ASSET BUILDING POLICY NETWORK

Center for American Progress

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Citi Community Development

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National Council of La Raza

National Urban League

PolicyLink

November 2, 2012

Mr. Garry Reeder
Chief of Staff
Bureau of Consumer Financial Protection
1700 G Street N.W.
Washington, DC 20552

Re: Federal Register Docket No. CFPB-2012-0030
Request for Information on Effective Financial Education

Dear Mr. Reeder:

The Asset Building Policy Network (ABPN) commends the Consumer Financial Protection Bureau (the Bureau CFPB) for its commitment to improving the ability of American consumers to make better financial decisions for themselves and their families. We are grateful for this opportunity to comment on how to make financial education more effective. We commend the Bureau's focus in this Request for Information on behavioral impediments to the effective delivery of financial education and encourage the Bureau to develop and implement inclusive, equitable, and culturally and linguistically relevant financial education strategies in order to effectively serve a diverse range of American consumers, including low-income families, communities of color and immigrant populations.

Background

ABPN is a newly-formed coalition committed to improving the opportunity for economic progress for low-income individuals, families, and communities of color. As a group of national civil rights, financial services, community and economic development, and consumer advocacy organizations we are committed to:

- Advancing national savings and asset-building policy and advocacy;
- Developing a shared communications agenda and strategy; and
- Building the capacity of Network members and their affiliates.

The communities represented by ABPN members currently find themselves in a period of severe economic uncertainty that most Americans have never experienced in their lifetimes. The financial crisis hit communities of color and low-income communities especially hard. According to a recent report by the Pew Research Center, the wealth gap has expanded in recent years to the point where the median wealth of white households is now 20 times that of black households and 18 times that of Hispanic households.[1] The foreclosure crisis played a large role in widening the racial wealth gap: according to the Center for Responsible Lending, the foreclosure crisis has resulted in losses of $194 billion in the African-American community and $177 billion in the Latino community.[2] Annamaria Lusardi, a leading financial literacy researcher, finds that lack of relevant financial information is "particularly high among minorities and a major obstacle to [their] accumulation of wealth."[3] For these reasons, the members of ABPN believe that policies to promote asset development and financial inclusion are as important today as they have ever been—especially efforts tailored to minority communities and families with culturally and linguistically relevant programming and materials. Improving the effectiveness and broadening the reach of effective financial education is critical to addressing the unique and specific needs of our constituencies.

Supporting and providing financial education helps ABPN members achieve our missions to develop a more equitable and prosperous society and improve the health and wealth of our

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1 Paul Taylor, Richard Fry and Rakesh Kochhar, "Wealth Gaps Rise to Record Highs Between Whites, Blacks, Hispanics," Pew Research Center, July 26, 2011, at http://www.pewsocialtrends.org/2011/07/26/wealth-gaps-rise-to-record-highs-between-whites-blacks-hispanics/.

2 Debbie Gruenstein Bocian, Wei Li, and Keith S. Ernst, "Foreclosures by Race and Ethnicity: The Demographics of a Crisis," Center for Responsible Lending, June 18, 2010, at http://www.responsiblelending.org/mortgage-lending/research-analysis/foreclosures-by-race-and-ethnicity.pdf

3 Annamaria Lusardi, *Financial Education and the Savings Behavior of African-American and Hispanic Households* (Washington, D.C.: U.S. Department of Labor, September 2005).

communities, particularly ethnic and racial minorities and immigrants. Workforce training; affordable homeownership opportunities; safe and sustainable neighborhoods; intergenerational education opportunities; and financial inclusion: none of these strategies in isolation is sufficient to move the needle on financial wellbeing and economic opportunity. Each plays an important role, and financial education can boost the effectiveness of each as well as play a connective role, building meaningful linkages between each area.

The theoretical underpinning of financial education is that people make financial decisions in ways that are destructive to their financial security because they lack information that would prompt them to behave differently. Thus, if provided with suitable financial education an individual would make more beneficial financial decisions. When ABPN members solicited feedback from our network members and affiliates, respondents agreed that essential financial capability skills include budgeting, getting and maintaining good credit, saving regularly and avoiding high-cost and predatory financial services.

