

**IMPROVING CONSUMER FINANCIAL LITERACY
UNDER THE NEW REGULATORY SYSTEM**

HEARING
BEFORE THE
SUBCOMMITTEE ON FINANCIAL INSTITUTIONS
AND CONSUMER CREDIT
OF THE
COMMITTEE ON FINANCIAL SERVICES
U.S. HOUSE OF REPRESENTATIVES
ONE HUNDRED ELEVENTH CONGRESS

FIRST SESSION

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**IMPROVING CONSUMER FINANCIAL
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Thursday, June 25, 2009

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON FINANCIAL INSTITUTIONS
AND CONSUMER CREDIT,
COMMITTEE ON FINANCIAL SERVICES,
Washington, D.C.

The subcommittee met, pursuant to notice, at 2 p.m., in room 2128, Rayburn House Office Building, Hon. Luis V. Gutierrez [chairman of the subcommittee] presiding. *(Chairman Gutierrez was unable to preside at this hearing due to a pressing commitment at the White House.)

Members present: Representatives Sherman, Hinojosa, McCarthy of New York, Baca, Green, Scott, Cleaver; Hensarling, Royce, Marchant, and Paulsen.

Mrs. MCCARTHY OF NEW YORK. [presiding] Good afternoon everybody.

We certainly appreciate everybody being here.

This hearing of the Subcommittee on Financial Institutions and Consumer Credit will come to order. I want to thank everybody and the witnesses for agreeing to appear before the subcommittee today.

Today's hearing, entitled, "Improving Consumer Financial Literacy Under the New Regulatory System," will examine the continuing need for financial literacy, with a particular focus on the role of consumer financial literacy under the President's newly proposed regulatory framework.

Among the issues that will be addressed here: how the consumer-friendly plain-language products proposed under the regulatory reconstruction plan will be created and regulated; the efficiency of previous Federal financial literacy efforts; and which agency should have primacy over financial literacy efforts going forward under the new plan.

We will be limiting our opening statements to 15 minutes per side. But without objection, the hearing record will be held open for all members' opening statements to be made a part of the record.

I now recognize Mr. Hensarling for 5 minutes.

Mr. HENSARLING. Thank you, Madam Chairwoman.

I very much appreciate this hearing being called.

I do believe that financial literacy is a very important subject, one that Members on both sides of the aisle have championed in

the past, so it continues to be a very laudable goal for our Nation to improve the financial literacy of our fellow citizens.

And, in fact, although I cannot do the quote justice, I will paraphrase something that one of our Founding Fathers, Thomas Jefferson, once said, and that is, if we disagree with how our fellow citizens exercise their discretion, the remedy is not to take it from them but to help inform their discretion.

My apologies to any Jeffersonian scholars in the audience. I know that was not a literal quote, but that is essentially the paraphrase. And so, in some respects, although I appreciate the hearing, I am curious why we are having the hearing. I am curious because, as I look at the underlying legislation that would create the Financial Product Safety Commission, our colleague Mr. Delahunt's bill, which roughly parallels what the Obama Administration has furthered, I essentially see a rather draconian effort that allows an unelected body of bureaucrats to essentially decide that if they subjectively believe that a consumer financial product is "unfair," if they subjectively believe that a consumer financial product is "anti-consumer," they can ban it, just ban it from the market.

It is not even a Federal preemption. It is essentially a layer of regulation and regulators that is poured on top of the present regulatory structure. And as I read the statute that was presented, again, by our colleague yesterday in our full committee hearing, it also encompasses the goal of having these regulators create "plain vanilla" products.

You know, it is laudable if people want vanilla, but some people want strawberry, some people want chocolate, and some people want the 32 flavors of Baskin-Robbins. Typically, in a competitive market, the competitive market is going to produce what the people want. That is kind of one of the basic tenets of capitalism. And so, again, I wish our fellow citizens would indeed be—that we could help achieve and figure out a coherent strategy and plan to achieve a greater level of financial literacy, but I don't know if it is going to be needed if this legislation becomes law.

I mean, after all, you really don't need to know how to read if your nanny reads you all your material at the end of each evening. And, in fact, if your nanny prevents you from putting your hands on any piece of literature, you are foreclosed from being able to read.

And so now we are going to have an unelected group of bureaucrats who ultimately can decide what mortgages we have, what bank accounts we can open, and whether or not we will even be trusted with a credit card.

And given that there is an entire new level of criminal and civil penalties that can be applied for those who produce subjectively unfair products or subjectively anti-consumer products, functionally no product is going to come to market that isn't pre-cleared by this unelected group of bureaucrats.

And so, on the one hand, maybe only plain vanilla products will be available on the market. I am not sure how financially literate one needs to be. If you are only offered one flavor of ice cream, I suppose all you need to read on the board is vanilla. There is nothing else to read.

And so, again, we have these philosopher-kings who will decide what is best for us, philosopher-kings whom I feel quite confident are not familiar with the Rodriguez family of Mesquite, Texas, that I have the opportunity of representing in Congress. My guess is they don't know exactly what precise bank account will help that family the most.

My guess is that this unelected group of bureaucrats will be unacquainted with the Laird family of Athens, Texas, and they probably don't know what mortgage product is going to be best for their homeownership dreams in America.

My guess is they probably are not well acquainted with the Shane family of Kaufman County, Texas, whom I represent in Congress. And my guess is they really shouldn't decide whether or not Kenneth Shane and his wife can use a credit card to help finance their American dream.

Part of our challenge clearly is ineffective disclosure. We all agree on that. But most of the disclosure, I mean, it is kind of like Pogo. We have met the enemy, and it is us. We are the ones who require it. When you disclose everything, you end up disclosing nothing. And so we should work to have effective disclosures written in English, not voluminous disclosures written in legalese.

So, again, I appreciate calling the hearing. I hope it proves to be a useful hearing. But ultimately, if the President's initiative is passed, it is all for naught.

With that, Mr. Chairman, I yield back the balance of my time.

Mr. HINOJOSA. [presiding] Thank you, Ranking Member Hensarling.

I am glad to be able to make my statement. And I want to welcome the witnesses to today's hearing. I especially want to commend Chairman Luis Gutierrez for holding it.

Today's hearing on financial literacy is important to all of us in Congress, for today's witnesses, to all of you attending this hearing in person, via live webcast, or archived webcast, and really, each and every resident in the United States, but especially for our children and the generations to come.

I ask that those of you with financial literacy programs understand that we have a limited amount of time and space for everyone to testify today. But I believe that we have put together a comprehensive panel of witnesses, and I personally welcome any statements you might make for submission in today's record.

I am wearing several hats today. I am a member of this subcommittee. I am a co-Founder and co-Chair of the Financial and Economic Literacy Caucus, alongside my good friend and colleague from Illinois, Congresswoman Judy Biggert, and her dedicated staff, Nicole Austin and Zach Cikanek. I am chairman of the Subcommittee on Higher Education, and I am chairman of the Congressional Hispanic Caucus Task Force on Education. I am a consumer, just like all of you here today, and most important, I am a father. I have five children and six grandchildren. So financial literacy is extremely important to my family and to millions and millions of families throughout our country.

What we do here today, the actions we take during the 111th Congress, and the steps that the States take to graduate financially literate students are all of the utmost importance. We need

to improve the financial literacy rates of all residents throughout the United States, and I believe that today we might find some of the tools necessary to accomplish this goal which most definitely will include revamping the Financial Literacy and Education Commission and selecting one agency to have primacy over financial literacy efforts going forward under the new Financial Services regulatory plan proposed by President Obama.

With that, I yield back the remainder of my time, and I want to recognize Mr. Paulsen for 3 minutes.

Mr. PAULSEN. Thank you, Mr. Chairman. I appreciate it.

I also strongly believe that we must increase the financial literacy of our citizens. This is a basic life skill that, unfortunately, many in our country truly lack. This is really a family and a financial security issue.

What concerns me is that nowhere in the Administration's proposal that we have now begun hearings on are the words "financial literacy" mentioned. The plan doesn't do anything to encourage individuals, from what I can see, to empower themselves or help people better understand personal finance and the decisions that they have to make on a daily basis.

Instead, what I see is that, is one of my chief concerns, that it actually takes away the ability of individual choice and decisions from individuals. And rather than seeking to increase financial literacy, the underlying legislation creates this panel that potentially will take away choices from consumers out of a fear that things will be too complicated for them to understand. In other words, someone else is going to make decisions about what is best for you. And I think that is the wrong approach.

Congress should not be taking away choices from the American people. Congress shouldn't be stifling innovation at a time when we need innovation. Instead, I think Congress should be helping these individuals understand what options are available so that they can make the right decisions for themselves. And I sincerely hope that this committee can work in a bipartisan way to improve upon the Administration's proposal as we go forward in crafting really some commonsense legislation that is needed to make sure that ultimately we are empowering all Americans to make sound and educated judgements with regard to their own personal finances.

And I yield back.

Mr. HINOJOSA. Thank you.

I, at this time, wish to recognize Congressman Green for 3 minutes.

Mr. GREEN. Thank you, Mr. Chairman.

I thank Chairman Gutierrez for his assistance with this as well.

Mr. Chairman, generally speaking, financial success is directly proportional to financial literacy. People who understand financial products can make good decisions about the products that they have to negotiate. I think that this hearing is exceedingly important because it will give us an opportunity to examine the means by which we can, not only improve the products themselves by way of conveying what they are about to the public, but also, it helps us to understand where best to have this type of assistance located. We can have it in many different places, or we can have it in one place. I think that this is the type of hearing where we can get the

intelligence necessary to make some decision as to where the actual delivery mechanism is located.

I am exceedingly excited about this, and I look forward to our being able to develop the plain language that Americans would like to have so that they can understand and, to be quite candid with you, so that I can understand. I have had the good fortune to get a decent education in this country. And I can tell you that when I read some of my credit card materials, I am tempted to call a lawyer. I happen to have a law degree, but I haven't found that it has been of great benefit to me on some occasions, and went so far as to talk to my friend, who is a lawyer, who reminded me that he, too, has problems.

So I am looking forward to our working together to come up with the kind of language that people can understand that makes a lot of sense and deciding where we should have the agency, or which agency is most appropriate to help us with this line of products.

I thank you, Mr. Chairman, and I yield back.

Mr. HINOJOSA. Thank you.

At this time, I would like to recognize Congressman Marchant for 4 minutes.

Mr. MARCHANT. Thank you, Mr. Chairman.

After reviewing last night all of the testimony that we will be given today, I am struck that all of your testimony seems to be directed towards a system that I think Mr. Hensarling has already pointed out is most likely not to be in place this time next year.

In fact, with the current—the legislation that we just passed in the last few months, two pieces of legislation about credit cards, and the President has signed one of those pieces of legislation, significantly limiting the terms and conditions of credit cards and simplifying the credit card system; and taking into consideration that probably 80 percent of all home loans are made now through either FHA, VA, Fannie Mae, or Freddie Mac, and all of those documents are promulgated through HUD and through government agencies already; it seems to me that your task in the future may be trying to figure out how you can work with those Federal agencies, this new Financial Consumer Protection Agency, how you can work with them to try to help them promulgate all of these loan forms and all of the loan documents that each and every banker and lender in America will most likely have to go and get their loan papers approved and everything they do, and make sure that promulgation of documents is done through that agency.

So it may simplify your job if you can, if you think you can trust this new financial consumer agency to draft the documents to where everyone who reads them will have no problem. So I think my questions today, Mr. Chairman, are going to be directed in that direction, and ask you what your opinion is of that agency and how you plan on interfacing with that agency.

Thank you.

Mr. HINOJOSA. Thank you.

I would like to ask Congressman Cleaver to take 3 minutes, please.

Mr. CLEAVER. Thank you, Mr. Chairman.

I appreciate very much the hearing. I am very much concerned about the issue of financial literacy. The purpose of this hearing is

to discuss plain-language initiatives and financial literacy promotion. Both of these subjects are extremely important to me. And I have advocated in our hearings over the years for plain language.

In fact, in the 2006 GAO report, "Increased Complexity in Rates and Fees Heightens Need For More Effective Disclosure to Consumers," is I think a bold and accurate statement about what is needed. Some credit card disclosure statements, and I think all of you are familiar with this, are written in 27th grade language. That is 12 years of high school and 12 years of college and 3 years of graduate school.

And this sort of deliberate and sometimes deceptive way of presenting credit card information is at worst appalling and despicable, and at best, just plain arrogant. Plain-language regulations could go far to help eliminate these misleading and confusing practices.

When I teach Bible study, I always teach that, in the Bible, the main thing is the plain thing, and the plain thing is the main thing. And it would be, I think, appropriate if we adopted a similar policy as it relates to what we incorporate into insurance—I am sorry, into our credit card statements and frankly, even into mortgage documents.

Plain language can lead to the watering down of ideas also, which can also create some problems as well. And for this reason, I have just introduced H.R. 3037, to create a pilot program for financial literacy. I will incorporate into this program a pilot project for 10 school districts across the country. These projects would receive Federal funding to help them educate and train the teachers in order to integrate financial literacy into the curricula of grades K through 12. And this pilot program is just one step toward ensuring that all students in all school districts will be able to participate in similar programs in their schools.

And finally, Mr. Chairman, if you look at the crisis that we have found ourselves in today, it doesn't take a Ph.D. to realize that we have a public that, in many instances, just did not understand what they were getting into when they participated in these exotic mortgages. And so I think the thing we need to let people know is that what you don't owe won't hurt you.

Mr. HINOJOSA. Thank you.

At this time, I would like to call on Congressman Royce for 1 minute.

Mr. ROYCE. Thank you, Mr. Chairman.

I think financial literacy here is key. I think, in my view, I am a little afraid that one of the reasons we are here today is because of the overreliance on the government to determine what is best for consumers. And I think a lot of consumers looked at this and said, well, if the government says it is okay, then it must be. And I think this flawed line of thinking led millions of consumers to get involved in subprime and Alt-A loans. They, after all, had that government support.

And I think a similarly faulty line of thinking led investors in institutions around the world to embrace financial derivatives based on the U.S. housing market. Why? Well, the government-supported rating agencies rated these products Triple-A. So what could the problem be?

And there was a belief that the rating agencies and Federal regulators knew something that everyone else did not know. And clearly, they didn't know the problem. But there was a reliance on the government, and in fact, in many instances, they were responsible for the development and proliferation of these products.

According to a former Federal Reserve official, CRA regulations led to the development of subprime loans, and the proliferation of subprime and Alt-A loans was in itself enabled through low-income housing goals that were placed on Fannie Mae and Freddie Mac by their regulators and by Congress.

So, clearly, the belief in an all-knowing regulator is flawed. And instead of attempting to address this problem through increasing the regulatory presence over the industry, which will exacerbate the belief that the government does know best, we should be encouraging an educated, knowledgeable consumer and investor base that makes sound financial decisions for themselves and their families; hence, the importance of financial literacy and the importance of disclosure.

Thank you, Mr. Chairman.

Mr. HINOJOSA. Thank you, Congressman Royce.

I want to announce that the House has begun the voting. I am going to ask that the technicians put that work that is going on in the House of Representatives on the screens so that you can see the progress that we are making. But we have seven amendments to vote on, plus the eighth, which is final passage. We anticipate that it is going to take 1 hour. So I am going to recess to allow all members to participate. And we will reconvene in 1 hour.

I am looking forward to the testimony of these witnesses. I think that it is going to be very informative and something that we are going to be very proud of in getting into the record.

With that, we stand in recess.

[recess]

Mrs. MCCARTHY OF NEW YORK. [presiding] Let me apologize. Unfortunately, we are running through a whole bunch of votes, and we are going to have more votes in probably less than an hour. I am fairly fast, to say the least, so we are going to go on, get all your testimony in, so that we don't have to have another recess, if that is all right with everybody.

First, I would like to introduce the witnesses from today's panel:

Ms. Laura Levine, executive director, Jump\$tart Coalition for Personal Financial Literacy; Mr. Lot Diaz, vice president, community development, National Coalition of La Raza; Mr. Dallas Salisbury, president and CEO, Employee Benefit Research Institute; Mr. Brent Neiser, director of strategic programs and alliances, National Endowment for Financial Education.

I am sorry, I skipped one; Mr. John Gannon, senior vice president, Office of Investor Education, and president of the Financial Industry Regulatory Authority, Investor Education Foundation. That is a mouthful.

And Dr. Gerald Lauber, chief senior advisor, National Urban Alliance.

I would like to certainly extend a warm welcome to Dr. Lauber. He is the chief advisor and a board member of the National Urban Alliance. He brings an extensive background to the position, includ-

ing academic, technology, and corporate experience in New York schools and was a first responder at Ground Zero.

Mr. GREEN. Madam Chairwoman, did we cover the Urban League? Ms. Jones?

Mrs. MCCARTHY OF NEW YORK. I'm sorry. They didn't give it to me. Stephanie Jones is the executive director of the National Urban League Policy Institute, a position she has held since the year 2005. Prior to coming to the Urban League, she was chief counsel for Senator John Edwards.

Welcome to all of you, and thank you.

Let me explain the lighting system. You will each get 5 minutes. The yellow light means you have a minute left. We will ask you to try to finish off your sentence or thought at that particular time.

With that, Ms. Levine.

**STATEMENT OF LAURA LEVINE, EXECUTIVE DIRECTOR,
JUMP\$TART COALITION FOR PERSONAL FINANCIAL LIT-
ERACY**

Ms. LEVINE. Thank you, Representative McCarthy, and members of the subcommittee.

Good afternoon. Thank you for this opportunity to speak with you today.

My name is Laura Levine, and I am the executive director of the Jump\$tart Coalition for Personal Financial Literacy, a nonprofit organization based here in Washington, D.C.

Jump\$tart is a coalition of about 180 companies, such as Visa and Charles Schwab, and organizations like NEFE, EBRE, and FINRA, as well as Federal agencies which share a commitment to advance financial literacy among students in kindergarten through college. Jump\$tart is also a network of 48 affiliated State coalitions.

The Coalition was founded in 1995 by a small group of organizations that recognized the need to educate students about personal finance, as well as the importance of meeting this need through a collaborative effort. Jump\$tart does not conduct financial education itself or create financial education resources; rather, its role is to support and promote individual and collective efforts to educate young people about money management.

As the committee considers the importance of financial literacy within the regulatory system, Jump\$tart encourages you to keep in mind the difference between educating and informing adult consumers and providing standards-based tested personal finance education for students in kindergarten through high school. Any widespread effort to require personal finance education at that level must be coordinated by or with the Department of Education, as well as the State Departments of Education and the various appropriate educational organizations at the State, local, and national levels.

Jump\$tart believes that financial literacy is an important element of consumer protection, and even with better regulation designed to protect consumers and more readable disclosures that most consumers can easily understand, an adequate level of financial literacy would give most consumers comfort, confidence, and

the ability to make decisions most advantageous to their specific needs.

But today, many young people are not adequately prepared to handle the growing variety and complexity of financial products and services or to make wise decisions in managing their own money.

In 1997, the Jump\$tart Coalition launched its first survey of financial literacy among high school students. The survey was conducted again in 2000 and has been repeated biannually since. Nationally, the average score on the test portion of the survey has ranged from 48.3 percent and, unfortunately, that was the most recent survey in 2008, to a high of 57 percent, which still could be called a failing grade.

In each of the surveys, participants were 12th grade students recruited from randomly selected public high schools. It is important to note that the Jump\$tart survey is intended as a general measure of the level of financial literacy among high school students and is not designed to be an assessment of the effectiveness of specific financial education curricula, and therefore, we should not conclude that the low scores reflect that financial education is ineffective.

Rather, the consistently disappointing results over more than a decade of research do seem to indicate the need for more and better financial education.

In 2008, Jump\$tart also surveyed college students for the first time. Given the same test questions, college students on average answered 62.2 percent of the questions correctly, substantially better than their high school counterparts. But, unfortunately, college graduates are still a relatively small segment of our total population.

Jump\$tart believes that personal finance must be included in the education of all students during the kindergarten through high school years to provide young people with the knowledge and skills they need to make smart financial decisions. Some positive strides have been made in financial education in recent years.

Jump\$tart has identified three States, Missouri, Tennessee and Utah, that currently require all students to take and pass a one-semester course devoted to personal finance in order to graduate from high school. And another 18 States require some personal finance content to be incorporated into the other subject matter.

I think it is important to note that personal finance education is taking place in schools across the country, whether or not the State or local jurisdiction requires it. We believe that personal finance education needs to be introduced early in the elementary school years while students are forming their behaviors and beliefs, and we believe that effective financial education in the middle grades could help troubled or unmotivated students make the connection between staying in school and their lifelong income-earning potential, possibly changing the path of would-be dropouts.

Thank you for the opportunity to speak with you today. And as you start to shape the future of the regulatory atmosphere for financial institutions, I urge you to keep the financial literacy of our Nation's students in mind, too. More and not less personal finance education is needed, and we need to have a long-term nationwide

strategy in place to ensure that this education is available to all students.

Thank you.

[The prepared statement of Ms. Levine can be found on page 73 of the appendix.]

Mr. HINOJOSA. [presiding] Thank you, Ms. Levine.

At this time, I would like to recognize Mr. Diaz.

STATEMENT OF LAUTARO “LOT” DIAZ, VICE PRESIDENT, COMMUNITY DEVELOPMENT, NATIONAL COUNCIL OF LA RAZA (NCLR)

Mr. DIAZ. Good afternoon. My name is Lot Diaz, and I am vice president for housing and community development at the National Council of La Raza.

NCLR is the largest Hispanic civil rights organization in the United States dedicated to improving the opportunities for Hispanic Americans.

I would like to thank Chairman Gutierrez and Ranking Member Hensarling for inviting us to share our views.

I would also like to thank Congressman Hinojosa for his leadership in the area of financial literacy.

In my remarks today, I will lay out a strategy for using national financial counseling programs as a glue to hold major asset-building programs together.

There are a number of Federal programs, like housing counseling, individual development accounts, and the VITA initiative that aim to increase asset ownership among low- and moderate-income families. However, none of them offer a targeted strategy for improving the choices of financial consumers and advancing them to more sophisticated products and transactions.

In 1997, NCLR created a counseling network that today consists of 51 community-based counseling providers that will this year provide counseling education to over 40,000 families.

Also in 2005, NCLR released a report which found that most financial education programs did not have the impact of helping Hispanic families obtain assets. We have learned that one-on-one counseling to low-income families is a meaningful and effective tool for building financial knowledge and sustainable wealth.

While one goal of the Administration’s proposed Consumer Finance Protection Agency would be to streamline financial literacy and education efforts, we believe a bolder, more targeted approach is necessary to achieve a shared goal, the shared goal of changing consumer choices and behavior.

A successful national counseling program should include elements like in-person, one-on-one service, provide advice on a wide range of financial services, and deliver services through community-based organizations currently providing asset programs.

As Congress considers regulatory reform, it must also consider how to improve the efforts of Federal agencies to educate financial consumers. Several proposed reforms, like additional disclosure, will curb deceptive practices. However, these reforms will not necessarily improve the daily financial decisions of families or ensure that these decisions set them on a path to build true financial security.

Many times, improving families' financial decisions requires tailored guidance from a professional who can take into consideration the totality of the family's circumstances and goals. In fact, this is a mainstream approach taken by families with the means to do so. They seek advice from a professional financial planner or investment advisor.

One NHN member, the Resurrection Project in Chicago, provides a model that brings these large wealth-building programs together through financial counseling. TRP is a certified housing counseling agency which provides free tax preparation, financial counseling, and other services. A typical client meets with a counselor individually to determine their financial status. A counselor reviews the client's credit report, budget, and financial goals.

On average, 80 percent of the Resurrection Project's clients are not ready to purchase a home and likely need to work through other financial barriers before pursuing homeownership. In some cases, homeownership may not be the right choice. Together, the client and the counselor establish an action plan that would address credit repair, plan savings accounts, financial dictation and available tax programs. As the family works through their action plans, they continue to meet with the counselor, who helps them tackle basic and complex financial issues.

Organizations like the Resurrection Project run into several barriers implementing this model due to the structure of the current system. As stated earlier, financial counseling is not a federally funded stand-alone service. They are also limited in size and scope of the current Federal programs.

A national financial counseling program would allow counselors to move families through asset-building programs to create a real opportunity for families to make fruitful financial choices.

NCLR applauds the Administration's and Congress' efforts to modernize our financial regulatory system. We urge you not to lose sight of the long-time bipartisan goal of improving families' understanding and choices in financial matters.

A national financial counseling program would offer meaningful tailored financial advice, link existing asset programs, and improve the relationship between underserved communities and the banking sector.

In conclusion, NCLR recommends that: Congress establish a national financial counseling program; they expand programs that help families obtain assets; and finally, they create new incentives for low-income families.

Thank you.

[The prepared statement of Mr. Diaz can be found on page 45 of the appendix.]

Mr. HINOJOSA. Thank you, Mr. Diaz.

And now, I would like to recognize Mr. Salisbury.

**STATEMENT OF DALLAS L. SALISBURY, PRESIDENT AND CEO,
EMPLOYEE BENEFIT RESEARCH INSTITUTE (EBRI)**

Mr. SALISBURY. Mr. Chairman, members of the committee, it is a pleasure to be here. I thank you for the invitation to testify today.

My employer since 1978, the Employee Benefit Research Institute, I would note, does not lobby or take positions for or against proposals. And my full submission for the record includes a significant amount of survey data and financial literacy status information as dealing with the full description.

The letter you sent me, however, inviting me to testify asked four specific questions that actually call for the statement of positions, and in that sense, I would want to stress that my statements from this point forward are my own personal views and not those of my employer.

First, as a consumer of financial services, my reaction is positive to the creation of an independent consumer financial protection agency if, and I would stress this, the consumer is a dominant presence on the board and in advisory council positions.

For example, deep experience in financial services, in quotation marks, should be interpreted broadly enough to include lifetime consumers of financial services, not just individuals working for the financial services industry. I would personally prefer regulation and protection by an entity that is not governed by the regulated or, as stated on page 29 of the President's document, captured by the regulated, a problem found in recent years at the regional Federal Reserve banks, the Federal Reserve, and other existing regulatory agencies.

As a consumer, I currently see no such independent regulator, which if properly implemented, the CFPA could become. If the consumer is not dominant at CFPA, however, I would stress that the agency would likely be a waste of time, money, and effort and would only serve to mislead the public into thinking that they will be protected.

Second, the plain-language financial products proposed need to be what my grandmother termed, and the ranking member termed, plain vanilla. For example, a 20 percent down, 30-year fixed-rate mortgage with clearly specified closing costs and that can be paid off with no penalties; or a 3-year fixed-rate car loan that can be paid off any time without the complexity of the Rule of 78 that I got tripped up by in 1972 personally, in spite of thinking that I am an informed consumer; or a charge or credit card that tells you any and all fees in advance and cannot change fees without giving you notice that the opportunity to cancel is present and giving you a prorated refund for any annual card fee.

Research has found that individuals make the same choices with a 1-page disclosure as with multiple pages of fine print; thus, they require one plain English summary page with all key facts in addition to more detailed disclosure.

Third, the President's Advisory Council on Financial Literacy has proven to be a worthy effort. It has also provided direct input to the Treasury and to the Financial Literacy Education Commission.

Long-term value, however, will depend upon some formalization of the role of the White House and some level of dedicated funding and staffing. The current approach of heavily depending upon those appointed to donate time, money, and other resources or to raise them from others, leads to potential conflicts of interest and confusion of roles.

Related to FLEC, I find, regrettably, that I am in agreement with the critical review by the Government Accountability Office that, as currently structured, FLEC has not met the legislated objectives. The Administration may already contemplate integration of FLEC into CFPA, but if it is not focused on this issue, the Administration and the Congress should do so as details of CFPA are developed.

Fourth, and finally, as your request letter notes, the President's document states the CFPA should review and streamline existing financial literacy and education initiatives government-wide. Based upon my work on savings and retirement issues since joining the Labor Department in 1975, giving one agency the absolute responsibility for direction of all Executive Branch activities in the area of financial literacy and education could possibly add needed coordination and consistency. But that would only occur if the leadership of the agency was committed to the issue and to the approach set out in the legislation.

Over my 34 years of working on this issue, I have watched multiple agency programs and priorities and financial education shift dramatically as political leadership changes. This is not just the case when party control changes, but occurs within a party even with new staff changes. Thus, the role being set out for CFPA may or may not add value in this area, depending upon the specificity of the legislation, the attitudes and priorities of the director, and adequate staff and budget resources provided for funding.

Assurance that most of those appointed to the board and advisory committee with "deep experience in financial services" are there as individual financial services consumers, not as financial services industry representatives, would make success more likely. Needed technical expertise can be hired. But policy direction from the appointed leadership and advisors will determine ultimate results.

I look forward to working with your committee and all others on these important issues. Financial literacy on issues as simple as understanding compound interest would be essential, even if there are plain-vanilla products.

Thank you.

[The prepared statement of Mr. Salisbury can be found on page 82 of the appendix.]

Mr. HINOJOSA. Thank you, Mr. Salisbury.

Now, I would like to call on Ms. Jones.

**STATEMENT OF STEPHANIE J. JONES, EXECUTIVE DIRECTOR,
NATIONAL URBAN LEAGUE POLICY INSTITUTE**

Ms. JONES. Thank you, Chairman Hinojosa.

I thank the subcommittee for this opportunity to testify today. I am Stephanie J. Jones, executive director of the National Urban League Policy Institute.

Based upon our long experience providing frontline financial education and housing counseling services in Urban League affiliate programs throughout the country, the National Urban League has developed considerable experience and insight on this issue. We are glad to offer our recommendations, which I will briefly outline now but are presented in greater detail in my written testimony.

In this whole process, our overarching concern is the consumer, and we feel very strongly that the new regulatory framework must include inherent checks and balances that guarantee the advancement of the five consumer protection objectives. And those objectives are: consumer financial services markets operate fairly and efficiently; consumers have the information they need to make responsible financial decisions; consumers are protected from abuse, unfairness, deception and discrimination; traditionally underserved consumers and communities have access to lending, investment, and financial services; and national community-based organizations, such as the National Urban League, the National Council of La Raza, and others that have demonstrated effectiveness in reaching underserved minority communities, be included as full partners in any consumer protection effort.

We are pleased that this committee is focusing on financial literacy today. This is a critical aspect of this issue, and it is a top priority for the National Urban League. But we can't forget that while financial literacy is important, the fundamental problem at the heart of today's foreclosure crisis was not the inadequacy of the disclosures or the financial literacy of the borrowers. Rather, it was that lenders should not have made loans that they knew borrowers would be unable to sustain without refinancing. Therefore, to effectively protect consumers, it is critical that the regulatory system monitor and address market incentives that encourage loan originators to push risky or unsuitable loan products, and must also include independent, redundant back-up systems that provide layers of protection against financial excess.

And as you know, financial literacy is at the core of the Urban League's mission to empower African Americans to attain economic self-sufficiency. The rationale for our emphasis on financial literacy is buttressed by some startling data, as revealed in our annual, "State of Black America" report. Among other things, we have found that African Americans' economic standing is 57 percent that of White Americans, and that the median net wealth of African Americans is \$10,000 versus \$109,000 for whites.

The Urban League strategy for addressing this glaring gap is to create culturally competent programs that address both financial principles and long-term behavioral change. Overall evaluation research of our financial literacy programs consistently finds significant correlations between the level of financial knowledge and good financial management practices.

Housing counseling also plays a key role in support of the goal to increase financial awareness and sophistication and to close the wealth gap between minority and non-minority households. In addition to a deeper national commitment to housing counseling, a core tenet of our Homebuyers Bill of Rights, the National Urban League advocates three primary objectives that the Federal Government and the Financial Literacy and Education Commission should pursue to promote economic opportunity for minority and low-income families and communities.

First, we must expand access to capital and financial services through mainstream banks and thrifts, particularly by ensuring that the CRA remains effective.

Second, bank the unbanked with innovative new private sector products and services driven by new incentives for financial services for the poor.

Third, we must promote savings among the poor by catalyzing wide-scale establishment of individual development accounts and other mechanisms that help low-income families save for homeownership and other key assets.

And of course, particular emphasis must be placed in all of this on reaching neighborhoods with low-income and minority populations.

On behalf of the National Urban League, I thank you for the opportunity to offer our views today on this very important issue, and we look forward to continuing to work with you as you develop and implement a new regulatory system.

Thank you very much.

[The prepared statement of Ms. Jones can be found on page 60 of the appendix.]

Mr. HINOJOSA. Thank you very much, Ms. Jones.

And I now call on Dr. Lauber.

**STATEMENT OF GERALD LAUBER, CHIEF SENIOR ADVISOR,
NATIONAL URBAN ALLIANCE (NUA)**

Mr. LAUBER. Thank you.

Good afternoon, Mr. Chairman, and distinguished members of the committee. Thank you for the opportunity to testify before you today about the need for effective financial literacy education for Americans.

I am Gerald Lauber, the financial literacy advisor to the president of the National Urban Alliance, which is a not-for-profit corporation out of Syosset, New York.

Prior to working with the NUA, I was a school superintendent, an assistant superintendent for instruction, a principal, and a classroom teacher. In all, I have devoted over 45 years to the process of helping students.

The mission of the NUA is to focus on helping schools assess their instructional programs and deliver professional development for teachers so they are better prepared to help their students master content and learning skills. We have learned a great deal about education and organizations. We know that teaching a subject does not ensure that all students will learn it.

Financial literacy programs must contend with common complications for teaching and learning while competing for sufficient space in the crowded instructional day. To contend successfully with these complications is a matter of professional skill and organizational focus. Without plans for professional development and content that is integrated into the curriculum through material relevant to students, financial literacy will be just another catch phrase in our past history of failing to educate our citizens about how they manage their daily life to position them for long-term financial security.

I hope the creation of a new government consumer financial protection agency, as expressed by the Administration, will exemplify a real commitment to fight for the education and protection of consumers. That fight must recognize that financial education right

from the start is part of the answer to protect consumers and build a foundation for behaviors that support a healthy U.S. economy.

Why can't we provide the impetus to help our children create a new generation of consumers who use reason to direct the use of their resources rather than celebrating conspicuous consumption and debt accumulation that currently endanger the basic fabric of our country?

Strategies that help people make informed decisions will work if we provide education programs that help all people obtain financial literacy and decision-making skills. Application of these skills will strengthen their knowledge in areas such as credit cards, mortgages, insurance, and other financial products. In a consumer-credit-based society, we must teach children about credit and the wise use of it so they are prepared to be informed consumers. The lack of inclusion of financial literacy in the vast majority of our Nation's schools continues to create a new generation of consumers who are not informed about the use of money.

Unfortunately, what is clear is that the current effort to transfer knowledge about financial literacy has not worked. While more than 90 percent of America's students attend public schools, the President's Advisory Council on Financial Literacy, as it is presently constituted, has only one member who has any public school experience. This fact has not gone unnoticed by the Nation's educational community. How does this government demonstrate its commitment to this issue when only 1/20th of the advisors have classroom experience?

Yes, consumers need to be presented financial products in a simpler, straightforward manner that is clear, accurate, and contains understandable information. I applaud efforts by this subcommittee and the Congress to demand that our financial products industry makes information about their products more transparent to consumers.

Yet I must warn and emphasize that without effective financial literacy education, an understanding of these products will continue to be difficult and will not result in desirable behavioral changes by consumers. Consumer protection and relevant financial education must go hand-in-hand and must include an emphasis on our Nation's young people.

Over the past 6 months, this Congress has authorized nearly \$1 trillion of American taxpayers' money to Wall Street to clean up our financial mess that they created that brought this country to an economic condition not seen since the Great Depression.

On January 6, 2009, the President's Advisory Council on Financial Literacy, established by President Bush, stated as its principal recommendation: "The United States Congress should mandate financial education in all grades for students, kindergarten through 12."

Local school districts cannot afford another unfunded mandate. Now is the time to supplement that investment by committing some of those resources to sound financial literacy education for Americans.

I urge this committee to strongly support both this message and the messengers working to refine and deliver effective financial literacy education. It is critical to building the information base our

citizens need to live as informed consumers. But just using well-written financial literacy material without a well-thought-out delivery system will not enable them to transform information into action.

Thank you again for inviting me to testify today. And I will be happy to answer any questions you may have.

[The prepared statement of Dr. Lauber can be found on page 67 of the appendix.]

Mr. HINOJOSA. Thank you.

At this time, I would like to recognize Mr. Gannon.

**STATEMENT OF JOHN M. GANNON, SENIOR VICE PRESIDENT,
OFFICE OF INVESTOR EDUCATION, AND PRESIDENT OF THE
FINRA INVESTOR EDUCATION FOUNDATION, THE FINAN-
CIAL INDUSTRY REGULATORY AUTHORITY (FINRA)**

Mr. GANNON. Mr. Chairman, Ranking Member Hensarling, and members of the subcommittee, I am John Gannon, senior vice president for investor education at the Financial Industry Regulatory Authority, or FINRA. On behalf of FINRA, I would like to thank you for the opportunity to testify today.

Mr. Chairman, I commend you for having today's hearing on the critically important topic of improving financial literacy. In these uncertain financial times, the role of financial education is more important than ever. FINRA and the FINRA Investor Education Foundation are committed to expanding the knowledge and confidence of all Americans wishing to build a more secure financial future through saving and investing. And we share your interests in considering how best to promote financial literacy in the context of reforming the financial regulatory system.

FINRA's Office of Investor Education provides an array of educational opportunities to investors. These include maintaining our prominent investor information area on the FINRA Web site, providing a comprehensive market data resource, and publishing information on such critical topics as investment fraud, job dislocation and investing in bonds.

Interactive tools, such as FINRA's Fund Analyzer, allow investors to compare fees and expenses among competing investment alternatives.

In 2003, FINRA established the FINRA Investor Education Foundation, which is the largest foundation in the United States dedicated to investor education. The Foundation's mission is to provide Americans with the knowledge, skills, and tools necessary for financial success throughout life.

Foundation grants are used solely to fund educational programs, publications, and research. Recent grants have supported efforts to help low-income individuals build savings and achieve financial goals and guide working Americans as they make the transition into retirement.

FINRA commends the Administration's inclusion of recommendations focused on improving financial education and literacy in its proposals for regulatory reform. The Administration's proposal to mandate a financial education authority signals a commitment to increasing financial literacy of all consumers.

It will be important for all regulators with roles in financial oversight and consumer protection to coordinate and communicate about their financial education initiatives to ensure that the government leverages its resources for maximum impact.

FINRA further commends the Administration's proposal to enact an automatic IRA program with an opt-out. A similar and successful approach has been taken by a number of employers with 401(k) plans. FINRA has teamed with the Retirement Security Project and AARP to establish Retirement Made Simpler, an effort to increase participation rates among employees whose companies offer 401(k) plans by encouraging more employers to adopt automatic 401(k)s.

FINRA's work in investor education has provided us with experience in managing the challenges of how to most effectively and efficiently get information out to investors and consumers. Let me highlight now some issues to consider for improving financial education and literacy efforts.

First, there is a need for baseline data on financial capability and literacy. The FINRA Foundation is currently working on a survey that should provide that crucial data. Recommended by the President's Advisory Council on Financial Literacy, the survey of over 25,000 Americans addresses a comprehensive array of financial topics, including retirement planning, investment choices, household budgeting, credit consumer protections, and the use of financial education resources. This data will help inform the efforts of both public and private entities as they attempt to best structure financial literacy and investor education initiatives.

Second, I would want to emphasize the importance of distribution channels in financial literacy efforts. Recognizing that high-quality investor education resources already exist, the FINRA Foundation and its partners focus on making sure that such resources get into the hands of all those who need them the most.

The FINRA Foundation's grants and projects leverage partnerships with other organizations and use new and conventional media to widen access necessary to the resources for financial success. Sometimes this is via the Internet or public broadcasting. At other times, it is through a counselor or a workplace representative.

The government has a variety of existing robust distribution channels at its disposal. The Social Security Administration, the IRS, the Postal Service, and the Federal Citizens Information Center are just some of the potential channels that could be used to promote and advance financial literacy efforts with an extremely wide reach.

Finally, as Congress considers how to improve financial literacy, it is vital to provide adequate funding for whichever agencies or groups are given responsibility for this task. Further, given that a variety of existing agencies and departments have roles to play in investor and consumer protection and education, those agencies should have a clear mandate to provide financial education, coordinate those efforts with other Federal agencies, and engage in partnerships to broaden their reach.

FINRA appreciates the opportunity to testify on these important issues, and I would be happy to answer any questions you may have. Thank you.

[The prepared statement of Mr. Gannon can be found on page 52 of the appendix.]

