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Study Status

In Progress

Study Type

Randomized Evaluation

Sample Size

46,051 loan seekers

Can an Interest Rate Comparison Tool Aid Loan Seekers in Chile?



A woman withdraws Chilean Pesos from an ATM © Andrzej Rostek

Researchers are partnering with IPA and Chile's financial regulator to conduct a

randomized evaluation to measure whether an online loan interest comparison tool helps consumers achieve more favorable loan terms.

Consumers can experience significant variability in the interest rates different financial institutions offer them. In Chile, survey data shows that interest rates for a consumer with more than one offer range 8 percentage points compared to an average interest rate of 26 percent.¹ Conducting extensive searches of available credit at banks enables consumers to secure more favorable loans.² However, many consumers in Chile underestimate the high dispersion of interest rates and, in turn, do not “shop around” when seeking loans. As a result, they take out loans with high interest rates that are costly to pay off.

Researchers are partnering with the Comisión para el Mercado Financiero (CMF)—Chile’s financial regulator—to conduct a randomized evaluation to measure whether an online interest rate comparison tool helps consumers search for more favorable loans. This tool, which the researchers designed using data from the CMF, shows consumers the distribution of interest rates that similar borrowers received for similar loans in the past six months. A total of 46,051 loan seekers were randomly assigned to one of three groups where they viewed:

- The interest rate comparison tool
- A “simple” tool that told them an estimation of what they could save if they searched at more banks
- A video explaining key terms related to loans that was designed to not affect search (the comparison group)

In addition, a larger group of 112,063 loan seekers were randomly assigned to either receive or not receive questions about their expectations about the interest rates that banks would offer them. IPA is providing research support in gathering data from the loan seekers to assess if they secured loans, at what interest rate, from which financial institution, how they searched for their loan, whether they negotiated with the lender, and their financial well-being.

Results will be available by the end of 2024.

Sources

¹ Berwart, Higgins, Kulkarni, Truffa (2024). Searching with Inaccurate Priors in Consumer Credit Markets. Working paper.

² Garz, Seth, Xavier Giné, Dean Karlan, Rafe Mazer, Caitlin Sanford, and Jonathan Zinman. "Consumer protection for financial inclusion in low-and middle-income countries: Bridging regulator and academic perspectives." *Annual Review of Financial Economics* 13 (2021): 219-246.

Implementing Partner



Comisión para el Mercado Financiero