Our recommendations in this letter draw on the extensive research, experience and community practice that our members have accumulated over several decades. Our comments are reflective of the ABPN as a body and not necessarily the position of each member.

Challenges to Effective Financial Education

1. *In your experience, what are consumers' most common financial decision-making challenges?*
2. *Is there a common set (or lack) of habits, attitudes, or practices, and if so, what are they?*
3. *What are the major challenges in providing financial education that would help adult consumers address the issues identified in questions 1 and 2, and that would lead to good financial outcomes for recipients?*

During the subprime mortgage crisis, for example, the complexity of mortgage documentation ensnared many borrowers in mortgages they didn’t understand the terms for which were buried in hundreds of pages of paper. This was particularly true in African-American and Latino communities, where some mortgage lenders focused on refinancing homeowners into exotic, ultimately dangerous loans that eroded the assets' value over time.[4] Evidence suggests that financial education can yield promising outcomes in terms of behavior change, especially when the provision of information is paired with an opportunity to act. For example, research by the Kansas City Federal Reserve Bank found marked improvements in workers' financial capability as the result of a workplace financial education program. Among other positive outcomes, workers borrowed less from their 401k accounts, increased their 401k participation and contributions and reported less financial stress.[5]

The link between education and behavior is not straightforward. Research is now beginning to suggest that the people who most need the help are not in fact getting it. Some research suggests that the people most likely to engage in financial education are not necessarily those that need it most. In the Kansas City Federal Reserve Bank's evaluation of the workplace financial education program, researchers qualified their positive findings to note that:

> "the people who chose to participate in a financial education program[,] that is, those who self-select into the program, may be more motivated to improve their financial position than those who choose not to participate."[6]

Our collective experience in designing, delivering, and researching financial education services raises a number of additional potential issues that could limit the effectiveness of financial education:

Lack of culturally and linguistically relevant financial education service: It is important to consider that some of what is categorized as "behavioral resistance" results from cultural and linguistic disconnects between the provider of financial education and the consumer. NCLR has recently concluded research on Latino use of financial products and services in California. Results show that Latinos who did not own a traditional mainstream bank account

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[4] Treuhaft, Rose, and Tran.

[5] Kelly D. Edmiston, Mary C. Gillett-Fisher and Molly McGrath, *Weighing the Effects of Financial Education in the Workplace* (Kansas City, Mo: Federal Reserve Bank of Kansas City, Community Affairs Department, Oct. 2009)

[6] . Edmiston, Gillett-Fisher and McGrath.

were overwhelmingly (66%) Spanish-speaking. When asked to identify the top factors they considered when choosing a bank, the ability to communicate in Spanish was a top consideration for them.[7] The delivery of financial information and services must be done in a way that is comfortable for the customer, and this suggests that currently, this segment of the population is not finding this to be the case.

One key to improving the effectiveness of financial education is identifying where and why there is a mismatch between demographic segments that would benefit from financial education and the capacity of the local and regional governments, community organizations and financial institutions to deliver those services. The Bureau can and should play a transformative role in identifying where there are capacity-building needs and mobilizing funders and policymakers to around those needs.

***Stigma*:** Both the academic literature and several of our members point to the negative stigma surrounding about talking about financial literacy problems as one source of people's resistance to financial education and behavior change. As one of CFED's local partners put it:

> People don't want to admit they don't know enough about their own finances or that they can't effectively manage their finances. … In order to get people into workshops, seminars, trainings, etc. there has to be an admission (at least internally) that you have a problem and need help. That is very difficult when you think you've been doing great just to survive.

This indicates that when financial education is painted as "remedial" and pointing out flaws, versus empowering and building on strengths, people are significantly less willing to participate.