Mr. HINOJOSA. Thank you.

And finally, I would like to call on Mr. Neiser.

STATEMENT OF BRENT A. NEISER, DIRECTOR OF STRATEGIC PROGRAMS AND ALLIANCES, NATIONAL ENDOWMENT FOR FINANCIAL EDUCATION (NEFE)

Mr. NEISER. Thank you, Mr. Chairman, Ranking Member Hensarling, and members of the subcommittee.

I am Brent Neiser, director of strategic programs and alliances for the National Endowment for Financial Education, otherwise known as NEFE. We are based near Denver, Colorado. We are a 501(c)(3) private-operating foundation, nonprofit, nonpartisan, non-commercial.

At the end of my written testimony, there are several examples of initiatives we undertake. Our high school program trained over 6 million students in public and private high schools throughout the United States in the last 20 years; a college program with nearly 300 enrolled institutions; and a free, noncommercial source called CashCourse.org. There is a growing interest among community colleges signing up for this Web resource. We do research on retirement issues, teacher training, unique populations, immigration issues, and student financial behavior all related to personal finance. We are also concerned about workplace, and collaborate with many of the organizations represented on this panel, as well as the Boy Scouts of America, the American Cancer Society, and scores of other nonprofit groups.

We believe financial literacy is an important component of consumer protection, and any kind of work toward regulatory reform should consider it. It is a baseline. Financial markets and products change, but consumers need to be equipped with a basic understanding of personal finance so they can make the best decisions and be aware of the positive and the negative consequences of those decisions. Also, there are appropriate times to connect financial education to events in their lifespan and when products are appropriate. This has to come out through this basic baseline and financial understanding.

We think that individual financial literacy and education are not the whole solution. Automatic features in behavioral economics, product disclosure, social markets, etc., all play into this beautifully.

The President's advisory council, on which NEFE CEO and president Ted Beck serves, has identified some of the concepts and definitions for a proposed body of knowledge that can form as a baseline for this effort.

We want to empower Americans to make their own decisions about which products and behaviors will maximize their financial wellbeing; be aware of financial products and strategies that may not be suitable and would concern them.

Also, financial literacy needs to move to a level of full engagement in society through a public education campaign, social marketing, a nationwide financial checkup, consistent and repetitive messaging, and a clear link to financial literacy tools at points of transaction where appropriate, and, again, across one's financial lifespan.

I will close by mentioning five points or principles that might be considered under any regulatory reform that links financial literacy education and issues with consumer reform considerations.

First, definition: Building on the President's advisory council, setting baseline standards, as Mr. Gannon mentioned, will create a consistent framework for public and private financial education efforts.

Number two, context: Providing the context for understanding a product and its relationship to life goals and timing within one's economic lifespan will increase the effectiveness of any disclosures that are contemplated by Congress.

Number three, simplicity: We need to actually take a step back. And we talk about plain vanilla, there needs to be plain vanilla financial literacy, too, to make any type of disclosures work, focusing on financial understanding, capability, and literacy. Again, a social marketing campaign could include basic messages, principles that people can think about when they are interacting or contemplating a product and interacting or working with an adviser. Thrift, paying yourself first, having an emergency fund, understanding the time value of money when it comes to debt as well as growth of an equity investment, the appropriate use of credit and diversification—without these principles embedded in the minds of Americans at all ages, at different times in their lifespans, disclosures may not be effective and might even be confusing.

Number four, relevance: Message campaigns need to be culturally and circumstantially relevant and age-appropriate. Underserved audiences need special attention.

Finally, number five, self-assessment: A nationwide financial checkup, as recommended by the President's advisory council, would allow Americans to assess their own financial knowledge and provide appropriate links to trustworthy sources of information to fill any gaps.

Finally, let me just congratulate the leadership of Congress, especially the Financial Literacy and Economic Caucus, Representative Hinojosa, Representative Biggert, and all Members, for a true bipartisan approach to this issue.

Thank you.

[The prepared statement of Mr. Neiser can be found on page 78 of the appendix.]

Mr. HINOJOSA. Thank you.

I want to say that, before we start a line of questioning by each of the Members of Congress, I ask unanimous consent to submit for the record GAO's April 29th, 2009, testimony before the Senate Subcommittee on Oversight of Government Management.

Hearing no objections, so be it.

I would like to recognize myself for 5 minutes. And every other member will also receive 5 minutes to have an opportunity to ask questions.

I am dissatisfied with the Financial Literacy and Education Commission, commonly known as FLEC. They have yet to produce a true national strategy for financial literacy despite having 4 years to produce one.

On April 29th, the GAO testified before the Senate Subcommittee on Oversight and Government Management, and, in their testimony, GAO concluded that the so-called national strategy remains more descriptive than strategic. Others have referred to this, their strategy, as, “the strategy to strategize on a national strategy,” which I don’t understand what that means and I don’t think they do either.

Congresswoman Judy Biggert and I knew that this likely would happen prior to the enactment of the FACT Act. We had our own competent legislation that would not have created an unwieldy entity unable to arrive at a national strategy to help the United States and its economy.

So, moving on to ask my first question of Mr. Diaz, Mr. Salisbury, and Ms. Jones, and I would ask you to react to my statement and tell me what you think of this legislation, of this Act.

Mr. DIAZ. Mr. Chairman, the financial literacy for us has been— it increases awareness. Our take on it has been we have done, run many programs. We have seen a lot of programs operate. It does impart knowledge, but it doesn’t change decision-making behavior necessarily. We have seen lots of examples, whether it is credit cards or payday lending, where consumers have been given a lot of education and yet it does not change behavior.

So my feeling related to financial literacy education awareness is that it never hurts anybody, but our concern is to really increase wealth amongst Latino families. And that is a little bit more targeted and a little bit more tricky objective, because it requires changing behavior, in many cases, and that usually requires both time and a situation where you can actually exchange information.

So, in my testimony, I referred to one-on-one counseling as an effective tool to do that. I can tell you of countless examples where families are taken from a starting place and end up at a very different place anywhere from 6, 12, 18 months later because they have had the ability to converse and reflect on their situation with an impartial party who is only interested in making sure they progress.

Mr. HINOJOSA. Thank you, Mr. Diaz.

I would like to get a response from Mr. Salisbury.

Mr. SALISBURY. Mr. Chairman, first, I would just note that, at the most recent meeting of FLEC, it was noted by Assistant Treasury Secretary Barr, who was in his first week at the Department, that a multi-agency review of the documents and of the report from the Government Accountability Office has begun and is underway.

I mention that because I think that is a very positive statement on an initial review process that tries to be responsive to what the Government Accountability Office said. I think that the combined testimony of this panel, but in particular the suggestions of Mr. Gannon and Mr. Neiser, essentially laid out the core of what could become a strategic document that could then move to implementation.

I think that, as I noted in my testimony, the key is the focus, and it is one of the reasons that I have discussed the desirability of a new agency such as that suggested by the Administration, with FLEC being built into it. Essentially, the entire realm of financial literacy coordination across the Administration would be directed by an agency that puts far more particular focus on the consumer. This is opposed to what, most particularly in the last 18 months, has been a rather large national economic problem that, quite appropriately, is where most of the attention of the Treasury Department has been. And, given where we are, frankly, for the next 2 years, as a citizen, I hope that is where most of their attention will be.

Mr. HINOJOSA. Thank you, Mr. Salisbury.

I would like to get a reaction from Ms. Jones.

Ms. JONES. Mr. Chairman, we feel very strongly that anything that is done at the Federal level related to financial literacy must take into account what the actual needs are in the communities and must link very directly to those communities.

That is one of the reasons we strongly suggest that the government work closely with national intermediaries such as La Raza and the National Urban League, who are working on the ground, in the communities, who know what the needs are and can get directly to the people but, also, who people will come to. People trust us; they understand what we do there. They know that we are there in the community working every day.

Because there often is a disconnect. And there really is no shortage of housing counseling providers. There are all sorts of, for example, for-profit providers out there who are offering all manner of services that don't necessarily address the real needs of our constituents. And so it is important for people to know where to go and to go to organizations and entities that have a proven track record and know what they are doing, frankly.

And I think anything that is done at the Federal level must take that into account and must consider that and should be used in a way that enables our constituents to get the best possible service.

Mr. HINOJOSA. My time has run out, Ms. Jones. Thank you very much.

I now yield 5 minutes to the ranking member, Congressman Hensarling.

Mr. HENSARLING. Thank you, Mr. Chairman. And, again, let me recognize your leadership in this effort, along with the gentle lady from Illinois, Mrs. Biggert. Clearly, this entire committee respects your body of work, your leadership, her leadership, in trying to help educate our populace on the financial products that are available to them and help our communities.

I continue to be concerned, if you were here for my opening statement. I know the subject has to do with financial literacy.

My first question would be, how many on the panel are familiar with H.R. 1705, which is the House version of the President's initiative for the Consumer Financial Products Agency? Have any of you studied that?

Mr. Salisbury, have you studied it? And, I am sorry, Ms. Jones, as well? Did I understand, are you all supportive of that legisla-

tion? Or have you formed an opinion? Have your organizations formed—not yet? You continue to study the legislation? Okay.

Mr. DIAZ, in your testimony, I think, if I heard you properly, you mentioned the term “choice” on many occasions, leading me to believe that consumer choice is at least something that would be valued by your organization. Is that correct?

Mr. DIAZ. Absolutely. That is critical.

Mr. HENSARLING. Section 5(B)(i)(a) of H.R. 1705 creates an unelected group that has the legal authority to ban from the marketplace any consumer financial product, practice, or feature it considers “unfair” or “anti-consumer.” Those seem to be rather subjective terms, as opposed to objective terms.

If, for some reason, this bill became law and the unelected members of the Financial Products Safety Commission decided to ban electronic remittances because they viewed them as inherently unfair or anti-consumer, would that trouble your organization?

Mr. DIAZ. Well, that is a big hypothetical. Remittances are obviously a current standard practice that many immigrant families transfer excess income down to families of their place of origin. I can’t imagine the question of whether they would ban remittances. I mean, that is—I don’t know if there is anything in the legislation where they have written or seen about that that would be even the case. So it is a hypothetical—

Mr. HENSARLING. But it doesn’t trouble you that this particular commission could have that power without any review. So you would be trusting that simply wouldn’t happen.

How about with respect to payday lending, which is controversial within a number of areas and communities? It seems among some disadvantaged and low-income communities, some believe they serve a valuable purpose; other people, frankly, would like to see them banned.

I don’t know what the position of La Raza is. But would it trouble you if this particular panel decided to ban all payday lending as inherently “unfair” or “anti-consumer?”

Mr. DIAZ. Well, like I said, the devil is always in the details. But what we would be focused on is access to credit, did that change. We at NCLR believe low-income families have to have access to credit. We don’t believe that families should be taken advantage of, so just because they can sell a family a product doesn’t mean it is right for that family.

So what I would tell you is that the key for us is, whatever that new commission sets up to do, we would be focused on: What is the civil rights implication, one? And, two, is it still going to allow product innovation even within the rules that it establishes?

Mr. HENSARLING. And, as various panel members look at the challenge of disclosure, financial literacy—it takes two to communicate, the communicator, the communicatee. And I have heard some verbiage, and there is no doubt, that there have been lenders who have purposely tried to deceive borrowers. There has been a lot of controversy in subprime mortgages and in credit cards.

I am just curious if any of you have undertaken an analysis of the disclosures necessary in the average credit card agreement.

I just happen to have one in front of me that indicates that 43 percent of the content is mandated by Federal law, including Regu-

lation P, Regulation Z, the FACT Act; 5 percent of the content is dictated by State statutory law; 16 percent arises from legal risk management—in other words, liability exposure; meaning essentially two-thirds of the disclosure written in legalese is, frankly, mandated by Federal and State government and liability exposure.

So I am curious if anybody on the panel has engaged in a similar study and have come to the same or different conclusion. Anybody who cares to—

Mr. LAUBER. I will jump in quickly.

It is not the content of the disclosure that is important, because, as we have heard from many distinguished members, they read it and they don't understand it. Eighty percent of what we take in we take in visually. And if we can't visualize and understand the concepts, no matter how long and extensive the regulations may be, they are going to fall on deaf ears.

We talk about a product, but we don't talk about how to market the product. And the marketing of the product comes from the understanding of the concepts that you are addressing. So failure to educate consumers to understand how to ask the right questions, or banks or financial institutions, how to present information so it is understandable, that is a major part of the problem.

Mr. SALISBURY. And, Congressman, I would just quickly note that, with that versus the disclosure, I personally would look at the statement.

And before this hearing, I looked last night. I have five credit cards; I looked at my most recent five credit card statements. From one of the companies, it is a clean, uncluttered statement that has the basic information in large print and nothing hidden. With the worst of them, it takes minutes to figure out how much you pay, if what you want to do is pay it off.

Mr. HENSARLING. So the market has provided at least one plain vanilla.

Mr. SALISBURY. One plain vanilla. And so, what I mean by plain vanilla is something that is instantly and easily, by visualization, understandable.

Mr. HINOJOSA. The gentleman's time has expired.

I would like to call on Congresswoman McCarthy from New York.

Mrs. MCCARTHY OF NEW YORK. Thank you.

And I thank everybody for their testimony.

By the way, we are hoping that we are going to clear that up as we go forward with the credit card clarity, so that we can have that kind of a credit card. But five credit cards, I don't know. I only use one, that is it.

One of the things that I want to say is that—not only do I sit on this committee, but I also sit on the Education Committee. And in the higher education bill, financial literacy would be included in that. We are now starting to work on Leave No Child Behind or whatever name it is going to be. There is language in that, which I plan on offering that will be from kindergarten to 12th grade. I happen to think it can be worked into the school day, so there is no extra time.

I have already spoken in front of a large group of superintendents, teachers, parents, PTAs, and they are starting to get it, main-

ly because we want to educate the children, and especially those children learning a second language, so they can help their parents when they go home.

So we have a lot of work to do for the future, but I guess the question—I am going to start with Dr. Lauber. We have been, unfortunately, under terrible economic strain, everybody. I doubt very much if there are too many people who haven't been touched by this.

Now, obviously, we know there are an awful lot of people who are excellent in financial literacy, hopefully—but they still got hurt. But what would you say to the majority of our constituents, do you think they had enough financial literacy background that wouldn't have gotten them into the amount of debt they have carried, taking their money out of their home?

Mr. LAUBER. I think, especially on Long Island, where we know best, and affluent areas, that was one level of the population that was hurt. But the populations that we work with at the National Urban Alliance were hurt much more than that, because these are people who started without all of the assets that we have to deal with.

Why did they get hurt? They got hurt not necessarily because they didn't have the knowledge someplace in their mind, but there was a problem with the application of the knowledge. So I heard a comment before, it is not what we can do, it is what we should do. And unfortunately, the process of thinking about making decisions, about what we should do with economic choices, is not ingrained in our students.

Thinking is not taught in our schools. Our schools are basically content-based. And I think the challenge that you identified is absolutely correct: How do we fit this in the school day? It cannot be a replacement to mandated courses. We work with teachers to help them substitute examples in financial literacy for the courses that they are currently teaching and use brain-based learning strategies. The brain can only take in new information for 5 to 7 minutes, and that may be a good thing for all of us to listen to, but then you need another 10 or 15 minutes to apply that knowledge; otherwise, it doesn't stick.

And I think if we could somehow take all of the work that is being done to focus on financial literacy education—and there is wonderful material out there. Where it falls apart is that it is not being integrated into the school day; it is not a high priority.

And you know from the forums that we are having around New York State, where we are bringing all the school stakeholders together—parents, teachers, administrators, superintendents, board members—this is a topic that they are starting to want to discuss, because it has just been ignored.

Mrs. MCCARTHY OF NEW YORK. I thank you.

One of the other things, you know, when you are talking about private and government working together, I think we are going to have to do that, because the government can't answer everybody's questions, and they can't.

For years, talking to the bankers, talking to the credit unions, talking to many other financial institutions, saying we need financial literacy, and they said, "We are doing it," and I said, "Where?"

because I have never really seen that much out there. I am seeing it now, to be honest with you. There is more out there. I hope that we can continue to do that.

But how do we work with—how does the government work with a private enterprise, whether it is our bankers—we can't mandate them to do this with us. Maybe we can, I guess the way we are going today. But how do we bring those two together so that we can also not only reach all the young students for the future generations, but how do we also reach out to the families?

One thing I found out, especially with all the foreclosures, people knew they were in trouble, and they didn't know who to go to. They could have prevented half the foreclosures out there if they had found out who to go to.

If you could just give me a quick answer, because I see my time is up.

Mr. SALISBURY. I will give you one quick example, which could be dealt with by an amendment to the FACT Act or by this new agency. FLEC put together a Web site called MyMoney.gov. Under Treasury regulations, MyMoney.gov cannot have anything on it that relates to nongovernmental organizations. So it can't be a one-stop shop across for-profit, nonprofit, government, or noncommercial.

So there are relatively simple things that could be done to bring information together just by making some changes in regulation.

Mrs. MCCARTHY OF NEW YORK. Thank you.

Mr. HINOJOSA. At this time, I would like to recognize the Congressman from Texas, Mr. Marchant.

Mr. MARCHANT. Thank you, Mr. Chairman.

I would like to follow a line of questions based on the number of groups that are attempting to accomplish the same thing. And would any of you venture to say how many different groups in the United States have their sole focus on the financial literacy of America? There are about seven here, so—

Mr. SALISBURY. The American Savings Education Council Program has partners from all 50 States, and there are State banking agencies and various others across the United States working on this.

What is lacking is as much of a coordination mechanism as would be desirable and, frankly, a place to go in the Federal Government to work broadly with the Federal Government. I think this was the intention of what FLEC would become, but it hasn't gotten there yet.

Ms. JONES. Also, I want to clarify the National Urban League, while financial literacy and housing counseling is an important part of what we do, it is certainly not our sole focus. We provide all manner of training.

I do think, though, that the fact that there are so many entities out here doing it shows the extent of the need. And I know, at least from the National Urban League's perspective, we could serve exponentially more people if we had the capacity. People are beating down our doors trying to get help, because the need is so great out in the community.

Ms. LEVINE. And I might add that my organization, the Jump\$tart Coalition, is a coalition of about 180 organizations na-

tionally over a network of 48 affiliated State coalitions, each with their own partners. And we know we don't have all of them, but there is an effort to work together. And the Coalition members do come from the private and the public and nonprofit sectors. And so I think that it is a step in the right direction and we need to do more.

Mr. MARCHANT. Was there an expectation that, under FLEC, there would be a national coordinator of this, someone that is responsible for giving all government grants out, and that there was a place to go to get funding for this?

And I know HUD funds it. Every entity probably has some kind of a funding mechanism for this, correct? Some of you are saying yeah.

Mr. DIAZ. I will take that.

Financial literacy education is funded through a variety of mechanisms and different types of institutions.

But I would also say that it is something that is—we don't treat it as a stand-alone product, generally. Because, as someone said before, you don't learn unless you do, to some degree. And so, our experience with financial education is it does increase awareness of certain aspects of financial transactions; it doesn't change their ability to transact well.

And so, what we have done, we have embedded the tools of financial literacy inside other programs as they are practicing something that they want to achieve in their lives.

Mr. MARCHANT. I am going to lose my time, sir.

I want to ask Mr. Salisbury, you are the one who talked about the new CFPB. How would you make the new CFPB independent of financial institutions' influence?

Mr. SALISBURY. I would say it is not as much totally independent as making sure that consumers are included. That is, if there is a board of five, a majority of that board is made up of people who view themselves principally as financial consumers, as opposed to, for example, members of the regional Federal Reserve banks.

Six of the nine board members are appointed by the banks, who own the Fed. The Federal Reserve Board banks are basically self-regulatory organizations, the banks regulating the banks. If that was what this agency was, I would argue a consumer agency that is run by the financial services organizations definitionally can't be a consumer protection agency.

So it would be that, if there is a board of five, making sure a majority of that board are actually financial consumers, not those who basically have come out of the financial services industry and, if history is a guide, would go back to work for the financial services industry after service on the board.

Mr. MARCHANT. Thank you.

Mr. HINOJOSA. I have just been informed that in 10 minutes, we are going to start another long series of votes. And I would like to give all the members present an opportunity to ask questions. And I ask unanimous consent that we shorten the time to 2½ minutes so that everybody can ask questions.

Hearing no objections, I would like to recognize the gentleman from Texas, Congressman Al Green.

Mr. GREEN. Thank you, Mr. Chairman.

Friends, to properly understand why these contracts that we are talking about are written in such legalese, I think we have to understand what they are designed to do. Are they designed to inform the consumer, or are they designed to protect one of the parties?

And if they are designed to protect one of the parties, then we have one set of circumstances to deal with. But let's just assume it is designed to inform the consumer, then we have to ask ourselves, will this contract in some way entrap the consumer?

Because there are many who would have language somehow associated with a contract that would indicate, "I have read this, I understand what I have read," and once you indicate you have read it and you understand, at some point later on the party who designed the contract to protect himself or herself uses that language against you by saying, "You knew, or should have known, because you read, and we assume that you understood because you said you understood."

So I am mentioning this to you in my 2½ minutes simply because I think that we do have to give a lot of thought to what we want these contracts—and that is what they are—to do.

When we close on a home—and I am sure all of you have closed on a home—when you close on a home, you are sitting there, it is a great, happy occasion, and somebody brings in a stack of documents with no blanks filled in, saving the one that you will sign on, and your name is typed there perhaps, and then, "Sign here," you sign, and later on you find out that you may have signed something that was not in your best interest.

So the question becomes this, friends: How do we get to a point where we can have these documents inform the consumer and work to benefit the consumer, as opposed to the person who drew the contract and is trying to protect himself? That is what we have to do now.

If anybody would give me a quick response, I think my time is almost up.

Mr. LAUBER. Quick response. I think it is important that, whatever documentation is presented, that the consumer demonstrates that they understand it. Someone saying, "Do you understand it?" and them saying, "Yes," does not prove they understand it.

Mr. GREEN. Quick question. Do we need to let the consumer take it home?

Mr. LAUBER. They can take it home. They can do it online. In New York, when I wanted to take get a reduction on my insurance, I take a driving test online.

Mr. GREEN. Just quickly, should the consumer have the opportunity to peruse it for some period of time before signing it?

Mr. LAUBER. Absolutely.

Mr. GREEN. Should there be some opportunity for the consumer to perhaps rescind the contract if the contract is one that proves to be adverse to the consumer's best interests and the consumer doesn't have time to peruse it, a take-it-or-leave-it kind of deal?

Mr. LAUBER. Yes.

Mr. GREEN. And finally, let me just ask this with the 2½ minutes, or maybe it is just a comment that I would make.

I am concerned about this agency. Is it going to be a watchdog, as some have said, which means that it would have some bark,

maybe some bite? Is it going to be a guard dog that would have a lot of bite, maybe some bark? Or is it going to be one of these dogs with no bark, no bite, which is really a dog to watch as opposed to a watchdog?

I am very concerned about what this agency will ultimately become. Because if it becomes a watchdog with no bark, no bite, then we have done the consumer a disservice.

Thank you. I yield back.

Mr. HINOJOSA. Thank you.

At this time, I would like to recognize the gentleman, Congressman Cleaver.

Mr. CLEAVER. Thank you, Mr. Chairman.

Mr. Salisbury, I just have one question. In your comments, in your written statement, you said that you believe that financial literacy ought to be mandated for K through 12 and that it ought to be tested. I happen to agree with you. I think there is anecdotal evidence aplenty that would support your position.

My question is that the critics, I think, would say that if we mandated such a curriculum and teachers realize that they would be measured by the ability of the students to regurgitate the information, that they may do what many of them are doing all across the country now, which is teaching the test. And teaching the test doesn't always equate to teaching the student, and the student, in the long run, turns out not to have accomplished much.

What would you say to the critics?

Mr. SALISBURY. I would basically play off of what Dr. Lauber said, with which I totally agree, which is: Part of this can simply be to, by mandate, require that the equivalent of the financial literacy education be built into the existing curriculum through examples, etc., which, to his point, can be 4 and 5 minutes here and there, with some type of quiz to follow.

I think that I am hopeful vis-a-vis the current situation because the President himself had extensive exposure to this in Chicago through the Ariel Academy. The current Education Secretary was involved with the Ariel Academy and recognizes and has stated in his confirmation hearings and elsewhere his view that that basic financial literacy education is absolutely essential.

And so I think, if you can do it by building it into curricula, and if what you are trying at the earliest grades to teach are very basic concepts such as what is money, what is interest, what is compound interest, if one is going to be critical of testing to that or teaching to that, as long as it is—pick a number, if it is 15 simple critical elements of knowledge for people to have, then my response would be, so be it. If they teach to that test, that it is 15 key things that will help everyone get more successfully through life, hey, fine.

Mr. CLEAVER. Thank you, Mr. Chairman. I yield back the balance of my time.

Mr. HINOJOSA. Thank you.

At this time, I would like to recognize the Congressman from Georgia, Congressman Scott.

Mr. SCOTT. Thank you, Mr. Chairman.

And thank you all for coming.

I can't think of really any more important thing we can do than financial literacy to deal with what has happened in this financial

crisis. Because, quite honestly, if we had had an informed, educated constituency consumer base, we wouldn't be in this situation we are in now, where we are literally having to spend trillions of dollars just to find our way back to shore.

And education is important; K through 12 is important. But this financial system of ours is so complicated, it is so complex, and even as we are dealing with trying to fix it now, it is getting even more complex and more complicated, for the public not only lacks the education to understand how we got into this situation, they are lacking the education as to what we are doing to fix it.

So financial literacy has to come front and center. And I am so glad, Mr. Chairman, that we are hosting this hearing. And I hope that we will be able to lift financial literacy up to the proper level it needs to be as a major component of our financial regulatory reform.

So the question that we have to ask is, how can we incorporate financial literacy into our new financial regulatory system in a way that can certainly protect the consumer today, as they stand? And I don't see how we can do this without having some infrastructure and money and resources behind it connecting the Federal Government to this.

By that, I mean this: I believe that we have to have something out there, right now, as a part of our reform, to have the consumer to say, "Here is somewhere I can call to get information now." Our system is complex. There are credit cards coming, we have credit card reform; there is banking coming.

Plus, we need a monitoring system to make these loan originators, these credit card companies behave themselves. Because if nobody is monitoring them, we are going to be right back in the situation that we have now.

So I would like for us to give some thought to trying to come up with a monitoring system, a toll-free 1-800 number with human beings at the end of it anchored here in the government, at the Treasury Department, not a counseling program, but folks like the Urban League and the NAACP and ACORN and the senior citizens group, people who have a relationship with the most vulnerable out there. Because the damage is that these folks out there target people, and we need something that we have that targets them to give a help line. Therefore, we can have a way for people to call in and ask questions about what that situation is. And I am hopeful we can put something like that together and probably put it in Treasury in the reform.

I know my time is up, Mr. Chairman, but I just wanted to say that, and commend everybody for coming, and I look forward to working on this going forward.

Mr. HINOJOSA. I thank you for your remarks and especially your recommendations.

I would like, at this time, to call on the gentleman from California, Mr. Brad Sherman.

Mr. SHERMAN. Thank you very much.

First, a comment about this new protection agency, consumer protection agency. I think it is important that it be a law enforcement agency, not a law-making agency. I have seen a tendency to think in terms of, "We will have the Fed take care of investment

in the economy, and we will have this new agency take care of consumers and make all the rules for consumers, and then we can go out of business here in the Financial Services Committee." I think lawmaking should be done here in Congress.

Second, as to this education program, I couldn't agree with it more. And I think that a use of Quicken or similar software would be an important part of this. Financial literacy should be for the 21st Century, not what I learned when I had hair.

As to Mr. Gannon, I will ask you to just respond for the record, but one thing we have to educate consumers about is the fact that FINRA is not really a government agency. And the name implies that it is. So I hope that either FINRA would change its name or add something to all of its communications or that its foundation would get the word out that it is wonderful private association but, in spite of the word "regulatory"—most regulatory authorities are government agencies.

I will let you respond very briefly.

Mr. GANNON. Congressman, thank you for that comment.

I think that we try to make sure that people understand that we are a private-sector regulator. Most of our messaging goes to that. But that is a very good point.

Mr. SHERMAN. I hope that you would do that. And you might even think of a name change, although you are a relatively new organization.

Now, for the one question. The fact is consumers in mortgage transactions often don't see their loan documents until they arrive at the closing and they are presented them. In April of this year, in the mark-up of H.R. 7028, an amendment was offered to amend RESPA to give borrowers at least 24 hours to review their closing documents, which, with the exception of extenuating circumstances, would be complete and finalized by the lender and the settlement agent 24 hours before the closing.

And I will ask whoever wants to respond to this: Would providing key closing documents to consumers in advance help consumers to understand the closing process better and to help ensure that they do not enter into an unsuitable loan transaction, which so often leads to unpleasant surprises, frustration, potential non-performance, which then can collapse an entire free world economy?

Mr. SALISBURY. It would have helped me.

Mr. SHERMAN. It would have?

Mr. NEISER. I would say, Representative, it would prompt a kitchen table conversation, if there is a spouse or a partner involved, where two or more can counsel each other as to, are we doing this, are we in agreement. And if they are not, it gives them an out.

Mr. LAUBER. I think, providing they were given the right questions to ask. I think two people not knowledgeable about a mortgage statement talking to each other could be very humorous at times. They must have structured questions and understand the concepts of what they are asking, perhaps with assistance of some of the organizations that were represented here today.

Mr. SHERMAN. And the documents would have to disclose, "Here is the check you are going to have to write at closing; here are your

monthly payments.” Because those are the two most basic questions. “Honey, can we afford this house?”

Mr. Salisbury?

Mr. SALISBURY. The reason I made my comment—and so I don’t disagree with the doctor, but I sort of do, in that my wife and I, over the years, walked out of three different settlements because what was put in front of us at the settlement table was not consistent with what we told were told beforehand the deal was.

Mr. SHERMAN. Mr. Salisbury, you are so much stronger than the average consumer. Every other average consumer signed the papers in those three closings.

Mr. SALISBURY. Fair enough. They are not married to my wife.

Mr. SHERMAN. I believe my time has expired.

Mr. HINOJOSA. Thank you, Mr. Sherman.

I wanted to ask unanimous consent that a December 2008 report prepared by the Washington State Financial Literacy Work Group entitled, “Putting the Pieces Together,” be entered into the record.

Without objection, it is so ordered.

Also, I would like to ask on behalf of other members of this committee for unanimous consent that the following six written statements be entered into this hearing record: a statement by Dr. Annamaria Lusardi, professor of economics at Dartmouth College; second, the testimony of Dr. Camille Busette, vice president of EARN organization; the third one is the statement by Dr. Rickie Keys on behalf of the National Indigenous Literacy Association; the fourth is a statement by J. Bradley Jansen, executive director of the Center for Financial Privacy and Human Rights; the fifth is the testimony of the SIFMA Foundation for Investor Education; and lastly, unanimous consent for the testimony from the Financial Services Roundtable.

Without objection, it is so ordered.

I would like to make some closing remarks and simply say that it is very helpful to listen to the presentation made by each of the witnesses and that I hope, when this is all finished, that we would consider having some of the methods that are now being used in classrooms—a congressional hearing on the Education Committee that I sit on was held here 2 weeks ago, showing us what 16 percent of schools in our country are now using to keep students from getting bored by what is being taught, how to keep their interest in math and science and many other courses being taught.

And it is blackboard where they use cell phones, they use texting, they use what the weathermen use on television where they can touch the screen and move things around, making it very interesting, particularly for K–12 students. They must get this kind of education. But let me tell you, what works for them will also work for adults, because it can be interesting.

And there should be tests like the ones that are now being given to high school students, who are only passing, I think, with a 48 percent passing percentage, or college students. It doesn’t matter that they pass it or don’t pass it; it is just so that they will know just how much they know and understand about financial literacy.

I think that we are going to have to think out of the box and have a way in which to progress on what has already been built on the last 4 years.

I want to particularly thank the group that was responsible for helping us start the Financial Caucus. And I will just do it very shortly. I want to say thank you to Ms. Levine, because Jump\$tart, Junior Achievement, and the Council for Financial Education coordinated with me on several Financial Literacy Day fairs in the Cannon Caucus Room, and have been very successful. And I think that it has proven one thing: that even the people who work here, Members of Congress and staff, want to have this kind of financial literacy. And so we are going to have to really build on it.

Time has run out, and I have to have some parts to close out this hearing. And I want to thank the witnesses and the members for their participation in this hearing.

The Chair notes that some members may have additional questions for these witnesses, which they may wish to submit in writing. Therefore, without objection, the hearing record will remain open for 30 days for members to submit written questions to the witnesses and to place their responses in the record.

This subcommittee hearing is now adjourned. And I thank you.
[Whereupon, at 5:20 p.m., the hearing was adjourned.]

A P P E N D I X

June 25, 2009

REMARKS OF THE HONORABLE RUBEN HINOJOSA
COMMITTEE ON FINANCIAL SERVICES
SUBCOMMITTEE ON FINANCIAL INSTITUTIONS
HEARING ENTITLED
"IMPROVING CONSUMER FINANCIAL LITERACY UNDER THE NEW REGULATORY
SYSTEM"
JUNE 25, 2009

I want to welcome the witnesses to today's hearing, and I commend Chairman Luis Gutierrez for holding it.

Today's hearing on financial literacy is important to all of us in the Congress...for today's witnesses; to all of you attending this hearing in person; watching the live webcast of the hearing; those of you who might be reading today's transcript or watching the archived hearing webcast; and really each and every resident in the United States, but especially for our children and the generations to come.

I ask that those of you with financial literacy programs and recommendations for programs and legislation and regulations understand that it was very difficult to select today's witnesses for this hearing. Our Committee and this Subcommittee have a limited amount of time and space for everyone to testify today.

I believe that we have put together a comprehensive panel of witnesses, and this Subcommittee welcomes statements for the record from those of you desiring to submit them, with the understanding that they will be accepted if they address the intent of today's hearing: recommendations as to which agency should have primacy over all others on financial literacy.

I am wearing six hats today:

I am a member of this Subcommittee;

I am a Co-Founder and Co-Chair of the Financial and Economic Literacy Caucus alongside my good friend from Illinois, Congresswoman Judy Biggert, and her dedicated staff Nicole Austin, Zach Cikanek, and Chris Barr;

I am Chairman of the Subcommittee on Higher Education;

I am Chairman of the Congressional Hispanic Caucus Task Force on Education;

I am a consumer just like all of you here today; and, most important,

I am a father.

I have three grown children and two young daughters.

What we do here today;

The actions we take during the 111th Congress, and the steps that the States make to graduate financially literate students are all of the utmost importance.

There is a growing consensus that too many Americans lack the basic financial literacy skills to enable them to navigate our increasingly complex financial system, make informed financial decisions, and avoid abusive financial products and services. Studies consistently show that a significant number of Americans have inadequate knowledge about concepts related to personal finance and basic economics including budgeting, managing credit use and debt problems, reading and understanding credit reports, understanding the terms of a mortgage or vehicle loan, using and maintaining a checking account, and understanding the importance of saving for retirement. Financial illiteracy appears more pronounced among those with lower incomes and less education, who lack a relationship with a mainstream financial institution, and who are members of racial or ethnic minority groups.

Teenagers have repeatedly scored poorly on the Jump\$tart Coalition's biennial surveys on knowledge of financial basics. In 2008, high school seniors were able to answer only 48.3 percent of the questions correctly, down from 52.4 percent in 2006. Although college students performed better and scored an average of 62 percent in 2008, only 5.7 percent appear to have an understanding of the nature of inflation and its impact. White students achieved the highest performance with a mean score of 52.5 percent, followed by Asian-Americans with a mean score of 47.2 percent. Native Americans fared least well with a score of 37.7 percent and African Americans did somewhat better with a mean score of 41.3 percent. Perhaps most importantly, no racial group, including whites, had more than about a third of students passing the exam. The problem is national, rather than strictly one of race or poverty. Students from the Northeast region of the United States did best on the exam with a mean score of 53.2 percent. Those from the West did least well with a mean score of 45.2 percent. Nearly 93% of Native high school seniors received a failing score (less than 60% correct), compared to 78% of non-Native students. Worse, the scores probably overstate the financial literacy of Native American youth, who are less likely to complete high school than non-Native peers.

The Federal Reserve Board's 2007 Survey of Consumer Finance (SCF) shows that the wealth gap between White and Hispanic households is more than 8 to 1. According to the Inter-American Dialogue, 40% of Latinos are unbanked, and 50% of Latino immigrants are unbanked and with poor financial access. The majority does not have access to loans or saving products, yet are able to keep savings above US\$3,000 but many run into trouble trying to manage their funds with complex financial products due to a historical lack of access to mainstream financial services entities. In fact, nearly every indicator of wealth shows severe and persistent disparities between Hispanic and White families. Lack of basic bank accounts, however, does not translate into a lack of demand for banking services. Where mainstream providers fail to meet the needs of the underbanked, fringe financial providers and abusive lenders have moved in to fill the gap. Consequently, Latinos often pay too much for check cashing, remittances, auto loans, home loans, and other financial services and products, and many are enticed into predatory or high-cost loans with exorbitant interest rates or fees.

The need for financial education is very pronounced in underserved areas such as American Indian, Alaska Native and Native Hawaiian communities. According to a 2008 study by Oweesta

Corporation, Jump\$tart Coalition for Personal Financial Literacy, University of South Dakota and the Harvard Project on American Indian Economic Development, Native youth are significantly less likely than non-Natives to have a strong foundation for lifelong financial skills. The study, entitled *Deepening Our Understanding of the Financial Education of Native Youth*, showed that Native youth lag because of structural, economic, and cultural factors—factors that either limit their access to practical and school-based learning opportunities or diminish the effectiveness of those activities. The report also suggests ways to move beyond concern about the gaps in Native youth financial education toward concrete action. Promising efforts include placing culturally competent curricula in Native-serving schools, making strong linkages between financial education and Native students' hopes and dreams, and increasing opportunities for Native youth to manage money through experiential learning.

According to CreditCards.com, credit card debt included the following:

- Americans' credit card debt reached \$972.73 billion at the end of 2008, up 1.12% from 2007; That number includes both general purpose credit cards and private label credit cards that aren't owned by a bank. (Source: Nilson Report, April 2009);
- Average credit card debt per household -- regardless of whether they have a credit card or not -- was \$8,329 at the end of 2008. (Source: Nilson Report, April 2009);
- The average outstanding credit card debt for households that have a credit card was \$10,679 at the end of 2008. One year earlier, that average was \$10,637. (Source: Nilson Report, April 2009);
- The average balance per open credit card -- including both retail and bank cards -- was \$1,157 at the end of 2008. That's up from \$1,033 at the end of 2006, a growth of nearly 11 percent in two years. (Source: Experian marketing insight snapshot, March 2009);
- As of March 2009, U.S. revolving consumer debt, made up almost entirely of credit card debt, was about \$950 Billion. In the fourth quarter of 2008, 13.9 percent of consumer disposable income went to service this debt. (Source: U.S. Congress' Joint Economic Committee, "Vicious Cycle: How Unfair Credit Card Company Practices Are Squeezing Consumers and Undermining the Recovery," May 2009)

As household wealth has declined in the downturn, more American families are facing financial distress due to high debt burdens. In 2007, before the recession began, 14.7 percent of U.S. families had debt exceeding 40 percent of their income." (Source: U.S. Congress' Joint Economic Committee, "Vicious Cycle: How Unfair Credit Card Company Practices Are Squeezing Consumers and Undermining the Recovery," May 2009) In 2007, credit card balances made up 3.5 percent of the total debt for all U.S. families, including those with and without credit card debt. (Source: Federal Reserve Survey of Consumer Finances, February 2009)

According to Sallie Mae's National Study of Usage Rates and Trends 2009, students also appear to have amassed disturbing levels of debt which they have difficulty repaying. College students are

relying on credit cards more than ever before. Nearly every indicator measured in spring 2008 showed an increase in credit card usage since the last study was conducted in fall 2004.

According to the same study, 84 percent of undergraduates had at least one credit card, up from 76 percent in 2004, the last time the study was conducted. The average number of cards has grown to 4.6, and half of college students had four or more cards. Undergraduates are carrying record-high credit card balances. The average (mean) balance grew to \$3,173, the highest in the years the study has been conducted. Twenty-one percent of undergraduates had balances of between \$3,000 and \$7,000, also up from the last study. Median debt grew from 2004's \$946 to \$1,645.

