as between regular surveys.• To compare your results to organizational, regional, or national survey-based benchmarks.• To undertake customer segmentation across individuals who have not completed a survey (see example below). |
| BEST FOR... | Companies that have conducted baseline financial health surveys and have access to relatively broad data and moderate analytical power. |
| GETTING STARTED | <ol style="list-style-type: none">1. Field a survey to assess customers' and employees' financial health.2. Assess available administrative data to identify or construct metrics that you can connect to financial health and track consistently over time.3. Construct a predictive model to understand how these metrics can be monitored and weighted to best approximate financial health, based on your survey methodology.4. Continue running surveys and revising this methodology to ensure that the model remains relevant and accurate over time. |

SEE IT IN ACTION



Credit Karma supports members' financial goals through credit and identity monitoring, credit cards, and loans. It also recently launched Credit Karma Money, a new savings and checking account program that strives to change Americans' relationship with money.

To understand financial health beyond credit scores and improve the range of support and tools provided to members, Credit Karma created a customer segmentation model using administrative and survey data from 35,000 members.

For each member, Credit Karma assessed financial health for a single point in time. Data scientists then built a financial health model and scoring system based on administrative data that mimicked survey results. This system was used to segment members.

Checking that model against members' understanding of their own financial progress, the company found that a high proportion self-identified into the same segments calculated by the model, further validating its ability to highlight meaningful differences among populations.

The creation of this model has helped Credit Karma teams to align on a shared view of customer segments across policy, UX research, market research, analytics, product, data science, marketing, and design. Most teams collaborated in the development process. This shared language and perspective for understanding member needs has galvanized all of these teams in work focused on driving customer progress and building for customer financial health needs.

Independently Model Financial Health

OVERVIEW

Create a full and independent measure of financial health based on administrative data, completely separate from survey data. Leverage statistical theory to develop a stand-alone measure of financial health uniquely tailored to the financial health needs of your customers or employees.

WHY USE THIS APPROACH?

- To build a custom measure tailored to available administrative data and the finances of specific populations, independent from survey research.
 - To conduct deep research on drivers of financial health through administrative and survey data.
 - To personalize financial recommendations for customers and employees based on separate survey and administrative data.
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BEST FOR...

Companies that are able to make a significant investment in data and analysis capabilities and resources.

GETTING STARTED

1. Assess the administrative data your company has available.
 2. Explore and consider any contextual factors related to the data or your customers' lived experiences of financial health, using survey results or qualitative customer research to ensure more accurate interpretation of the data.
 3. Identify how best to capture financial health for your populations by constructing a range of administrative data metrics and completing latent trait analyses, such as factor analysis, principal components analysis, or item response theory.
 4. Construct a final result, which could take many forms, such as a weighted metric combining multiple sources of administrative data, a range of individual inputs, or a single indicator that captures the most clearly observed features in the administrative dataset.
 5. Use survey data and other external research as inputs to identify relationships between administrative factors, or to validate the measurement that has been created, including subjective questions about perceived financial health, industry knowledge about consumer financial health, or the [FinHealth Score](#) framework.
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SEE IT IN ACTION



The [Commonwealth Bank of Australia](#) (CommBank) partnered with the Melbourne Institute: Social & Economic Research at the University of Melbourne to develop two measures for tracking the financial well-being of its customers using both survey and transactional data.

CommBank conducted latent trait analysis on survey and bank data, which resulted in the development of two distinct measures of financial well-being: an “**Observed Scale**” based on customer data and a “**Reported Scale**” based on a rigorously tested customer survey.

The Observed Scale uses bank records and five main metrics to measure financial well-being, including financial freedom, control, security, and ability to meet ongoing obligations – now and in the future.

The Reported Scale is based on either a five- or 10-question survey about individuals' perceptions and experiences of their financial obligations, freedom to make choices, control over their finances, and financial security.

In 2020, the Observed Scale showed that financial well-being improved for CommBank customers during the COVID-19 pandemic. However, the Reported Scale, as assessed by the Melbourne Institute, showed that perceptions of well-being declined.

The observed financial well-being of the average Australian improved by 7.8% over the past 12 months from a score of 47.4 to 51.1. This is the highest absolute level and the largest year-on-year increase recorded since the score was first calculated in 2017. During the past 12 months, the median Australian's inflows and income increased, outpacing outflows and expenditure. Median precautionary savings also increased over the same period. During the pandemic CommBank has made it easier for customers to connect with almost half a billion dollars in government rebates and benefits through the Benefits finder feature, and provided easy deferrals and support for loan repayments.

Conclusion

Measuring financial health using administrative data can yield real-time business insights, precision, and wider coverage of your customers. Administrative data can complement survey data and bring a fuller view of your customers' and employees' financial lives. Understanding trends within your current assets can be a powerful way to tell your impact story.

There are a few ways you can work with the Financial Health Network to pursue an administrative, data-based financial health measurement strategy.



1. Use Attune.

If you're starting your measurement journey and want a fast and efficient way to measure the financial health of your customers using surveys, Attune, a Financial Health Network product, can be deployed in just a few days and provides customizable dashboards for valuable business insights. Learn more at attune.co.

2. Partner with us.

We are seeking partners to collaborate on a standard methodology for administrative data-based financial health measurement. To participate in that research or stay up to date on its outcomes, please reach out to info@finhealthnetwork.org.

3. Request a consultation.

Discuss the unique financial health needs of your organization's customers or employees, including measurement and impact tracking, strategy development, product development, and more. We'll work with you to build solutions that make sense for your goals. Learn more at <https://finhealthnetwork.org/consulting>.

4. Join the Financial Health Network.

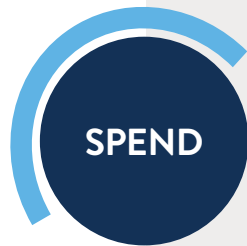
Get to know our community of finhealth innovators and advocates across industries. Find the support you need and learn about best practices from peers working on measurement strategies for their customers and employees. Explore membership at finhealthnetwork.org/membership.

For more information on how to start measuring financial health using administrative and/or survey data, visit our [measurement page](#).

Appendix

Examples of Administrative Data Metrics To Measure Financial Health

The table below presents examples of administrative data metrics that can be used to measure the eight indicators of financial health. These examples are not meant to be exhaustive, but rather illustrative of how financial service providers can use administrative data to assess customers' and employees' financial health.



Spend less than income

- Ratio of inflows to outflows in checking, saving, or other accounts
- Incidence of overdraft or nonsufficient funds (NSF) fees

Pay bills on time

- Incidence of late payment fees
- Balances in savings accounts



Have sufficient liquid savings

- Balances in savings accounts
- Transfers to savings accounts
- Number of times there was a transfer to a savings account in the past N months

Have sufficient long term savings

- Balances in long-term savings accounts
- Recurring contributions to retirement plans



Have manageable debt

- Debt-to-income ratio
- Incidence of missed debt payments
- Presence of collection items on a credit report

Have a prime credit score

- Credit score (FICO, Vantage, or other)
- Incidence of missed credit card payments or late fees
- Credit utilization rate (balance/limit)



Have appropriate insurance

- Insurance obtained through financial institution
- Presence of insurance payments in account transactions
- Presence of high out-of-pocket medical costs

Plan ahead financially

- Use of personal financial management (PFM) or budgeting tools
- Usage of buckets or savings accounts named for a goal
- Presence of recurring transfers to facilitate mental budgeting