There is a lack of trust and a negative attitude towards financial institutions particularly among un/underbanked individuals: The lack of trust and negativity is a significant barrier to increasing financial education and positive behaviors and can be attributed to a variety of things including the recent financial crisis, lack of appropriate services or convenience, access to credit,

[7] The full results of this survey will be published on NCLR's website in the near future.

credit score, lack of understanding of how the banking system works, banking practices, prior checking account issues that are documented in ChexSystems, and cultural views of banks. Resistance to mainstream financial institution could be exacerbated further if financial education (1) fails to acknowledge the existence of negative attitudes toward banks and attempt to overcome them or (2) fails to acknowledge the *positive* experiences individuals might have had with the alternative financial service providers. For instance, NALCAB member the Mission Asset Fund conducted a survey of 250 Latino immigrants in the Mission District neighborhood of San Francisco and found that 43% of Latina immigrants mistrusted banks. One focus group participant said, "I don't trust banks, they tell you one thing and then it turns out to be something else. They don't give you all the information."[8] The CFPB could be instrumental in overcoming this lack of trust in financial institutions by supporting and sponsoring educational programs developed with input and/or partnership from financial institutions, governmental agencies, and non-profits specializing in this area.

Recommendations and promising approaches

5. How might CFPB effectively disseminate financial literacy and education resources that will help consumers build the necessary skills to achieve good financial outcomes?

7. What research in behavioral economics or other academic fields—published or still in process—provides insight into financial education approaches that can help consumers achieve their own financial goals?

Financial education has been a crucial component of ABPN members' work to help low- and moderate-income families build assets and improve their household balance sheets. In our view, financial capability is a necessary foundation: households cannot effectively build assets unless they also develop knowledge and skills to do so in a sustainable manner. Individuals on the path to homeownership, for example, must not only accumulate the savings necessary for a down payment, they must also build the credit necessary to qualify for a loan and have the financial management skills to keep up with the mortgage, as well as maintenance, on their new home.

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[8] "Latina Immigrants," *Immigrant Financial Integration Initiative*, Survey Brief No. 2, (Mission Asset Fund: San Francisco, California, 2009).

Although the financial capability field is relatively new, academics, practitioners and policymakers have identified a great number of research questions and hypotheses for further investigation. CFED has recently launched, in partnership with ideas42 and with support from the Citi Foundation, a project aimed at piloting innovative behavioral interventions that can improve outcomes in asset-building programs. The Behavioral Economics Technical Assistance (BETA) project seeks to find and test manageable, low-cost program adjustments based on behavioral theory and research in behavioral economics and psychology. Potential interventions include the use of automation, reminders and process simplification to promote better personal financial management; and the use of social norms to increase the level of engagement in savings activities. These interventions could potentially augment or reinforce the impacts of financial education. CFED and ideas42 are currently in the process of selecting proposals for testing, and we expect to disseminate our findings by December 2013.

In the meantime, our past and ongoing work and research (discussed in detail in the following pages) point to several valuable lessons that can help the Bureau overcome the challenges described above in the short term. In particular, we believe that the ***integration*** of financial education into other service delivery programs might be among the single-most effective mechanisms to ensure that financial education reaches all the individuals who should be served and in a manner that would most likely create positive behavior change. Financial education should be integrated into the broad range of human services, community development, and education programs, including immigration services, small business development, and other areas. Secondly, we anticipate that the Bureau's new efforts to standardize financial education and measure financial capability will have far-reaching impacts on the effectiveness of financial education and consumers' trust in the information they receive.

1. <u>Integration of financial education into human services, community development and other education programs</u>

The integration of financial education into human services, community development and other education programs can overcome resistance to financial education and increase its effectiveness in three ways: (1) it allows for the delivery of financial education in a personalized context that is immediately relevant to participants' lives; (2) it can be coupled with concrete products and incentives, such as savings accounts, that are closely aligned with the underlying program's objectives while also providing immediate "wins" to program participants; and (3) it utilizes pre-existing pathways for delivery of financial counseling services so that participants are easier to reach on a consistent basis.

The integrated delivery of financial education can make it more effective by taking advantage of the built-in infrastructure provided by the core program for reaching program participants. Not only can participants receive financial counseling at the same sites where program services are delivered, they may even receive it from the same individuals working on their case and at the same time as other services. There is no need to develop a separate infrastructure for financial education. Indeed, research conducted by National CAPACD found that financial education has been most effective when delivered in conjunction with other services and strategies. Most common integrated financial education occurred through the delivery of one of the following services: 1) Immigrant and refugee integration services; 2) Housing counseling and education; 3) Small business assistance, or 4) Bundled with other services such as workforce development or employment training. Using these existing pathways can not only help to overcome the time constraints that many program participants may be under due to work schedules, child care and other pressing concerns, it can help deliver financial education over the longer period of time necessary to create and instill long-lasting habits.