Since 2004, students who arrived on campus as freshmen with a credit card already in-hand have increased from 23 percent to 39 percent. In spring of 2008, only 15 percent of freshmen had a zero balance, down dramatically from 69 percent in the fall of 2004. The median debt freshmen carried was \$939, nearly triple the \$373 in 2004. Seniors graduated with an average credit card debt of more than \$4,100, up from \$2,900 almost four years ago. Close to one-fifth of seniors carried balances greater than \$7,000.

Two-thirds of survey respondents said they had frequently or sometimes discussed credit card use with their parents. The remaining one-third who had never or only rarely discussed credit cards with parents were more likely to pay for tuition with a credit card and were more likely to be surprised at their credit card balance when they received the invoice.

Eighty-four percent of undergraduates indicated they needed more education on financial management topics. In fact, 64 percent would have liked to receive information in high school and 40 percent as college freshmen.

43.5 percent of American families reported they did not save in 2007, according to the 2007 Federal Reserve Board's Triennial Survey of Consumer Finances, which also found that less than half of the population has a savings account, one month of savings or liquid assets, much less the recommended 6 to 12 months worth of emergency savings they might need for an incident such as unexpected unemployment, a medical crisis, rent or a mortgage payment adjustment enabling them to avoid foreclosure.....the worst case scenario.

A 2008 Survey by the Employee Benefit Research Institute found that there are 'savers' and 'spenders' in all income classes and almost all have the ability to build wealth through contributions to a workplace retirement program, building home equity, and other savings.

Personal savings as a percentage of disposable income was 2.2% in the fourth quarter of 2007 and 4.4 percent in the fourth quarter of 2008, a 1.2 percentage point increase, according to the Bureau of Economic Analysis.

Disposable personal income (DPI) in the fourth quarter of 2007 was negative 2.1% but 5.4% in the fourth quarter of 2008, an increase of 7.5 percentage points; In April 2009, it increased \$121.8 billion, or 1.1 percentage points.

Personal consumption expenditures (PCE) decreased \$5.4 billion. In March 2009, personal income decreased \$25.9 billion, DPI increased \$8.2 billion, and PCE decreased \$33.0 billion, based on revised estimates. The pattern of changes in income reflect, in part, the pattern of reduced personal current taxes and increased government social benefit payments associated with the American Recovery and Reinvestment Act of 2009, according to the Bureau of Economic Analysis Press Release dated June 1, 2009.

Consumer credit decreased at an annual rate of 7-1/2 percent in April 2009. Revolving credit decreased at an annual rate of 11 percent, and non-revolving credit decreased at an annual rate of 5-1/4 percent, according to the June 5, 2009 Federal Reserve Statistical Release on Consumer Credit.

Older Americans are more likely to live within 200 percent of poverty than any other age group, according to the 2009 Employee Benefit Research Institute's Databook, and more than 60 percent of the current elderly population relies on Social Security for over three-fourths of their annual income according to a 2009 Social Security Administration report on Income of the Elderly over Age 55, 2006, and the average savings of retirees remains at \$50,000 according to the Federal Reserve Board's Survey of Consumer Finances for 2007, and the current financial crisis is draining those funds.

The average American retiring at 65 years old can expect to spend 18 years in retirement. Unfortunately, a 2008 survey published by the Employee Benefit Research Institute found that only 47 percent of workers reported that they or their spouse have tried to calculate how much money they will need to save by the time they retire so they can live comfortably. Twenty-two percent of workers and 28 percent of retirees report having no savings. Moreover, according to Choosetosave.org, nearly a quarter of employees surveyed do not participate in their employer-provided 401(k) plans.

According to the 19th Annual Retirement Confidence Survey conducted by the Employee Benefit Research Institute, employees lack basic knowledge about retirement, have given little or no thought to how much they will need in retirement, and underestimate the amount of money that will be necessary for retirement. Retirement confidence declined to 13 percent this year, the lowest since 1993.

The average baby boomer has only \$50,000 in savings apart from equity in their homes, according to the Federal Reserve Board's Survey of Consumer Finances for 2007.

Numerous Federal agencies and others created a website, www.usa.gov, which provides consumers with information they need to make smart choices in today's market.

The Federal Trade Commission collects consumer complaints about identity theft, fraud, debt collection, and other consumer issues, and in 2008 collected over 1.2 million consumer complaints, more than half of which were fraud complaints that resulted in consumers losing over \$1.8 billion.

U.S. consumer bankruptcy filings increased nearly 33 percent nationwide in 2008 from the previous year, according to a release by the American Bankruptcy Institute based on data from the National Bankruptcy Research Center (NBKRC). The data showed that the overall consumer filing total for the 2008 calendar year (Jan. 1 – Dec. 31, 2008) reached 1,064,927 compared to the 801,840 total consumer filings recorded during 2007.

The total number of U.S. bankruptcies filed during the first three months of 2009 increased 34.5 percent over the same period in 2008 nationwide, according to data released June 9, 2009 by the Administrative Office of the U.S. Courts. As total filings reached 330,477 during the first calendar year quarter of 2009 (Jan. 1-March 31), the total surpassed the 245,695 new cases that were filed over the same period in 2008. The total filings in the 2009 first quarter also represent a 9.7 percent increase from the 301,317 bankruptcies filed during the fourth quarter of 2008 (Oct. 1 – Dec. 31).

In recognition of June 2009 as National Homeownership Month, the National Foundation for Credit Counseling (NFCC) released the results of a recent housing survey which revealed that almost half of all American adults, more than 100 million people, no longer believe that homeownership is a realistic way to build wealth. This is counter to the long-held belief that buying a home and building equity should be a major component of a person's financial strategy.

Other findings from the NFCC survey were equally reflective of this new attitude toward homeownership:

- Almost one-third of those surveyed, or roughly 72 million people, do not think they will ever be able to afford to buy a home;
- Forty-two percent of those who once purchased a home, but no longer own it, do not think they'll ever be able to afford to buy another one;
- Of those who still own a home, 31 percent do not think they'll ever be able to buy another home (upgrade existing home, buy a vacation home, etc.); and,
- Seventy-four percent of those who have never purchased a home felt that they could benefit from first-time homebuyer education from a professional.

In addition, the results of the NFCC survey found the following:

- 41 percent of U.S. adults, or more than 92 million people living in America, gave themselves a grade of C, D, or F on their knowledge of personal finance, suggesting there is considerable room for improvement;
- 26 percent, or more than 58 million adults, admit to not paying all of their bills on time;
- 42 percent of adults, or more than 94 million people, currently have a home mortgage and, of those, 28 percent say that the terms of their mortgage somehow turned out to be different than they expected;

- 32 percent, or 72 million people, report that they have no savings and only 23 percent are now saving more than they did a year ago because of the current economic climate;
- 57 percent of adults report spending less than they did a year ago. 72% of Hispanic American adults have not ordered a copy of their credit report in the past year.
- One-third of adults (33 percent), or more than 74 million people, do not put any part of their annual household income toward retirement. This is up from 28 percent in 2008.

A March 2005 GAO study revealed that some consumers do not understand many aspects of credit reports and the impact of personal credit histories. For instance, many do not know how long items remain on credit reports or the impact credit history may have on insurance rates and potential employment. Also troubling is that only 28 percent of consumers surveyed could name a number within a possible credit score range or knew that credit bureaus investigate incorrect information for free. In addition, the NFCC Survey found that fewer than half of Americans have ever ordered their credit reports.

This lack of financial literacy and poor financial management has profound implications for individual consumers and the U.S. as a whole. Lack of financial literacy has resulted in the inability to save, the accumulation of dangerous amounts of credit card and other household debt, reliance on fringe financial service providers, vulnerability to high-cost products, and an inability to plan for a secure retirement.

Over the last two decades financial literacy efforts have dramatically expanded in response to the low level of national savings, the increased debt loads, the changes in the financial services structure and U.S. job market that have required more Americans to take control of their retirement savings, and the increased availability of credit cards and complicated financial products.

In addition to the entities testifying at today's hearing, numerous federal, state and local governmental agencies, as well as private employers, financial services industry firms, educational institutions (elementary, secondary, and post-secondary), community and faith-based organizations, and others have undertaken important financial education programs and campaigns including the FDIC, FTC, SEC, OCC, Department of Defense, the Council for Economic Education, Junior Achievement, Jump\$tart Coalition for Personal Financial Literacy, the American Bankers Association Education Foundation, National Foundation for Credit Counseling, Financial Services Roundtable, Independent Bankers Association of Texas, Texas Credit Union League, Credit Union National Association, National Council of La Raza, Urban League, Employee Benefit Research Institute, AFSA, NEFE, and many more.

These initiatives take a variety of forms and target diverse populations. They include national public relations campaigns aimed at increasing public awareness of the need to save and budget; private sector and nonprofit coalitions that devise curricula and craft multilingual education materials; personal finance and economic education in elementary, secondary and post-secondary education; research-based consumer initiatives; homebuyer seminars on avoiding predatory loan products; and workplace financial literacy programs. Some initiatives focus on educating the

general population while others target specific groups of consumers (low-income, teenagers, college students, the elderly, or members of the military).

Empirical evidence suggests that many programs have improved financial literacy for targeted groups. For instance, a 1996 study found that workplace financial education led to a 20 percent increase in retirement plan participation rates among attendees. Likewise, a 1997 study concluded that adults that received financial education in high school have higher savings rates and higher net worth. In addition, a 2004 study of an Illinois financial literacy program for low-income people found that the participants report budgeting more, increasing savings, opening bank accounts and participating in employer-sponsored retirement programs as a result of the program.

Despite the documented successes of some financial literacy programs, the efficacy of widespread efforts to raise public awareness and make personal financial education more available to Americans has been questioned. The results of general financial literacy surveys and anecdotal evidence suggest that lack of financial literacy among Americans of all ages and socioeconomic groups persists. In response to criticism of current efforts, a number of academics, financial literacy advocates, elected officials at all levels of government, financial services industry experts, and other concerned parties are spearheading efforts to identify and examine those attributes that make financial education programs effective and beneficial to consumers.

The Financial Literacy and Education Commission (FLEC or Commission) was established under Title V (the Financial Literacy and Improvement Act) of the Fair and Accurate Credit Transactions Act of 2003 (FACT Act) to improve financial literacy and education of persons in the U.S. The principle duties of FLEC include: (i) encouraging government and private sector efforts to promote financial literacy; (ii) coordinating financial education efforts of Federal government; (iii) developing a national strategy to promote financial literacy; (iv) establishing a website mymoney.gov to serve as a clearinghouse and provide information about financial education programs and grants; and (v) establishing a toll-free hotline (1-888-MyMoney) to provide information about issues of financial literacy and education.

The Treasury Department's Office of Financial Education provides the primary support for the FLEC. The Commission is Chaired by the Secretary of the Treasury and composed of 19 other Federal agencies: Agriculture Department, Commodities Future Trading Commission, Defense Department, Education Department, Federal Deposit Insurance Corporation, Federal Reserve Board, Federal Trade Commission, General Services Administration, Health and Human Services Department, Housing and Urban Development Department, Labor Department, Office of Personnel Management, National Credit Union Administration, Office of the Comptroller of the Currency, Office of Thrift Supervision, Securities and Exchange Commission, Small Business Administration, Social Security Administration, and Veterans Affairs Department. The first meeting of the Commission took place on January 29, 2004.

In April 2007, the Commission launched the National Financial Education Network of State and Local Governments which consists of 60 state and local governments as well as non-profit organizations that represent state and local governments.

On April 3, 2008, the Commission submitted the Strategy for Assuring Financial Empowerment ("SAFE") Report. FLEC is required to issue the report annually. The SAFE report includes a copy of the National Strategy and other documents describing the Commission's ongoing work, plans for future activities and revisions to the National Strategy.

The GAO has consistently praised the Commission for raising awareness about financial literacy. However, in reports published in 2006, 2007, and more recently on April 29, 2009, the GAO criticized FLEC's national strategy for its lack of clear plans of action to increase financial literacy, for being more descriptive than strategic. Specifically, the agency found that although the strategy provides a clear purpose, scope and methodology, it does not: (i) serve as a plan of action designed to achieve specific goals and (ii) its recommendations are presented as "calls to action" that generally describe existing initiatives and do not include plans for implementation. Because of these shortcomings, most surveyed organizations said that the strategy was unlikely to have a significant impact on their financial literacy efforts. In addition, GAO noted that coordinating federal financial literacy efforts is challenging for FLEC, in part, because it must achieve consensus among 20 federal agencies. In response to these concerns, GAO recommended that the Commission: (i) incorporate additional elements into the national strategy to help measure results and ensure accountability, (ii) conduct usability tests of, and measure customer satisfaction with, its Web site, (iii) provide for an independent reviewer to evaluate duplication and effectiveness of federal activities, and (iv) expand upon current efforts to cultivate sustainable partnerships with nonprofit and private entities.

In light of all these disturbing facts, we have a mandate to improve the financial literacy rates of all residents throughout the United States during all stages of life, and I believe that today we might find some of the tools necessary to accomplish this goal, which most definitely will include revamping the Financial Literacy and Education Commission, and selecting one agency that should have primacy over financial literacy efforts going forward under the new regulatory plan proposed by President Obama.

Again, I want to express my sincere appreciation for Chairman Luis Gutierrez holding today's hearing with the assistance of his staff: Eric Edwards and Karl Haddeland; as well as Lois Richerson on Full Committee staff. It is my hope that this will be the first in a series of hearings on financial literacy and deciding which agency will have primacy over all others on financial literacy once the new regulatory system has been put into place.

I yield back the remainder of my time.



Empowering Latino Consumers through Financial Counseling

Presented at:

Improving Consumer Financial Literacy under the New Regulatory System

Submitted to:

**U.S. House of Representatives Committee on Financial Services
Subcommittee on Financial Institutions and Consumer Credit**

Submitted by:

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June 25, 2009

Good afternoon. My name is Lot Diaz, and I am Vice President of Housing and Community Development at the National Council of La Raza (NCLR). NCLR is the largest national Hispanic civil rights organization in the United States, dedicated to improving opportunities for Hispanic Americans. I have been working in the community development field on behalf of low-income families for more than 20 years. I have managed a small business loan fund, developed single family housing and commercial property, sold multifamily housing to city agencies and nonprofit organizations, and designed various housing counseling and counselor training programs. More recently, I have focused on credit issues as they affect low income families, particularly low-income Latinos, and worked to grow the NCLR Homeownership Network (NHN). I would like to thank Chairman Luis Gutierrez and Ranking Member Jeb Hensarling for inviting us to share our views. I would also like to thank Congressman Ruben Hinojosa for his leadership in the area of financial literacy.

For more than two decades, through research, analysis, and direct service, NCLR has been building our institutional knowledge of how Latinos interact with financial markets and how that interaction affects their communities. In 2005, NCLR released a report, *Financial Education in Latino Communities: An Analysis of Programs, Products, and Results/Effects*, which found that most financial education programs did not have an impact on helping Hispanic families obtain assets. On the other hand, as a funder and developer of housing and financial counseling programs, we have learned that one-on-one counseling to low-income families is a meaningful and effective tool both for building financial knowledge and building sustainable wealth. Seeded in 1997, the NHN consists of 51 community-based counseling providers and works with nearly 38,000 families annually. We understand what it takes to help marginalized communities build and maintain financial security through asset ownership.

Over the last few years, the federal government has invested tens of millions of dollars in programs aimed at helping families of modest means obtain assets that will sustain them in times of financial emergency. Hopefully, those assets will be transferred to their children, creating financial stability and a solid path to the middle class for entire communities. NCLR has adopted this philosophy, matching federal investment with private funding to expand these programs into Latino communities. However, we are concerned that the wealth-building programs that are so important to our community are often undermined by deceptive and predatory lending practices. General financial literacy efforts will not change this dynamic. A robust, well-funded financial counseling program will give consumers the tailored advice they need to make better financial decisions and graduate to more sophisticated transactions. Coupled with strong consumer protections, financial counseling can change the landscape for low- and moderate-income consumers.

In my remarks today, I will outline the major federal asset-building programs and lay out a strategy for using financial counseling to link them. I will close with a series of recommendations.

Background

The Federal Reserve Bank 2007 Survey of Consumer Finance (SCF) shows that wealth gap between White and Hispanic households is more than 8 to one.¹ According to a Pew Hispanic Center survey, more than 35% of Latinos surveyed reported that they did not have a bank account.² In fact, nearly every indicator of wealth shows severe and persistent disparities between Hispanic and White families. Lack of basic bank accounts, however, does not translate into a lack of demand for banking services. Where mainstream providers fail to meet the needs of the underbanked, fringe financial providers and abusive lenders have moved in to fill the gap. Consequently, Latinos often pay too much for check-cashing, remittances, auto loans, home loans, and other financial services and products, and many are enticed into predatory or high-cost loans with exorbitant interest rates or fees.³

All Americans rely on financial products to help them buy homes and otherwise build wealth and financial security. Access to safe and affordable credit is a critical means to this end for Latinos as they more fully integrate into the mainstream financial system and work to gain access to the American middle class. Yet, clear disparities exist between the quantity and quality of financial products made available to low-income and minority consumers. These disparities perpetuate the wealth gap between minority and White households. Latino and other underserved borrowers need greater access to timely and relevant information that will empower their decision-making.

In recent years, the goal of increasing the nation's collective financial literacy has gained prominence among policymakers. However, despite the efforts of many, Latinos and other low-income, low-wealth families lack access to quality financial information at the time when they are likely to be making decisions. In our report, *Financial Education in Latino Communities*, NCLR found that most financial education programs consist of broad, generic information in the form of classroom-style lectures, workbooks, Internet-based seminars, and financial literacy outreach campaigns.⁴ Although these efforts are important for increasing awareness, there is no evidence to suggest that these methods are helping low-income Latino families accumulate assets and build wealth. On the other hand, in an evaluation of the NHN by the Morrison Institute for Public Policy at Arizona State University, counseling participants cited the individualized advice provided by homeownership counselors as a determining factor in their ability to qualify for a home loan, more than downpayment assistance. This suggests that one-on-one counseling is a

¹ *Laying the Foundation for National Prosperity: The Imperative of Closing the Racial Wealth Gap*. (Oakland, CA: Insight Center for Community and Economic Development, 2009).

² *2002 National Survey of Latinos* (Washington, DC: Pew Hispanic Center/Kaiser Family Foundation, 2002).

³ NCLR has published several reports, public statements, and testimony on each of these issues. Reports are available at www.nclr.org. Key reports include: Beatriz Ibarra and Eric Rodriguez, *Latino Credit Card Use: Debt Trap or Ticket to Prosperity?* (Washington, DC: National Council of La Raza, 2007); *Saving Homes, Saving Communities: Hispanic Brokers Speak Out on Hispanic Homeownership* (Washington, DC: National Council of La Raza and National Association of Hispanic Real Estate Professionals, 2007); and Janis Bowdler, *Jeopardizing Hispanic Homeownership: Predatory Practices in the Mortgage Market* (Washington, DC: National Council of La Raza, 2005).

⁴ Brenda Muñoz, *Financial Education in Latino Communities: An Analysis of Programs, Products, and Results/Effects* (Washington, DC: National Council of La Raza, 2004).

meaningful and effective tool for both building financial knowledge and improving wealth levels.

A National Strategy to Improve Financial Decision-Making

As Congress considers major proposals to restructure the financial regulatory system, it must also consider how to improve the efforts of federal agencies to educate financial consumers. Several of the proposed reforms will curb the abusive and deceptive practices that plague financial markets. However, the reforms, including additional disclosures, will not necessarily improve the daily financial decisions families have to make, or ensure these decisions set them on a path to build true financial security. Improving these choices, meaning families make decisions that save them money and result in a more secure financial situation, requires tailored guidance from a professional that can take into consideration the totality of a family's circumstances and goals. In fact, this is the mainstream approach taken by families with the means to do so—they seek the advice of a professional financial planner or investment advisor.

While one goal of the administration's proposed Consumer Finance Protection Agency would be to streamline financial literacy and education efforts, we believe a bolder, more targeted approach is necessary to achieve our shared goal of positively changing consumer choices and behavior. There are a number of federal programs and initiatives that aim to increase asset ownership among low- and moderate-income families, such as buying a home, business ownership, or increasing savings.⁵ Federally funded efforts to increase financial literacy either focus on course curriculum, such as the Federal Deposit Insurance Corporation's (FDIC) MoneySmart, or narrowly on increasing banking relationships, such as the President's Financial Literacy Council's Community Financial Access Pilot Program. Many of these programs provide valuable funding, technical assistance, materials, and other resources to local community organizations. However, none of them offer a targeted strategy for improving the choices of financial consumers and advancing them to more sophisticated products and transactions. Moreover, they are not always implemented in a cohesive model on the ground. The programs may be scattered among various agencies across the community or function as silos within organizations. This should come as no surprise since there is little cohesion or coordination at the national level among the agencies that operate these programs. As increasing financial literacy is a broad and common—though often ill-defined—goal of many of these programs, a financial counseling program could become the glue that holds them all together.

We should note that the Community Development Financial Institution (CDFI) Fund at the Department of Treasury was recently appropriated \$2 million to conduct a pilot program.

⁵ Major programs include the Housing Counseling Program at the U.S. Department of Housing and Urban Development (HUD), Federal Housing Administration (FHA) and Veteran's Administration (VA) loan programs, Assets for Independence Act (AFIA), Volunteer Income Tax Assistance (VITA) at Internal Revenue Service (IRS), Rural Housing and Development Programs at the Department of Agriculture, and small business programs at the Department of Commerce. In addition, there are initiatives run by federal agencies that provide materials, but do not necessarily grant funding, such as the MoneySmart program at the Federal Deposit Insurance Corporation (FDIC), consumer education materials available through the Federal Trade Commission, and the President's Financial Literacy Council at Department of the Treasury.

The program has not yet been launched, but we urge Congress and the CDFI Fund to use the pilot program as platform from which to build a robust, national financial counseling program.

A successful national financial counseling program should include the following five elements.

- **Focus on in-person, one-on-one service.** Experience and research have shown that in-person, one-on-one sessions have the greatest and most positive impact on the client, especially for Latino and underserved communities. Families will need to sit with an advisor and weed through the details of their financial and credit history, needs, and goals. To accomplish this, counselors will likely spend several hours building trust and confidence with their clients.
- **Serve families at all stages of the economic continuum.** Households of modest means will need financial advice throughout their lifecycle. Similar to relationships built with for-profit advisors, a nonprofit financial counseling program should seek to work with families at each phase.
- **Provide advice on a wide range of financial services.** Financial counselors should offer guidance on a range of transactions, such as opening banking, savings, and retirement accounts, shopping for credit cards or insurance products, and evaluating car, personal, and student loans. The program should also help families set financial goals and develop a plan for achievement.
- **Deliver through community-based organizations that already offer asset programs.** This will achieve the goal of linking the various asset-related programs together and help families graduate from one program to another. Such organizations are more likely to have the requisite expertise and experience necessary to run a case management program.
- **Build capacity and performance standards through technical assistance and training.** Since this is a new area of focus, new benchmarks will need to be established to determine impact and quality of service. Moreover, a financial counseling program will be in high demand from a wide range of communities, some of which may not have the infrastructure necessary to offer the program. In that case, the administrating agency should explore ways to build capacity, creating a network as far-reaching as possible.

One NHN member, The Resurrection Project (TRP) in Chicago, Illinois, is bringing these large wealth-building programs together through financial counseling in a way that can serve as a national model. TRP is a U.S. Department of Housing and Urban Development (HUD)-certified counseling agency, provides free tax preparation services and financial counseling, and partners with other organizations to offer job training and leadership development. As a first step in their process, TRP counselors meet with all their clients one-on-one to determine their financial status. In this initial session, they review the client's credit report, budget, and financial goals. On average, 80% of TRP clients—as is the case throughout NHN—are not ready to purchase a home and likely need to work through other financial barriers before moving to homeownership; in some cases, homeownership may not be the right choice for them. Counselors enroll these families, when eligible and if

space is available, into one of two major asset programs, Individual Development Accounts (IDAs) and the Volunteer Income Tax Assistance (VITA) initiative, and use traditional financial education courses to provide a general overview of financial terms and products. TRP counselors are cross-trained on housing counseling, tax preparation, credit, and other financial topics. As a family works through the programs, they continue meeting with their counselor who helps them tackle basic and complex financial issues. For example, counselors can help families open bank accounts, establish a credit history, and improve their credit score, as well as shop for a car loan and plan for their children's education and their own retirement. Counselors become a trusted resource for unbiased and timely information that can be easily accessed before making major decisions. Families also learn goal-setting skills and receive guidance on how to plan for the long-term. NCLR has supported the development of similar models throughout its network.

TRP and other organizations run into several barriers trying to implement this model due to the structure of the current system. As stated earlier, financial counseling is not federally funded as a stand-alone service. This means counseling agencies implementing the model must either force-fit the service under a different program or piece together local funding. They are also limited by the size and scope of current federal programs. For example, most IDA programs serve less than 50 people a year. VITA sites provide an excellent opportunity to scale a financial counseling program, but many are seasonal. The Housing Counseling Program has the obvious limitation of focusing solely on housing. A federally funded financial counseling program would allow financial counselors to move families through these programs and others, as well as work with families independently, and create a real opportunity for families to make fruitful financial choices.

Recommendations

NCLR applauds the administration's and Congress's efforts to modernize our financial regulatory system. We urge you not to lose sight of a longtime bipartisan goal of improving families' understanding and choices in financial matters. A federal financial counseling program must be a core part of our national strategy to accomplish that goal. Such a program would offer meaningful, tailored financial advice, link existing asset programs, and improve relationships between underserved communities and the banking sector.

To ensure that all families have an opportunity to improve their long-term economic status, NCLR recommends that Congress:

- **Establish a national financial counseling program.** Congress should expand the scope of the pilot program currently housed at the CDFI Fund to allow services to be delivered to a wide range of modest-income families and those facing financial hardship. A national program must work through community-based organizations with a mission focused on and experience with asset programs. Nonprofits would use the resources to hire and train financial counselors, develop or obtain the necessary software to track client success, and build the capacity to expand the services they currently provide to include financial counseling services. In addition, a national program must come with a

strong evaluation component that will allow it to track impact and continually sharpen the field's approach to the work.

- **Expand programs that help families obtain assets.** Programs such as the Assets for Independence Act (AFIA) that funds IDAs, VITA, and the Housing Counseling Program are critical gateways to building savings and wealth. Administrators should build in financial counseling as an eligible activity under the program. In the case of AFI, which requires financial literacy classes, efforts should be redirected to focus on counseling rather than classes. In addition, we also recommend that AFIA be expanded in scope to include a child's education, car purchase, and retirement. Doing so would open the program to a wider range of clientele.
- **Create new incentives for low-income families.** Congress should create a refundable federal income tax credit for low-income families to cover the cost of obtaining one-on-one financial counseling services. Policymakers could determine the amount of the tax credit and require that recipients of the credit consult with a financial counselor who is certified by a nationally recognized financial planning association. Additionally, policymakers should ensure that *all* tax filers are eligible for the tax credit.

Testimony by

**John M. Gannon
Senior Vice President, Office of Investor Education
Financial Industry Regulatory Authority**

**Before the
Subcommittee on Financial Institutions and Consumer Credit**

Committee on Financial Services

U.S. House of Representatives

June 25, 2009

Chairman Gutierrez, Ranking Member Hensarling and Members of the Subcommittee:

I am John Gannon, Senior Vice President for Investor Education with the Financial Industry Regulatory Authority, or FINRA. On behalf of FINRA, I would like to thank you for the opportunity to testify today.

I commend you, Mr. Chairman, for having today's hearing on the critically important topic of improving financial literacy. In these uncertain financial times the role of financial literacy and investor education is more important than ever. FINRA and the FINRA Investor Education Foundation are committed to expanding the knowledge and confidence of all Americans wishing to build a more secure financial future through saving and investing, and we share your interest in considering how best to promote financial literacy in the context of reforming the U.S. financial regulatory system.

FINRA

With a staff of 2,800, FINRA regulates the practices of nearly 4,900 firms, about 174,000 branch offices and more than 650,000 registered securities representatives. As an independent regulatory organization, FINRA provides the first line of oversight for broker-dealers.

FINRA augments and deepens the reach of the federal securities laws with detailed and enforceable ethical rules and a host of comprehensive regulatory oversight programs. FINRA admits to and excludes from the industry both firms and individuals; adopts and enforces rules to protect investors and the financial markets; examines broker-dealers for compliance with its own rules as well as

federal securities laws and rules of the Municipal Securities Rulemaking Board (MSRB); informs and educates the investing public; provides industry utilities and administers the largest dispute resolution forum for investors and registered firms. Significantly, FINRA is funded by regulatory fees – not taxpayer dollars. Yet FINRA's Board of Governors is comprised of a majority of non-industry representatives. The uniquely balanced structure of our Board ensures a paramount focus on investor protection and the opportunity for input from a diverse variety of perspectives.

FINRA Investor Education and the FINRA Investor Education Foundation
Investor education is a potent form of investor protection, and FINRA's Office of Investor Education provides an array of educational opportunities to investors. These include maintaining a prominent investor information area (www.finra.org/investor) on the FINRA Web site, providing a comprehensive market data resource for investors (with real-time prices and information on equities, options and a wide range of bonds) and publishing Investor Alerts, brochures and online resource guides on such critical topics as investment fraud, job dislocation and investing in bonds. Interactive tools such as FINRA's Fund Analyzer allow investors to compare fees and expenses among competing investment alternatives, and FINRA's Understanding Professional Designations database helps investors navigate the maze of professional credentials that financial industry participants use. FINRA also reaches investors directly through Investor Forums and other events.

In 2003, FINRA established the FINRA Investor Education Foundation (www.finrafoundation.org), which is the largest foundation in the U.S. dedicated to investor education. The Foundation's mission is to provide Americans with the knowledge, skills and tools necessary for financial success throughout life. Foundation grants are used solely to fund educational programs, publications and research aimed at segments of the investing public that could benefit from additional resources. Recent grants have supported efforts to help low-income individuals build savings and achieve financial goals and guide working Americans as they make the transition to retirement. From inception through 2008, the Foundation has funded over \$40 million in grants and targeted projects.

Selected FINRA Investor Education/Consumer Protection Initiatives

- **Investor Protection Campaign for Older Investors**
The FINRA Foundation launched a campaign in April 2007 in Florida and Washington State to help seniors identify and resist persuasion tactics common to many types of fraud. The centerpiece of the Foundation's campaign to protect seniors is a 60-minute intensive workshop "Outsmarting Investment Fraud," that reduced responsiveness to fraud appeals by over 50 percent for those that attended. The Foundation,

which partnered with AARP, the Florida Office of Financial Regulation and the Washington Department of Financial Institutions to present the "Outsmarting Investment Fraud" program to seniors, has expanded its fraud-fighting campaign to three additional states in 2009: Colorado, North Carolina and Vermont.

The overall initiative is intended to help older investors understand how they might be susceptible to investment fraud and to replace risky investment behaviors with fraud detection and prevention behaviors. By October, we expect the campaign will be well underway in all five states.

Also, this summer, a DVD documentary of this presentation will be made publicly available. "Tricks of the Trade: Outsmarting Investment Fraud" is a 60-minute broadcast-quality presentation on preventing investment fraud. Using profiles of victims and perpetrators, the video highlights the persuasion tactics that con artists use to defraud their victims and the basic tools investors need to defend against fraud. It includes interviews with regulators, academics and fraud victims.

➤ **Military Financial Education Project**

The FINRA Investor Education Foundation's Military Financial Education Project delivers free, unbiased financial education tools and training to servicemembers, their spouses and on-base financial educators through a variety of programs and public awareness initiatives. A partner in the U.S. Department of Defense Financial Readiness Campaign, our primary goal is to help military families manage their money with confidence.

Using fine money levied against firms for misleading sales practices targeting military personnel, the Foundation launched SaveAndInvest.org in February 2006. The program is grounded in research with military officers and enlisted personnel that showed many members of the military could benefit from additional financial education. In coordination with the Department of Defense and military leaders throughout the United States and overseas, we developed a comprehensive program including public awareness activities, on-base educational forums, training for military spouses and online and printed educational resources. Since 2006, among our most significant achievements to date, the project has:

- Reached more than 19,000 members of the military community face-to-face at 88 Military Financial Education Forums at 47 installations worldwide and at sea in the Persian Gulf—covering topics ranging from credit and debt management to saving and investing for retirement. We have also been invited to the U.S. Naval Academy to address the 4,000 midshipmen in August.

- Provided no-cost access to BrightScore,[™] an online credit management tool, to help more than 58,000 servicemembers and spouses understand and improve their credit scores— nearly 60 percent of those who initially scored below 620 and used the tool a second time saw their scores increase by an average of 27 points;
- Helped severely injured and wounded servicemembers by distributing 13,000 copies of our guide on saving and investing disability benefits and holding forums at military medical facilities, such as the Dwight David Eisenhower Army Medical Center and the National Naval Medical Center;
- Awarded fellowships to nearly 600 military spouses for the Accredited Financial Counselor[™] certificate, offering the chance to earn a career-enhancing credential while providing volunteer financial counseling to the military community—participants have logged more than 131,000 hours of service back to the military community;
- Updated and distributed more than 590,000 copies of *Money and Mobility*, a guide for managing money during duty station changes and deployments; and
- Fielded and released the 2008 Military Financial Confidence Survey, which underscored the importance of fostering financial education for servicemembers. While nearly half of U.S. servicemembers reported feeling confident about their ability to retire comfortably, more than 1 in 5 – 22 percent – did not know about the Thrift Savings Plan (TSP). Of those who did contribute, one-quarter (26 percent) said that a finance briefing given by military financial educators encouraged them to participate.

Other key campaign initiatives include: launching and maintaining a comprehensive Web site—www.SaveAndInvest.org—that provides tools and information on a wide range of financial topics; developing *Moneytopia*, a financial simulation game for servicemembers and youth; and delivering continuing education programs for military financial educators. The Foundation also provides resources, expertise and funding to key partners, including Military Saves.

➤ **Investor Alerts**

FINRA regularly publishes Investor Alerts to highlight issues, trends, pitches and products where we see danger of jeopardizing the financial future of U.S. investors.

For example, FINRA recently issued an Investor Alert and unveiled two new online tools designed to help investors spot and resist investment fraud. The Alert, *Avoiding Investment Scams*, clearly explains the characteristics of the most commonly used securities frauds, including Ponzi and pyramid schemes, pump-and-dumps and offshore scams. Drawing on research supported by the FINRA Investor Education Foundation, *Avoiding Investment Scams* lays bare the psychological persuasion tactics used by fraudsters to lure in their victims. These persuasion tactics are constant across a wide variety of frauds.

The online tools — a *Scam Meter* and a *Risk Meter* — help investors evaluate the investments they're being offered and determine whether their own personality characteristics make them more vulnerable to investment fraud. The *Scam Meter* asks the user a series of questions about the investment he or she is considering to determine whether that investment might be too good to be true; and the *Risk Meter* asks 12 questions about the user's behavioral traits to determine if he or she shares characteristics that have been shown to make some investors vulnerable to investment fraud.

➤ **FINRA BrokerCheck**

Before an investor does business with an investment professional, he or she should know the background of that broker or firm. FINRA's BrokerCheck Program gives investors convenient access to this information. Through this valuable resource, available at brokercheck.finra.org or by calling (800) 289-9999, investors can learn about the disciplinary history, professional background, business practices and conduct of brokerage firms and brokers with whom they invest. FINRA obtains this information from brokers, securities firms, the SEC and state regulators as part of the securities industry's registration and licensing process.

➤ **Professional Designation Database**

The regulatory landscape can be confusing to investors: Differing rules govern their relationships with broker-dealers, insurance professionals and registered investment advisors. Further complicating the situation has been the recent proliferation of financial professional certifications, which can be used to strengthen a financial professional's credentials or simply to enhance his or her apparent credibility. FINRA's Professional Designation Database, which is accessible through www.finra.org/investorinformation, is an online tool that investors can use to view the list of professional designations, better understand what education and experience requirements are necessary for a designation—and ensure that a professional designation is more than just a string of letters.

Administration Proposals and Issues to Consider in Designing Improved Consumer Financial Literacy

FINRA commends the Administration's inclusion of recommendations focused on improving financial education and literacy in its proposals for regulatory reform. As discussed in more detail below, the government is uniquely positioned to marshal a vast amount of knowledge, resources and distribution channels to improve consumers' ability to manage their finances and make accurate judgments about financial products and services.

The Administration's proposal to vest financial education authority in its proposed new Consumer Financial Protection Agency signals a commitment to increasing the financial literacy of all consumers. It will be important for all regulators with roles in financial oversight and consumer protection to coordinate and communicate about their financial education initiatives to ensure that the government leverages its resources for maximum impact.

FINRA also supports the Administration's proposal to enact an "Automatic IRA" program with an opt-out. A similar approach has been taken by a number of employers when it comes to administering their 401(k) plans. FINRA has teamed with the Retirement Security Project and AARP to establish "Retirement Made Simpler," an effort to increase participation rates and contribution levels among employees whose companies offer 401(k) plans. A brief issued by the Employee Benefit Research Institute (EBRI) noted that almost one-third of recently hired employees who are eligible to participate in their company's defined contribution plan do not participate, and participation rates for employees earning less than \$20,000 a year is even lower. In addition, a number of academic studies have found that changing the default option to require workers to opt out of, rather than opt into participation in 401(k) plans raises participation rates to more than 90 percent. The goal of the Retirement Made Simpler collaboration is to encourage employers to adopt automatic enrollment and other so-called "automatic" 401(k) features, in whole or in part.

FINRA's work in investor education has provided us with experience in managing the challenges of how to most effectively and efficiently get information out to the investors and consumers. Through funding research and grants as well as our own programs and partnerships, we have learned lessons about how to design our programs for maximum effect. This is a goal that all of us active in financial literacy and investor and consumer protection share.

➤ **Need for Baseline Data on Financial Capability and Literacy**

The FINRA Foundation is currently working on a baseline survey of financial capability and literacy in the United States. The survey, recommended by the President's Advisory Council on Financial Literacy, addresses a comprehensive array of financial topics, including retirement planning, investment choices, household budgeting, credit, consumer

protections and use of financial education resources. The initial survey began in May. The survey of over 25,000 Americans is administered in English and Spanish and a state-by-state version of the instrument will go to the field soon. Survey working group partners include the Employee Benefit Research Institute, the American Institute of Certified Public Accountants and Dartmouth Professor Annamaria Lusardi. Having this type of baseline data will help inform the efforts of both public and private entities as they attempt to best structure financial literacy and consumer and investor education initiatives.

➤ **Importance of Distribution Channels in Financial Literacy and Education Efforts**

Recognizing that abundant, high-quality investor education resources already exist, the Foundation and its partners focus on making sure that such resources get into the hands of those who need them the most.

The FINRA Foundation's grants and projects leverage partnerships with membership and other types of organizations and use new and conventional media to widen access to the resources necessary for financial success. We employ the most appropriate distribution channels and help investors obtain reliable information from reliable sources. Sometimes this is via the Internet or through public broadcasting; at other times it's through a counselor, workplace representative or well trained reference specialist at the local public library.

Another mechanism that can lead to increased effectiveness in creating and disseminating investor education and financial literacy information is the public-private partnership. FINRA's foundation uses this approach in a variety of programs.

Two of our programs that reflect our focus on effective distribution as a critical component of investor education are:

- **Smart investing@yourlibrary**

Smart investing@yourlibrary is a community-based grant program launched with FINRA Foundation funding in 2008 to build the capacity of U.S. public libraries to provide financial education resources and services to library patrons. These libraries, which reach urban, suburban and rural communities, are helping new investors avoid costly mistakes, while also providing savvy investors with the detailed information they need. Today, 25 libraries and library networks, serving more than 8 million people, participate in *Smart investing@yourlibrary*. Earlier this month, the grant program received an "Award for Excellence" from the American Society of Association Executives.

- **Financial Education in Your Community**

Financial Education in Your Community is the FINRA Foundation's new grant program to build the capacity of regional and local community-based organizations to meet the financial education needs of underserved working individuals and families. In early February, the Foundation and United Way of America (UWA) finalized a partnership agreement to jointly administer the program. On April 8, nearly 150 nonprofit organizations were invited to apply for funding. In June, we received grant proposals from 55 of those organizations.

The government has a variety of existing, robust distribution channels at its disposal. The Social Security Administration, the Internal Revenue Service, the Postal Service and the Federal Citizens Information Center are just some of the potential channels that could be used to promote and advance financial literacy efforts with an extremely wide reach.