Jonathan Mintz, Commissioner of New York City's Office of Financial Empowerment calls these integration opportunities "touchpoints"—optimal moments for combining service delivery with financial education that enhance the effectiveness of both.[9] For example, the city of San Antonio requires anyone receiving more than one month of rental assistance to enroll in financial education classes, participate in one-on-one financial coaching and save a portion of his/her current income.[10] For someone at risk of losing his or her home, the benefits of better financial education are immediate and clear, including the better prioritization of spending decisions and

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[9] New York City Department of Consumer Affairs, Office of Financial Empowerment, *Municipal Financial Empowerment: A Super-Vitamin for Public Programs* (New York, New York: 2012).
[10] Jennifer Medina, Jennifer Brooks and Rick Haughey, *Integrating Financial Empowerment Strategies into Housing and Homelessness Prevention Programs* (Washington, DC: CFED, August 2012).

help with budgeting; the accumulation of emergency savings in the event of a financial shock; and a better understanding of a borrower's rights and obligations in the event of a foreclosure.

Some of the early leaders in developing integration strategies have been long-established community-based organizations that recognized how the services their clients and community members need are interrelated. The Mission Economic Development Agency (MEDA), an affiliate of both NCLR and NALCAB, provides microenterprise development, VITA tax preparation services, financial education, homebuyer assistance and foreclosure prevention services in the Mission District of San Francisco. MEDA has pioneered service integration with clients to help link previously separate services. The organization views financial education as the core of all of its asset building services, and has integrated financial education & coaching into its small business assistance and homebuyer counseling programs, among others, to ensure that all of its clients receive the same information on credit, debt, and savings. MEDA's model utilizes a long-term coaching methodology, which allows the client to take ownership over their financial goals and action plan. MEDA's bundled services approach, in partnership with other providers, ensures that clients receive supportive services that can help them meet their goals, ranging from childcare to tenant's counseling, and computer training.

United Way Worldwide has developed an integrated strategy through its Financial Stability One Stop Centers and SparkPoint Centers, which also pair financial education and counseling with work and income supports such as vocational training, benefits enrollment, free tax preparation and savings opportunities such as IDAs. The United Way experience suggests that delivering financial education seamlessly with other services is more effective than delivering it in isolation. For instance, the Career Connections and Prosperity Center in Winston-Salem, North Carolina reported that clients demonstrated improved outcomes for earnings, decreasing debt and increasing credit, and savings, despite meeting less than half of its goal for enrollment in its financial literacy workshop.[11]

The early results from the center-based strategy are promising, but more rigorous evaluation is required to understand precisely what is working and whether initial successes translate into

[11] Rita Bowen, *Financial Stability through Integrated Service Delivery: Highlights from the United Way System* (Alexandria, Virginia: United Way Worldwide, 2011).

long-term improvements in clients' financial capability and wellbeing. We understand that this work is already underway and are pleased with the Bureau's commitment to further evaluation. We recommend that the Bureau make an explicit commitment to share its findings, when they are available, in widely accessible ways with practitioners in the field.

The Bureau should also place a strong emphasis on understanding the role of language and culture in the delivery of financial education. The financial counseling approach, and integrated service delivery strategies more generally, are grounded in relationships built with clients over time. Community organizations often operate in a multicultural and multilingual atmosphere. Financial education resources are not always readily available in a variety of languages. Further, there is an insufficient understanding of the extent to which the national infrastructure for delivering financial education has the capacity to deliver these services with the cultural and linguistic competency that is necessary to be most effective. This is especially true for financial decision-making, when product features and costs, terms and conditions, are often already difficult to fully understand. NCLR, NALCAB and National CAPACD are each national leaders in the development and dissemination of culturally and linguistically relevant financial education. For example, Hawaiian Community Assets (HCA) developed the Kahua Waiwai: Building a Foundation for Wealth[12] financial education curriculum for youth and adults that incorporates the values of traditional Native Hawaii in presenting financial concepts that focuses on connection to the land as an asset and resource and responsibility to family and community. The Bureau has itself set a new standard for the availability and ease of access to translation services in a wide variety of languages. This leadership positions the Bureau to continue to address solutions to language barriers in the financial education field.