- **Need For Funding and Coordination**

As Congress considers how to improve financial literacy, it is vital that whatever agencies or groups given responsibility for financial literacy are funded to carry out that mission in a meaningful way. Further, given that a variety of existing agencies and departments have roles to play in investor and consumer protection and education, those agencies should have a clear mandate to provide financial education, coordinate those efforts with other federal agencies and engage in public/private partnerships to broaden their reach.

Conclusion

FINRA appreciates the opportunity to testify on these important issues and stands ready to work with the Subcommittee as you consider ways to improve consumer financial literacy. I'd be happy to answer any questions you may have.



National
Urban League

*Empowering Communities
Changing Lives.*

TESTIMONY OF

STEPHANIE J. JONES

EXECUTIVE DIRECTOR
NATIONAL URBAN LEAGUE POLICY INSTITUTE

Before the
HOUSE FINANCIAL SERVICES SUBCOMMITTEE
ON FINANCIAL INSTITUTIONS AND CONSUMER CREDIT

Hearing on

"Improving Consumer Financial Literacy under the
New Regulatory System"

June 25, 2009

Testimony of

**Stephanie J. Jones
Executive Director
NATIONAL URBAN LEAGUE POLICY INSTITUTE**

**Before the
HOUSE FINANCIAL SERVICES SUBCOMMITTEE
ON FINANCIAL INSTITUTIONS AND CONSUMER CREDIT**

**Hearing on
Improving Consumer Financial Literacy under the
New Regulatory system**

June 25, 2009

Chairman Gutierrez and Ranking Member Hensarling, I am Stephanie J. Jones, Executive Director of the National Urban League Policy Institute. I thank the subcommittee for the invitation to testify on the President's proposal for a new Consumer Financial Protection Agency (CFPA) and how financial literacy and education can be incorporated in this new financial regulatory framework. Our views and recommendations are based on decades of program delivery experience in urban communities across the country.

Through our frontline housing counseling services in Urban League affiliate programs throughout the country, the National Urban League received first-hand insight into the brewing mortgage housing crisis. Our findings led to National Urban League President Marc Morial's release of our "Homebuyer's Bill of Rights," on March 6, 2007 at the National Press Club's Media Luncheon. This was well before the issue started to trigger shockwaves in international credit markets and sending hedge fund analysts to the unemployment line. At that time, policy makers and government officials were reluctant to support greater regulation to give the market a chance to correct itself. Obviously, it never happened.

Consumer protection is a critical foundation for our financial system. It gives the public confidence that financial markets are fair and enables policy makers and regulators to maintain stability in regulation. Stable regulation, in turn, promotes growth, efficiency, and innovation over the long term. Therefore, the National Urban League supports legislative, regulatory, and administrative reforms to promote transparency, simplicity, fairness, accountability, and access in the market for consumer financial products

and services. We are committed to working with Congress, industry associations, and consumer advocates to further the development of a fair and efficient regulatory system that provides sufficient consumer protection and serves the interests of historically disempowered constituencies who reside in underserved communities.

We recognize that the current regulatory structure at both the state and federal level is highly complex for the industry, regulators, consumers, and policymakers to navigate. As financial institutions and service providers increase in size, complexity, and operations, our regulatory system must reflect this evolution. The current economic stresses have also shown that our financial regulatory system must better address the interconnected risks of the capital markets and our banking system. To effectively protect consumers the regulatory system must prohibit unsustainable lending – disclosures and “financial literacy” are not enough.

The fundamental problem at the heart of today's crisis is that loan originators pushed borrowers into loan products that were inherently risky and unsustainable by design, and they did so notwithstanding the availability of the more suitable and affordable loans for which they qualified. Had borrowers been offered the more suitable loans for which many qualified, many more borrowers could have sustained homeownership.

The Federal Reserve has noted that, given the misaligned incentives of originators and the complexity of products and loan features, even with increased information or knowledge, borrowers could not have defended against poorly underwritten, risky products and deceptive practices. *The main problem with these loans was not the inadequacy of the disclosures or the financial literacy of the borrowers. Rather, the fundamental problem was that – as the federal banking regulators belatedly recognized with respect to non-traditional loans in late 2006 and subprime lending in 2007 – lenders should not have made loans that they knew borrowers would be unable to sustain without refinancing. Therefore, to effectively protect consumers, the regulatory system must monitor and address market incentives that encourage loan originators to push risky or unsuitable loan products.*

While the Administration proposes that the CFPB should have sole authority to promulgate and interpret regulations under existing consumer financial services and fair lending statutes, we believe there is a need for layers of protection against financial excess. Think about the financial system as a nuclear power plant, in which you need independent, redundant back-up systems – so if one “super-regulator” fails we don't incur another 20-40 percentage points in government debt through direct and indirect bailouts.

A consumer financial products protection agency should definitely be part of the package.

We strongly agree that the CFPB's jurisdiction should cover consumer financial services and products such as credit, savings and payment products and related services, as well as the institutions that issue, provide, or service these products and provide services to the entities that provide the financial products.

We are concerned that the plan makes no mention of those institutions at the very heart of the mortgage market meltdown – Fannie Mae and Freddie Mac. These two entities were the single largest source of liquidity for the subprime market during its height. In all likelihood, their ultimate cost to the taxpayer will exceed that of TARP, once TARP repayments have begun. Any reform plan that leaves out Fannie and Freddie does not merit being taken seriously.

It can also be argued that the plan also puts far too much faith in regulators to guide markets to where they should be. That is consistent neither with economics nor with recent history. A better plan – one that empowers consumers, rather than regulators – is needed.

Notwithstanding whether or not the CFPB is the most appropriate vehicle, the National Urban League is most interested in the inherent checks and balances to ensure that:

- Consumers have the information they need to make responsible financial decisions;
- Consumers are protected from abuse, unfairness, deception, or discrimination;
- Consumer financial services markets operate fairly and efficiently;
- Traditionally underserved consumers and communities have access to lending, investment and financial services; and
- National community based organizations that have demonstrated effectiveness in reaching under-served minority communities be included as full partners in any consumer protection effort.

The National Urban League Perspective on Financial Literacy

At this time, I would like to reiterate the key points that our National Urban League President, Marc Morial, made on our perspective and experience in the area of financial literacy in testimony before the House

Financial Services Committee on April 15, 2008. From the National Urban League's perspective, one fundamental problem with improving financial literacy is defining the term itself. A formal definition of personal *financial literacy* is the ability to read, analyze, manage, and communicate about the personal financial conditions that affect material well-being. The Urban League Movement employs a more expansive approach to this work which includes the ability to discern financial choices, discuss money and financial issues without (or despite) discomfort, plan for the future, and respond competently to life events that affect everyday financial decisions, including events in the general economy.

Financial literacy is at the core of the Urban League's mission to empower African Americans to attain economic self-sufficiency. The rationale for our emphasis on financial literacy is buttressed by some startling data, as revealed in our annual *State of Black America*® report and the accompanying *Equality Index*™, a statistical measurement of African Americans' progress toward closing the equality gap in wealth, health, education, social justice and civic engagement.

- African Americans' economic standing is 57% that of white Americans (2009 National Urban League Equality Index)
- The median net wealth of African Americans is \$10,000, versus \$109,100 for whites (2009 National Urban League Equality Index)

These astonishing statistics highlight the urgency of improving financial education in urban communities. The Urban League strategy is to create culturally competent programs that address both financial principles and long-term behavioral change. The National Urban League operates financial literacy programs in more than 75 Urban League Affiliates throughout the country. Through workshops, one-on-one counseling, and easily accessible learning materials, individuals develop effective money management strategies and, ultimately, build lasting wealth for themselves, their families, and their communities. The Urban League's financial literacy programs provide the education, tools and encouragement for individuals at all income levels to shape their own financial destinies.

Through our program experience we find that the pressing need for improved financial literacy comes from three emerging national trends. First is the deterioration of personal finances. Second is the proliferation of new, and often complex, financial products that demand more financial expertise of consumers. Third is the replacement of defined benefit pension plans with defined contribution plans that shift responsibility to consumers to fund their

own retirement. Turbulent market conditions, changing tax laws, and homeland insecurity compound the need for sound financial literacy.

The National Urban League has traditionally worked in tandem with banks and foundations to design, implement, and evaluate various financial literacy curricula. Currently, we administer five such partnerships – each targeting a specific socio-demographic cohort from youth and young professionals to prospective home purchasers and established business owners and investors. In aggregate, these programs provide basic, intermediate and advanced financial counseling and education to more than 25,000 clients per year. Overall evaluation research of our financial literacy programs consistently finds significant correlations between the level of financial knowledge and good financial management practices. Individuals who are familiar with financial concepts and products are found to be more likely to balance their checkbook every month, budget for savings, and hold investment accounts. Similarly, we find that client creditworthiness and consumer literacy determine that financial knowledge is the single best predictor of behavior, such as budgeting, saving, and shopping responsibly, that translate into positive outcomes on credit bureau reports.

In conjunction with financial literacy education, housing counseling also plays a key role in support of the goal to increase financial awareness and sophistication and to close the wealth gap between minority and non-minority households. Based on our experience in recent years, we project that more than 30 of our Urban League affiliates will help about 5,000 families become homeowners this year. Moreover, an additional 10,000 families will continue to work with their counselors to become mortgage-ready during the following year. These 15,000 families represent approximately 1/3 of the clients who will receive one-on-one counseling from Urban League Affiliates supported by HUD grant funds secured under the National Urban League's National Intermediary designation. Of the remaining families who receive homebuyer counseling, a portion will determine that they are simply not in a position to become homeowners – a key, yet basic, indicator of financial awareness and aptitude. We believe that this decision is equally as important as the decision to buy a home. These educated consumers are making a wise decision about their financial capacity to sustain homeownership. In so doing, these families are avoiding subprime, or even predatory, loan products and are putting themselves in a better position to achieve homeownership in the future.

The National Urban League's Housing Counseling Program, through 36 of our affiliates, supports the delivery of a wide variety of housing counseling services to homebuyers, homeowners, low- to moderate-income renters, and

the homeless. The primary objectives of the program are to expand homeownership opportunities and improve access to affordable housing. Counselors at our affiliates provide guidance and advice to help families and individuals improve their housing conditions and meet the responsibilities of tenancy and homeownership. Counselors also help borrowers avoid predatory lending practices, such as inflated appraisals, unreasonably high interest rates, unaffordable repayment terms, and other conditions that can result in a loss of equity, increased debt, default, and foreclosure.

In addition to a deeper national commitment to housing counseling – which is also a core tenet of the Homebuyer's Bill of Rights the National Urban League advocates three key objectives that the federal government and the Financial Literacy and Education Commission should pursue to promote economic opportunity for minority and low-income families and communities:

- Expand access to capital and financial services through mainstream banks and thrifts, particularly by ensuring that CRA remains effective. We would also urge that Congress modernize the CRA by adopting the Community Reinvestment Modernization Act of 2009 (H.R. 1479).
- Bank the unbanked with innovative new private sector products and services, driven by new incentives for financial services for the poor.
- Promote saving among the poor by catalyzing wide-scale establishment of Individual Development Accounts and other mechanisms that help low-income families save for homeownership and other key assets.

In our view, particular emphasis should be placed on reaching neighborhoods with minority populations, since a recent Federal Reserve study shows that credit scores are significantly lower in census tracts with high minority populations. HMDA data also reinforces this point. Recent surveys show that public understanding of credit scores is low, which provides a great opportunity for the Financial Literacy and Education Commission to lead industry efforts aimed at educating consumers on the role of credit scores in the approval process.

On behalf of the National Urban League, I thank you for the opportunity to offer our views on this most important issue and we look forward to working with you as you work to implement a new regulatory system.

Prepared Testimony by Dr. Gerald Lauber

Financial Literacy Advisor to the National Urban Alliance

before the

Subcommittee on Financial Institutions and Consumer Credit

June 25, 2009

Good afternoon, Chairman Gutierrez, and distinguished members of the Committee. Thank you for the opportunity to testify before you today about the need for effective financial education for Americans.

I am Gerald Lauber, Financial Literacy Advisor to the President of the National Urban Alliance (NUA). Prior to working with the NUA, I was a school superintendent, an assistant superintendent for instruction, a principal and a classroom teacher. In all, I have devoted over 45 years to the process of helping students learn. I also have had a career in law enforcement, and a first responder at ground zero, following the events of September 11, has provided me a further opportunity to serve my community. These essential experiences have provided me with another vantage point on human and organizational behavior. All of this informs my testimony today about what is needed for financial literacy education to be an effective part of our nation's economic revival.

For the eleven years since my retirement from public education, I have worked with the National Urban Alliance (NUA), which is an independent, not-for-profit organization dedicated to the belief that every child has the capacity to learn and that every teacher is responsible for providing the highest levels of instruction so that each student can become all he or she is capable of becoming. Toward this end, over the past two decades the NUA has worked in thousands of classrooms across this Nation. We focus on helping schools assess their instructional programs and deliver professional development for teachers so they are better prepared to help their students master content and learning skills. We have learned a great deal about education and organizations. This knowledge is applicable to teaching and learning financial literacy.

We know that teaching a subject does not ensure all students will learn it. We must establish relevance between content and each student's need to learn. Many obstacles interfere with the delivery of educational content, lack of time, resources and will power to name a few. And, there are many factors that interfere with the learning process, including past educational success, lack of awareness of some of life's positive outcomes and, I regret to say, too much awareness of some of life's other pitfalls. For too many students and teachers, financial literacy seems foreign, although they and their families contend every day with their own economic choices and decisions.

Financial literacy programs must contend with these common problems associated with teaching and learning while competing for sufficient space in the crowded instructional day. To contend successfully with these complications is a matter of professional skill and organizational focus. Without plans for professional development and content that is integrated into the curriculum through material relevant to students, financial literacy will be just another catch phrase in our past history of failing to educate our citizens about how they may manage their daily life to position them for long term financial security.

We have identified other factors that interfere with the ability to maximize learning in classrooms. Factors such as race, age and a tendency to rely on technology, just to name a few, may distance the teachers from the learners. These observable physical and behavioral factors are not insurmountable. But too often they are ignored. Meaningful and long lasting learning effectively relies on the use of strategies that recognize the importance of culture, cognition and language. Successful use of these strategies is dependent on a systemic plan, including the implementation of system-wide professional development and sustained school-based support. All literacy, including financial literacy, is subject to these factors.

The NUA is working to articulate the need for financial literacy education and to help school districts integrate financial literacy materials into the classroom. To date, we have sponsored several financial literacy forums in New York. In Albany last year more than 2,400 educators heard speakers share their concerns about the low levels of student knowledge about personal finance literacy. This year, on May 4, we hosted a forum for school district stakeholders cosponsored by statewide parent, teacher and administrator organizations. A universal voice rose from the forum and spoke of a need for students to learn basic personal finance literacy!

For decades, our education system has not prepared millions of Americans with the basic financial knowledge necessary to be educated consumers when they leave school. This lack of financial literacy education is linked directly to current low savings rates and the mortgage crisis. In our judgment, it underscores the immediate need for sweeping changes in financial literacy education.

As this Committee works to identify new guidelines for financial institutions, we must look to our public educational institutions to develop a blueprint that guides individuals on a parallel path as well. Individuals, public institutions and the financial industry must work together to help map the path for recovery for the next generation of consumers. Without consumer knowledge scammers and opportunists will always find a willing flock to follow them. Absent a basic understanding of personal finance, it's only a matter time before we revisit another financial crisis.

I hope the creation of a new government Consumer Financial Protection Agency (CFPA), as expressed by the administration, will exemplify a real commitment to fight for the education and protection of consumers. That fight must recognize that financial education, right from the start, is part of the answer to protect consumers and build a foundation for behaviors that support a healthy US economy. Why can't we provide the impetus to help our children create a new generation of consumers who use reason to direct the use of their resources rather than celebrating conspicuous consumption and debt

accumulation that currently endangers the basic fabric of our country?

Strategies that help people make informed decisions *will* work if we provide education programs that help all people to obtain financial literacy skills and decision making skills. Application of these skills will strengthen their knowledge in areas such as credit cards, mortgages, insurance and other financial products. In a consumer credit based society we must teach children about credit and the wise use of it so they are prepared to be informed consumers. The lack of inclusion of financial literacy in the vast majority of our nation's schools continues to create a new generation of consumers who are not informed about their use of money and, in too many unfortunate cases, live day to day not knowing where they will get their next dollar. We can't afford to let another generation slip through the cracks, fall into continued debt and remain deficient about how money works for a majority of their lives!

The NUA verified, through visits to schools, that financial literacy education is not a subject systemically taught in many of our nation's classrooms. When I say systemically, I mean that, absent the efforts of a teacher of electives in economics or a scattering of teachers who actually want to teach financial literacy, there are precious few efforts to formally include instruction in financial literacy, embedded in the standard curriculum as part of a K-12 approach to learning .

In recent years we have just scratched the surface on implementing financial literacy education in several states. I hasten to say there are worthwhile examples of excellent financial literacy material that currently exist. The Department of Treasury's Office of Financial Education also can identify resources with content-based materials. In fact, just about every major bank and credit union has materials for teaching financial literacy. Unfortunately, as I noted earlier, teaching financial literacy is not the same as learning financial literacy. Furthermore, there is a great difference between having sound resources and the successful delivery of those resources. Great content does not guarantee effective learning in the classroom. What is clear is that current efforts to transfer knowledge about finance literacy have not worked!

Financial literacy education is a necessary companion to the call for more transparency in banking fees, lending, consumer credit, investing, mortgages, health care and many other aspects of everyday financial life. That call, reinforced by the President's address to the nation on June 20, requires both providing clear information and ensuring individual's ability to understand and use it. Financial literacy programs appropriate for students' ages, life circumstances and life aspirations are needed.

Educators must be practical when designing and delivering financial literacy programs. To address the lack of personal finance literacy we must not only focus on adults, but also commit to financial literacy education for children and youth. An understanding about the personal use of money has eluded far too many Americans. We all need practical information and skills. This is a universal need and it demands a universal response.

While more than 90% of America's students attend public schools, the Presidents Advisory Council on Financial Literacy Education, as it is presently constituted, has only one member who has any public school experience. This fact has not gone unnoticed by the Nations educational community. How does this government demonstrate its commitment to this issue when only 1/20th of the advisors have classroom experience?

Yes, consumers need to be presented financial products in a simpler straightforward manner that is clear, accurate, and contains understandable information. I applaud efforts by this Sub Committee and the Congress to demand that our financial products industry makes information about their products more transparent to consumers. Yet, I must warn and emphasize, that without effective financial literacy education, an understanding of these products will continue to be difficult and will not result in desirable behavioral changes by consumers. Consumer protection and relevant financial education must go hand in hand and must include an emphasis on our nation's young people.

Over the past six months this Congress has authorized nearly a trillion dollars of American taxpayers money to Wall Street to clean up a financial mess that they created that brought this country to an economic condition not seen since the Great Depression. On January 6, 2009, the Presidents Advisory Council on Financial Literacy established by President Bush stated as it principal recommendation, "The United States Congress ... should mandate financial education in all schools for students in grades kindergarten through twelve." Local school districts cannot afford another unfunded mandate. Now is the time to supplement that investment by committing some of those resources to sound financial literacy education for Americans.

I urge this committee to strongly support both this message and the messengers working to refine and deliver effective financial literacy education. It is critical to building the information base our citizens need to live as informed consumers. But, just using well-written financial literacy material without a well thought out delivery system will not enable them to transform information into informed action.

Thank you again for inviting me to testify today. I will be happy to answer any questions you may have.

ADDEMDUM

The following 10 points are written as suggestions for action items pertaining to the 2009 Department of Treasury Financial Regulatory Reform Report pertaining to *financial education*. **Page 63**

“The CFPA should play a leading role in efforts to educate consumers about financial matters, to improve their ability to manage their own financial affairs, and to make their own judgments about the appropriateness of certain financial products. Additionally, the CFPA should review and streamline existing financial literacy and education initiatives government-wide.”

1. *Get the school systems and teachers ready:* Empower public schools so that their teachers can be taught how to teach financial literacy education. This is accomplished by coherent and coordinated professional development, not merely through published material and insufficient early-release days for staff development. True professional development happens when highly skilled educators model and coach teachers and go into classrooms to demonstrate good practice with schoolchildren, observed by the teachers as well as their principals.
2. *Get students learning about money:* Teach students about financial literacy: credit cards, home loans and other financial instruments. Expose students with knowledge to understand basic consumer financial products and services such as credit, savings, and payment products so they are not ignorant to them.
3. *Get the financial institutions to play fair:* Empower an agency such as a newly created Consumer Financial Protection Agency to take necessary steps to ensure credit card companies, mortgage and other financial institutions responsibly communicate to consumers their terms of services in plain transparent language.
4. *Get the rules straight:* Empower an agency such as a newly created Consumer Financial Protection Agency to be a watchdog on perceived trickery, while stepping up scrutiny on "alternative" or "deceptive" products. The new agency should have broad authority to write rules and enforce compliance through fines or penalties.
5. *Get the real support going:* Support legislation such as Congresswoman McCarthy's H.R. 1645 to enable a widespread commitment for Financial Literacy Education throughout the United States.
6. *Get oversight in place the hands of a non self-serving task force.* As TARP has its Congressional Oversight Panel (COP), CFPA should have its public oversight panel for Consumer Protection made up of non-governmental personnel with limited voluntary terms.
7. *Get assessment of Treasury Financial Education actions so they can be improved upon, continued or discontinued.*
8. *Get government agencies working together.* Know who does what, avoid duplicative efforts. Congress should take appropriate measures to include CFPA as part of the Financial Literacy and Education Commission (the Commission) which was established under Title V, the Financial Literacy and Education Improvement Act which was part of the Fair and Accurate Credit Transactions (FACT) Act of 2003, to improve financial literacy and education of persons in the United States. The FACT Act named the Secretary of the Treasury as head of the Commission and mandated the Commission include 19 other federal agencies and bureaus. The Commission coordinates the financial education efforts throughout the federal government, supports the promotion of financial literacy by the private sector while also encouraging the synchronization of efforts between the public and private sectors.
9. *Get familiar with the former President George Bush's Executive Order: Establishing the President's Advisory Council on Financial Literacy.* Review its members, limit

terms, and activities. Ensure that members act in an advisory capacity to the President via support of the Treasury. Maintain that no participating or future special interest groups utilize the Council for profit, lobbying efforts, and ensure adequate representation from Public Education.

10. *Get advertising communication right: Advertising technology has evolved so much and continues to evolve. We need to communicate to the public fair advertising messages that include reasonable consumer protection disclosures that are as diversified as communication can be. CFPA will need to work with the FTC to incorporate reasonable, clear and conspicuous disclosures where deemed necessary that keep up with technology. CFPA should be an investment in our common future for lasting economic stability*

Improving Consumer Financial Literacy under the New Regulatory System

Testimony of
Laura Levine
Executive Director
Jump\$tart Coalition for Personal Financial Literacy

Before the
House Subcommittee on
Financial Institutions and Consumer Credit

United States House of Representatives
June 25, 2009

Good afternoon, Chairman Gutierrez and members of the Subcommittee on Financial Institutions and Consumer Credit. Thank you for this opportunity to speak with you today.

My name is Laura Levine and I am the executive director of the Jump\$tart Coalition for Personal Financial Literacy, a non-profit organization based here in Washington, DC. Jump\$tart is a coalition of about 180 companies, organizations, and federal agencies from the for-profit, non-profit, academic and government sectors, which share a commitment to advance financial literacy among students in kindergarten through college. Jump\$tart is also a network of 48 affiliated state coalitions, which operate as true grassroots coalitions, largely without permanent staff or facilities, supported by the volunteer dedication of local organizations and individuals.

Nationally, the Jump\$tart Coalition was founded in 1995 by a small group of organizations that recognized the need to educate students about personal finance, as well as the importance of meeting this need through a collaborative effort. Jump\$tart does not conduct financial education itself or create financial education resources; rather, its role is to help coordinate the effort among the coalition partners and to support and promote individual and collective efforts to educate young people about money management.

As the committee considers the importance of financial literacy within the regulatory system, Jump\$tart encourages you to keep in mind the difference between educating and informing adult consumers, and providing standards-based, tested, personal finance education for students in kindergarten through high school. Any widespread effort to require personal finance education at that level must be coordinated by or with the U.S. Department of Education, as well

as state departments of education, and the various appropriate educational organizations at the national, state and local levels.

Without a doubt, Jump\$tart is supportive of financial literacy for all consumers but, as the slogan on our logo indicates, the national partners of the Jump\$tart Coalition remain devoted to advancing “financial smarts for students.” With that in mind, my testimony today will focus on financial literacy for the consumers of tomorrow.

Jump\$tart believes that financial literacy is an important element of consumer protection. Even with better regulation designed to protect consumers and more readable disclosures that most consumer can easily understand, an adequate level of financial literacy would give most consumers comfort, confidence and the ability to make decisions most advantageous to their specific needs. Additionally, we believe the financial education of K-12 students is necessary, before they head too far down the wrong financial paths, to ensure future generations of financially literate adult consumers. But today, many young consumers are not adequately prepared to handle the growing variety and complexity of financial products and services or make wise decisions in managing their own money.

Financial Literacy Levels among Students

In 1997, the Jump\$tart Coalition launched its first survey of financial literacy among high school students. The survey was written and conducted on Jump\$tart’s behalf by Dr. Lewis Mandell, who is currently with the University of Washington and the Aspen Institute. The Jump\$tart Survey of Financial Literacy among High School Students was conducted again in 2000 and has been repeated biennially since then.¹

Nationally, the average score on the test portion of the survey has ranged from 48.3 percent—in our most recent survey, released in 2008—to a high of 57 percent, which would still be a “failing” grade. In each of the surveys, the participants were 12th grade students, recruited from randomly selected public high schools across the country. Students were surveyed in non-finance related classes to achieve a natural cross-section of students who had had financial education, as well as those who had not. The survey includes questions about different types of investment products, credit and credit histories, income, insurance and other personal finance topics.

¹ The complete 2008 survey, with results from high school and college participants, can be downloaded from Jump\$tart’s website at www.jumpstart.org. Dr. Mandell’s analysis of the 2008 surveys and the research from its inception can also be obtained from Jump\$tart’s website in a publication called *The Financial Literacy of Young American Adults*.

It is important to note that Jump\$tart's survey is intended as a general measure of the level of financial literacy among high school students at a given point in time. It was not designed to be an assessment of the effectiveness of specific financial education curricula; therefore, we should not conclude from the low scores that financial education is ineffective. Rather, the consistently disappointing results over more than a decade of research do, however, seem to indicate a need for more and better financial education and information.

In 2008, Jump\$tart also surveyed college students for the first time. Given the same test questions, college students, on average, answered 62.2 percent of the questions correctly—substantially better than the high school average score of 48.3 percent. The college seniors, separated out as a segment, scored 64.8 percent, which would indicate a level of financial knowledge that we might consider acceptable or close to it. Unfortunately, college graduates are still a relatively small segment of our total population and many young adults begin making financial decisions well before they reach this point. At this time, we do not have any information on the financial literacy of those college-age young adults who are not actually in school.

Financial Education Efforts

The Jump\$tart Coalition believes that personal finance must be included in the education of all students, during the kindergarten through high school years, to provide young people with the knowledge and skills they need to make smart financial decisions. Some positive strides have been made in financial education in recent years, but we need to do more.

Jump\$tart has identified three states—Missouri, Tennessee, and Utah—that currently require all students to take and pass a one-semester course devoted to personal finance in order to graduate from high school. Another 18 states require some personal finance content to be incorporated into other required subject matter. In Illinois, for example, students are required to take a nine-week consumer education course, a large portion of which is devoted to the basic concepts of financial literacy.²

Other states have taken steps toward incorporating financial education into their curricula. In Michigan, for example, Senate Bill 834, passed in December, allows schools districts to offer a one-semester personal finance course to fulfill a math credit requirement.

² Jump\$tart tracks financial education mandates at the state level on its website: http://www.jumpstart.org/state_legislation/index.cfm. The color coded map offers an overview of financial education requirements nationwide. The authorization and supporting documents are also posted, where applicable.

It is important to note, however, that personal finance education is taking place in schools across the country, whether or not the state or local jurisdiction requires it—and much of this is as a result of the efforts of Jump\$tart's partner organizations that make curricula and other resources available to schools. Jump\$tart operates an online clearinghouse of financial education curricula and other materials, which currently lists more than 700 resources—many available to educators and others at no or low cost.³

We believe that personal finance education needs to be introduced in the early elementary school years, while students are forming their behaviors and beliefs.

We believe that effective financial education in the middle grades could help troubled or unmotivated students start to make the connection between staying in school and their life-long income earning potential—possibly changing the path of would-be drop-outs. Well rounded financial education, covering careers, income, and entrepreneurship, may help young people envision themselves in a future that they might not have otherwise imagined.

Jump\$tart is encouraged by the progress that many states have made in requiring or offering personal finance education, generally at the high school level, but we need a widespread and consistent strategy to ensure that all students—in all parts of the country, from all segments of the population—are receiving adequate financial education. In the mean time, states need funds to strengthen and promote these programs, provide training and support for the classroom teachers who deliver this content, and assess the effectiveness of this education.

Standards

One of the ways in which Jump\$tart helps to ensure the quality of financial education is through the *National Standards in K-12 Personal Finance Education*, which include learning benchmarks for the 4th, 8th, and 12th grades.⁴ These standards are intended as a model, representing the framework of an ideal personal finance curriculum, outlining not only the financial knowledge, but also the skills, that students should possess before leaving high school.

The standards characterize financial literacy not as an absolute state, but as a continuum of abilities and an evolving state of competency that enables each

³ Jump\$tart's online clearinghouse of financial education resources is operated at no cost to the user or product provider. Users link directly to online resources or order materials from the provider as indicated. Jump\$tart reviews submissions for accuracy, completeness, and appropriateness for educational use. <http://www.jumpstart.org/search.cfm>

⁴ The National Standards can be viewed online or downloaded at no cost from the Jump\$tart website. <http://www.jumpstart.org/guide.html> Print copies may be ordered through the Federal Citizen Information Center. <http://www.pueblo.gsa.gov/>

individual to respond effectively to ever-changing personal and economic circumstances

The National Standards were last revised in 2007 by an academic task force assembled by Jump\$tart. Other reviewers included representatives from financial institutions and financial associations, educational non-profit organizations such as Junior Achievement and the National Endowment for Financial Education; the Florida and Virginia Departments of Education; as well as classroom teachers and university professors.

Using some of the benchmarks under "Credit and Debt," for example, financial education should enable a 4th grade student to explain the difference between buying with cash and buying with credit. An 8th grade student should be able to explain how the interest rate and term affect the cost of credit. And by high school graduation, a young consumer should be able to define credit card disclosure terms and complete a typical credit card application.

In addition to the National Standards in K-12 Personal Finance Education, Jump\$tart believes that effective financial education and financial education materials follow a set of "best practices"⁵ that include: objectivity in content and tone; alignment with educational standards in business, economics, consumer science, math and social studies; stimulating, relevant and contemporary activities, presented clearly, using plain language; the acknowledgement of audience diversity (and text translation, if necessary); accuracy, especially with regard to information that is current; availability and accessibility, including for those students with special needs; and an assessment tool or element to measure both knowledge and potential behavioral change.

Conclusion

I thank the subcommittee for the opportunity to speak to you today. As you start to shape the future regulatory atmosphere for financial institutions, I urge you to keep the financial literacy of our nation's students in mind, too. More—not less—personal financial education is needed, and we need to have a long-term, nationwide strategy in place to ensure that this education is available to all students.

⁵ Jump\$tart's complete list of best practices can be found on the Jump\$tart website: <http://www.jumpstart.org/bp.cfm>



Testimony of

**Brent A. Neiser
Director of Strategic Programs and Alliances
National Endowment for Financial Education (NEFE)**

Before

**The Committee on Financial Services
Subcommittee on Financial Institutions and Consumer Credit
of the
United States House of Representatives**

Hearing on

“Improving Consumer Financial Literacy under the New Regulatory System”

June 25, 2009

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I am Brent Neiser, Director of Strategic Programs and Alliances for the National Endowment for Financial Education® (NEFE®), located near Denver, Colorado. We at NEFE would like to thank Chairman Luis V. Gutierrez, Ranking Member Jeb Hensarling, and Members of the Subcommittee for scheduling this hearing and providing members of the financial literacy community the opportunity to explore ways to improve consumer financial literacy under the new regulatory framework for the financial system that Congress is now considering.

Background on the National Endowment for Financial Education

The National Endowment for Financial Education is the only national, privately operating foundation wholly dedicated to improving the financial well-being of all Americans. NEFE is an independent, nonprofit, noncommercial, and nonpartisan foundation committed to educating Americans on a broad range of financial topics and empowering them to make positive and sound decisions to reach their financial goals. For more than 30 years, NEFE has been providing funding, logistical support, and personal finance expertise to develop a variety of materials and programs, including the award-winning NEFE High School Financial Planning Program® (reaching more than 600,000 students annually), the CashCourse® college program (currently used in more than 260 U.S. colleges and universities), and the consumer-oriented Smart About Money public awareness Web site, smartaboutmoney.org. NEFE funds research and awards research-based development grants that advance innovative thinking and contribute to our understanding of financial behavior. NEFE also serves segments of the American public in need of specialized financial information through partnerships with numerous organizations, including the National Council of La Raza and the National Urban League.

Increasing Financial Capability

We believe that financial literacy is a critical component of consumer protection and embrace the concept that, with the proper knowledge, tools, and encouragement, all Americans are capable of successfully managing their financial lives. Financial markets and products change rapidly; that's why informed decision making is crucial and consumers should be equipped to consistently make intelligent choices in the face of those changes. This capability leads to critical awareness of the consequences of financial behaviors, both positive and negative. When individual Americans are increasing their financial well-being in the aggregate, America as a whole will become economically strengthened and more competitive.

Individual financial literacy is not the whole solution, however. Financial product regulations and product disclosure can protect and inform Americans as they contemplate financial options open to them. In this case, regulation is more than a protection from abuse and excess—it is a practical and sensible way to complement existing financial literacy by helping consumers understand basic financial products and terminology.

Furthermore, we have the opportunity to create a nationally-recognized set of standards for basic financial literacy for the entire population. The President's Advisory Council on Financial Literacy, on which NEFE President and CEO Ted Beck serves, already has identified some concepts and definitions for a proposed body of knowledge in its first annual report in January.

Americans need to clearly understand the consequences of engaging in either positive or negative financial behavior. We want to empower Americans to make their own decisions about which products and behaviors will maximize their financial well-being, while discouraging them from utilizing predatory products and making uneducated, irreversible choices that are especially destructive to those with limited resources.

We also believe this is a chance to be creative in engaging the American public using techniques such as: a consumer education campaign; social marketing; a nationwide financial check-up; consistent, repetitive messaging; and a clear link to financial literacy tools at points of transaction across one's financial lifespan, from youth through post-retirement.

We have a good working relationship with, and applaud the financial education efforts of, many agencies in the Federal government, including the Department of Treasury, the Departments of Defense, Labor, and Agriculture, the Social Security Administration, and others. We look forward to continuing our support of Federal financial literacy efforts.

Financial Literacy Foundations for Consumers

Financial literacy should be embodied in any financial reform proposal. As a start, we suggest that consumer protection reform principles include components such as:

Definitions: What do we mean when we say someone is financially literate? How do we define financial literacy at various stages of life? Building on the President's Advisory Council on Financial Literacy's recommendation to set standards will create a consistent framework for public and private financial education efforts.

Context: Providing the context for understanding a product and its relationship to life goals and timing within one's economic lifespan will increase the effectiveness of disclosure of the financial product and its features.

Simplicity: We need to take a step back and focus on financial understanding, capability, and literacy. A nationwide social marketing campaign could include messages such as: thrift, paying yourself first, having an emergency fund, understanding the time value of money (for credit and investments), appropriate use of credit, and diversification.

Relevance: All Americans are capable of bettering their financial well-being through financial understanding. Message campaigns need to be culturally and circumstantially relevant and age-appropriate, and underserved audiences need to be considered.

Self-Assessment: A nationwide Financial Check-Up as recommended by the President's Advisory Council on Financial Literacy would allow Americans to assess their own financial knowledge and provide links to trustworthy sources of information to fill any gaps.

Thank you for providing a forum to discuss these important issues. NEFE stands ready to provide this Subcommittee with additional information, insight, or assistance. Thank you for letting us speak to the growing concern and relevancy of financial literacy for all Americans.

NEFE: Reaching Consumers with Financial Literacy Initiatives (selected examples)

NEFE has many financial literacy initiatives that focus on providing messages to underserved audiences at relevant times throughout one's economic lifetime to promote positive behavior change. For example, NEFE's High School Financial Planning Program® (<http://hsfpp.nefe.org>) is a complete money management curriculum that is designed to reach young people at an optimum time when they are developing financial habits that will shape their future. More than six million student guides have been sent out to an estimated 200,000 classrooms since 1984—all at no cost.

The CashCourse program is a just-in-time Web-based financial education resource that provides college students unbiased, noncommercial information for every stage of college life; it includes calculators, worksheets, and an interactive budgeting tool. Currently, over 260 colleges and universities are enrolled in the program.

Smart About Money (www.smartaboutmoney.org) is NEFE's consumer Web site, which provides a variety of practical educational resources to help individuals overcome financial challenges they face every day, including critical life events such as losing a job, experiencing a serious illness, navigating a divorce, or surviving a natural disaster. Recently, NEFE added a section to Smart About Money called Economic Survival Tips, which is a Web-based resource filled with action-oriented information on how to remain financially afloat in this difficult economy and set the stage for recovery.

Additionally, decumulation.org is a Web site that helps Americans approaching retirement to optimize their retirement paycheck by making wise decisions. The site contains messages and articles surrounding eight main decision areas: Work, Social Security, Home & Mortgage, Insurance, Pensions, Retirement Plans, Debt, and Fraud. These messages were derived from NEFE's research-based Retirement Income Decumulation Think Tank of December 2007.

Another NEFE Web site, Spendster.org, allows people to share purchases they now regret while they rate and discuss those of others. It also includes tools to calculate how costly items really are, and drives home the message that the money we spend on stuff we don't need can be saved and invested towards achieving financial goals. The site allows users who generally don't engage in personal finance to ease in to the dialog by uploading photos and videos and talking on the message board.

NEFE also funds research exploring behavioral finance. Most recently, a study by the University of Arizona and Arizona Pathways to Life Success for University Students (APLUS) examined the diverse social factors that influence the attitudes and behaviors of today's young adults; these factors often determine their financial success or failure as adults. The study learned that parents have more influence over their children's financial knowledge, attitudes, and behaviors than work experience and high school financial education combined.

NEFE also has collaborated with over 100 organizations to bring customized personal finance materials to underserved audiences, and NEFE is continually engaged with the broader financial literacy community.

**Subcommittee on Financial Institutions
and Consumer Credit**

House Committee on Financial Services

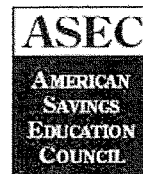
**“Improving Consumer Financial Literacy
Under the New Regulatory System”**

Thursday, June 25, 2009
2:30 p.m.
2128 Rayburn HOB

Testimony by Dallas L. Salisbury

President and CEO
Employee Benefit Research Institute (EBRI)
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Chairman
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Employee Benefit
Research Institute



The views expressed in this statement are solely those of Dallas Salisbury and should not be attributed to the Employee Benefit Research Institute (EBRI), the EBRI Education and Research Fund, any of its programs, officers, trustees, sponsors, or other staff. The Employee Benefit Research Institute is a nonprofit, nonpartisan, education and research organization established in Washington, DC, in 1978. The American Savings Education Council, a program of EBRI-ERF, is a nonprofit national coalition of public- and private-sector organizations undertaking initiatives to raise public awareness about what is needed to ensure long-term personal financial independence. Neither EBRI nor ASEC takes policy positions, nor do they lobby or receive federal funding.

Mr. Chairman and members of the subcommittee, I am Dallas Salisbury, president and CEO of the Employee Benefit Research Institute (www.ebri.org) and chairman of its saving education programs, the American Savings Education Council® (ASEC) (www.asec.org) and Choose to Save® (www.choosetosave.org). I want to stress that the views I express today are my own, and should not be attributed to my employer or anyone else.

It is a pleasure to appear before you today to discuss the important topic of improving consumer financial literacy under the new regulatory system. The need for broad-based financial education across the population is well established, and I will not repeat data here, but have included summary data in my full submission.

The American Savings Education Council is the primary vehicle through which EBRI conducts its financial education activities. ASEC was launched in 1995 through the joint efforts of the U.S. Department of Labor, U.S. Department of the Treasury, EBRI, and many other public and private organizations, at the time that the secretaries of Treasury and Labor launched a national campaign for savings education.