2. Access to concrete products and incentives.

A second way in which the integration of financial education can make it more effective is when it is coupled with concrete products and incentives—such as a savings account or IDA—that can provide immediate benefits to participants, as well as real-life application of lessons learned.

[12] See: http://www.hawaiiancommunity.net/products_kahua_waiwai_curriculum.asp.

NCLR affiliate Casa de Maryland developed an innovative context for delivering financial education related to access to loan products: their New Americans Citizenship Project of Maryland makes microloans to legal permanent residents who would like to become citizens but lack the funds required. In addition to offering study courses for the naturalization examination, English classes, and assistance completing the application, the project also refers clients to Casa de Maryland's full suite of services, including financial education. Moreover, the microloan repayment process builds clients' credit scores, so merely participating can build their access to mainstream financial products.

Several NCLR Affiliates are also currently participating in a pilot program in which participants, who are low-income Latinos, are enrolled in traditional bank accounts and receive financial coaching for one year. Participants will be given incentives to save throughout the duration of the program as well. The program aims to see what effect the coaching has on participants savings behavior, and ultimately, if it builds their financial capability.

Kindergarten to College (K2C), another program which pairs financial education with the provision of products, was launched in 2010 in California as a collaborative effort by Citi Community Development, CFED, Living Cities, and the City of San Francisco to open savings accounts for children entering kindergarten. In addition to the obvious benefit of promoting increased savings, the accounts also serve as a tool in the classroom to imbue youngsters with basic financial literacy. The accounts are opened and managed by Citibank with seed funds from the City of San Francisco and philanthropic organizations (with lower-income children eligible for slightly larger initial deposits); the same organizations then provide incentives, including cash matches, to encourage enrolled families to save. An online portal (www.mysavingsaccount.com) provides families with easy account access and also serves as a repository of important information on the program. As of Fall 2012, every child entering kindergarten in the San Francisco Unified School District is eligible to enroll.

A powerful example of how service providers can successfully integrate financial education into a direct service "touchpoint" with built-in product access is the tax-time savings initiatives offered by free tax preparation campaigns. Each tax season, nonprofits and local governments across the country partner to offer free tax preparation through the Volunteer Income Tax

Assistance (VITA) program, with the goal of maximizing LMI families' take-up of key income supports such as the Earned Income Tax Credit (EITC) and Child Tax Credit (CTC). VITA clients often receive their largest annual lump sum of money through their tax returns, which offers an ideal opportunity to save. Indeed, studies and surveys demonstrate that approximately one-third of low-income families intend to save a significant portion of their tax returns.[13] Families often, however, have trouble actually putting money aside once the refund check arrives: in one study, only 45% of those who planned to save actually did so.[14]

The El Paso Affordable Housing Credit Union Service Organization has created a continuum of financial education services that begins with VITA and continues with in depth financial education and credit building, connections to financial services at local credit unions, homebuyer counseling and eventually securing a safe mortgage. Over the past five years, El Paso AHCUSO has prepared more than 28,800 returns, engaged more than 4,300 families in financial education and facilitated approximately 350 mortgage closings. Nearly all the homebuyers (97 percent) were VITA clients and tax refunds were a common source of down payment funds.

Additionally, many VITA sites (and some private sector tax preparers) now market U.S. Savings Bonds to their clients. Participants in the Tax-Time Savings Bond Campaign have achieved compelling results by integrating educational outreach about the importance of savings into the tax prep moment and pairing that with an easily accessible, flexible savings product. One study found that VITA clients who heard from site staff or volunteers about the opportunity to save through bonds were more than twice as likely to buy bonds than those who did not receive such

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[13] Jon Spader, Janneke Ratcliffe and Michael Stegman, *Transforming Tax Refunds into Assets: A Panel Survey of VITA Clients in Greenville, Henderson, and Raleigh, North Carolina* (Chapel Hill, North Carolina: Center for Community Capitalism and the Frank Hawkins Kenan Institute of Private Enterprise, University of North Carolina, August, 2005); Princeton Survey Research Associates International, *Tax Refund Poll for Bankrate.com*. (Princeton, New Jersey: March 2010).

[14] Spader, Ratcliffe and Stegman.

outreach.[15] Moreover, this approach is an effective habit-forming experience: about 25% of bond buyers in the past several years reported that they were repeat buyers.[16]

The work of CFED, NCLR, National CAPACD and others on Individual Development Accounts (IDAs) also suggests that incentives can positively change behavior. IDA program participants receive a match (1:1, 2:1 or sometimes even higher) for deposits made into a dedicated savings account. Participants typically also receive a suite of services, including financial education, aimed at ensuring their readiness to acquire and maintain a major asset, such as a home. Since the 1990s, more than 1,000 organizations now offer IDA programs, resulting in tens of thousands of new homeowners, new business start-ups and new investments in education. According to the Center for Social Development (CSD), the pioneering organization for IDA development, research and implementation, IDA program participation had positive impacts on both total savings and net wealth. One CSD study, for example, found that IDA program participants had accumulated $750 more in real assets at the end of the program than a control group.[17]

More recently, the Council for Native Hawaiian Advancement (CNHA), a CDFI and HUD-approved housing counseling agency, launched the Hawaii Family Finance Program (HFFP) with support from the Department of Treasury. HFFP provides low-income families in Hawaii with IDAs for homeownership paired with financial education and debt reduction assistance. The financial education component focuses on helping households to establish a family budget and be prepared to apply for a mortgage. The program is based on a model developed by CNHA to assist low-income families on the waitlist of the State Department of Hawaiian Home Lands (DHHL) to be prepared to qualify for a home and lot selection for a home under the Hawaiian Homes Commission. Through the HFFP pilot with the Department of Treasury, CNHA has expanded the program to support native and non-native Hawaiians alike.

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[15] J. Michael Collins, *Tax Time as a Teachable Moment: Assessing the Opportunities for Financial Education Linked to Community-based Tax Preparation* (University of Wisconsin-Extension Cooperative Extension, 2010).
[16] Doorways to Dreams Fund, *2012 Savings Bonds Report: Keep Bonds Easy. Preserving Universal Access Through Advocacy, Awareness, and Action* (Allston, Massachusetts, 2012).
[17] Jin Huang, *IDAs, Saving Taste, and Household Wealth Evidence from the American Dream Demonstration* (St. Louis, Missouri: Center for Social Development, Washington University, 2009).

A final example of the impacts of incentives on behavior is the recent success of "prize-linked savings" pilots, most notably in Michigan. Based on the work of Peter Tufano, Dean of Oxford University's business school, nine Michigan credit unions began offering a chance to win cash prizes for each $25 that a saver deposited. The "Save to Win" project, spearheaded by the Michigan Credit Union League, the Doorways to Dreams (D2D) Fund and the Filene Research Institute, drew more than 11,500 new savers and $8.6 million in new deposit in its first year alone.[18]

These examples suggest that if financial education is coupled with immediate and tangible incentives that reward both the acquisition and application of new financial knowledge, behavior change—at least in the short term—is more likely to result.

3. Standards for defining and measuring "financial capability."

The President's Advisory Council defines "financial capability" as "the capacity, based on knowledge, skills, and access, to manage financial resources effectively." Within this broad definition, however, there are no agreed-upon standards or curricula, nor is there an agreed-upon means of measuring an individual's financial capability. In the absence of these standards, we don't yet know what "financially capability" comprises in terms of specific knowledge or skills. Moreover, despite the apparent successes of some financial education programs, we don't actually know what types of financial knowledge and skills are the most likely to change behavior, or how those knowledge and skill sets vary depending on the client's life stage (presumably teens have different needs than young adults, parents, retirees, etc.).