ASEC conducts its work through partnership with public and private organizations as it encourages savings, debt management, financial planning, financial education, health education, health and retirement plan sponsorship, for the entire population.

Our Choose to Save® public service announcements have run nationally since the first PSA was shown at the National Summit on Retirement Savings in 1998, and our Savingsman™ character was featured on PBS in 2009 and received an Emmy Award in 2008.

As an example of our partnership approach, ASEC was one of the founding organizations of the Jumpstart Coalition for Youth Financial Literacy, and still serves on its board. I personally serve on the FINRA Investor Education Foundation Board of Directors, the SEC Investor Advisory Committee, and the Advisory Committee to the Comptroller General of the United States.

Your request made specific reference to the financial regulation reform proposals announced by the president last week. The president has called for the creation of a Consumer Financial Protection Agency to “give consumer protection an independent seat at the table in our regulatory system,” and added complementary program efforts.

1. “The CFPA would be the primary federal consumer protection supervisor to protect consumers of credit, savings, payment, and other consumer financial products and services, and to regulate providers of such products and services.”
2. “The establishment of a Financial Consumer Coordinating Council.”
3. “A permanent role for the SEC’s Investor Advisory Committee.”
4. “an outside advisory panel, akin to the Federal Reserve’s Consumer Advisory Council....Members of this Council should have deep experience in financial services and community development and be selected to promote a diversity of views on the Council.”

As a consumer of financial services, and having talked to others who are also consumers of financial services, my reaction is positive to these initiatives if the “consumer” is the dominant presence in all of these representative board and council positions, not the financial services organizations that the consumer is to be protected from, or financial services organizations representatives. Too much of the financial and economic crisis we are in the midst of appears to be a result of the “capture” of current regulators by the regulated, instead of the citizens the regulators should be protecting. “Deep experience in financial” services should be interpreted broadly enough to include lifetime consumers of financial services, not just those who design or provide them.

The “plain language” financial products proposed also need to be what my Grandmother would have termed “plain vanilla”. For example, a 20 percent down, 30 year fixed rate mortgage, with clearly specified closing costs, and that can be paid off with no penalties. Or, a three year fixed rate car loan that can be paid off anytime without the complexity of the “rule of 78”. Or, a charge or credit card that tells you any and all fees in advance, and cannot change fees without giving you notice and the opportunity to cancel the card and get a pro-rata refund for any annual card fee. Research has found that individuals make the same choices with a one page disclosure as multiple pages of fine print. Thus, require one page with all key facts.

Our nation needs to mandate financial literacy education in K to 12 public and private education programs. And, as long as we have No Child Left Behind exams, testing for basic knowledge should be included. The basics of money, interest, compounding, budgeting, saving, debt, living within your means, the virtue of thrift, stock, bonds, loans, and much more. National surveys over many years make it clear that this basic knowledge is missing. While we need to find ways to increase the financial literacy of adults, the long term cost effective strategy is to begin when formal education begins. Then, people might at least be able to understand the plain language products.

The President’s Advisory Council on Financial Literacy has proven to be a worthy effort. Given no full time staffing, and 18 months of tenure, it has begun a number of efforts in partnership with private organizations. It has also provided direct input to the Treasury and the Financial Literacy Education Commission. Long term value will depend upon some formalization of role by the White House and some level of dedicated staffing. Depending upon those appointed to donate time, money and other resources, or to raise it from others, leads to potential conflicts of interest and confusion of roles.

Regarding the broad issue of avoiding the “regulatory capture” mentioned in the Administration document, personally, I would suggest that ownership of, and membership on the regional Federal Reserve Bank Boards, be included in this examination of financial regulation and “capture,” since a majority of those directors are now appointed by the financial institutions the Federal Reserve regulates, and it is infrequent that any financial services consumers (who are not affiliated with a financial institution in their employment) are appointed to those positions, or to the positions on the regional Boards appointed by the Federal Reserve in Washington. As an individual

financial services consumer and credit card user, I would prefer regulation and protection by an entity that is not governed by the regulated. From a financial services consumer perspective, I currently see no such independent regulator, which if properly implemented, the CFPA could become. If not, it would be a waste of time, money and effort, and would only serve to mislead the public. I stress, as noted in my introduction, that these are my personal views.

As your request letter notes, related to financial education, the administration document states:

“The CFPA should play a leading role in efforts to educate consumers about financial matters, to improve their ability to manage their own financial affairs, and to make their own judgments about the appropriateness of certain financial products. Additionally, the CFPA should review and streamline existing financial literacy and education initiatives government-wide.”

Based upon my work on savings and retirement issues beginning in 1975, when I joined what is now the Employee Benefit Security Administration at the U.S Department of Labor, giving one agency the absolute responsibility for direction of all executive branch activities in this area could possibly add needed coordination and consistency—but that would only occur if the leadership of the agency was committed to the issue and to the approach set out in the legislation.

Over the past 34 years, I have watched multiple agency programs and priorities on financial education shift dramatically as political leadership changes. This is not just true when party control changes, but occurs within a party with new staffing as well. Thus, the role being set out for the CFPA may or may not add value in this area, depending upon the specificity of the legislation, the attitudes and priorities of the board and the director, and adequate staff and budget resources being provided for funding. I provide information below on the Ontario, Canada Investor Education Fund, for example, which is funded by enforcement settlements from the Ontario Securities Regulator, and which has a single purpose.

We have recent experience in the United States of the difficulty in meeting objectives in the area of financial education. The Financial Literacy and Education Commission (the Commission, or FLEC) was established under Title V, of the Financial Literacy and Education Improvement Act, which was part of the Fair and Accurate Credit Transactions (FACT) Act of 2003, to improve financial literacy and education of persons in the United States. The FACT Act named the secretary of the Treasury as head of the Commission and mandated the Commission to include 19 other federal agencies and bureaus. The Commission was intended to coordinate the financial education efforts throughout the federal government, and support the promotion of financial literacy by the private sector, while also encouraging the synchronization of efforts between the public and private sectors.

I find myself in agreement with a review by the General Accountability Office which concluded that the Commission had not achieved these objectives. I believe that it could

have done so with sufficient resources and clear interest and involvement at the level of senior Treasury officials, but instead it became a low priority. A simple comparison of attendance at the first meeting of FLEC, compared to the most recent meeting, would serve to prove this point. (A full section on FLEC appears below).

Government-wide responsibility for review and streamlining of financial education will be *more* confused, not *less*, if CFPB is given authority while at the same time FLEC continues to exist within Treasury, with the directives of the Financial Literacy and Education Improvement Act. The administration may already contemplate integration, but if it has not focused on the issue—and it (and the Congress) should do so as details of CFPB are developed. At the same time, consultation with GAO (based upon the work GAO has already completed) for insights on how legislation on the new financial regulatory structure can most effectively address financial education across the executive branch, could prove invaluable for both Congress and the administration.

Congress has acted many times, as have various administrations, to move the ball forward on financial education: The Financial Literacy and Education Improvement Act; the 1997 SAVER Act (The Savings Are Vital for Every American Act); the creation of the President's Advisory Council on Financial Literacy in 2008; and this year with creation of the Advisory Committee on Investor Education at the SEC. The recently enacted credit card law also requires the development of new inventories of what protections currently exist. And the Social Security Administration has announced its intent to fund at least one "Financial Literacy Research Consortium," and possible more (*Federal Register*, Vol. 74, No. 76, April 22, 2009, page 18424). With each passing week, the need grows for meaningful coordination to avoid overlap and the waste of resources. I encourage you to address this need as you reform financial regulation.

The FINRA Investor Education Foundation National Baseline Financial Capability Survey, developed in consultation with the U.S. Treasury Department and the President's Advisory Council on Financial Literacy, is a national and state-by-state survey of American adults' financial capability. When results are available later this year, the nation will have the most comprehensive picture ever of the issue, which will provide an invaluable baseline for future financial education of the adult population. It will assist all of us in working toward our common goal of enhanced financial literacy, so that individuals can be better prepared to see through sales smoke screens and avoid fraud.

Conclusion

Thousands of organizations are involved in financial education across the nation. The Internet has provided a way to link them together, and much has been done, but more remains to be accomplished. The partners of ASEC provide linkages into communities across the nation, and seek to *leverage* each other, rather than to *compete* with each other. ASEC and its activities have proven to be a useful "bridge of continuity" for the public and private sectors when administrations change, appointees change, and priorities change. We are continuing to play that role today. We will continue to seek to play that role within any new financial regulatory structure.

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I look forward to working with your committee and all others on these important issues in the future.

Dallas Salisbury
Washington, DC
June 23, 2009

Bio / Resume Follows

Full Statement Information Sections Follow Bio



Biography of

Dallas L. Salisbury

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Dallas Salisbury, President and CEO of the Employee Benefit Research Institute (EBRI), joined EBRI as the chief staff executive at its founding in 1978.

EBRI provides "just the facts": objective research, data, education and insight to inform decision making. The overall EBRI mission is "to contribute to, to encourage, and to enhance the development of sound employee benefit programs and sound public policy through objective research and education." EBRI has earned widespread regard as an organization that "tells it like it is."

EBRI is supported financially by for-profit and non-profit corporations of all types, foundations, unions, government organizations, and international organizations seeking to better understand U.S economic security programs.

The Institute does not lobby and does not advocate or oppose any policy position. The task of EBRI is to provide objective information regarding the employee benefit system and related financial security issues, to achieve its primary goal: "that policy and design decisions be based on verifiable facts." Researchers, policymakers and the media rely heavily on EBRI research. Dallas regularly testifies at congressional and commission hearings and appears in print and broadcast media around the world. EBRI is one of the 20 most frequently cited "think-tanks" in the nation using www.fair.org methods.

Dallas serves on a number of advisory groups and boards. He is currently a member of the Securities and Exchange Commission Investor Advisory Committee, the Board of Advisors to the Comptroller General of the United States, and the Board of Directors of the FINRA Investor Education Foundation. He is a Fellow of the National Academy of Human Resources and a member of the Board of the NAHR Foundation. He has served on the Secretary of Labor's ERISA Advisory Council, the presidentially appointed PBGC Advisory Committee, Board of Directors of the Society for Human Resources Management, the U.S. Advisory Panel on Medicare Education, the Board of Directors of the National Academy of Social Insurance, and numerous other commissions and advisory groups.

He has been honored with the Award for Professional Excellence from the Society for Human Resource Management, the Plan Sponsor Lifetime Achievement Award and the Keystone Award of World at Work. Dallas was a delegate to the 1998, 2002, and 2006 National Summits on Retirement Savings and to the 2005 White House Conference on Aging. Dallas accepted a National Emmy Award for Savingsman® and the ChoosetoSave®org public education program.

Dallas has written and lectured extensively on economic security topics. His most recent books are: *Retirement Security in the United States: Current Sources, Future Prospects, and Likely Outcomes of Current Trends*, *The Future of Retirement Income in America*, *The Future of Social Insurance: Incremental Action or Fundamental Reform?*, *IRA and 401(k) Investing and Managing Money in Retirement*.

Dallas is interviewed regularly by all media, has appeared in all major media and on all major networks, specialty channels such as CNN, CNBC, MSNBC, Fox, Fox Business, and PBS, as well as radio and on-line networks and programs. *Plan Sponsor* magazine recognizes him as "one of fifteen legends"; *401(k) WIRE* as "one of the ten most influential"; and *Pension &*

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Investments as “one of the 30 who have made the most difference to retirement in America.” The PBS Lehrer News Hour did a feature piece on Dallas: “Dallas Salisbury takes Savingsman® to the nation.”

Prior to joining EBRI, Dallas held full-time positions with the Washington State Legislature, the U.S. Department of Justice, the Employee Benefits Security Administration of the U.S. Department of Labor, and the Pension Benefit Guaranty Corporation (PBGC).

Dallas holds a B.A. degree in finance from the University of Washington in Seattle, Washington, and an M.P.A. from the Maxwell School of Citizenship and Public Affairs at Syracuse University. Dallas grew up in Everett, Washington, and now resides in Washington, D.C.

Full Statement Information Sections Follow:

- I. American Savings Education Council**
- II. Financial Literacy Education Commission**
- III. FINRA Investor Education Foundation**
- IV. The Canadian Investor Education Fund**
- V. Financial Literacy and Retirement Planning**
- VI. 2009 Retirement Confidence Survey**
- VII. ING Direct Parents Financial Behavior Survey**
- VIII. Military Retirement Confidence Survey**
- IX. National Endowment for Financial Education**
- X. Financial Maturity Survey**

I. The American Savings Education Council

The American Savings Education Council (ASEC) (www.asec.org) is the primary vehicle through which EBRI (www.ebri.org) conducts its financial literacy initiative and efforts. ASEC was launched in 1995 through the joint efforts of the U.S. Department of Labor, U.S. Department of the Treasury, EBRI, and many other public and private organizations. ASEC's efforts are conducted through partnerships of individuals and organizations that encourage financial education, retirement plan sponsorship, and participant & beneficiary education for the entire population, regardless of age, employment status, etc.

Over the past decade and a half, ASEC has brought together public- and private-sector partners to share information on best practices and to collaborate on financial security initiatives such as:

- Partnering in the development of the federal government's *Savings Matters* campaign;
- Serving as a major resource for Congress as it drafted the SAVER Act of 1997 (Savings Are Vital to Everyone's Retirement), organizing the 1998 National Summit on Retirement Savings and actively participating in the 2002 and 2006 events;
- Helping the U.S. Securities & Exchange Commission develop the *Facts on Saving and Investing Campaign* in 1998 to encourage Americans to get the facts about how to achieve financial security;
- Working with the Social Security Administration on the *Save for Your Future*[®] national education campaign, launched in 2003, that promoted use of the Social Security Statement;
- Acting as the lead resources organization for the 2005 White House Conference on Aging Mini-Summit on "Financial Literacy Throughout the Lifecycle."

ASEC benefits from the world class research of the Employee Benefit Research Institute, its parent, including the annual *Retirement Confidence Survey* (now in its 19th year) and the *Health Confidence Survey* (now in its 12th year), and access to analysis from the world's largest database on 401(k) plan participants. Our Ballpark E\$timate[®] retirement

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planning worksheet and calculator is used by consumers daily and through partnerships with the Internal Revenue Service, the Social Security Administration, the Office of Personnel Management, and other organizations. ASEC is a major force in directing state & federal government and media attention onto the need for financial education, savings, and retirement planning through its research and programs.

ASEC Programs & Survey Research

Survey Research:

Retirement Confidence Survey

On April 14, 2009, ASEC, EBRI, and Mathew Greenwald & Associates released the results of the 19th annual Retirement Confidence Survey (RCS). The RCS is the country's most established and comprehensive study of the attitudes and behavior of American workers and retirees towards all aspects of saving, retirement planning, and long-term financial security.

The RCS data highlights the need for financial literacy. Note the following statistics:

- In 2009, 69 percent of workers say they are very or somewhat confident that they and their spouse are doing a good job in financially preparing for retirement. Yet...
- Forty-eight percent report that the statement, "I enjoy financial planning" applies well or very well to them.
- Twenty-one percent report that the statement, "I think preparing for retirement takes too much time and effort" applies well or very well to them.
- In 2009, 44 percent of workers reported they did a retirement needs calculation.
- In 2009, among workers who did a retirement needs calculation: 14 percent reported they guessed at the amount they would need, 46 percent did their own estimate, 33 percent asked a financial advisor, 9 percent read or heard how much is needed, 16 percent used an on-line calculator, and 11 percent filled out a worksheet or form.
- Among all workers in 2009, 47 percent reported they will need less than \$500,000 in total savings to live comfortably in retirement.

Over the years, a number of sub-set surveys have been conducted using the RCS and applied to specific groups. These include:

- Iowa RCS: 1999.
- Florida RCS: 2003.
- Texas RCS: 2003.
- Minority RCS in which an oversampling of African-Americans, Asian-Americans, and Hispanics were surveyed: 1998, 1999, 2001, 2003, 2007.
- Women RCS: 1998–2000.
- Small Employer Retirement Survey: 1998–2003.
- Military RCS: 2008.

Preparing for Their Future: A Look at the Financial State of Gen X and Gen Y

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There is no doubt that in today's political, social and economic climate, young Americans are faced with new challenges. Among the key issues are earlier access to credit, rising costs of higher education, upward inflationary pressures, rising health care costs, increasing life expectancies, movement away from defined benefit to defined contribution retirement plans, and rapidly changing technology. These 20- and 30-somethings, encompassing both Generation X and Generation Y, are employing a myriad of new approaches to their professional, financial, and family lives that will inevitably have far-reaching consequences for how they manage their finances and prepare for their long-term financial security.

In recognition of these issues, American Savings Education Council (ASEC) and AARP (on behalf of Divided We Fail) commissioned Mathew Greenwald & Associates to conduct a survey with members of these younger generations to profile and better understand their current and future financial state. This base line understanding can be instrumental in helping these generations attain greater financial security as they age.

One striking finding of this research is that many young adults have yet to align their actions with their financial values and goals. These young adults feel that they should be saving more, both in general and specifically for retirement. For example, they place high importance on workplace benefits, especially health insurance and retirement savings plans. Overwhelmingly, however, the majority believe they are not currently saving as much as they should. People in these younger generations tend to feel that assuming adult responsibilities, like purchasing a home and supporting a family, is more difficult for them than it was for prior generations. Nevertheless, there is a strong positive outlook, with a tendency to believe, especially among the younger Generation Y, that they will eventually achieve financial security. Their optimism is not unfounded: The data suggest that likelihood of saving for retirement increases with age and financial literacy improves with experience. Clearly, these young people recognize what they should be doing; the challenge ahead of them is putting these values into action.

In addition, our earlier *Youth and Money* and *Parents, Youth and Money* surveys underlined the influence of parents on their children's money knowledge and savings and credit behavior. Thus, it is important for all generations to be money and credit smart.

Programs:

ASEC achieves its goals through several programs and initiatives which fall into two distinct categories: professional partnerships and outreach to the general public.

A) Professional Partnerships:

■ **Government Interagency Group**

The ASEC Government Interagency Group (GIG) was created in 1996 to facilitate coordination and open the lines of communication between our government partners. As administrations come and go and personnel turn over at the agencies, GIG provides a consistent meeting forum.

GIG meets three times per year and is convened jointly by ASEC and the Office of Personnel Management. Representatives from approximately 12 federal agencies have regularly participated in these meetings over the years. The meetings are informative, yet informal and serve as a highly effective information clearinghouse. GIG is a forum where agencies' representatives can speak freely to each other because the meeting is open to only federal agencies and ASEC staff.

We feel that three factors greatly contribute to the success and longevity of GIG:

- 1) A commitment by our partner organizations to attend the meetings — over time, attendees have gotten to know each other very well, have a real feel for what each organization can bring to the table (if someone cannot attend, a substitute is usually sent in their place), and work well together;
- 2) GIG is a trusted, non-threatening forum for information exchange — people are very comfortable sharing their ideas and opinions, asking for assistance/counsel, and providing materials and support to assist each other's events/initiatives; and
- 3) The group has provided effective time management—a lot of work can be accomplished in a short period of time (e.g., ASEC updates all the agencies about upcoming opportunities and events that we know about on the local, state, and national levels and agency representatives are quick to express an interest and often offer their assistance/input on a project).

GIG attendees leave the meetings knowing what all the other agencies are currently doing in the area of financial education. Those seeking assistance with a project usually come out with valuable contacts of people and agencies willing to immediately help. Overall, it is truly a win-win arrangement for everyone.

Please see Addendum A for a copy of the report from the last GIG meeting.

■ **ASEC Coalition:**

Coalition Partners:

The ASEC coalition consists of for-profit, nonprofit, and government entities. 14 organizations are paid partners, 61 are mission partners (consisting of non-profits and universities), and 22 are government partners.

ASEC Leadership Roles:

ASEC Chairman Dallas Salisbury serves on the Board of FINRA Investor Education Foundation. In this capacity, he makes funding decisions on financial literacy projects.

A founding member of the Jump\$tart Coalition for Personal Financial Literacy, ASEC holds a seat on their Board of Directors.

ASEC partners with the Consumer Federation of America's *America Saves* program to promote *America Saves Week* and *Military Saves Week*. See

subsection on America Saves Week for more information.

Partners Meeting:

ASEC conducts two partner meetings per year. Held in Washington, DC, these gatherings are designed to bring together representatives from a large variety of organizations, both public and private. The goal of each meeting is to network with each other and share information on financial literacy efforts, with an emphasis on effective best practices and how can other ASEC partners benefit from the experience. A detailed report is provided with the proceedings of the meeting and is circulated among the entire partnership so that ASEC partners who were not able to attend the meeting are kept informed. This enhances a positive feeling of community among the partnership.

Please see Addendums B and C for the agenda and attendees list from the Spring 2009 Partners Meeting, which was held on April 15, 2009.

Communication Conduit:

In addition, ASEC serves as the coalition facilitator. As ASEC staff learns of new initiatives, tools, studies, research, etc., an e-mail alert is sent to all partners. Partner feedback has re-emphasized that communication is the key to creating a sense of community. We have been informed that the e-mails are being forwarded beyond the immediate ASEC contacts, thus ensuring a greater reach of ASEC initiatives.

ASEC Web Site:

The Web site, www.asec.org, serves as a portal where ASEC partners come together to share information on events, resources, and best practices concerning financial literacy. Since mid-2005, the page was viewed over 734,446 times by more than 400,485 unique visitors.

■ **Retirement Summits:**

1998 National Summit on Retirement Savings:

The Summit represented an unusual public-private partnership. ASEC served as private-sector co-organizer of the Summit with the Department of Labor. The Department of Labor shared the direct costs of the Summit equally with ASEC, and major additional contributions of staff time were made by the American Society of Pension Actuaries and EBRI. An additional two dozen ASEC partners also provided Summit funding. Over 185 delegates attended the June 4-5 gathering.

Historic in many ways, the Summit was a truly bi-partisan effort to draw national attention to the need to build a secure financial foundation for our country's retirees. This was made abundantly clear during a keynote session attended by President Clinton, Vice President Gore, House Speaker Newt Gingrich, Senate Majority Leader Trent Lott, House Minority Leader Richard Gephardt, and other members of Congress. As Rep. Harris Fawell, the principal author of the Saver

Act, put it: “We were attacking problems not as Republicans or Democrats, but to say ‘What can I do to help?’”

Over the course of the Summit, delegates identified a number of barriers that individuals and employers face in saving for retirement. At the same time, delegates identified numerous meaningful steps that the government, employers, the media, community organizations, schools, and others can and should take to build a secure retirement for our nation’s workers. While there was extraordinary diversity in views on both the barriers to retirement security and the ways to address the problem, delegates repeatedly returned to the theme that retirement education will be a crucial element in any strategy to increase savings.

2000 Choose to Save[®] Forum:

The Choose to Save[®] Forum on Retirement Security and Personal Savings, held April 4-6, 2000, focused on the importance of increasing planning and saving for retirement.

The two principal topics covered in both plenary and breakout sessions were:

- 1) Increasing retirement planning and retirement program sponsorship and participation, and contributions at all income and age levels.
- 2) Minimizing the leakage of savings from the retirement system as more defined benefit and defined contribution plans pay lump sum distributions.

Forum participants addressed the importance of creating a national environment that encourages personal savings and investment for retirement, and focused attention on actions and “best practices” that companies and organizations could replicate and take on their own. Over 150 individuals from federal, state, and local governments; unions; trade, professional, education, and research associations; businesses; and tax exempt institutions participated in various breakout sessions. The three keynote speakers were Secretary of the Treasury Lawrence H. Summers, Representative Benjamin L. Cardin, and Representative Rob J. Portman.

2002 National Summit on Retirement Savings:

ASEC participated in and contributed funding for the Summit, which was held from February 27-March 1, 2002 in Washington, DC. The gathering successfully promoted the importance of saving for the future of every American.

Over 250 statutory and appointed delegates were brought together to form a bipartisan group with diverse expertise. Delegates represented state and local governments, professionals, and other individuals working in the fields of employee benefits and retirement savings, private sector institutions, employers, the general public, and members of Congress. The common goal of the Summit delegates was to seek ways to help all Americans retire with security and dignity.

The Summit's theme was "Saving for a Lifetime: Advancing Generational Prosperity." Participants partook in breakout sessions focusing on four specific generational groups: the Millennial Generation (individuals born from 1982 to present day), Generation X (1961-1981), the Baby Boom Generation (1943-1960), and the Silent Generation (1925-1942). They were challenged to develop action plans with compelling messages, approaches, and potential partners for implementing the action steps.

2006 National Summit on Retirement Savings:

ASEC participated in and contributed funding for the Summit, which was held from March 1-2, 2006 in Washington, DC.

The Summit brought together more than 200 statutory and appointed delegates as a nonpartisan group with diverse expertise. The delegates represented state and local governments, professionals working in the fields of employee benefits and retirement savings, private sector institutions, employers, the general public and members of Congress. The goal of the Summit was to explore ways to help all Americans retire with security and dignity.

Under the theme "Saving for Your Golden Years: Trends, Challenges and Opportunities," the Summit sought to educate and motivate people to develop their own personal retirement saving strategies. Delegates participated in breakout sessions focusing on four specific targeted groups: Low-Income Workers, Small-Business Employees, New Entrants to the Work-force and Workers Nearing Retirement. The delegates developed important recommendations to help individuals in each of these groups overcome obstacles and take advantage of opportunities to save for their futures.

2) Outreach to General Public:

■ **Choose to Save® Program**

Developed by EBRI and ASEC, Choose to Save® utilizes the power of the media to promote the idea that saving today is vital to a secure financial future.

Financial security is one of the most important issues for most Americans.

Whether it is putting kids through college, saving for an emergency, buying a house, or saving for retirement—having enough money for life's demands is among our biggest concerns. And yet, many Americans have not yet taken even the first steps toward a secure financial future.

As part of its mission, Choose to Save® develops user-friendly, multimedia materials to help individuals plan and save for their financial future, including:

- Public service announcements (PSAs) using humor, powerful images, and compelling information to encourage viewers and listeners to take charge of their financial future;
- Choosetosave.org—a Web site completely devoted to financial education.

The Emmy and Telly award-winning Choose to Save[®] national public education and outreach program is dedicated to rising awareness about the need to plan and save for long-term personal financial security.

■ **Choose to Save[®] Web Site:**¹

The Web site is the primary conduit for getting out information to the general public. It includes free savings tools such as:

- Ballpark E\$estimate retirement planning worksheet and interactive tool.
 - Please see sub-section below: “Ballpark E\$estimate[®] Worksheet”
- Many online calculators provided by ASEC partner organizations.
 - Over 704,768 individuals have utilized the online calculators more than 893,152 times since June 2005.
- 14 brochures giving readers valuable information on savings issues.
 - More than 88,331 visitors have accessed the brochures page of the Web site at least 102,850 times.
- Savings tips on a wide range of savings topics.
 - A minimum of 188,982 people have visited www.choosetosave.org/tips and viewed the helpful hints more than 254,128 times.
- Links to related resources arranged alphabetically and by subject category.
 - At least 96,930 visitors have utilized the resources page of the site, which consists of free partner tools such as calculators, brochures, quizzes, more than 114,894 times.

As our Web tracking results reveal, ASEC reaches millions of individuals, both in the United States and in 203 countries around the world, such as Canada, Germany, Japan, the United Kingdom, India, Australia, Iraq, Philippines, and South Korea. Since we began tracking visitors to our site in June 2005, we have recorded over 5.6 million visitors and slightly fewer than 114 million hits.

Many of the resources posted to the Choose to Save[®] site are provided by ASEC partners.

■ **Choose to Save[®] Public Service Announcements:**

CTS educational materials include radio and TV public service announcements (PSAs) in primetime. Although the program stresses the seriousness of the savings message, it uses humor and positive examples to help people overcome their reluctance to address financial issues. Through local and national partnerships, the PSAs now run on radio and television stations in hundreds of cities in all 50 states. In addition, CTS PSAs are shown on military bases and navy ships worldwide. Below is a listing of where our PSAs are being broadcast:

¹ Note: Tracking for the Choose to Save Web site began in June 2005. All statistics listed represent the total number of views, visits, hits, downloads, etc. to that particular aspect of the site between June 2005 and March 2009.

Television:

- Choose to Save[®] PSAs and long programming, such as *Mission Retirement*, are currently running on the Starfish Television Network, a nonprofit organization operated on the Dish Network, airing 24 hours a day of news, entertainment, documentaries, and other programming about giving and service. The only sources of its programming are nonprofits, charities, and other cause-driven organizations.
- National distribution of the TV PSAs is ongoing through the National Association of Broadcasters (NAB) and Associated Press Network.
- American Armed Forces TV Services have been updated with all of the Choose to Save[®] PSAs.

Radio:

- All of Choose to Save[®] television PSAs have been converted for use on radio and are available on NAB and the Associated Press Network radio feeds.
- American Armed Forces Radio Services have been updated with all of the Choose to Save[®] PSAs.

Internet:

- All of Choose to Save[®] PSAs are available through the PSA viewer on the Choose to Save[®] Web site.
- ASEC *Savingsman*[™] PSAs with the Military Saves' "Take the Saver Pledge" logo as an end slate are currently posted on the Military Saves Web site.
- Choose to Save[®] *Savingsman*[™] PSAs with the America Saves Week.org logo are currently posted on the America Saves Week.org Web site.
- All of the Choose to Save[®] PSAs are currently available on YouTube. Our account name is **ctpsas**.
- Washington State Department of Financial Institutions has created a YouTube page that includes the Choose to Save[®] PSAs and *Mission Retirement*.

Other Outlets:

- Choose to Save[®] *Savingsman*[™] PSAs with the Military Saves' "Take the Saver Pledge" logo as an end slate are currently available on all military bases and navy vessels around the world.
- The Washington State Department of Financial Institutions utilizes the PSAs for some of their financial literacy events across the state.
- Local Saver Campaigns solicited local television and radio stations to play the PSAs with the *America Saves Week* end slate during the *Week*.
- ASEC provides DVDs of our PSAs for the NAB Show in Las Vegas, NV, during NAB's annual convention, and many local broadcasters attending the show pick up the DVD of the PSAs for use on their TV and/or radio stations.

Tracking:

We are able to track the number of times the PSAs were viewed through YouTube and the Choose to Save[®] Web site.

- YouTube:
 - All of the Choose to Save[®] PSAs are posted to our account (www.youtube.com/ctspas). Of the 92 posted, there are:
 - 8-10 second PSAs
 - 20-15 second PSAs
 - 3-20 second PSAs
 - 49-30 second PSAs
 - 7-60 second PSAs
 - 5-5 min segments of the educational program *Mission Retirement*
 - Over 725 individuals have viewed the 92 PSAs more than 3,501 times since the videos were posted last year.
- Choose to Save[®] PSA Player:
 - All of the aforementioned PSAs are posted to the PSA player, as are educational segments *Mission Retirement*, *The Savings Game*, *Happily Ever After*, in addition to recent news segments featuring ASEC Chairman Dallas Salisbury on PBS' NewsHour.
 - Over 58,770 individuals have viewed the PSAs more than 65,752 times since tracking began in mid-2005.

■ **Ballpark E\$imate[®] Worksheet:**

The Ballpark E\$imate[®] comes in two formats, 1) an easy-to-use, two-page worksheet, and 2) an on-line interactive worksheet. Both help you quickly identify approximately how much you need to save to fund a comfortable retirement. The Ballpark E\$imate[®] takes complicated issues like projected Social Security benefits and earnings assumptions on savings, and turns them into language and mathematics that are easy to understand.

The *Ballpark E\$imate[®]* continues to be a popular tool for retirement planning. Below are some of the tool's latest uses:

- Idaho Public Employees Retirement System (IPERS) asked ASEC in Fall 2008 for permission to reprint the *Ballpark E\$imate[®]* for use during their workshops. IPERS serves over 100,000 participants.
- Jean Chatzky's new book, *The Difference: How Anyone Can Prosper Even in the Toughest Times*, will feature the *Ballpark E\$imate[®]*.
- FC&A Publishing is recommending the *Ballpark E\$imate[®]* to their readers in an upcoming book, *Retiring Well on a Poor Man's Budget*. The book will have an initial print run of 50,000 copies. Readers who do not have access to a computer can order a hard copy of the *Ballpark E\$imate[®]* by sending a self-addressed stamped envelope to EBRI.
- The International Foundation for Retirement Education requested permission to reprint the *Ballpark E\$imate[®]* as part of a tool kit for retirement professionals.

- Cemex, a Mexican cement manufacturing company, requested permission to use the *Ballpark E\$imate*[®] in a financial literacy initiative the company is undertaking with their 12,000 employees.
- *Ballpark E\$imate*[®] was mentioned in a CFP Board Newsletter article on *America Saves Week*.
- *Ballpark E\$imate*[®] was mentioned in an article in Social Security's *Social Security Update* during *America Saves Week*.

Since mid-2005 over 1.6 million individuals have completed the interactive worksheet, while almost 200,000 have downloaded the print version from our Web site. Additionally, more than 9,735 Hispanics have downloaded the Spanish *Ballpark E\$imate*[®].

In 2007, ASEC developed, for the U.S. Office of Personnel Management, a version of the *Ballpark E\$imate*[®] for federal government employees. For October 1, 2007 through September 30, 2008, the number of views for the Federal *Ballpark E\$imate*[®] on OPM's web site was 225,680 and the number of visits was 179,224.

■ **New Media:**

ASEC provides information to the general public through use of new media technologies such as Twitter (ChoosetoSave), Facebook (Choose to Save fan page), and YouTube (ctspas). It is too soon to know any tracking statistics for these applications (other than aforementioned the YouTube figures). However, at the moment we have over 115 followers on Twitter and more than 30 fans on Facebook. As we have only been on these two new media tools for a little more than a month, this is excellent progress. We hope to not only "teach old dogs new tricks" but to educate the young professionals and teenagers on the importance of saving for a secure financial future. The promotion of sound financial planning will be utilized through both Choose to Save[®] and ASEC partner resources and tools.

■ **America Saves Week:**

America Saves Week is a social marketing tool designed to promote a savings message to encourage individuals to take informed action to *Build Wealth, Not Debt*. The long-term goal is to join together thousands of employers, financial institutions, government leaders, nonprofit networks, and other organizations to use the *Week* to persuade tens of millions of Americans to save and build wealth more effectively. This "fiscal fitness" will range from paying off high-cost debt, to ensuring adequate emergency savings, to accumulating home equity, to saving for retirement.

ASEC's role in America Saves Week

- ASEC works as a coordinator, partnering with the Consumer Federal of America's America Saves Program. ASEC works to get the partners of the

ASEC coalition as well as members of EBRI to participate in the week. In 2009, 55 ASEC partners and EBRI members participated in the Week and in 2008, 52 ASEC partners and EBRI members participated in the Week.

- ASEC Chairman Dallas Salisbury appeared on Ric Edelman's and Jean Chatzky's radio programs promoting the Week and a savings message. The shows are broadcast in all of the top 20 metropolitan areas of the United States and on the Oprah Network.
- Eighteen of ASEC's PSAs have been modified with an endslate which promotes the Week.

America Saves Week 2008

Over the course of America Saves Week, conducted Feb. 24 – March 2, 2008:

- More than 600 hundred organizations, agencies, financial institutions, non-profits and companies participated by reaching out to employees, customers, members or the general public;
- Over 75,000 people attended over 1,800 events;
- Over 25,000 enrolled as "Savers" through America Saves or affiliated local Saves campaigns, or took the Military Saves Pledge;
- Over half a million people saw information about America Saves Week on the web;
- Millions were reached through press in major markets including Washington, DC, New York City, Los Angeles, Chicago, Phoenix, Miami, among many others;
- A new website, www.AmericaSavesWeek.org, provided info and advice to individuals and organizations; and,
- Saves Week was recognized with a resolution in the U.S. House of Representatives, sponsored by Congresswoman Stephanie Tubbs Jones (D-OH), proclamations by the Governors of Tennessee and Washington, and other county and mayoral proclamations and statements of support.

America Saves Week 2009

In 2009, nearly 650 national, state, and local organizations participated in the Week. From January 1, 2009 through March 25, 2009, over 27,000 individuals enrolled as a "Saver" in the America Saves Campaign. We are still compiling data from the participating organizations. We do have results from 20 percent of the participating organizations. These preliminary results include:

Total Audience Reach

The following is the number of individuals reached through various media. These numbers will be revised upward as we get results from more participating organizations.

- Marketing posters, flyers, etc -- 10,706,451
- Web sites -- 4,520,858
- Postal mail -- 46,055
- Emails -- 358,514
- Ads, PSA, media appearances -- 15,380,393

- Tax site outreach — 17,746
- Events — 67,009

Support of Elected Officials

- Representative Ruben Hinojosa (D-TX) introduced a resolution (H. Res. 180) of support of America Saves Week. The Resolution was passed by the House on February 25th.
- Proclamations were issued from the governors of Colorado, Kentucky, North Dakota, and Washington.
- A resolution was introduced in the New Jersey legislature in support of the Week.

Local Efforts:

ASEC supports financial literacy effort at the state and local level. Two examples are the State of Washington and the City of Houston.

◦ *State of Washington*

Washington State is very active in promoting financial literacy throughout the state throughout the year. These efforts are conducted in partnerships. Some of the organizations involved in these efforts are: Governor Chris Gregoire, Washington State Department of Financial Institutions, Washington State Department of Retirement Services, Washington Society of CPAs, Jump \$tart Washington, and Consumer University to name just a few. There are many more organizations at the state, local, and national level working to promote financial literacy throughout the state of Washington.

ASEC's role in Washington is a support role. ASEC materials such as the *Ballpark E\$timate*[®], PSAs, and brochures are used by various organizations at their events. For Washington Saves Week 2008, Washington Society of CPAs conducted an essay contest in the schools of Washington. Students were to write a 500 word essay on a personal experience with saving. The winners were given savings bonds. The savings bonds were donated by ASEC. ASEC provides contacts for additional resources. For example, in 2008, Washington Society of CPAs conducted an essay contest in Tacoma, WA. ASEC provided the connection with Bank of America who donated the savings bonds for that contests winner.

◦ *City of Houston*

“Money Week Houston” is a financial education and public awareness campaign scheduled for April 19-25, 2009. Money Week Houston is designed to help consumers better manage their personal finances. This is achieved through the collaboration and coordinated effort of hundreds of organizations across Houston and surrounding areas including businesses, financial institutions, schools, libraries, not-for-profits, faith based organizations, government agencies, and the media.

ASEC's role with Money Week Houston is primarily as a source of contacts. ASEC partners participate in Money Week Houston's events such as American Institute of Certified Public Accountants, Federal Reserve Board, Military Saves, Principal Financial Group, Society for Human Resource Management, and the Social Security Administration.

To learn more about Money Week Houston, please visit their Web site www.moneyweekhouston.org

o Financial Literacy Fairs:

ASEC staff participates in financial fairs in the Washington, DC metro area. Some of these fairs are provided by federal government agencies for their staff and some are events that are not focused on financial literacy but are gatherings of large amounts of people, such as Taste of DC. These fairs give ASEC staff the invaluable experience of interacting with the public, the end user of the financial information produced by ASEC and the coalition partners. ASEC staff has participated in fairs at the following locations:

- U.S. Department of Labor
- U.S. Department of Transportation
- U.S. Department of Health and Human Services
- Financial Literacy Day on the Hill
- Taste of DC
- NBC 4 Health and Financial Fair

At these events ASEC staff speaks with 150 to 500 individuals, depending on the length of the event; some events are held on more than one day. All of the fairs listed above are annual or semi-annual events that ASEC gets invited back.

II. Financial Literacy and Education Commission (FLEC)

As stated on the FLEC home page:

The Financial Literacy and Education Commission (the Commission) was established under Title V, the Financial Literacy and Education Improvement Act, which was part of the Fair and Accurate Credit Transactions (FACT) Act of 2003, to improve financial literacy and education of persons in the United States. The FACT Act named the Secretary of the Treasury as head of the Commission and mandated the Commission include 19 other federal agencies and bureaus. The Commission coordinates the financial education efforts throughout the federal government, supports the promotion of financial literacy by the private sector while also encouraging the synchronization of efforts between the public and private sectors.

FLEC sought to improve financial education through the *National Strategy for Financial Literacy: Taking Ownership of the Future* initiative. The following were FLEC's stated goals and accomplishments from the implementation of the strategy:²

1. General Savings

Goal:

In the first quarter of 2006, the Treasury Department will partner with a non-profit organization to develop and implement a PSA on the benefits of lifetime savings and the savings resources available on the Financial Literacy and Education Commission's Web site, MyMoney.gov

Evaluation:

Goal was met, as Treasury partnered with ASEC to release the aforementioned PSA.

Recommendation:

Resurrect the mymoney.gov PSA for airing nationwide, as Americans are looking for available, helpful resources to guide them as they improve their financial journey during these difficult times.

2. Homeownership

Goal:

Between the second quarter of 2006 and the second quarter of 2007, the U.S. Department of Housing and Urban Development will join with the Treasury Department to host a series of meetings highlighting the work of successful partnerships that have advanced homeownership.

Evaluation:

Two roundtables were held (one in July 2006 the other in June 2007) but no results of those roundtables are available, only an agenda.

Recommendation:

Post results of the roundtable to the FLEC Web site, below the agenda, so the results are available to the public. As the housing situation has changed significantly in the two years since the last roundtable, a follow-up roundtable should be held to address how the economic crisis has impacted homeownership, especially given developments concerning mortgages and other outlets.

3. Unbanked

Goal:

Between the second quarter of 2006 and the third quarter of 2007, the U.S. Department of the Treasury, along with the Federal Deposit Insurance Corporation, the National Credit Union Administration, and the Office of the

² The wording of the listed goals comes directly from FLEC's Web site.

Comptroller of the Currency, will host a series of four regional conferences to share best practices on banking of the unbanked. The conferences will bring together community-based organizations, financial service providers, and Federal, state, and local regulators to broker partnerships and discuss the latest developments and strategies in bringing people into the financial mainstream.

Evaluation:

Four regional conferences were held. Most of the presentations from the four conferences are available on the Office of the Comptroller of the Currency's Web site. However, recommendations and a report summarizing the conferences' findings are not posted to the site.

Recommendation:

Post the summary and recommendations to the Web site as well, as it will enable non-profits, government organizations, and other partners to access the resources to address the issue head-on. As Governor Schwarzenegger and President Clinton noted in their January 28, 2008 newspaper editorial, over \$40,000 will be spent by an unbanked, full-time worker, to change their paycheck into cash. These individuals need to be reached so that they can open a bank account and start to make good financial decisions.

4. Multilingual/Multicultural Populations

Goal:

Between the fourth quarter of 2006 and the fourth quarter of 2007, the Treasury Department will host a series of roundtables on financial education topics of special concern to specific communities. The goal of each roundtable will be to raise awareness of the important financial education topics within the specific community highlighted.

Evaluation:

Four roundtables were held focusing on African-Americans, Asian/Pacific Islanders, Hispanics, and Native Americans. The agenda and a brochure promoting the African-American Roundtable are posted on FLEC's Web site, but no results from the roundtables have been made public on the domain.

Recommendation:

Again, posting the results of these conferences will enable financial education institutions to access helpful resources to be distributed to these groups, as well as evaluate current outreach efforts so that follow-up actions may be taken to assist each group.

5. Kindergarten – Postsecondary Financial Education

Goal:

In 2006, the U.S. Department of the Treasury will partner with the Department of Education to host a summit focused on integration of financial education into the core school curriculum. The group also will survey promising practices in

financial education and in teacher training in an effort to assist others who are starting or enhancing programs. This public meeting will bring together policymakers, educators, and other leaders in the fields of general education and financial literacy. Findings from this summit will be made available to educators and policymakers throughout the nation.

Evaluation:

A summit was held on this topic in February 2007. A request for comments on the state of financial literacy in the country was made in the Federal Registry; Choose to Save[®] submitted an evaluation and list of recommendations. The findings from this summit are currently being compiled and will be made available to the public.

In a more recent initiative, Treasury conducted that National Financial Literacy Challenge for high school students in May and November of 2008. The first challenge (May 2008) attracted 46,000 students and the second (November 2008) attracted 75,000 students. Results released in January 2009 revealed that 362 students received perfect or near-perfect scores.

Recommendation:

It is essential for financial literacy efforts to begin at the earliest stages in life. Since every child is required to and generally does attend school, elementary and secondary schools are one of the surest venues to provide all Americans with financial education. Age-appropriate and segmented financial curricula could include matters such as budget creation, compound interest, savings goal formation, cash versus credit, and long-term planning. Any education program designed for schoolchildren could have a companion "Parents Guide," designed to either inform the parents about what their child is learning in school or offer suggestions on how they can integrate these lessons into managing their own household finances. Children learn their financial habits from their parents and other adult role-models in their lives.

6. Coordination Efforts

Goal:

The Office of Personnel Management and the Treasury Department will partner to establish a network of state and local government officials to improve collaboration on financial education efforts among federal, state, and local levels. The first meeting of the network will be held by the third quarter of 2007.

Evaluation:

FLEC hosted two meetings of this network in April and October of 2007. No results of these meetings are available. One outcome from these meetings is the creation of the National Financial Education Network Database for State and Local Governments (<http://www.flecnationalnetwork.org/>). This Web site was

developed by the National Association of Government Defined Contribution Administrators (NAGDCA) in consultation with FLEC.

Recommendation:

Continue to ensure productive collaboration and communication between federal, state, and local governments to facilitate positive financial education efforts. The federal government and its agencies may want to change, but it is the state and local organizations that actually make the biggest difference in their communities.

7. International Perspective

Goal:

Between the third quarter of 2006 and the second quarter of 2007, the Treasury Department will host an international summit on financial education. To bring about this multi-national dialogue the Treasury Department will invite the central government authorities responsible for financial literacy in their respective nations to convene and discuss recent developments, innovative methods, and successful strategies for improving financial literacy in their home countries.

Evaluation:

In May of 2008, Department of the Treasury and OECD co-hosted the International Conference on Financial Education. FLEC's Web site posts the agenda but no additional content. However, a search on OECD's Web site reveals a detailed agenda with links to the speakers' presentations, a summary record of the two day conference, and conference video-casts.

Recommendation:

A link to the posted results on OECD's Web site should be included on FLEC's page. Follow-up to last year's conference would be ideal.

8. Academic Research and Program Evaluation

Goal:

The U.S. Department of the Treasury, along with the U.S. Department of Agriculture Cooperative State Research, Education, and Extension Service, will convene a symposium of researchers who specialize in financial education. The goal of the symposium is to raise awareness of existing academic research and to define questions that require additional analysis. The symposium will result in a white paper that will survey current financial education research and will also identify areas of potential future research.

Evaluation:

In October 2008, U.S. Department of the Treasury and U.S. Department of Agriculture convened a national research symposium. The results of this symposium are available on the FLEC Web site in a one-page document highlighting 10 research priorities, along with a longer, more detailed report.

Recommendation:

Begin to focus resources (time, attention, funds) on the aforementioned research priorities.

C. Recommendations for Improvements to FLEC**1. Improve communication efforts**

- *Make the information presented at the FLEC meetings available to the public.*
 - FLEC has a mixed record of making information available on the results of the meetings. Some information from the meetings is available on FLEC's Web site, some from other organizations' Web sites, and some is simply not available at all.
- *Increase communications beyond the meetings.*
 - As part of their mandate to 'encourage the synchronization of efforts between the public and private sectors,' FLEC could distribute a monthly electronic newsletter, create a blog space, and distribute information in e-mail alerts. Many organizations currently perform such functions; for example, the Office of the Comptroller of the Currency has an electronic newsletter on financial literacy, while ASEC sends out e-mail alerts to its partners on new initiatives, program updates, and research developments.

2. Make Financial Literacy a Priority

- *The current economy escalates the need for financial literacy in the United States.*
 - Americans need to change their actions by creating wealth, not debt, through savings efforts. The platform must be heightened and attention drawn to this issue.

3. Work Cooperatively with Other Government Agencies and Non-Profits

- *FLEC cannot work alone*
 - The bulk of the successes it has had are a result of working cooperatively with government agencies and non-profits, such as ASEC, to release financial literacy resources such as PSAs, surveys, brochures, and other helpful content.
- *ASEC and its partners would happily assist FLEC with any of their endeavors.*
 - Oftentimes the best work is a result of cooperative efforts on multiple levels between individuals and organizations with similar missions and passions. Working cooperatively is a way to divvy up responsibility and resources—and because each organization has its own contacts and networks, they are able to branch out and spread the word to an exponentially greater amount than if FLEC worked alone.

4. *Web site Improvements*

- *Improvements are needed to the FLEC site*³
 - As this testimony was compiled, it took quite a bit of effort to find documents related to FLEC's goals and past events—as the information was not on FLEC's site, but on other agencies' sites. Links to results from events, such as the International Conference on Financial Education, that are posted on other sites, should be included on FLEC's site so that interested parties do not have to browse the Internet for a while until they find the content for which they are looking.

III. The FINRA Investor Education Foundation

The FINRA Investor Education Foundation is the largest foundation in the U.S. dedicated to investor education. Its mission is to provide investors with high-quality, easily accessible information and tools to better understand the markets and the basic principles of saving and investing. To further this mission, the Foundation awards grants to fund educational programs and research aimed at segments of the investing public who could benefit from additional resources. To date, the Foundation has approved \$10.4 million in grants and an additional \$10.2 million in direct investor education programming.

Formerly known as the NASD Investor Education Foundation, the FINRA Investor Education Foundation is a nonprofit, 501(c)(4) organization established in December 2003 in response to both the current environment in the markets and a survey showing that investors still have fundamental questions and misunderstandings about important investment issues. In 2007, the Foundation's parent, NASD, consolidated with NYSE Member Regulation to form FINRA, the Financial Industry Regulatory Authority. At that time, the NASD Investor Education Foundation became the FINRA Investor Education Foundation—but its mission of serving investors remains the same.

FINRA and the FINRA Investor Education Foundation do not sell investment products, promote products or firms, or offer specific investment advice. For more information about the Foundation, please visit www.finrafoundation.org

³ Note: These recommendations refer to the FLEC site, not mymoney.gov

SaveAndInvest.org: A Financial Education Program for Military Personnel and Their Families

Financial preparedness is a key component of military readiness. Whether on-base or deployed overseas, it is crucial that military personnel have access to financial education information that will enable them to make prudent saving and investing decisions for themselves and their families.

**FINRA Investor Education Foundation
National Baseline Financial Capability Survey**

Primary Objectives

In consultation with the U.S. Treasury Department and the President's Advisory Council on Financial Literacy, the FINRA Investor Education Foundation is conducting a national and state-by-state survey of American adults' financial capability.

The primary survey working group is comprised of:

- Applied Research & Consulting
- Dartmouth College Economics Professor Annamaria Lusardi
- FINRA Investor Education Foundation
- U.S. Department of Treasury, Office of Financial Education
- Employee Benefit Research Institute (EBRI)
- American Institute of Certified Public Accountants (AICPA)
- University of Michigan Research Professor Robert Willis

The overarching research objectives are to:

1. Benchmark the distributions of key measures of financial capability
2. Evaluate how those key measures vary with underlying demographic, behavioral, attitudinal, and literacy characteristics

The key measures of financial capability are:

- "banked" status (i.e., having a checking and/or savings account)
- access to and participation in pension and/or retirement savings plans
- home ownership
- debt burden, with particular focus on mortgage and credit card debt
- insurance participation

The underlying demographic characteristics are standard (e.g., age, race and ethnicity, education, geography, marital status, income, occupational status).

The underlying behavioral characteristics cover a range of practices that might be positively or negatively correlated with financial capability:

- credit card payment habits
- saving and planning
- usage of expensive non-bank borrowing mechanisms
- decision influencers (e.g., usage of financial advisers)

The underlying attitudinal characteristics fall into two categories:

- personal engagement with financial matters (e.g., willingness to refinance, attention to rates and fees, keeping up with financial news)

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- self-perceptions (e.g., satisfaction with financial condition, appetite for risk, perception of one's own skills and financial knowledge)

The underlying literacy characteristics fall into 3 categories:

- ability to do financial calculations (e.g., compound interest)
- understanding of financial concepts (e.g., relationship between interest rates and bond prices)
- awareness of financial instruments (e.g., reverse mortgages, annuities)

IV. The Canadian Investor Education Fund

Investor Education Fund <http://www.investored.ca/about/Pages/default.aspx>

About Us

The Investor Education Fund helps people make effective use of financial information. The Investor Education Fund was established by the Ontario Securities Commission, the province's securities regulator, and is funded by OSC enforcement settlements. It operates separately from the OSC with its own Board of Directors.

Paul Bates, chair of the Board of Directors of the Investor Education Fund, discusses how both the Fund and the Ontario Securities Commission help investors. [Watch the video.](#) For more information about the Fund, please [contact us](#)

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ABOUT THE OSC

Find out more about the Ontario Securities Commission.

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V. Financial Literacy and Retirement Planning: New Evidence from the Rand American Life Panel

by Annamaria Lusardi and Olivia S. Mitchell

Abstract

The present paper introduces a new dataset, the Rand American Life Panel (ALP), which offers several appealing features for an analysis of financial literacy and retirement planning. It allows us to evaluate financial knowledge during workers' prime earning years when they are making key financial decisions, and it offers detailed financial literacy and retirement planning questions, permitting a finer assessment of respondents' financial literacy than heretofore feasible. We can also compare respondents' self-assessed financial knowledge levels with objective measures of financial literacy, and most valuably, we can investigate prior financial training which permits us to identify key causal links. By every measure, and in every sample we examine, financial literacy proves to be a key determinant of retirement planning. We also find that respondent literacy is higher when they were exposed to economics in school and to company-based financial education programs.

WP 2007-157

VI. 2009 Retirement Confidence Survey – EBRI Issue Brief no. 328, April 2009

(http://www.ebri.org/publications/ib/index.cfm?fa=ibDisp&content_id=4293)

Attitudes about financial planning:

- Over the long run – 10 to 20 years – you believe stocks in general will be a very good investment. In 2009, 17 percent of workers stated that described them well compared with 28 percent in 2000.
- You think anyone can have a comfortable retirement if they plan and save. In 2009, 24 percent of workers stated that described them well compared with 35 percent in 2000.
- Have you tried to calculate how much you will need to save for retirement? In 2009 44 percent of workers reported they have compared with 43 percent in 2007.
- Among workers who reported they did a retirement needs calculation the following are the reported methods used:
 - Guess – 14 percent
 - Did your own estimate – 46 percent
 - Ask a financial advisor – 33 percent
 - Read or heard how much is needed – 9 percent
 - Used an on-line calculator – 16 percent
 - Filled out a worksheet or form – 11 percent
 - Advice of friends/family – 1 percent
- How much do you think you will need to save for retirement? Among all workers percentage who reported they will need:
 - Less than \$250,000 – 28 percent

- \$250,000 - \$499,999 – 19 percent
- \$500,000 - \$999,999 – 23 percent
- \$1 million - \$1.49 million – 8 percent
- \$1.5 million - \$1.9 million – 3 percent
- \$2 million or more – 6 percent

VII. ING Direct Parents Financial Behavior Survey

Tough economic times have forced parents to cut back on their kid's savings while also reaching into their kid's pockets to pay daily household expenses, according to a new survey released by ING DIRECT. The new survey also showed while parents are tapping into their kid's savings accounts, they're more prepared to talk to their children about drugs and alcohol or sex and dating than money and finances.

According to the survey results, one in three parents (34 percent) have reduced the contributions they make to their children's savings, and nearly one in five (18 percent) parents who have savings set aside for their children have taken money from their children's savings to cover bills or pay off debt.

"It's clear that parents are struggling with their expenses during these difficult times, but tapping money put aside for their kids will only exacerbate a family's problems when it comes time to pay for college," said Arkadi Kuhlmann, President of ING DIRECT USA, the nation's largest direct bank. "Parents need to set an example by setting up an automatic savings plan. A 'set it and forget it' savings mentality makes it easy for parents to save, while teaching their children about the importance of putting some money aside for future needs."

Even as parents tap their children's savings accounts, many are not preparing for their children's financial future.

One in four (27 percent) parents with children under the age of 18 do not have any savings set aside for their children.

The number increases to one in three (33 percent) for parents in the 35 to 44 age bracket who typically have children approaching college age.

When it comes to speaking to children about finances:

- Two in five (39 percent) parents are more prepared to talk to their children about drugs and alcohol than money and finances.
- Nearly three in ten (27 percent) parents are more prepared to talk to their children about the birds and bees or dating than money and finances.

Although a large number of parents feel they are not prepared to talk about finances with their children, nearly all (94 percent) parents believe that they are primarily accountable for educating their children about the importance of money and responsible spending.

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However, the survey results showed that 96 percent of parents feel financial education should also be taught in school. Almost half (42 percent) of parents think schools should start teaching financial education before fifth grade, and eight in ten (82 percent) think it should happen before high school.

An advocate for greater financial education, ING DIRECT is committed to helping Americans understand the importance of savings at an early age and develop long-term, common sense savings practices.

The national online survey was conducted within the United States by Harris Interactive on behalf of ING DIRECT between April 6-8, 2009 among 2,123 adults age 18+, 535 of whom were parents of a child under 18 years old. No estimates of theoretical sampling error can be calculated; a full methodology is available.

VIII. Military RCS (sponsored by FINRA and fielded October–November 2008)

Approximately half of service members are very (11 percent) or somewhat (36 percent) confident that they will have enough money to live comfortably throughout their retirement years.

Calculating how much they will need in retirement:

Forty-three percent of service members report they and/or their spouse have tried to calculate how much money they will need to have saved by the time they retire so that they can live comfortably, which is in line with the general population (44 percent of 2008 RCS workers).

- 39 percent of service members (vs. 19 percent of workers in general) calculated their own estimate.
- 24 percent of service members (vs. 7 percent of workers) report using an on-line calculator to predict how much they will need to accumulate for retirement.
- Only 33 percent of service members (vs. 49 percent of workers) simply guess at how much they will need to accumulate.

Service members are more likely than workers overall to provide a realistic response when asked how much money they will need to accumulate for a comfortable retirement. Only 10 percent cite an amount under \$250,000, while 32 percent expect to need \$1 million or more.

Knowledge of Thrift Savings Plan:

While a large majority of service members are aware of the military pension (86 percent) and what it takes to qualify for it (94 percent of those aware), knowledge of the Thrift Savings Plan (TSP) is lower:

- 22 percent of respondents state that they did know that the military offers them a retirement savings plan that allows them to make contributions to an individual account set up in their name.
- 60 percent of those aware of the plan contribute to it.

The large majority of service members who participate in the TSP state that a personal decision led them to begin contributing to the plan (68 percent).

Education also clearly plays a role in convincing service members to contribute:

- One-quarter (26 percent) say that a finance briefing given by military financial educators encouraged them to participate.
- Furthermore, advice from superiors (16 percent) and peers (14 percent) also leads service members to participate.

Sources of Education and Advice:

Not only are service members more likely to use the advice of a financial professional when making decisions about their retirement savings and investments (68 percent), they are also more likely to consider this source of guidance to be most helpful (37 percent).

	<u>Use</u>	<u>Most Helpful</u>
The advice of a financial professional	68%	37%
Information from the Thrift Savings Plan (TSP), such as benefit statements, other written materials, or the TSP Web site	62%	10
The advice of family, friends, or co-workers	59%	12
An objective financial education website	54%	12
Information from the media, such as newspapers, magazines, television or radio	48%	5
Military financial educator or military Personal Financial Manager (PFM)	41%	11
Online professional investment advice services	34%	3
Information from seminars	32%	3

IX. The National Endowment for Financial Education® (NEFE®)

The only independent private, nonprofit, national foundation wholly dedicated to improving the financial well-being of all Americans.

Mission

The mission of the National Endowment for Financial Education is to help individual Americans acquire the knowledge and skills necessary to take control of their financial destiny. NEFE's mission is grounded in the belief that regardless of background or income level, financially informed individuals are better able to:

- Take control of their circumstances,
- Improve their quality of life, and
- Ensure a stable future for themselves and their families.

Guiding Principles

NEFE's guiding principles are stated in eight initiatives.

These initiatives:

- Describe how NEFE achieves its mission, and
- Outline the goals and standards that guide the foundation's activities.

Every project or program undertaken by NEFE must fit within the scope of at least one initiative.

NEFE accomplishes its mission primarily by partnering with other organizations to:

- Provide practical, reliable, and unbiased financial education to members of the public.
- Accomplish research in the field of financial literacy education.
- Create demand for financial education.

NEFE's activities place special emphasis on those who face financial challenges that are not being addressed by others. Among our target audiences are:

- Youth,
- Low-income individuals and families, and
- People in difficult or unusual life circumstances.

NEFE's partnerships and the foundation's own efforts result in a wide range of free and low-cost activities and materials, including:

- Resources for consumers.
- Materials for educators and facilitators.
- NEFE High School Financial Planning Program®
- Joint efforts with numerous nonprofit, for-profit, and government entities to develop financial literacy resources for specific audiences.
- Research, conferences, and think tanks on a variety of financial literacy topics.
- Grant awards to organizations and academic institutions whose work can contribute to the field of financial literacy.
- Pro bono financial assistance to individuals who cannot afford a financial advisor or who are facing an immediate or unusual financial need.
- Resources for the press.

New activities are covered in each issue of the foundation's newsletter, NEFE Digest, and in the New at NEFE section.

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Organizational Structure

The National Endowment for Financial Education is a nonprofit 501(c)(3) foundation governed by a volunteer Board of Trustees and led by president and CEO Ted Beck. A staff of fewer than 25 individuals guides NEFE's public-service work at its headquarters in Greenwood Village, Colorado. To learn more, visit the History section of this Web site.

NEFE organizes its activities **into four action areas**, which flow from the foundation's mission and initiatives.

NEFE defines its action areas as:

- **Education Programs.** Although not restricted to a particular age group, the Education Programs area has been oriented primarily to providing financial planning information to youth, including NEFE's longest-standing public service effort, the NEFE High School Financial Planning Program® (HSFPP).
- **Strategic Programs and Alliances.** This action area works to help Americans improve the quality of their lives through financial education provided in cooperation with other nonprofit organizations and foundations, and occasional corporate sponsors.
- **Multimedia Access.** This action area represents NEFE's commitment to sharing its expertise in financial planning education with all those who might benefit from it, including consumers, educators, and the media.
- **Innovative Thinking.** The goal of this action area is to inspire creative ideas and new perspectives on personal finance, to communicate them broadly, and to assist in their actualization where appropriate. This action area supports fellowships programs, grantmaking, and research and strategic activities.

NEFE has worked innovatively on the issue of spending in retirement. It established a one of a kind website, www.decumlation.org which has a white paper link: <http://www.nefe.org/LinkClick.aspx?fileticket=sTqM6emZXg1%3d&tabid=529> with recommendations on financial literacy in this critical life stage.

The think tank on decumulation produced graphics that make clear how complex a topic this all is for the individual.



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Teachers' Background and Capacity to Teach Personal Finance: Results of a National Study; Final Report.

Information on each the three grant projects can be found further down in this email.

University of Arizona: Arizona Pathways to Life Success for University Students (APLUS)

Many college graduates will enter young adulthood poised for success. Some may stumble at first, and still others will fall. What sets them on different pathways?

To answer this question, University of Arizona started a landmark longitudinal research study to look at the connections between financial success and well-being in a diverse group of first-year college students: *Arizona Pathways to Life Success for University Students* (APLUS).

APLUS examines the factors that help shape students' financial attitudes and behaviors and, in turn, how those attitudes and behaviors affect their current and future success in life. Using data from 2,000 students, this report summarizes our findings to date regarding how students spend their time and money, financial literacy and practices, debt management and well-being.

Read more of the [Executive Summary](#) or the [final report of the study](#).

If you would like the APLUS final report mailed to you for future reference, please let me know.

NEFE Symposium: Financial Realities of Young Adults: Building a Financial Education Framework that is Relevant and Accessible

From November 12-14, 2008, NEFE brought together an eclectic mix of financial education leaders and young adult experts. The event drew attention to the financial realities of the nation's young people between the ages of 18-34 and challenged participants to re-think financial education assumptions, messages, media, and attitudes about today's young people transitioning to adulthood.

The gathering included presentations and panel discussions devoted to the developmental, economic, social, and political jungle transitioning adults must navigate as they pursue their futures in a world that is much different from that of their parents or grandparents.

Dr. Jeffrey Arnett, known for defining the term "emerging adulthood" in several books and articles, provided his insight and analysis of this audience by presenting his research. [Click here to access a summary of his presentation & presentation materials](#). Michael Townsend presented Charles Schwab & Company's research on Generations X & Y from the perspective of financial marketing. Research findings showed 45 percent of Gen X & Y think they have too much debt to save and 35 percent think they will be in debt forever. Schwab has used this research to shape their outreach, and retirement tools

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and information to better fit the needs of young adults. [Click here to access a summary of his presentation and presentation materials.](#)

Sessions were salted with [videos from focus groups](#) NEFE conducted earlier in the fall to “put a face” on the eroding safety nets, burdensome debt, and variety of financial decisions competing for the limited resources—both time and money—of the nation’s emerging households.

Lisa Greenwald, a Senior Research Associate at Mathew Greenwald & Associates, shared highlights of her firm’s extensive research as part of AARP’s “Divided We Fail” campaign. [Click here to access a summary of her presentation and presentation materials.](#)

[Way, Wendy; Holden, Karen; \(2008\). Teachers’ Background and Capacity to Teach Personal Finance: Results of a National Study; Final Report. Research funded by National Endowment for Financial Education® \(NEFE\)®.](#)

Background: As part of a national study Way and Holden analyzed responses from 504 K-12 in-service teachers and 627 pre-service teachers (e.g. young adults finishing college and taking their teaching practicum).

- While in-service teachers are more likely than is the average for US households to practice financial behaviors that are typically recommended to ensure financial security (Page 61), pre-service teachers were more likely than the average household to pay bills on time and pay credit cards in full each month, but less likely to practice other positive financial behaviors (page 84)
 - 44.1% of pre-service and 48.9% of in-service k-12 teachers were concerned about whether they would have enough for retirement. (pg 85)
 - The percentage of pre-service and K-12 teachers who expressed concern about retirement-related issues (e.g., knowing whether I will have enough money for retirement and understanding insurance options and costs during retirement) was surprisingly similar; this finding suggests students are future oriented and would welcome assistance in addressing personal financial issues using long-term as well as short term planning horizons. (page 86)

[Gutter, Michael; Eisen, Joseph; Way, Wendy L.\(2009—final report pending\). *Financial Management Practices of College Students from States with Varying Financial Education Mandates*. Research funded by National Endowment for Financial Education® \(NEFE\)®.](#)

Background: In advance of conducting a survey of more than 15,000 college students nationwide, Gutter analyzed the data set collected by Angela Lyons (circa 2005) comprised of 8,861 college students from two land grant universities who responded to survey questions about their credit card use and behaviors. To the extent that college students who demonstrate the riskiest credit card behaviors can be compared to the

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general population with similar risk factors, the findings may suggest that targeting the riskiest populations with relevant financial education programs may be appropriate.

Gutter found that although his analysis showed that most students were not financially at-risk, it did reveal that some subgroups are more prone to Financially Risky Behaviors (FRB) and could reduce financial risk by improving credit card behaviors. It also showed that having taken personal finance education is associated with less financially risky behavior. It follows that college students, and especially those engaging in FRB, would benefit from personal financial education. Much more needs to be learned, however, about the impact of personal financial education on college students' financial behavior, particularly in relation to other opportunities for and avenues of financial socialization. (page 10)

CashCourse

CashCourse is a financial education Web site directed at college students and recent grads. Key benefits of the program include:

- It is free of charge to universities and students.
- The program was created with significant practical input from students and universities.
- Signing up for the program is easy and efficient.
- Branding of the school can be integrated into the Web site through the school's logo, color scheme, and resources.
- Promotional materials are provided and can be customized (although schools using the materials cover the printing costs).
- Five workshop kits that cover key financial topics, and include PowerPoint presentations and facilitators guides.
- NEFE is committed to maintaining the Web site in the future.

Currently, over 260 colleges and universities across the country are enrolled in CashCourse. More information about this program can be found at www.CashCourse.org

X. Financial Maturity Survey (aka Preparing for their Future)

- Financial education *could* be targeted to occur when young Americans become “financially independent.” Financial independence occurs at a median age of 20. It tends to coincide with major life events like high school graduation (23%), college graduation (10%) or when taking a first job (24%).
- In January 2008, only 38% of Gen Xers and Yers reported having an “emergency savings fund” for unexpected expenses or in case of a job loss.
- 67% believe that they can rely on friends and family to help them financially if they are in a tough situation.
- Parents are the number one source of financial advice (70% say parents are a major or minor source of financial advice). 36% say parents are their *primary* source, compared, for example, to 20% who say a financial professional is their *primary* source and 16% who say the internet is their *primary* source of financial guidance.
- “Some of the questions designed to gauge financial literacy replicated questions used in the 2003 Financial Industry Regulatory Authority’s (FINRA’s) Investor Literacy survey, conducted among 1,086 investment decision-makers ages 21 to 69 who had completed at least one stock, bond, or mutual fund transaction within six months of participating in the survey. When comparing FINRA’s results to the findings of this study, it becomes clear that financial literacy increases with experience. The investors in FINRA’s study are significantly more likely than the young adults in this study to provide the correct response to each of these questions. In both studies, similar shares of respondents offer incorrect answers. However, for each of the five investment concepts tested, experienced investors are significantly less likely to say they are uncertain of the answer. This suggests that with more experience (i.e., having made a recent transaction and/or being the household investment decision-maker) comes greater investment knowledge. For the respondents in this study, theoretically, that means that with more experience their responses should change from “not sure” to correct.” – Pg. 50 of Financial Maturity report

Financial Literacy and Retirement Planning: A Literature Review

401(k) plan participants reveal a lack of investment understanding (John Hancock, 2002), and this lack of investment knowledge (leading to or investment mistakes) is more likely to appear among poorer and less-educated households (Campbell, 2006).

Financial knowledge and planning are interrelated (Lusardi and Mitchell, 2006). Lusardi and Mitchell (2006) found that people who displayed financial knowledge were more likely to plan for retirement, and those who did plan were more likely to rely on formal planning methods such as retirement calculators, retirement seminars, and financial experts, and less likely to rely on family/relatives or co-workers. The differences in planning behavior play an important role in explaining differences in savings and why some people have very little wealth in retirement (Ameriks, Caplin, Leahy, 2003; Lusardi and Mitchell, 2007).

Planning is shaped by past own personal experience as well as the experience of other individuals (Lusardi, 2003). In particular, unpleasant events, such as financial difficulties, can provide incentives toward for planning. Lusardi (2003) found that respondents who experienced those negative past shocks are much more likely to plan for retirement. She examined the responses to a question of “in the last 20 years there were any really large expenses or events that have made it very difficult to meet your financial goals” from the first wave (a representative sample of individuals born in the year from 1931–1941) of Health and Retirement Study. She also found that one could learn from the mistakes of others. Respondents are more likely to plan for retirement if the financial situation of sibling is worse than their current situation.

In sum, retirement planning is closely related to financial literacy and past negative events from own personal experience and/or observations of other people. Furthermore, past negative experiences may be interrelated with financial literacy. For example, past negative events might provide incentives for putting effort in trying to increasing financial knowledge by participating in retirement seminars in the workplace. Many studies (e.g., Bayer, Bernheim, and Scholz, 1996; Madrian and Shea, 2001; Clark et al., 2003) found demonstrated the positive effects of financial education programs on participants’ participation and contribution rates. Thus, many people experiencing the recent recession would be likely to plan for retirement and thereby increase savings for retirement.

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United States Government Accountability Office

GAO

Testimony

Before the Subcommittee on Oversight of
Government Management, the Federal
Workforce, and the District of Columbia,
Committee on Homeland Security and
Governmental Affairs, U.S. Senate

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**FINANCIAL LITERACY
AND EDUCATION
COMMISSION**

**Progress Made in Fostering
Partnerships, but National
Strategy Remains Largely
Descriptive Rather Than
Strategic**

Statement of Richard J. Hillman, Managing Director
Financial Markets and Community Investment



April 29, 2009

G A O
Accountability Integrity Reliability

Highlights

Highlights of GAO-09-638T, a testimony before the Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, Committee on Homeland Security and Governmental Affairs, U.S. Senate

Why GAO Did This Study

In 2003, the Financial Literacy and Education Improvement Act created the Financial Literacy and Education Commission, which comprises 20 federal agencies and which the Department of the Treasury's (Treasury) Office of Financial Education coordinates. Responding to a mandate in the act, GAO assessed the Commission's effectiveness and in December 2006 recommended that the Commission (1) incorporate additional elements into its national strategy to help it serve as a true implementation plan, measure results, and ensure accountability; (2) expand current efforts to cultivate sustainable partnerships with states, localities, nonprofits, and private entities; (3) obtain independent reviewers for the required assessments of overlap in federal activities and the availability and impact of federal materials; and (4) measure customer satisfaction with its Web site and test its usability.

This statement discusses the Commission's progress in implementing GAO's recommendations and key challenges the Commission faces. To address these objectives, GAO reviewed annual reports, meeting minutes, budget, and other information from the Commission, Treasury, and related entities, and interviewed selected representatives.

View GAO-09-638T or key components. For more information, contact Richard J. Hillman at 202-512-8678 or hillmanr@gao.gov.

FINANCIAL LITERACY AND EDUCATION COMMISSION

Progress Made in Fostering Partnerships, but National Strategy Remains Largely Descriptive Rather Than Strategic

What GAO Found

The Financial Literacy and Education Commission has addressed some of GAO's recommendations and not others:

- *The National Strategy remains largely descriptive.* GAO's 2006 report noted that the Commission's National Strategy for Financial Literacy largely was descriptive rather than strategic, generally did not include a plan for implementation, and only partially addressed or defined elements such as performance measures, resource needs, and roles and responsibilities. Revisions to the strategy made since GAO's last report include new "calls to action," but do not represent a fundamental shift in approach that incorporates specific recommendations on roles, funding, and activities. As a result, the document still does not serve as a true functional strategy.
- *Progress has been made in fostering partnerships.* The creation of the National Financial Education Network, which focuses on the state and local level, and the President's Advisory Council on Financial Literacy, which focuses on the private and nonprofit sectors, has been a positive step toward developing mutually beneficial partnerships that are sustainable over the long term.
- *Independent reviews have been partially initiated.* Treasury has enlisted a volunteer doctoral student to conduct independent reviews on overlap of federal activities and availability of financial literacy materials, but the student will not assess the impact of the materials, as called for in the act. Treasury staff told GAO that they used a volunteer because they lacked the funds to hire a paid professional.
- *Commission has measured customer satisfaction with its Web site, but has not yet tested usability.* Responding to GAO's recommendation, the Commission conducted a survey of users of its MyMoney.gov Web site, although only 144 surveys were completed. The Commission has not conducted usability testing, a recommended best practice for federal public Web sites, although it says it is looking into doing so later this year.

One challenge faced by the Commission has been limited resources. It has no independent budget and Congress has not provided funds targeted to the Commission since 2005, although the Commission is able to draw upon some financial and in-kind resources from its member agencies. For the past several years, Treasury's Office of Financial Education has had about five staff members to conduct its own and Commission activities. The Commission's multiagency governance structure offers benefits—such as the ability to address crosscutting issues—but also is inherently challenging because it involves coordinating 20 individual federal agencies, each with its own set of interests, resources, and constituencies.

Mr. Chairman and Members of the Subcommittee:

Thank you for the opportunity to be here today to provide an update on the status of recommendations we made in our 2006 report that assessed the effectiveness of the Financial Literacy and Education Commission (Commission). The Commission comprises 20 federal agencies and was created in 2003 by the Financial Literacy and Education Improvement Act, which charged it with improving financial literacy and education through the development of a national strategy to promote them.¹ The act mandated that we assess the effectiveness of the Commission and in December 2006 we issued a report that included recommendations to the Commission related to its national strategy, Web site, reviews of federal activities, and development of partnerships.²

Today I will discuss (1) the Commission's and the Department of the Treasury's (Treasury) progress in implementing recommendations that we made in our 2006 report and (2) challenges the Commission and Treasury's Office of Financial Education (OFE) face in carrying out their missions.

To prepare this testimony, we reviewed materials that the Commission published since our last review, including its annual reports to Congress, updates and additions to its national strategy, and recent data on the usage of its Web site and telephone hotline. We also gathered and reviewed budget and staffing information for OFE and reviewed contracts and materials related to the office's multimedia campaigns. We reviewed the annual report and meeting minutes of the President's Advisory Council on Financial Literacy and the Web site, agendas, and meeting minutes of the National Financial Education Network. Finally, we interviewed Treasury staff and representatives of the President's Advisory Council on Financial Literacy and the National Financial Education Network. We conducted our work from March 2009 through April 2009 in accordance with generally accepted government auditing standards. Those standards require that we

¹The Financial Literacy and Education Improvement Act was Title V of the Fair and Accurate Credit Transactions Act of 2003, Pub. L. No. 108-159, Title V, 117 Stat. 2003 (2003) (codified at 20 U.S.C. §§ 9701-08). Hereafter, this statement refers to this act as the "Financial Literacy Act."

²GAO, *Financial Literacy and Education Commission: Further Progress Needed to Ensure an Effective National Strategy*, GAO-07-100 (Washington, D.C.: Dec. 4, 2006). We also provided an update to this report in a 2007 testimony, *Financial Literacy and Education Commission: Further Progress Needed to Ensure an Effective National Strategy*, GAO-07-777T (Washington, D.C.: Apr. 30, 2007).

plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Financial literacy can be described as the ability to make informed judgments and to take effective actions regarding the current and future use and management of money. It includes the ability to understand financial choices, plan for the future, spend wisely, and manage the challenges associated with life events such as a job loss, saving for retirement, or paying for a child's education. Several reports we have issued in the past few years highlight the need for financial literacy in the United States. For example:

- Last month we reported that the number of private defined benefit pension plans has declined substantially over the past two decades.³ With more individuals being asked to take responsibility for saving for their own retirement, financial skills have become increasingly important in helping to ensure that retirees can enjoy a comfortable standard of living.
- Consumers' debt and investment options are increasingly numerous and complex and consumers have faced difficulty understanding the terms of mortgages and credit cards. For instance, interviews we conducted with 112 credit cardholders indicated that many failed to understand key aspects of their cards, including when they would be charged for late payments or what actions would cause issuers to raise rates.⁴
- Based on a survey of more than 1,500 consumers conducted for a 2005 report, we found that consumers understood the basics of credit reporting but were less aware of other important information, such as the impact of information contained in credit reports and how various behaviors impact credit scores.⁵

³GAO, *Defined Benefit Pensions: Survey Results of the Nation's Largest Private Defined Benefit Plan Sponsors*, GAO-09-291 (Washington, D.C.: Mar. 30, 2009).

⁴GAO, *Credit Cards: Increased Complexity in Rates and Fees Heightens Need for More Effective Disclosures to Consumers*, GAO-06-929 (Washington, D.C.: Sept. 12, 2006).

⁵GAO, *Credit Reporting Literacy: Consumers Understood the Basics but Could Benefit from Targeted Educational Efforts*, GAO-05-223 (Washington, D.C.: Mar. 16, 2005).

The Financial Literacy Act states that the Commission shall be composed of the Secretary of the Treasury and the heads of 19 other federal departments and agencies, and allows the President to appoint up to five additional members. The act requires the Commission to undertake certain activities, including (1) developing a national strategy to promote financial literacy and education for all Americans; (2) establishing a financial education Web site to provide information about federal financial literacy education programs and grants; (3) establishing a toll-free hotline; (4) identifying areas of overlap and duplication among federal activities and coordinating federal efforts to implement the national strategy; (5) assessing the availability, utilization, and impact of federal financial literacy and education materials; and (6) promoting partnerships among federal, state, and local governments, nonprofit organizations, and private enterprises. The act requires that the national strategy be reviewed and modified at least once a year. It also requires the Secretary of the Treasury to develop, implement, and pilot a national public service multimedia campaign to enhance the state of financial literacy and education in the United States. OFE provides primary support to the Commission and coordinates its efforts.

National Strategy Is Still Largely Descriptive, although the Commission Has Addressed Some Other GAO Recommendations

Our 2006 report assessing the effectiveness of the Commission made several recommendations. We recommended that the Secretary of the Treasury, in concert with other agency representatives of the Commission, (1) incorporate into the national strategy additional elements to help ensure accountability and more effective results; (2) consider ways to expand upon current efforts to cultivate sustainable partnerships with nonprofit and private entities; (3) provide that the review of duplication and overlap and the evaluation of federal materials are independent and do not rely solely on agencies' self-assessments; and (4) conduct usability testing of and measure satisfaction with the My Money Web site. The Commission has addressed some of GAO's recommendations and not others.