To develop a common understanding of financial capability, one service provider suggested the creation of a "financial capability index"—a scale of financial wellbeing that would enable individuals and service providers to compare their own or a client's financial knowledge and skills to a defined "base-line" of financial health. This would guide individuals and service providers to take steps to address areas of weakness. In the absence of a standardized tool that

[18] Doorways to Dreams Fund, *Excerpts from Playing the Savings Game: A Prize-Linked Savings Report* (Allston, Massachusetts: 2012).

people can use to assess themselves, they “[don’t] know the status of their financial health and therefore will not seek any financial intervention or support.”[19]

The Bureau has already rightly recognized these challenges and is pursuing efforts to standardize the expectations around “financial capability,” which we commend. The results of these efforts would not only improve the overall quality of financial education so that it is more likely to change behavior, it would improve the ability of researchers to determine its effectiveness. Common standards and metrics would also make it much easier for practitioners to develop consistently effective curricula, rather than drawing from the hodge-podge of materials available today. We recommend that the Bureau take the lead in aggregating data across the federal government to track the progress and impact of integrating financial education with other government-funded services and projects.

The “professionalization” of financial education would also improve consumer trust in the reliability of information received in financial education courses. Thanks to the Internet, almost anyone can seek out financial “advice”—but not all of it will be accurate or trustworthy. Nevertheless, consumers may feel they don’t need specialized financial education because of the availability of this other information and its convenience one mouse-click away. ABPN members have suggested that the creation of an officially recognized certification for non-profit financial counselors (similar to the “Certified Financial Planner” certification available in the private sector) would help elevate proven approaches and reassure consumers about whom to trust.

Conclusion

The need for all Americans to sharpen their financial savvy is increasingly urgent. In addition to the daily responsibilities of managing personal finances, building credit, and saving for college and retirement, consumers now face new challenges related to the rising costs of basic financial services, as well as numerous new, and at times, complex financial products. Although financial innovation necessary and beneficial, it has, on occasion, spawned predatory products aimed at nothing more than stripping the wealth of vulnerable consumers.

[19] Comments of Victor Ramirez, Vice President, Citi Community Development, submitted in CFED survey of A&O Network members, September 2012.

The most at risk are consumers who remain unconnected to mainstream financial services and products. According to the FDIC's 2011 Survey of Unbanked and Underbanked Households, 8.2 percent of U.S. households are "unbanked," while an additional 20.8 percent of U.S. households are "underbanked," relying primarily on non-bank, "alternative financial services" providers for their transaction and credit needs.[20] African-Americans and Hispanics are significantly overrepresented among the unbanked, with more than 20% of households in each group wholly lacking any relationship with a mainstream financial institution.[21] These unbanked and underbanked households are uniquely vulnerable to exploitation from predatory products and service providers.

If our ultimate goal is to raise the general financial capability of American households, we will need to ensure a well-coordinated and integrated national infrastructure for the delivery of culturally and linguistically relevant financial education services and measure not simply the delivery of services, but behavioral change that leads to increased financial capability. In order to be most effective in achieving this goal our efforts must engage with all stakeholders in public-private partnerships amongst government agencies, like the CFPB, nonprofits and financial institutions, small and large. If we fail in this endeavor, households who don't get the benefit of financial education will only fall further behind, endangering their own financial security, while at the same time posing a "systemic risk" to the nation's overall financial health. Ensuring that effective financial education that is tailored to meet the specific needs of low-income communities and communities of color is necessary to ensure that all participants in the financial marketplace can make the most of their resources and fully take advantage of opportunities to move up the economic ladder.

Thank you for this opportunity to share information with the Bureau regarding effective financial education and how to deliver effective financial education to low-income individuals and communities as well as people and communities of color. We look forward to working with the Bureau on these issues as it further develops its programming and research efforts.

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[20] Federal Deposit Insurance Corporation, *2011 FDIC National Survey of Unbanked and Underbanked Households* (Washington, D.C.: Federal Deposit Insurance Corporation, September 2012).

[21] 21.4% of African-American households and 20.1% of Hispanic households are unbanked, per FDIC data.

Sincerely,

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