National Strategy Remains Largely Descriptive Rather Than Strategic

In 2006, we reported that the Commission's National Strategy for Financial Literacy was a useful first step in focusing attention on financial literacy but largely was descriptive rather than strategic. The strategy was comprehensive to the extent of discussing major issues and challenges in improving financial literacy and describing financial literacy initiatives in the government, nonprofit, and private sectors. However, its recommendations were presented as "calls to action" that generally did not include a plan for implementation, and the strategy only partially

addressed or defined elements such as performance measures, resource needs, and roles and responsibilities that help make national strategies effective.

Our report recommended that the Secretary of the Treasury and other agency representatives of the Commission incorporate into the national strategy (1) a concrete definition for financial literacy and education; (2) clear, specific goals, performance measures, and benchmarks; (3) the actions needed to accomplish these goals; (4) a description of the resources required; and (5) a discussion of appropriate roles and responsibilities for federal agencies and others. The Commission has implemented the first of these recommendations. In its April 2007 report to Congress, the Commission provided definitions for "financial literacy" and "financial education" to help guide the scope of its work.⁶ A Treasury official noted that other organizations, such as the President's Advisory Council on Financial Literacy, have begun to use these definitions as well.

However, to date the Commission has not incorporated the other elements we recommended. The Commission updates the strategy annually and provides the revisions as an addendum to its annual report to Congress. For the most part, these revisions have consisted of newly developed "calls to action" and have not represented a fundamental shift in approach that incorporates specific recommendations on roles, funding, and activities.

For example, in general the strategy still neither sets clear and specific goals and subordinate objectives for what it seeks to achieve, nor does it set priorities or performance measures for assessing progress. Without performance measures or other evaluation mechanisms, the strategy lacks a good means of measuring its progress and holding relevant players accountable. Similarly, while the strategy discusses in general terms the types of resources that are available from different sectors, it still does not address fundamental questions about the level and type of resources that are needed to implement the national strategy. No cost estimate is provided either for the strategy as a whole or for specific initiatives or

⁶The Commission defines financial literacy as "the ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial well-being" and defines financial education as "the process by which people improve their understanding of financial products, services, concepts, so they are empowered to make informed choices, avoid pitfalls, know where to go for help and take other actions to improve their present and long-term financial well-being."

activities. Without a clear description of resource needs, policymakers lack information helpful in allocating resources and directing the strategy's implementation. As a result of these factors, the National Strategy for Financial Literacy, while beneficial in some regards, still does not serve as a true functional "strategy"—a plan of action intended to achieve specifically stated goals.

**Progress Has Been Made
in Fostering Partnerships**

The Financial Literacy Act charged the Commission with promoting partnerships among federal agencies, state and local governments, nonprofit organizations, and private enterprises. In our 2006 report, we found that it had taken some helpful steps to promote partnerships, consisting mainly of outreach and publicity efforts, such as conducting speaking engagements and holding public meetings. To cultivate sustainable partnerships with nonprofit and private entities, in our 2006 report we recommended that the Commission consider additional ways that federal agencies could coordinate with private organizations that have wide networks of resources at the community level and facilitate the efforts of state and local governments to improve financial literacy.

**National Financial Education
Network**

In response to our recommendation, the Commission created in April 2007 the National Financial Education Network to facilitate and advance financial education at the state and local level. Network members currently include more than 30 state agencies—such as the Alabama Securities Commission, Texas Department of Banking, and Wisconsin Office of Financial Literacy—and five local government agencies, such as the New York City Department of Consumer Affairs and the Seattle Housing Authority. More than 15 national organizations also are members, including the National League of Cities and the North American Securities Administrators Association.

The network's efforts include the following:

- *Development of a Web-based database to share information across entities.* The National Financial Education Network Database for State and Local Governments (www.flecnationalnetwork.org) was developed by the National Association of Government Defined Contribution Administrators in consultation with the network. The site largely consists of financial literacy materials developed by network members and is intended for other network members as well as the general public.

-
- *Conferences to discuss ways of overcoming challenges.* The network has held two in-person meetings. The first such meeting, called the National Financial Education Network Summit, was held in Seattle, Washington, in October 2007 and hosted by three Washington-based organizations. It discussed common challenges facing financial literacy professionals. OFE hosted the second, which was held in Washington, D.C., in July 2008, and sought to develop recommendations for overcoming these challenges. Key topics included promoting financial education in the workplace, foreclosure prevention and asset preservation, and the advantages and disadvantages of mandating financial education in school curricula.
 - *Conducting conference calls.* The network has held quarterly conference calls, which usually include presentations by members and updates on the Web site database.

We believe that the Commission has taken a positive step in the creation of the National Financial Education Network. Our review indicates that the network has been a useful initial action to foster communication and collaboration among federal, state, and local entities that share the common goal of improving financial literacy. In particular, network representatives with whom we spoke felt that the network provided an opportunity for members to learn what other states and localities were doing and share best practices. At the same time, the National Financial Education Network is relatively new and remains a rather loosely structured enterprise. As the network progresses further, it could potentially benefit from a more structured approach. For example, representatives from two member organizations told us they believed the network could benefit from a clearer mission statement and membership criteria.

President's Advisory Council
on Financial Literacy

The President's Advisory Council on Financial Literacy was created by executive order in January 2008.⁷ The President and the Secretary of the Treasury tasked the council to work with the public and private sector to provide advice on ways to help increase financial education efforts for youths in school and for adults in the workplace, increase access to financial services, establish measures of national financial literacy, conduct research on financial knowledge, and help strengthen public and private-sector education programs. The council, which has a 2-year term, currently consists of 16 members who represent private corporations, nonprofit organizations, faith-based groups, state agencies, regulatory

⁷Exec. Order No. 13455, 73 Fed. Reg. 4445 (Jan. 22, 2008).

authorities, and academic institutions. During its first year, the council created five committees to focus on key areas of financial literacy: youth, the workplace, outreach, research, and underserved populations. The council receives some administrative support from OFE, although a council member and Treasury staff told us that most of the council's financial and administrative support has been provided by member organizations.

According to its 2008 annual report, the council implemented or began a number of initiatives in its first year, including the following:

- Partnered with the USA Freedom Corps (a White House initiative that seeks to foster a culture of citizenship, service, and responsibility) to create the President's Council Financial Literacy Corps, which provides a centralized resource for information on financial literacy volunteer opportunities;
- Collaborated with the U.S. Small Business Administration to establish the Office of Entrepreneurship Education, which provides entrepreneurial information and education, resources, and tools; and
- Hosted or participated in more than a dozen town hall meetings, roundtables, conferences and listening sessions, in which one or more council members met with local community, business, education, and nonprofit leaders to explore ways to enhance financial literacy in the community.

In addition, the council proposed recommendations for improving financial literacy, most of which were aimed at Congress or Treasury, and some of which were aimed at the private, nonprofit, academic, and state and local government sectors. The specific recommendations were organized around five general themes: (1) expanding and improving financial education for students from kindergarten through postsecondary education; (2) supporting the role of employers as providers and conduits of financial education to their employees; (3) increasing access to financial services for unbanked and underserved Americans; (4) identifying and promoting a standardized set of skills and behaviors that a financial

education program should teach an individual; and (5) promoting more awareness of financial literacy and dedicating more resources to it.⁸

The council's term expires in January 2010. Thus far it appears that the council's efforts have been productive and beneficial, particularly in helping to focus high-level attention on financial literacy among leaders in nongovernmental sectors and in facilitating strategic alliances among federal, private, and nonprofit enterprises.

**Commission Partially
Initiated Our
Recommendations for
Independent Reviews of
Federal Activities and
Materials**

In 2006, we reported that the Commission had helped coordinate federal financial literacy efforts by bringing together federal agencies on a regular basis and centralizing information from multiple agencies through its Web site and hotline, among other efforts. We also reported that the Commission asked federal agencies to provide information about their financial literacy activities in order to meet the Financial Literacy Act's requirement that the Commission identify and propose means of eliminating areas of overlap and duplication. Based on the agencies' responses, the Commission concluded that these efforts had minimal overlap and duplication. Similarly, to meet a requirement that it assess the availability, utilization, and impact of federal financial literacy materials, the Commission asked each agency to evaluate the effectiveness of its own materials and programs. The Commission reported that each agency deemed its programs and resources to be effective and worthy of continuance.

Because these processes in both cases lacked the benefit of assessment by a disinterested party, we recommended that the Secretary of the Treasury and the Commission provide for an independent third party to review duplication and overlap among federal activities and the availability, utilization, and impact of federal financial literacy materials. In response to these recommendations, the Commission stated in its April 2007 and April 2008 reports to Congress that it would identify an independent party to conduct assessments of both of these matters, with the first of the independent reviews to be completed in 2009.

In late 2008, Treasury signed a volunteer service agreement with a doctoral student whose field of study includes program evaluation to collect,

⁸Department of the Treasury, *President's Advisory Council on Financial Literacy: 2008 Annual Report to the President* (Washington, D.C., Jan. 6, 2009).

analyze, and report available data on the availability and duplication of financial education resources that Commission agencies offered. According to Treasury staff, the final report of the doctoral candidate, who is doing the project as an unpaid volunteer, is expected in May 2009. The purpose of the evaluation is to determine the availability and duplication of program resources provided by Commission agencies. The evaluation will not address the provision of the mandate that calls for an assessment of the "impact" of federal financial literacy materials. Treasury staff told us they are using a doctoral candidate as a volunteer because they lacked the funds to hire a paid professional. They also noted that the Commission must depend on federal agencies to self-report their activities because the Commission lacks the resources to gather this information independently. As a result of these factors, the Commission will lack the full benefits of a professional assessment by a disinterested party, which could help facilitate efforts to ensure the most efficient and effective use of federal financial literacy resources.

**Commission Measured
Customer Satisfaction with
Web Site, but Has Not Yet
Tested Its Usability**

The Financial Literacy Act required the Commission to establish and maintain a Web site to serve as a clearinghouse and provide a coordinated point of entry for information about federal financial literacy and education programs, grants, and materials. In October 2004, the Commission launched the My Money Web site (www.MyMoney.gov) in English- and Spanish- language versions. The site serves largely as a portal that consists of links to financial literacy and education Web sites that Commission member agencies maintain. From its inception through February 2009, the site received approximately 3,258,000 visits.⁹ Usage has been increasing somewhat—for example, the site received an average of about 84,000 visits per month for the 6-month period ending February 2009, as compared with about 69,000 and 61,000 visits per month, respectively, for the 6-month periods ending March 2007 and September 2006.

⁹A "visit" is defined as all the activity of one visitor to a Web site within a specified period, usually 30 minutes. Because federal government Web sites are generally prohibited from using "cookies" (small files stored on a visitor's computer that can contain identifying information about the visitor), the number of unique visitors to the My Money Web site cannot be counted. Thus, data on total number of visits do not represent the number of users who have visited the Web site because some users may visit the site multiple times. According to a General Services Administration official, because unique visitors cannot be counted, the best measure of the Web site's usage is number of visits.

In our 2006 report, we noted that the My Money site had not incorporated certain best practices recommended for federal public Web sites—such as measuring customer satisfaction and testing for usability—to ensure that visitors are able to find information efficiently and effectively. We recommended that the Secretary of the Treasury and the Commission have the Commission's Web site subcommittee (1) measure customer satisfaction, using whatever tools deemed appropriate, such as online surveys, focus groups, and e-mail feedback forms; and (2) conduct usability testing to measure the quality of users' experiences with the Commission's Web site.

In its April 2007 and April 2008 reports to Congress, the Commission said that it would implement these two recommendations by the second quarter of 2009. From mid-September through mid-December 2008, the Commission measured customer satisfaction by using a Web-based survey accessible through a link on MyMoney.gov. The survey included 16 questions, some of which asked about characteristics of the user, such as age, race, and gender, and some of which asked for the user's impressions, complaints, and suggestions about the site. Few users completed the survey—144 surveys were completed for the approximately 240,000 site visits occurring during the 3 months that the survey was available. Results of the survey are still in the process of being analyzed and Treasury staff say they will use the findings to help improve the Web site. Finally, the Commission has not implemented usability testing but, according to Treasury staff, is looking into implementing such a test later this year.

Other Communications Initiatives Are In Place

In addition to a Web site, the Financial Literacy Act also required that the Commission establish a toll-free telephone number for members of the public seeking information related to financial literacy. The Commission launched the hotline (1-888-MyMoney) in October 2004, and it serves as an order line for a free "tool kit" of publications. Usage of this hotline has been limited and does not appear to be increasing. According to data obtained from the General Services Administration (GSA), which administers the hotline, it received 513 calls in February 2009, as compared with 526 calls in March 2007, the last month for which we previously requested these data.

As part of the national strategy, the Financial Literacy Act also required the Secretary of the Treasury to develop, implement, and pilot a national

public service multimedia campaign to enhance financial literacy in the United States.¹⁰ In fiscal year 2005, the department obligated \$750,000 to support this campaign, and chose to focus on credit literacy among young adults.¹¹ The campaign was launched in September 2008 and has included television, radio, and Web banner advertising. It encourages young adults (ages 18-24) to develop better credit and spending habits and understand the consequences of developing bad credit. The campaign also features a new Web site, www.controlyourcredit.gov, where the audience can play an online game that emphasizes the importance of maintaining good credit. Elements of the public service announcements also are available in Spanish. The media have donated advertising time and space for the announcements through the Advertising Council.

In fiscal year 2008, an explanatory statement by the Chairman of the House Committee on Appropriations of the House of Representatives specified that OFE should spend at least \$200,000 for activities combating predatory lending and encouraging the use of mainstream financial services.¹² Some of this funding was used for personnel and travel costs, according to Treasury staff, but most of it went toward a \$155,000 contract that Treasury signed with a media agency in September 2008. The agency will conduct a media campaign through radio, print media, and text messages that is designed to help Americans understand various financial

¹⁰20 U.S.C. § 9707.

¹¹The Financial Literacy Act authorized to be appropriated \$3 million for the development, production, and distribution of the campaign for fiscal years 2004, 2005, and 2006. 20 U.S.C. § 9707(f). The conference report accompanying Treasury's fiscal year 2005, Departmental Offices, Salaries, and Expenses appropriation specified that \$1 million should be used to promote basic financial literacy and education. H.R. Conf. Rep. No. 108-792, at 1443 (2004). Treasury obligated \$750,000 to support the multimedia campaign conducted as part of the national strategy.

¹²153 Cong. Rec. H15741, H16048 (Dec. 17, 2007). No conference report accompanied the Consolidated Appropriations Act, 2008 (2008 Appropriation Act), Pub. L. No. 110-161. However, the Chairman of the Committee on Appropriations of the House of Representatives had printed an explanatory statement in the *Congressional Record*. Section 4 of the 2008 Appropriation Act states that this explanatory statement should be given the same effect with respect to the allocation of funds and implementation as if it were a joint explanatory statement of a committee of conference. While legislative history such as these statements and other congressional reports generally are not legally binding, they do provide informational guidance. See Congressional Research Service, *Earmarks Executive Order: Legal Issues* (RL34373) (February 13, 2008). In fiscal year 2009, additional monies were specified for financial education and combating predatory lending in a similar explanatory statement accompanying the Omnibus Appropriations Act, 2009, Pub. L. No. 111-8. See 155 Cong. Rec. H1653, H1988 (Feb. 23, 2009).

products and services and avoid predatory practices or detrimental financial products. The text message campaign is under way and the other aspects of the campaign are scheduled to begin in the near future, according to Treasury staff. In addition, new content has been posted to the MyMoney Web site (www.mymoney.gov/borrow-smart.shtml) and printed materials were included with nearly 2 million tax refunds.

The same explanatory statement by the Chairman of the Committee on Appropriations of the House of Representatives specified in fiscal year 2008 that OFE should spend at least \$200,000 toward financial education efforts aimed at elementary and high schools.¹² Treasury staff told us that the majority of these funds have been spent on implementation of the National Financial Literacy Challenge, conducted in partnership with the President's Advisory Council on Financial Literacy, in which more than 120,000 American high school students took a 35-question exam on personal finance issues in 2008. The average score was 56 percent, which the council noted was an indicator that more rigorous financial education is needed in the schools. Treasury awarded certificates and medals to students receiving high scores, and a private foundation offered college scholarships to 32 students who achieved a perfect score on the exam.

Commission Faces Challenges in Achieving Its Mission

The Financial Literacy and Education Commission has played a helpful role by serving as a focal point for federal efforts and making financial literacy a more prominent issue among the media, policymakers, and consumers. Key challenges the Commission faces include its own limited resources and a governance structure that depends on the commitment and collaboration of 20 individual agencies.

Commission and OFE Have Limited Resources and Staff

While many federal agencies devote funds to financial literacy and education, the resources available specifically to the Financial Literacy and Education Commission and to Treasury's Office of Financial Education—which provides support to the Commission—have been limited.

Financial Literacy and Education Commission

The Financial Literacy Act, which created the Commission, authorized the appropriation of "such sums as may be necessary to carry out its

¹²See footnote 12.

provisions.¹⁴ In addition, the act authorized the appropriation to the Secretary of the Treasury of \$3 million for fiscal years 2004, 2005, and 2006 to develop, produce and distribute the multimedia campaign.

However, the Commission has received no direct appropriation since its inception and Treasury has never requested funds specifically for the Commission in the President's budget request for the department, according to Treasury staff. Some of the Commission's activities have been funded through appropriations provided for Treasury's Departmental Offices, Salaries, and Expenses appropriation. For example, \$1 million in fiscal year 2005 of the funds appropriated to Treasury was specified for promoting basic financial literacy and education and was used in part to develop and implement the Commission's national strategy.¹⁵

OFE has provided the primary administrative support for the Commission and devoted a significant portion of its resources to support Commission activities. As shown in table 1, OFE estimates that in each fiscal year since 2005, it has devoted from about .75 to 2.5 staff years (full-time equivalent staff) to support the Commission and related entities, with staffing at its lowest levels during the 2 most recent fiscal years.

Table 1: Treasury Department Office of Financial Education Staff Support to Financial Literacy and Education Commission Activities, Estimated, Fiscal Years 2005–2009

Fiscal year	Staff years ^a
2005	2
2006	2.5
2007	2.5
2008	1.5
2009	0.75

Source: Treasury OFE.

^aFull-time equivalent. Includes staff time devoted to the President's Advisory Council on Financial Literacy and the National Financial Education Network. Staff years for 2006–2008 include detailees from other agencies.

Other federal agencies have detailed staff members to the Commission for short periods—for example, our prior report noted that as of August 2006,

¹⁴20 U.S.C. § 9708.

¹⁵See footnote 11.

the Federal Deposit Insurance Corporation, GSA, and Department of Justice had detailed seven staff members to work at OFE on Commission activities for periods ranging from 2 months to 2 years each. Member agencies have provided other in-kind staff assistance and financial resources as well. For example, GSA hosts the My Money Web site and had estimated that as of August 2006, its staff had devoted about 4,000 hours to support the site and other Commission activities. GSA's Federal Citizen Information Center covers the cost of the Commission's telephone hotline, which we previously reported was about \$28,000 in fiscal year 2006. Most other representatives of the Commission could not provide us with an estimate of the resources their agencies had devoted to the Commission, most of which had consisted of in-kind staff assistance.

Office of Financial Education

Treasury's Office of Financial Education as a whole has had about five full-time equivalent staff each year during fiscal years 2005-2009, which includes the staff time devoted to activities of the Commission. Through fiscal year 2008, Treasury did not assign OFE as a separate cost center; rather, its funding was provided within Treasury's Financial Policies and Programs budget activity, which was also part of Treasury's Departmental Offices, Salaries, and Expenses appropriation. The explanatory statements accompanying Treasury's fiscal year 2008 Departmental Offices, Salaries, and Expenses appropriation directed Treasury to fund OFE at not less than \$1.1 million, of which at least \$200,000 each was to be used for activities—as discussed earlier—focused on (1) elementary and high schools and (2) combating predatory lending and encouraging the use of mainstream financial services.¹⁶ Treasury began to assign a separate cost center for OFE in fiscal year 2009, allocating \$1.6 million to the office, according to Treasury staff. The explanatory statement for the fiscal year 2009 appropriation act specified that OFE should target an additional \$500,000 provided over its assumed budget request toward efforts aimed at elementary and high schools and combating predatory lending.¹⁷

¹⁶See footnote 12. The explanatory statement states that "(1) not less than \$200,000 is directed to be used to further the office's outreach and education activities focused on elementary schools and high schools, and (2) not less than \$200,000 is directed to be used for the development of tailored, targeted materials and dissemination strategies to protect consumers against predatory lending and encourage the use of mainstream financial services."

¹⁷See footnote 12. The explanatory statement directs Treasury to fund OFE within the Financial Policies and Programs budget activity at an increased level of \$500,000. "The Department is directed to target this increase toward financial education efforts aimed at elementary and high schools, as well as efforts aimed at combating predatory lending."

Currently, compounding these resource challenges is the number of vacant leadership positions at key Treasury posts, including Deputy Assistant Secretary for Financial Education, as well as the Assistant Secretary for Financial Institutions and the Under Secretary for Domestic Finance. Filling these positions with individuals committed to improving our nation's financial literacy will be important.

Commission's Governance Structure Has Benefits but Also Creates Challenges

As noted earlier, the Financial Literacy and Education Commission is composed of a large number of agencies but is housed administratively in Treasury, has no independent budget, and has no legal authority to compel member agencies to take any action. This governance structure has advantages and disadvantages. It has the benefit of bringing together a large number of players to achieve the common goal of improving Americans' financial literacy. Achieving results for the nation increasingly requires that federal agencies work together, and it would be difficult, if not impossible, for one agency alone to address the crosscutting issue of financial literacy. The multiagency structure of the Commission also may facilitate collaboration with nonfederal entities and, indeed, Congress charged the Commission with promoting such partnerships.

At the same time, coordinating the efforts of 20 individual federal agencies is inherently challenging. Each has its own set of interests, resources, and constituencies. In prior work, we have identified barriers to coordinating programs and initiatives across the federal government, including competing missions, concerns about protecting resources, and a lack of clearly articulated roles and responsibilities.¹⁸ As we noted in our 2006 report, these barriers may have affected the Commission's efforts to coordinate federal programs—as well as its ability to streamline federal financial literacy initiatives to make the best use of scarce resources.

Mr. Chairman, this concludes my prepared statement. I would be happy to answer any questions you or other Members of the Subcommittee may have.

¹⁸GAO, *Managing for Results: Barriers to Interagency Coordination*, GAO/GGD-00-106 (Washington, D.C.: Mar. 29, 2000), and *Results-Oriented Government: Practices That Can Help Enhance and Sustain Collaboration among Federal Agencies*, GAO-06-15 (Washington, D.C.: Oct. 21, 2005).

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Washington State Financial Literacy Work Group Final Report



“Putting The Pieces Together”

**Assessing Financial Education
in Washington
and
Recommendations to Improve
Financial Education
For All
Washington Residents**

Prepared for Governor Christine Gregoire
December 1, 2008

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History

- Governor Gregoire formed the Homeowner Security Task Force in September 2007 to address the rising foreclosure rates in Washington. The Task Force submitted their final 88-page report (<http://dfi.wa.gov/taskforce/default.htm>) with 24 recommendations to Governor Gregoire and the legislature in December 2007. Eight of the recommendations pertained to financial literacy.
- Governor-requested legislation, inspired by the Task Force report and recommendations, resulted in SB 6272 (Chapter 3, Laws of 2008). The bill passed the Senate unanimously and the House 69-27.
- Implementation of SB 6272 (Chapter 3, Laws of 2008) mandates the formation of a Washington Financial Literacy Work Group to assess the State's financial education status. A group of more than 30 members selected from organizations representing a wide variety of demographics (toddler to retired, low-income to wealthy, government, non-profit, education and private business) conducted its first meeting Friday, April 25, 2008.
- The Work Group and its four sub-committees — State, State with Education focus, Non-Profit (501c3) and Private Sector (including 501c6 and 501c14) — are tasked with:
 - *Identifying current state funded efforts to support financial literacy;*
 - *Assessing whether there are opportunities to create a centralized location of information regarding these existing state efforts; and*
 - *Identifying whether there are opportunities for expanding partnerships with other community entities also providing financial literacy services.*
- The Work Group submitted two interim reports. The first assessed state-funded efforts, the second identified gaps and needs in financial education throughout Washington. Details on the Work Group (recordings of meetings, interim reports, subcommittee reports, etc.) can be found at the Web site: <http://dfi.wa.gov/work-group/>.

Work Group

Members:

- Stacy Augustine, Sr. VP & General Counsel, Washington Credit Union League
- Greer Gibson-Bacon, CFP, Founder, Asset Planning & Management
- Brian Berghoff, DCP Administrator, Department of Retirement Systems
- Cathy Brorson, Outreach Coordinator, Kitsap Credit Union, Chair, Credit Union Youth Development Council of Washington
- Ty Cordova, Commission on Hispanic Affairs, State Farm Insurance, Assistant Public Affairs Manager, Pacific NW Zone
- Donna Dziak, Program Manager, Solid Ground Housing Counseling & Prevention Programs
- Mary Gould, Outreach & Education Coordinator, Consumer Protection Division, Washington State Office of the Attorney General
- Erica Benson-Hallock, CEO, United Ways of Washington
- Charles Helms, President/CEO, Consumer Counseling Northwest
- Melanie Hess, Sr. VP of Operations, Junior Achievement of Washington
- Linda Jekel, Director, Division of Credit Unions, Department of Financial Institutions
- Scott Kinney, Program Mgr., Teen, Adult & Employee Financial Education, Community & External Affairs Division, Washington Mutual
- Paul Knox, Asset Building Managing Director, Department of Community Trade and Economic Development
- Paula Mahoney, Community Affairs Manager, Community and External Affairs Division, Washington Mutual
- Allen Morrow, VP, Senior Lobbyist, Wa State Senior Citizen's Lobby
- Kristin Mowat, Communications and Marketing Manager, Washington Bankers Association
- Helen Myrick, VP of Community Impact, United Way of Pierce County
- Amy O'Donnell, Financial Literacy Program Manager, Washington Society of CPAs
- Caleb Perkins, Social Studies & International Education, Office of the Superintendent of Public Instruction
- Cheryl Reed, ASD Community Outreach, AARP
- CJ Robinson, Director, Community Impact and Advocacy, United Way of Pierce County
- Rep. Sharon Tomiko-Santos, 37th Legislative District
- Dave Sieminski, Managing Director, Express Advantage
- Kimberly Scott, Director of Member Services, Washington Society of CPAs
- Danielle (Dani) Small, Financial Literacy Program Coordinator, Tacoma Goodwill
- Dee Taylor, Director, Homeownership Division, WA State Housing Finance Commission
- Linda Taylor, Housing Director, Urban League of Metropolitan Seattle
- Fehi Tuivai, Western Washington Program Manager, Consumer Counseling Northwest
- John Tye, Education & Training Manager, Tacoma Goodwill
- Pam Whalley, Director, Washington Council on Economic Education, Faculty, WWU, College of Business & Economics
- Lance Wrzesinski, Asst. Prof. of Business Administration, Centralia College

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Work Group Web, Survey & Statistic Lead: Jeremy Lushene, Web Master, Communications Consultant, Washington Department of Financial Institutions

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- Brian Berghoff
- Mary Gould – Co-Chair
- Linda Jekel – Co-Chair
- Allen Morrow
- Dee Taylor

Non-Profit:

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- Erica Benson-Hallock
- Charles A. Helms
- Paul Knox – Co-Chair
- Helen Myrick
- Amy O'Donnell
- Cheryl Reed
- CJ Robinson
- Kimberly Scott
- Danielle (Dani) Small – Co-Chair
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- Fehi Tuivai
- John Tye

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- Ty Cordova
- Scott Kinney
- Paula Mahoney
- Kristin Mowat – Co-Chair
- Dave Sieminski

Special Contributors:

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Technical Colleges
- Alicia (Haus) Diefenbach, Consumer University
- Leslie Lum, Bellevue Community College
- John Nofsinger, WSU
- Orlando Cano, Policy Analyst,
House Democratic Caucus

Executive Summary

A lack of financial education has been cited repeatedly by financial experts as a principal reason for the nation's current economic troubles.

"In light of the problems that have arisen in the subprime mortgage market, we are reminded of how critically important it is for individuals to become financially literate at an early age so that they are better prepared to make decisions and navigate an increasingly complex financial marketplace.

Choosing a credit card, saving for retirement or for a child's education, or buying a home now requires more financial savvy than ever before.
Financial literacy and consumer education — coupled with robust consumer protection — makes the financial marketplace effective and efficient, and better equips consumers to make tough yet smart financial decisions...

I believe more states should consider making personal finance a requirement for all students who seek a high school diploma.

I am personally convinced that improving education is vital to the future of our economy and all its citizens, and I strongly believe that promoting financial literacy, in particular, must be a high priority.

— Chairman Ben S. Bernanke, April 9, 2008, at the Jump\$tart Coalition and Federal Reserve Board Joint News Conference

Washington is in better economic shape than much of the nation. Washington has lower foreclosure and unemployment rates than the national average. Our state is in worse shape when it comes to financial education, however.

In 2008, Washington high school students failed the national survey administered by the national Jump\$tart Coalition for Personal Financial Literacy (48.6% correct answers). Alarmingly, Washington's numbers declined from the previous survey conducted in 2006. Washington slid 11.6% — the national score declined 7.8%.

Creating better educated students and adults is critical. Educated consumers are more likely to maintain their ability to pay taxes and contribute to a growing economy — something Washington needs if it is to recover from the current economic decline.

Taking these issues into account, Washington's Governor and the Legislature, through SB 6272 (Chapter 3, Laws of 2008) directed that the Washington Financial Literacy Work Group address the status of financial education in Washington. This group specifically completed the tasks given in SB 6272 (Chapter 3, Laws of 2008) and also provided additional data and analysis to address the overall financial education needs of Washingtonians.

Though we recognize not all of these recommendations may be implemented immediately due to a declining budget, **it is our hope that Washington's Governor and Legislature will consider a phased implementation approach to ensure proper funding and support of financial education for all Washington residents for years to come.**

Executive Summary

The Washington Financial Literacy Work Group:

- Surveyed **749** state agencies, non-profit organizations, private sector organizations, K-12 educators, and 2-year community and technical colleges;
- Supports **nine recommendations** to expand financial education in Washington;
- Identified state funding for financial education;
- Believes a central warehouse of information for financial education is needed;
- Believes there is opportunity to expand partnerships;
- Supports the adoption of the Washington Financial Literacy Public Private Partnership (FLPPP) definition of financial literacy.

“Financial literacy is defined as the achievement of skills and knowledge necessary to make informed judgments and effective decisions regarding earning, spending and the management of money and credit.”

- Supports the adoption of the Jump\$tart Coalition standards (*Section 7 pages 4-5*); and
- Supports the adoption of Consumer University’s Lifetime of Financial Literacy Proficiencies (*Section 4 pages 1-8*). We recommend they be considered as foundations for any curriculum development to be implemented in Washington.

The group agreed to use the phrase “financial education” as opposed to “financial literacy” after learning consumers found the phrase “financial literacy” offensive and implied illiteracy.

The group recognizes financial education must vary depending on age and cultural background — **financial education must speak to a consumer’s specific needs in order to be culturally relevant and readily applicable in their life.**

The concept of money and wealth can be taught as early as age 5 and there is a need for continuing education throughout one’s life. **Taking a “cradle to grave” approach in addressing financial education is necessary to adequately meet the needs of all Washington residents.**

The group recognizes that the need for financial education crosses socio-economic boundaries: **It’s not about how much you make – it’s about what you do with it.**

Though the four Financial Literacy Work Group subcommittees worked independently of each other, each reported similar gaps and needs. The surveys garnered similar results from teachers, state employees and staff at non-profit and for-profit organizations.

The Work Group worked on a parallel timeline with the President’s Advisory Council on Financial Literacy – and this group’s recommendations (determined largely at the September 24, 2008 meeting) closely mirror the President’s Council recommendations released in a working draft October 6, 2008 (*Section 3 pages 1-35*).

We feel the similarities of findings throughout the subcommittees and with the President’s Council indicate that implementation of this group’s recommendations will further financial education in Washington for all age groups.

Recommendation Summaries

Improving state funded efforts to support financial literacy

1. The Legislature shall require that all Washington State agencies provide financial education to the people they employ and serve. Agencies will be directed to integrate financial education and coaching into existing state services for targeted populations.
2. Common assessment standards will be adopted to assist entities that provide financial education to measure educational and behavioral improvements.
3. Recommend that the Legislature establish a Financial Education mandate to be integrated and phased in throughout the K-12 grade level expectations (GLEs).
4. Create dedicated state funding sources for financial education, outreach and related activities.
5. The Legislature shall create an advisory council to advance the lifelong acquisition of personal financial skills and knowledge. The council shall include but not be limited to leaders from government, state education, private for-profit and non-profit organizations, bi-partisan representation from the House and Senate and representatives from AGO, DFI, OIC, DRS, OSPI, SBCTC, HEC Board, and Treasurer's offices.
 - 5.1 To coordinate and oversee the council, the Legislature shall establish a position within the Governor's Office to create better synergy and communication among government, state education, private for profit and non-profit organizations.
6. Task relevant agencies with providing guidance to educators on implementing a sustained financial education curricula for grades K-12 and financial education programs for post-secondary education.

Improving opportunities to create a centralized location of information regarding these existing state efforts; and

7. Create a central clearinghouse to provide a single access point via phone and Web that offers information to meet the specific needs of consumers, instructors, advocates and parents.

Improving opportunities for expanding partnerships with other community entities also providing financial literacy services

8. The advisory council shall strongly encourage employers and community based organizations (public, private and non-profit) to provide financial education — including wherever possible multiple languages and culturally relevant services — to their employees and audiences using incentives.

Additional Recommendation

9. Create and implement a comprehensive, statewide educational messaging and outreach plan (e.g. Washington's Healthy Living) to advance the importance of life-long learning of financial education.

Discovery

When conducting its surveys, the Work Group used the national Jump\$tart Coalition's definition of "financial literacy" to be consistent on a national level.

"Financial literacy is the ability to use knowledge and skills to manage one's financial resources effectively for lifetime financial security."

After surveying **749** Washington educators, state agencies, non-profits and private businesses, we offer the following information.

Identify current state funded efforts to support financial literacy

While the initial belief of this group was that Washington State offers little funding for financial education, survey responses indicate the opposite. Conflicting responses within agencies, however, indicate internal messaging is needed to ensure greater awareness of existing financial education outreach.

State Agency Programs and Outreach

Representatives from 59 state agencies, commissions, and committees responded to the financial education survey.

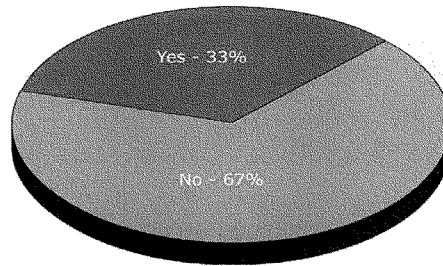
- 19 state agencies, commissions, and committees said they provide financial education training and or services to Washington State constituents.
 - 5 Commissions
 - 14 State Agencies

The majority of state agencies that responded said they offer both direct and indirect financial education services.

- Of the 27 state agencies that responded, **17 said state funding for financial literacy is not adequate.**
- Of the 19 respondents that indicated they provide financial education, 13 state agencies, commissions and committees said they provide financial education training and or services to their employees.

State Agency Survey Data

Do you provide financial literacy training or services to Washington State constituents?



Discovery

Identify current state funded efforts to support financial literacy

Grants: Six state agencies and two commissions indicated they offer grants to community or non-profit partners to deliver financial literacy services.

- **Department of Community Trade and Economic Development**
Funds or supports 14 local asset building coalitions, all providing some level of financial education, counseling and debt reduction services while seeking to better coordinate, market and expand those services locally.
- **Department of Financial Institutions**
Provides funding to a number of partners and organizations to provide financial education outreach.
- **Office of the Insurance Commissioner**
Provides funding through sponsoring agencies.
- **DSHS – Children's Administration**
A Federal Chaffee grant funds provider services as part of an overall effort to prepare youth for adulthood. Among other areas covered are education, job readiness, housing, daily living skills, etc.
- **Higher Education Coordinating Board**
"Gear-up" programs funded through state and federal funds provide information on college savings and financial aid.
- **Office of the Attorney General**
Distributes money when available from litigation settlements.
- **Arts Commission**
Provides grants to service organizations that provide financial training as part of their services.
- **Washington State Housing Finance Commission**
Receives pass-through funding through HUD, DFI, NeighborWorks, and other earmarked federal funds.

Private sector organizations across Washington are offering financial education to their local communities and schools. Of the 148 responding organizations, 76 (51%) indicated they offer financial education. **Only 4 of the 148 private sector organizations**

responding indicated they receive state funding. (One responded anonymously)

- The Money Savvy Generation receives money from the Department of Financial Institutions for elementary and middle school curriculum and programs.
- Tacoma Goodwill received a small grant from the Department of Community Trade and Economic Development.
- TULIP Cooperative Credit Union has received grants in the past.

Budget Line Item: Only one state agency and one commission said they contain a budget line item for financial education.

- **Department of Financial Institutions**
DFI's financial education outreach is funded mostly by the Consumer Services Division, but some items are funded by all DFI divisions. The Washington Homeownership Information Program is funded by appropriated funds and given a budget designation for reporting purposes.
- **Washington State Housing Finance Commission**
Pays for one FTE Homebuyer Education and Training Administrator position.

Discovery

Identify current state funded efforts to support financial literacy

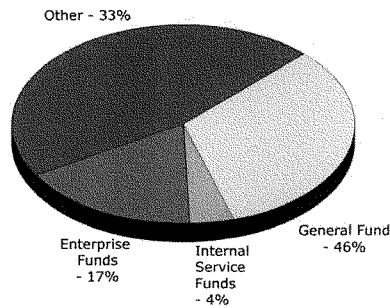
General Fund: 11 state agencies and commissions said they use money from the general fund to promote financial education activities.

- Washington State Department of Agriculture
- Department of Community Trade and Economic Development
- Department of Financial Institutions
- Office of Secretary of State
- Washington State Housing Finance Commission
- Higher Education Coordinating Board
- Washington State School for the Blind
- State Conservation Commission
- Department of Corrections
- Arts Commission
- Office of the Attorney General

State Agency Survey Data:

How do you currently fund your financial literacy programs?

(21 responses)



Non-Profit Survey respondents indicated they sought funding from several other sources to provide financial education.

- United Way
- Federal
- Local
- Private fundraising
- Foundation
- County
- Banking institution
- Other — which includes; Tribe, NEFE, business operations (Tacoma Goodwill), VITA, charging a fee for service, using volunteers or incorporating financial education into another program or service.

Discovery

Identify current state funded efforts to support financial literacy

Community and Technical Colleges

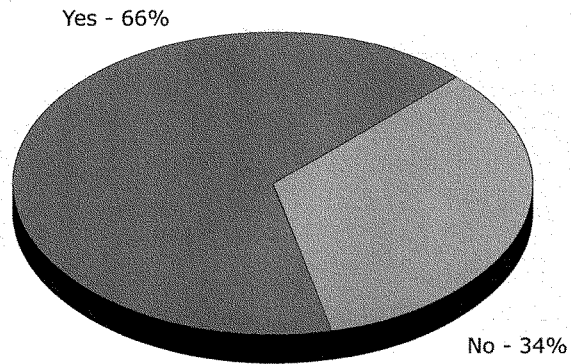
Representatives from 32 of Washington's 34 (94%) community and technical colleges responded to the survey.

Of the 163 community and technical college administrators, instructors and student services providers surveyed, 65.6% of respondents said they offer financial education instruction or resources.

- 31 out of Washington's 34 schools had at least one instructor, administrator, or student service provider indicate they offer financial education instruction or resources.
 - 13 (42%) of those colleges said they purchased financial education resources.
- **58.1% of respondents who offer financial education said they integrate financial education with other curriculum and activities.**
- 107 of the 163 survey respondents (65.6%) said they offer financial education.

College Survey Data

Do you provide financial education or resources?



Discovery

Identify current state funded efforts to support financial literacy

K-12 Programs and Resources

According to the Office of Superintendent of Public Instruction (OSPI), there are approximately 48,000 teachers that teach core academic classes in Washington State. This survey was sent to approximately 10,000 contacts through the organizations listed above, representing about 20% response of the core teachers. The primary goals of the survey were to determine:

- Where financial education is offered (by district, grade level, and course);
- Why it isn't taught; and
- What educators believe they need in order to offer financial education to their students.

As of November 7, 2008, the survey has recorded 280 responses. While we recognize this is a very small percentage of the total teacher population, representation was wide.

- Response was regionally well-distributed.
- 51 elementary school responses.
- 22 middle school responses.
- 120 high school responses.
- Respondents overall represent:
 - 89 school districts.
 - 193 schools and/or school groups.
 - Of the 277 K-12 educators surveyed, **201 said they provide some form of financial education** to Washington students.
- Of the K-12 educators who said they provide financial education, 67 or 41.4% said the materials they use were purchased by the school or district.

Of the teachers who indicated they do not currently teach personal finance, 50% asked to be kept up to date with the progress of this committee, indicating an interest in offering financial education.

Three main obstacles to teaching financial education were identified by 54 respondents who do not currently provide financial education:

- **Curriculum and resource availability (85.2%).**
- **Professional development and training (63.0%).**
- **Sustainable funding (59.3%).**

Discovery

Identify current state funded efforts to support financial literacy

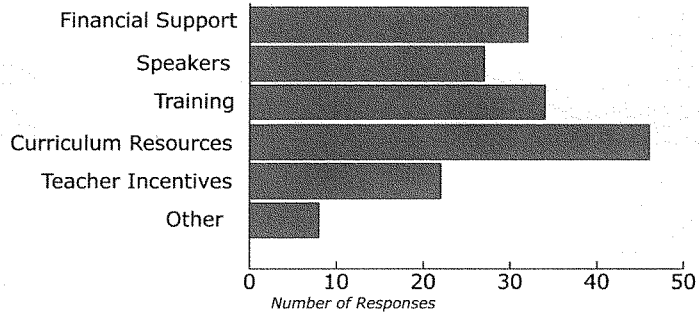
K-12 Programs and Resources

Teachers responding to the survey recommended that there is a need for:

- More teacher training opportunities;
- Funding for programs;
- Time to teach;
- Ways to integrate Financial Education into various subjects; and
- Include Financial Education as part of the WASL

K-12 Survey Data

What support do you need to teach financial education?



These results imply that Financial Education may need to be more directly addressed in the General Learning Expectations (GLEs) with evaluation criteria established and adequate funding provided to meet expectations. Members of the sub-committee who work directly in classrooms believe the evaluation piece reflects the underlying message that teachers focus instruction on what will be evaluated.

Discovery

Assess whether there are opportunities to create a centralized location of information regarding these existing state efforts

Of the 38 responses to the state agency survey, **21 state agencies, commissions, and committees (55.3%) said they would favor centralizing financial literacy services in state government.**

Washington financial education partners need an established single location to post those projects they are working on or need assistance with.

To date the only financial education calendar¹ open to all partners that we know of is housed within DFI's financial literacy blog Money Talks².

Work Group members determined if there were a central warehouse of financial education partners listed with what they do (population serviced, topic, content, etc.) financial education partners could more effectively connect, share information, resources and contacts. For example, Pennsylvania offers a print/online directory in "Take Control of Your Money" (Section 17 pages 1-32).

Some of the group members indicated they envisioned something similar to www.craigslist.com with the ability to search by geographic area (i.e. a tab for Tacoma, South King, Seattle, Olympia, etc.) or topic (saving, investing, credit, home loans, foreclosure, etc.).

For K-12 application, the resource list should indicate whether a curriculum meets standards, includes measurables and includes a forum for sharing ideas of what works in the classroom. FLPPP is working to develop such a database.

Any central warehouse should define the targeted audience with "public" and "educators" links and should be accessible via a toll-free number such as 2-1-1 and a Web site.

There are several examples of what a central warehouse could look like:

- Wisconsin's ide@s interactive dialogue with educators across the state³
- Jump\$tart Coalition Clearinghouse⁴
- FLEC National Financial Education Network Database⁵
- National Youth Involvement Board financial literacy portal⁶
- New York State offers a Financial Education Network Directory and information online through the Office of Financial Empowerment online⁷ or by calling 311
- Washington DFI's financial education portal⁸

¹ Washington Financial Literacy Calendar, <http://dfi.wa.gov/consumers/calendar.htm>

² Financial Literacy News and Developments in Washington, <http://finlit.blogspot.com/>

³ Wisconsin ide@s personal financial literacy portal, www.ideas.wisconsin.edu/subject.cfm?sid=45

⁴ Jump\$tart Coalition Clearinghouse, <http://www.jumpstart.org/search.cfm>

⁵ FLEC Network Database, <http://www.flecnationalnetwork.org/members.cfm>

⁶ National Youth Involvement Board financial literacy portal, http://nyib.org/financial_literacy.php

⁷ New York State online financial education network directory, www.nyc.gov/ofe

⁸ Washington DFI financial education portal, <http://dfi.wa.gov/financial-education>

Discovery

Identify whether there are opportunities for expanding partnerships with other community entities also providing financial literacy services

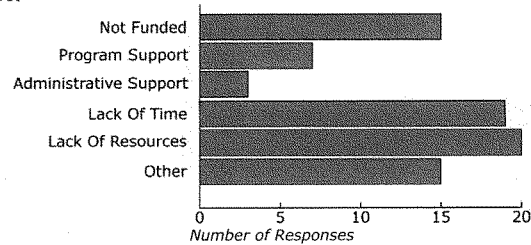
Stronger partnerships would allow financial education providers to avoid duplication of efforts, promote areas of particular expertise and combine and coordinate the often slim resources available for financial education.

Of the 56 administrators, instructors, and student service providers participating in the college survey who said they do not offer financial education instruction or resources:

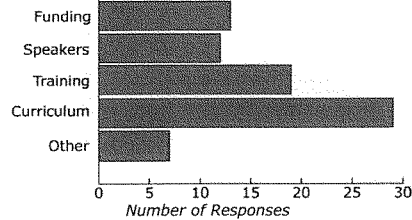
- 45.5% said they do not offer financial education resources because of lack of resources.
- 70.7% said that they need curriculum resources in order to get a financial education program started.

College Survey Data:

You indicated that you do not currently provide financial education. Why not?



What kind of help would you need to get a program started?



If these respondents had access to a central warehouse they could connect with resources to provide financial education.

Discovery

Identify whether there are opportunities for expanding partnerships with other community entities also providing financial literacy services

Ability to partner is most often a direct result of access to information on what is currently being done and by whom. The group sees vast potential for partnership opportunities.

Partnerships expand outreach, allowing more people to benefit with less effort:

- Utilizing the Work Group distribution list, Urban League of Metropolitan Seattle shared notice of the last of three foreclosure prevention workshops. Attendance and participation at this workshop was higher than any other.
- DFI shared information about the National Financial Literacy Challenge, utilizing a statewide distribution of e-mails among Work Group partners, resulting in one of the highest participation rates in the nation.
- Washington credit unions signed an agreement to underwrite the third season of BizKid\$, the PBS television show about financial literacy and entrepreneurship that's now showing in all major media markets in America. BizKid\$ was originated by Washington credit unions and is being produced here in Washington. This program reaches thousands of students.
- Express Advantage (the non profit affiliate of Express Credit Union) is launching a new low-income credit union project in King County in 2009.
 - Using best practices, Express Advantage worked closely with eight community-based non-profit organizations to develop a common set of standards for financial education that will provide consistent content and offer practical applications of coursework to students, and provide a methodology for measuring the effectiveness of the curriculum and the instructors.
- Washington Council on Economic Education/Center for Economic Education at Western Washington University offered Teacher Training Workshops.
 - Financing Your Future workshops (Seattle, Bellingham, Wenatchee) for 75 middle and high school teachers, funded by Citigroup Foundation.
 - Financial Fellows Program: Twenty-one 3-12th grade teachers from across the state were trained to act as trainers and mentors to their peers in the 2008-2009 academic year. The Fellows will be presenting full and half day teacher workshops and concurrent sessions at professional conferences under supervision of WCEE personnel, reaching 670 teachers and, through them, 51,911 K-12 students. Funded by the Russell Group.
 - The Academy for Success in Business: A Week Long Student and Teacher Educational Experience Focusing on Financial Literacy. Bellingham. Funded by College of Business and Economics, WWU.

Noting these successes, it is clear there is great potential for more organizations to connect with local, state and national partners to further their outreach and goals of expanding financial education.

Discovery

Additional Work Group Findings: Outreach and Messaging

Throughout the state there are many financial education programs available, some within state agencies, which teachers, trainers and consumers are not aware of because they are not well-publicized. In some instances, staff within the organization, agency or school surveyed were unaware of the programs being taught by their own agency. This furthers the perception that the state does not provide funding for financial education, when in reality it does.⁹

Advertising and marketing is done sporadically, often to coincide with a particular event or calendar date (April — Financial Literacy Month) as opposed to having a regular, ongoing efforts to promote financial education.

Efforts by national organizations such as the American Savings Education Council (ASEC) Employee Benefit Research Institute's (EBRI) Education and Research Fund¹⁰ and the American Institute of Certified Public Accountants (AICPA)¹¹ are ongoing, offering new campaigns to keep consumers' awareness heightened.

Outreach should be aimed at all Washington residents, not just particular association members or teachers.

A consistent funding source must also be established to ensure regular financial education outreach and marketing campaigns that target a variety of audiences and promote a variety of programs offered in and by the State.

⁹ "State funds 13 local projects to help families achieve financial fitness"
<http://www.cted.wa.gov/DesktopModules/CTEDNews/CTEDNewsView.aspx?tabID=0&ItemID=184&mid=840>
¹⁰ ASEC/EBRI ChooseToSave.Org PSAs at <http://www.choosetosave.org/psaplayer/index.html>
¹¹ AICPA Feed The Pig saving campaign <http://www.feedthepig.org/>

Discovery

Additional Work Group Findings: Standards and Assessments

A lack of financial education standards has resulted in a hodge-podge of teaching techniques, curriculum, trainers and testing.

For the state to fund financial education, particularly in the K-12 setting, it will be necessary to adopt a set of standards that establish consistency in curriculum.

Evaluations must also be adopted for curriculum to provide accountability so funds provided have a measurable result.

For K-12 purposes, curriculum should align with Essential Academic Learning Requirements (EALRs), Grade Level Expectations (GLEs) and Washington Assessment of Student Learning (WASL) segments to provide consistent testing measurables.

If K-12 curriculum were required to meet Jumpstart Coalition's National Standards in K-12 Personal Finance Education¹² there would be a level of consistency that would allow a student from Washington to transfer to a school (within the state or to another state) and not find themselves lacking in personal finance education.

Standards should be set for all stages of life, utilizing the research conducted by national organizations with Washington components like the Jumpstart Coalition, AARP, the Financial Industry Regulatory Authority (FINRA) Save And Invest.org, and the Financial Literacy and Education Commission (FLEC). Consumer University's Lifetime of Financial Literacy Proficiencies (*Section 4, pages 1-8*), created for the Work Group is a good example.

The Financial Literacy Public Private Partnership is working to determine possible financial education standards for Washington K-12 curriculum in a manner that ties them to EALRs and GLEs, and potentially to WASL requirements (*Section 10, page 3, 6 and 8*).

One of the main components missing from many curriculums is the inclusion of a testing method that indicates the curriculum's efficacy.

Though financial education experts continue to debate how one can accurately test and prove a change in a person's behavior — spending wisely, saving, investing, protecting oneself against fraud and identity theft, etc. — some form of testing must be included for standardization.

Testing should be done before the implementation of curriculum to establish a baseline for the targeted group and at the end of the training.

¹² Jumpstart Coalition K-12 Standards, http://www.jumpstart.org/national_standardsK12.html#The_Standards

Discovery

Additional Work Group Findings: Standards and Assessments

Survey respondents indicate there are no common assessment tools that measure the effectiveness of financial education.

Questions should be formulated in a manner that tests a person's actual knowledge of a personal finance/financial education topic and should be demographically appropriate.

Current concerns regarding the overall lack of requirements are based in the general consensus of survey respondents and field experience of financial education trainers:

- Things that aren't mandated aren't taught;
- Teachers are leery of unfunded, non-mandated requirements on their time as they struggle to meet existing EALR, GLE and WASL requirements.

Any mandated form of financial education must be sustainable and consistent.

All mandated financial education must have a method of measuring outcomes that indicate short-term and long-term effectiveness.

While the main emphasis nationwide, and in Washington (largely through FLPPP and Jump\$tart) has been on K-12, many financial education experts have urged states to include college mandates as well.

- 1 in 10 students drops out of college due to debt.
- College students will be considering major credit cards, car loans, mortgages, department store credit cards, etc.
- Many college students have received little or no financial education either at home or in school.

During the June 2008 Financial Literacy and Education Commission (FLEC) summit, breakout sessions included one addressing the pros and cons of mandating financial education in school curricula. Most participants agreed it was necessary to ensure access to financial education early enough in life to prevent financial problems. One member of that breakout group, Theodore R. Daniels, President and CEO of the Society for Financial Education and Professional Development and also a member of the President's Advisory Council on Financial Literacy, urged all attendees to include community and voc-tech colleges and 4-year universities in any mandates. Mr. Daniels indicated that these institutions reached a diverse and vulnerable population: youth applying for their first credit card and/or loan as well as those preparing to buy their first car and/or home.

It is generally held by all on the Work Group that there must be a fully-funded mandate that financial education be taught in K-12 schools to avoid having a public education system that produces adults who are unprepared to make sound financial decisions.

Discovery

Additional Work Group Findings: Training for Educators and Training Standards

Of the 41 community and technical colleges (46.3%) that responded, 19 said training is needed to get a financial education program started.

When asked what was needed to start a financial education program, 34 out of 54 K-12 teachers (63.0%) said training.

"If the state were to provide training for teachers then I would be interested in teaching financial education. I would also like to see the district support the initiative."

— Matthew Yarkosky, High School Teacher, Clover Park School District
in response to a survey question asking respondents to identify the most important thing the state could do to promote and ensure financial education for everyone

Training should begin with basic money management education so educators are comfortable with their own finances before they begin teaching students.

Educators should have a basic knowledge of how current economic events affect consumers in order to be able to clearly explain to students how financial education studies are relevant to "living in the real world."

Educators need a resource for "tips and tools" for teaching financial education.

- Basic resources should be gathered from reliable, legitimate sources that are not product-driven.
- Resources should be accessible to educators so they can add their comments and information in a manner that specifically applies to their colleagues.

Teachers will need diversity training to better understand how to reach specific populations within their classrooms in a manner that best suits the students learning.

Specific teaching styles for the classroom must be addressed (special needs students, ESL students, etc.).

Training should be offered to teachers in a manner that is either a free workshop or train the trainer seminar and/or a session that offers continuing education credits.

Professional experts in the financial education field should be sought to train instructors. Topics should be covered in detail (i.e. credit reports, how credit scores affect one's ability to get a cell phone, a job or car insurance) to ensure teachers are comfortable answering questions that apply specifically to students' life experiences.

Teachers should be tested to verify their knowledge and provide accountability.

Discovery

Additional Work Group Findings: Certification for Trainers and Educators

Certification in financial literacy/education training should be provided for teachers who complete approved training and pass a required test of understanding course principles.

Many organizations and states offer certification Washington can review when developing a certification model/standards:

- New York State Banking Department, Blue Star Financial Literacy Certification Program¹³.
- Cities for Financial Empowerment (CFE)
 - Launched in March of this year (2008) by NYC Mayor Bloomberg and San Francisco Mayor Gavin Newsom, the Cities for Financial Empowerment Coalition received a \$1.45 million grant from the AIG Financial Literacy Fund to support innovative citywide financial education initiatives in the six coalition cities: New York City, San Francisco, Miami, San Antonio, Savannah, and **Seattle**. The grant will help fund online financial education directories, enhancements to local telephone information services, financial coaching and counseling pilots and financial education certification and standardization in each of the cities — similar to the initiatives that New York City has already implemented. The CFE Coalition is co-chaired by the City of New York, led by Consumer Affairs Commissioner Jonathan Mintz, and the City of San Francisco, led by Treasurer José Cisneros.
 - *"At no other time has the need for financial education been more apparent,"* said San Francisco Mayor Gavin Newsom. *"I am delighted at the generosity and vision of AIG in supporting the CFE member cities. This grant will allow us to continue creating innovative and effective financial education programs."*

In Washington, Oweesta and the Department of the Treasury's Community Development Financial Institution (CDFI) Fund offer Expanding Native Opportunity: Native Financial Skills Initiative, comprehensive financial education training for Native communities. The initiative offers a three-day instructor training and certification program to help Native CDFIs, Tribes and other Native organizations establish and sustain financial education programs in their communities.

¹³ New York State Banking Department, Blue Star Financial Literacy Certification Program (<http://www.banking.state.ny.us/fec/cbsflcp.htm>)

Discovery

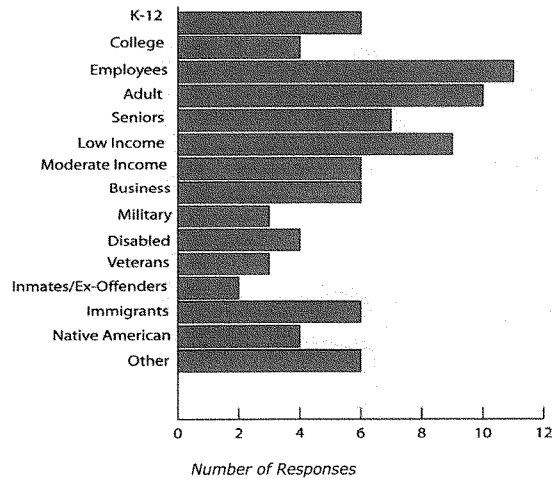
Additional Work Group Findings: Meet the Needs of a Diverse Audience

Understanding that Washington has a diverse population, financial education must be offered in a manner that appropriately meets the needs of such diversity. Currently, it does not. It is this group's recommendation that steps be taken to remedy this shortcoming.

When defining "diversity" financial education should include:

- Age
 - Pre-K
 - K-12
 - College/Community College/Voc. Tech.
 - Adults
 - Retirees
 - Seniors

State Agency Survey Data Which demographics do you target with your financial literacy services? (26 responses)



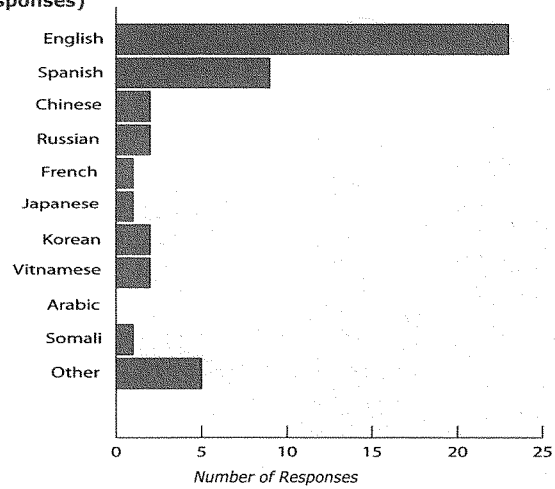
Discovery

Additional Work Group Findings: Meet the Needs of a Diverse Audience

When defining "diversity" financial education should include:

- Race
 - Different cultures handle education and topics as sensitive as money and personal finance very differently.
 - Specific topics should be considered when reaching out to diverse populations. Some may be of more value, while others may even be viewed as topics not to be addressed outside of the family.
- Language
 - If you can't offer education in a person's native language, they are less likely to retain the information and less likely to put it to use in their everyday lives.
 - Schools currently provide few options.

State Agency Survey Data In what languages does your agency provide constituent services? (26 responses)



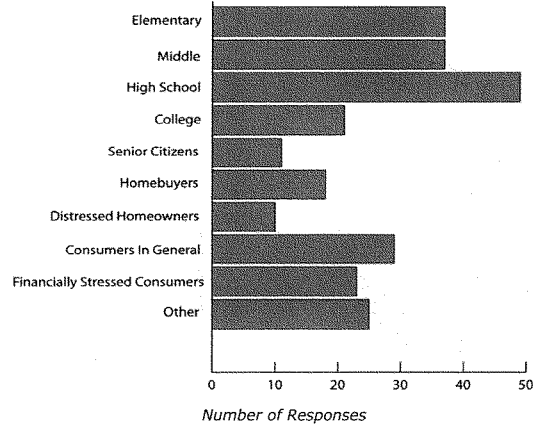
Discovery

Additional Work Group Findings: Meet the Needs of a Diverse Audience

When defining "diversity" financial education should include:

- Socio-Economic Background
 - Private Sector organizations providing financial education are working to fill the gaps left by state agencies and state education organizations. They are working to reach out to a diverse population. The problems, or gaps, for these organizations are funding, curriculum consistency and testing.
 - Low income
 - ♦ Someone overcoming homelessness may need more emphasis on learning how to budget and save as opposed to investing.
 - Moderate income
 - ♦ Once someone is living above the poverty line, investing, growing their savings and avoiding fraud and identity theft may become a priority.
 - High income
 - ♦ It's not about how much money you make, it's about how much you spend and how you spend it. Wealthy residents are facing foreclosure, bankruptcy and debt default, too.

Private Sector Survey Data Who is the target population of your financial literacy program? (76 responses)



Discovery

Additional Work Group Findings: Meet the Needs of a Diverse Audience

When defining "diverse" consideration should also be given to meeting the needs of those within the various "alternative" education systems:

- Religious groups/schools
- Ethnic groups (Tribal)
- Home School
- After School Programs
 - Boys and Girls Clubs
 - YMCA/YWCA
 - Communities In Schools
- Pre-K/Daycare
- Residents in transition (i.e. domestic violence victims, unemployed, homeless, at-risk youth)

Additional Work Group Findings: Incentives for Adult Participation (Employer, Program, State)

Understanding that many adults today are hesitant to admit they do not understand basic principles of financial education, some tests indicate that providing incentives for adults to attend courses results in higher participation and completion rates.

Surveys indicate it may be beneficial for Washington State to:

- Provide incentives to offer financial education;
- Encourage credit and banking organizations to offer a favorable rate on a credit card after completing a certain amount of clock hours;
- Work with employers on some kind of incentive possibly involving a retirement account; and
- Work with landlords/apartment complexes to accept a renter regardless of past history after completing a financial education course.

Recommendations & Supporting Statements

1. The Legislature shall require that all Washington State agencies provide financial education to the people they employ and serve. Agencies will be directed to integrate financial education and coaching into existing state services for targeted populations.

- In defining “the people they serve” – this means EVERYONE: consumers, businesses, etc.
- Each State Agency will provide access to financial education and determine internally what to offer, when, how to fund it and how to increase their outreach annually.
- It is the goal of this Work Group that in requiring financial education outreach from all state agencies, more Washington residents will be reached in a more cost-effective and timely manner.
 - For example: Require that financial education be integrated into already existing programs such as WorkFirst that already provide skills training to their clients.
 - For example: Those who implement TANF should educate staff and recipients as to how much personal savings recipients can accumulate without losing TANF assistance.
- State agencies will encourage non-profits — both current and future contracts — to provide financial education where appropriate.

Conflicting responses within agencies, however, indicate internal messaging within the agencies is needed to ensure greater awareness of existing financial education outreach.

In not defining specific curriculum to be used, it is the hope of the Work Group that agencies will use already existing curriculum – many of which are offered free of charge.

If financial education programs are offered internally as part of new employee orientation and other already scheduled regular training sessions, costs associated with this financial education expansion could be minimized while impact would be maximized.

To ensure financial education is offered to those served by agencies, immediate initial offerings could be as simple as including referrals/links to the state’s central financial education clearinghouse for additional information (or other reliable sources until the clearinghouse is created) until a formal plan for financial education outreach is established within the agency.

Recommendations & Supporting Statements

2. Common assessment standards will be adopted to assist entities that provide financial education to measure educational and behavioral improvements.

One of the main components missing from many curriculums is the inclusion of a testing method that indicates the curriculum's efficacy. A lack of financial education standards has resulted in a hodge-podge of teaching techniques, curriculum, trainers and testing.

Though financial education experts nationally continue to debate how one can accurately test and prove a change in a person's behavior — spending wisely, saving, investing, protecting oneself against fraud and identity theft, etc. — some form of testing must be included for standardization.

For the state to fund financial education, particularly in the K-12 setting, it will be necessary to develop a set of standards to establish consistency in curriculum.

For K-12 purposes, curriculum should align with Essential Academic Learning Requirements (EALRS), Grade Level Expectations (GLEs) and Washington Assessment of Student Learning (WASL) segments to provide consistent testing measurables. The Financial Literacy Public Private Partnership (FLPPP) is working to determine financial education standards for Washington K-12 curriculum in a manner that ties them to EALRS and GLEs, and potentially to WASL requirements (*Section 10, page 3, 6 and 8*).

If K-12 curriculum were required to meet Jump\$tart Coalition's National Standards in K-12 Personal Finance Education¹⁴ there would be a level of consistency that would allow a student from Washington to transfer to a school within the state or to another state and not find themselves lacking in personal finance education.

Standards should be set for all stages of life, utilizing the research conducted by national organizations with Washington components like the Jump\$tart Coalition, AARP, the Financial Industry Regulatory Authority (FINRA) Save And Invest.org, and the Financial Literacy and Education Commission (FLEC). Consumer University's Lifetime of Financial Literacy Proficiencies, created for the Work Group is a good example. (*Section 4, pages 1-8*)

Survey respondents indicate there are no common assessment tools that measure the effectiveness of financial education.

Questions should be formulated in a manner that tests a person's actual knowledge of a personal finance/financial education topic and should be demographically appropriate.

All mandated financial education must have a method of measuring outcomes that indicates short-term and long-term effectiveness.

¹⁴ Jump\$tart Coalition's National Standards in K-12 Personal Finance Education
http://www.jumpstart.org/national_standardsk12.html#The_Standards

Recommendations & Supporting Statements

3. Recommend that the Legislature establish a Financial Education mandate to be integrated and phased in throughout the K-12 grade level expectations (GLEs).

- Recommend the Legislature and/or the State Board of Education address the cost issues associated with said mandate, including time and implicit and explicit costs.
- Cross-curricular assessments will be created to allow districts and schools flexibility to integrate financial education into existing requirements.
 - For example: In an Excel class, a teacher uses a classroom-based assessment to determine whether students understand compound interest.
- Implementation may take traditional classroom-driven or non-traditional approaches, such as:
 - Encourage connection to parents/families
 - ◆ Family Financial Fitness nights – pizza dinner, separate sessions for age groups.
 - Train older students to teach younger students
 - ◆ Include this option under service learning and volunteer work.
 - Utilize outside resources/financial education providers identified in the clearinghouse – see recommendation # 7.

For K-12 purposes, curriculum should align with Essential Academic Learning Requirements (EALRS), Grade Level Expectations (GLEs) and Washington Assessment of Student Learning (WASL) segments. FLPPP is working with OSPI to integrate financial literacy materials into Washington's K-12 curriculum in a manner that ties them to EALRS and GLEs, and potentially to WASL requirements (*Section 10, page 3, 6 and 8*).

West Virginia's NetWorth¹⁵ financial education program (*Section 12 pages 1-16*) is proof it can be done in a time and cost-efficient manner. NetWorth was created and is being implemented with \$250,000 seed money for the first year. Their group recognized what the Work Group has heard repeatedly from teachers: financial education is necessary — but if it isn't tested it isn't taught.

NetWorth is intended to be fully implemented within three years in an integrated manner that spirals through K-12, provides teacher training, offers materials to all teachers on a single Web site and involves community and family in achieving real world success for students. The plan is to develop curriculum in the first year, pilot in approximately 100 classrooms in year two, and implement statewide in the fall of 2010. The resources will be available to all teachers as soon as they have been vetted and juried.

It is the feeling of this group that Washington could – and should – be able to see similar successes in the coming year with your support.

¹⁵ See additional details and comments from NetWorth Program Manager Lynn Bennett in Additional Discovery, Section 1, page 1.

Recommendations & Supporting Statements

4. Create dedicated state funding sources for financial education, outreach and related activities.

- Bring funding to a level that more closely meets the needs for financial education.
- Funding should come from a variety of sources, not a single industry.
 - Example: Consider funding financial education by using some or all of the interest on profits from unclaimed property (Department of Revenue).
- Encourage public-private matches.
 - Example: Through contracts.
 - Example: Dedicating funding for specific organizations.
- Consider providing matching funds to qualify for Federal grant programs.

Current funding is rarely dedicated specifically for "financial education" in Washington. State agencies apply for funds to support programs that often include a financial education component, but only two agencies surveyed indicated they have a line item in their budget for "financial education" or "financial literacy." As a result, funding comes from a variety of sources and is inconsistent from year to year.

Understanding the State cannot be expected to be the sole funding source for financial education in Washington, public-private partnerships could result in additional funding for financial education. To establish consistent funding, however, the State needs to annually dedicate resources specifically for financial education.

Other states such as New York have successfully established public-private partnership funding and should be consulted for best practices to ensure consistent levels of funding. Locally, Washington's FLPPP has obtained public-private funding and is exploring opportunities to obtain additional, more consistent funding to support the group's financial education agenda.

Recommendations & Supporting Statements

5. The Legislature shall create an advisory council to advance the lifelong acquisition of personal financial skills and knowledge. The council shall include but not be limited to leaders from government, state education, private for-profit and non-profit organizations, bi-partisan representation from the House and Senate and representatives from AGO, DFI, OIC, DRS, OSPI, SBCTC, HEC Board, and Treasurer's offices.

5.1 To coordinate and oversee the council, the Legislature shall establish a position within the Governor's Office to create better synergy and communication among government, state education, private for profit and non-profit organizations.

The Advisory Council shall:

- Determine reporting requirements for State Agencies to assess financial education based on the assessment standards indicated in recommendation #2.
- Explore certification of financial education – create standards and measures.
 - Explore funding support for Certified Financial Counselors or other certified achievement (standards based);
 - Explore creation of incentives to use (like the Washington State Housing Finance Commission down payment assistance/interest reduction incentives); and
 - Connect state initiatives with community organizations providing financial education.

The position shall:

- Facilitate financial education implementation and expansion throughout Washington State.
- Oversee and maintain a centralized, online clearinghouse to increase awareness of financial education and training materials.
 - Create an online opportunity for teachers, instructors and professors to share existing practices and materials.
 - Create a data bank of materials that are not commercialized.
- Coordinate with existing state-wide and local community efforts.
 - For example: Establish pilot projects to improve community-wide financial education.
 - ◆ Such as Bank on Seattle-King County.
 - ◆ Such as the U.S. Department of Treasury Community Financial Access Pilot in Cowlitz County.

A major roadblock in creating cohesive partnerships, expanding financial education outreach and implementing standards and integrated curriculum is the lack of a dedicated position with a clearly defined support network. Without a leader focused solely on the expansion of financial education, efforts will continue to be disjointed and done "as can be accomplished outside of core job description duties." **Washington must back its verbal commitment to financial education with the creation of a state identified and state-funded position to lead the way in financial education outreach.**

Recommendations & Supporting Statements

6. Task relevant agencies with providing guidance to educators on implementing a sustained financial education curricula for grades K-12 and financial education programs for post-secondary education.

- Include coordination of appropriate assessments and provide professional development opportunities for all state educational institutions as well as public, private and non-profit entities.
- Utilize community resources and financial education organizations to support development and implementation of sustained financial education curricula (K-12) and post-secondary education.
- These agencies will comply with reporting requirements of the financial education advisory council.

Existing programs should be evaluated and considered for implementation whenever possible rather than "re-inventing the wheel."

As the chief regulatory agency of K-12 schools, OSPI must be an active participant in the development and implementation of an integrated financial education curriculum.

Using existing research and data collected by other agencies and organizations and best practices of other successful states, development and implementation of an integrated financial education curriculum is possible in a short time frame with minimal start-up funding when all parties agree to work collectively. Implementation of said curriculum can and should occur the year following final development and vetting.

In developing curriculum for post-secondary education, members of the Washington State Board for Community and Technical Colleges Office of Adult Basic Education as well as Financial Aid, student services, counseling and business/accounting divisions should be included in developing and implementing curriculum to meet the needs of their communities.

The Washington Higher Education Coordinating Board, Financial Aid, student services, counseling and business/accounting divisions of four-year universities should be included in development and integration of curriculum for Washington colleges and universities.

Recommendations & Supporting Statements

7. Create a central clearinghouse to provide a single access point via phone and Web that offers information to meet the specific needs of consumers, instructors, advocates and parents.

In identifying existing support for financial education, several gaps/needs were identified, including a need for readily accessible, reliable and legitimate financial education resources:

- Quality/credible speakers.
 - Washington residents need and deserve to receive information they can trust and afford – reliable, accurate, up-to-date and free of charge or very low-cost that aren't promoting a commercial product.
- Non-commercial materials.
 - When financial education resources promote an organization's agenda or encourage use of a specific product (buy a book, purchase a "system" or open a specific financial institution's account) it becomes more difficult for consumers to discern between legitimate education and businesses aimed at making money. (For example, freecreditreport.com verses annualcreditreport.com, FDIC Money Smarts verses the many money guru "memberships" @ \$89.95/year and up).
- Non-commercial services (train the trainer).
 - When financial curriculum promotes an organization's agenda or encourages a specific product (buy a book, purchase a "system" or open a specific financial institution's account) trainers have to decide whether or not they are willing to risk the perception that they are endorsing or promoting a product in order to offer financial education.
- Reference for topics that would be covered in a comprehensive financial education program.
 - Financial education curriculum varies greatly and not all curriculums cover all aspects of financial education. To provide comprehensive financial education, trainers are often required to do a great deal of research to locate the resources necessary to provide a well-rounded course.

Some Work Group members indicated they envisioned a Web site similar to www.craigslist.org with the ability to search by geographic area (i.e. a tab for Tacoma, South King, Olympia, etc.) and topic (saving, investing, credit, home loans, foreclosure, etc.).

Understanding these needs, it is this Work Group's recommendation that such a clearinghouse of resources be available to all residents and address the needs of all: businesses, educators, parents, students and consumers in a manner that addresses the diverse needs of Washington's constituency. Resources should include multi-lingual, culture-specific and regionally accessible speakers/presenters.

Recommendations & Supporting Statements

7. Create a central clearinghouse to provide a single access point via phone and Web that offers information to meet the specific needs of consumers, instructors, advocates and parents. (continued)

Any central warehouse should include "public" and "educators" links and should have access via a toll-free number such as 2-1-1 and a Web site.

- For example: Use the 2-1-1 call system to combine phone access with a Web portal to create a centralized place for inquiry and referral on financial education topics and existing curriculum.
- Create a statewide database for information sharing between experts and financial education providers.
 - Directory of advisory council-approved resources by region and county.
 - ◆ Education (on-the-spot or referral to agency)
 - ◆ Instructors/speakers
 - ◆ Agencies
 - ◆ Financial institutions
 - ◆ Activity Calendar
- For example: Use Wisconsin model: experts train instructors/educators and vice versa. (*Section 11, pages 1-56*)
- Provide continuing education credit for experts (CPA, financial planner, real estate agent, etc.)
- Include financial education meeting the Lifetime of Financial Literacy Proficiencies (*Section 4, pages 1-8*) and/or Jumpstart standards (*Section 7, pages 4-5*).
- Link to existing Web resources (One Economy, AICPA Web site model) utilizing resources similar to CTED's resource map identifying services in each region.

For K-12 application, the resource list should indicate whether a curriculum meets standards and/or includes measurables and include an interactive forum for sharing ideas for use in the classroom. FLPPP is working to develop such a database, but a lack of manpower and funding is slowing the release of such an extensive, vetted interactive database.

There are several examples of what a central warehouse could look like:

- Wisconsin's ide@s interactive dialogue with educators across the state¹⁶
- Jumpstart Coalition Clearinghouse¹⁷
- FLEC National Financial Education Network Database¹⁸
- National Youth Involvement Board financial literacy portal¹⁹
- New York State offers a Financial Education Network Directory and information online through the Office of Financial Empowerment online²⁰ or by calling 311
- Washington DFI's financial education portal²¹

¹⁶ Wisconsin ide@s personal financial literacy portal, www.ideas.wisconsin.edu/subject.cfm?sid=45

¹⁷ Jumpstart Coalition Clearinghouse, <http://www.jumpstart.org/search.cfm>

¹⁸ FLEC Network Database, <http://www.flecnationalnetwork.org/members.cfm>

¹⁹ National Youth Involvement Board financial literacy portal, http://nyib.org/financial_literacy.php

²⁰ New York State online financial education network directory, www.nyc.gov/ofe

Recommendations & Supporting Statements

8. The advisory council shall strongly encourage employers and community based organizations (public, private and non-profit) to provide financial education – including wherever possible multiple languages and culturally relevant services – to their employees and audiences using incentives.

Recognizing that employees without financial education are more likely to be at risk of absenteeism and higher stress, we recommend the State work with employers to expand financial education opportunities in the workplace.

Understanding that incentives are often necessary to encourage non-mandatory participation in financial education programs, we offer the following:

- Employee Incentive Examples:
 - Create incentives for businesses that provide financial education resources to their staff which result in higher than average levels of retirement savings:
 - ◆ Time off (personal day);
 - ◆ Gas cards, gift cards; and
 - ◆ \$100 savings deposit for completion.
 - Model after Treasury's proposed *Workplace Financial Education Honor Roll Program*.
- Employer Incentive Examples:
 - Employer support: B&O/property tax credit for business owners providing financial education to their employees. (Financial education must meet criteria);
 - Gas cards, gift cards;
 - \$100 savings deposit for completion; and
 - Savings match
- Business Incentive Examples:
 - Financial Institutions could offer lower interest rates, savings bonds, or other incentives. (i.e. BECU home mortgage model, discount on closing costs.)
- Non-Profit Incentive Examples:
 - Community-based organizations providing financial education may also include club directors, or organization's volunteers, such as Boys & Girls Clubs, YMCA, YWCA, etc. so that they all receive the same training and have access to the same curriculum and resources;
 - When applying for State grants, additional consideration will be given to those non-profits providing advisory council-approved financial education; and
 - Non-profits may offer discounts on service fees as an incentive to clients for taking financial education courses.

²¹ Washington DFI financial education portal, <http://dfi.wa.gov/financial-education>

Recommendations & Supporting Statements

9. Create and implement a comprehensive, statewide educational messaging and outreach plan (e.g. Washington's Healthy Living) to advance the importance of life-long learning of financial education.

Budgeting, saving and investing for one's future are rarely discussed at home, in school, at work or in social settings. Money has been a taboo topic of discussion for family dinner tables – much like sex or politics. It is rarely promoted in the advertising industry that drives our society to spend – buy this car, these clothes, that gadget and even what pharmaceuticals we should ask our doctors for. Organizations such as the American Institute of Certified Public Accountants (AICPA) and the American Savings Education Council (ASEC) offer messaging with their "Feed The Pig" and "Choose To Save" campaigns — but their **messaging is few and far between the ads driving consumers to spend.**

In the article "Practical Advice from the Union of Concerned Scientists" by Michael Brower, PhD, and Warren Leon, PhD, it is noted: "**The average American is exposed to about 3,000 advertising messages a day**, and globally corporations spend over \$620 billion each year to make their products seem desirable and to get us to buy them."

Financial education and fiscal responsibility messaging must become as much a part of the consumer's daily life as the messaging to spend.

Once more, there isn't a need to "reinvent the wheel." Several organizations have already developed public service announcements ready for television, radio, Web and print.

Existing messaging outreach initiatives include:

- AICPA "Feed The Pig"²²
- ASEC "Choose To Save"²³
- MyMoney.Gov²⁴
- CreditFairy.org (a partnership of the Consumer Bankers Foundation, Ad Council and Leadership Conference on Civil Rights Education Fund)²⁵
- The Advisory Council could coordinate and explore outreach opportunities.
 - For Example: Work with businesses to stress importance of educating their employees. Employees worried about personal finances are not as productive.
- Explore opportunities for a private funding match.
- Maximize free and educational messaging, churches/religious, social and employer groups.
- Explore other opportunities to disseminate the financial education messaging.
 - For Example: Use of local government cable channels.

²² AICPA "Feed The Pig" www.feedthepig.org/VideoPage.aspx

²³ ASEC "Choose To Save" www.choosetosave.org/psaplayer/index.html

²⁴ MyMoney.Gov www.mymoney.gov/psa/psa_mov_30.htm

²⁵ CreditFairy.org (a partnership of the Consumer Bankers Foundation, Ad Council and Leadership Conference on Civil Rights Education Fund) www.creditfairy.org/info/psas.php

Supporting Documents

▪ **Supporting Documents Sections:**

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4. President's Advisory Council on Financial Literacy 2008 Report	Pages 1-35
5. Consumer University Suggested Lifetime of Financial Literacy Proficiencies	Pages 1-8
6. National Council on Economic Education 2007 Survey of the States	Pages 1-12
7. Schwab Teen Survey 2007	Pages 1-6
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