

Testimony of

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before the

**Committee on Financial Services
Subcommittee on Oversight and Investigations
U.S. House of Representatives**

**“Empowering Consumers: Can Financial Literacy Education
Prevent Another Financial Crisis?”**

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Thank you, Mr. Chairman and members of the committee. I am Kevin Glendening, Deputy Bank Commissioner and Administrator of the Kansas Uniform Consumer Credit Code. I appreciate the invitation and opportunity to appear before the Subcommittee on Oversight and Investigations today on such an important and timely topic as financial literacy. I've been asked to comment on initiatives my office has taken with respect to promoting financial literacy education in Kansas, our experiences and lessons learned in that endeavor, and other observations about financial literacy in general.

In my position as the Administrator of the Kansas Uniform Consumer Credit Code and Deputy Bank Commissioner of our consumer and mortgage division, I have the primary responsibility for supervision, regulation, and enforcement of Kansas consumer credit and mortgage lending laws. In that capacity I have witnessed the often devastating consequences the absence of financial literacy can have on consumers. These consequences, including unmanageable debt levels, poor credit, repossessions, and foreclosures, can have severe effects on both the individual's personal and family life. These consequences are sometimes as a result of the illegal actions of an unscrupulous lender or broker, but frequently simply the result of a lack of understanding of basic financial, credit, and borrowing issues. With that backdrop, I would like to briefly share those initiatives my office has undertaken to help promote the financial literacy of Kansans.

Aware of the relationship between informed consumers and lowering the incidence of predatory or deceptive lending practices, in 1999 we were successful in adding provisions to the Kansas Consumer Credit Code which allowed us to fund financial literacy programs by utilizing monies received through fines levied against lenders who engage in illegal activities. The advantage of this approach was to avoid reliance on tax dollars and place that responsibility more centrally on that small percentage of lenders who engage in deceptive and illegal activities.

Once a source of funding for these programs was in place, our attention turned to what types of financial literacy programs were out there. At that point, several issues became clear to us. Among them, that there was a significant amount of financial literacy materials available although with varying degrees of quality and accuracy. Second, one of the primary challenges with financial literacy materials is getting someone to use it in a meaningful way. Third, how financial literacy is effectively presented and delivered depends greatly on the target audience. Lastly, the realization that, at least in my case, I am primarily a regulator not an educator and that partnering with groups who have expertise in working with the target audiences you wish to reach can be an effective way to leverage resources.

Our financial literacy initiatives generally fall into two groups, those targeted toward school age children and those geared toward the needs of adults. Among the financial literacy programs for school age children, two of our most successful involve partnerships with nonprofit organizations. The Kansas Council on Economic Education (KCEE) has as its mission the enhancement of curriculum for school teachers to facilitate economic and personal finance education. My office has been the primary sponsor of the KCEE for several years including the development and distribution of a computer-based financial literacy curriculum called "Financial Foundations". This interactive courseware is designed to help K-8th grade teachers and students understand personal finance issues and is made available free of charge to all elementary and middle schools in Kansas. Last year nearly seven thousand students participated in the online program in two hundred forty-six schools, representing ninety two school districts in Kansas.

More recently, our office has partnered with a non-profit organization know as Communities in Schools of Wichita/Sedgwick County (CIS). This organization attempts to bring businesses, schools, and community groups together to assist in meeting student and family needs. Our office sponsors one component of CIS

services know as “Reality University”, a financial literacy exercise that provides a hands-on learning experience for students to help prepare them for life after high school and the responsibilities of adult life. Students plan their budget, pay bills, and apply decision making and problem solving skills within a level of income based on a predetermined level of education. The goal is to develop the skills needed to make good decisions in practical, real-life situations involving the use of money. This past year over five thousand students in middle and high schools participated in Reality University in seventeen schools in the Wichita/Sedgwick County area. We hope to expand this financial literacy program across the state in the future.

In the area of adult financial literacy initiatives, we routinely partner with several Kansas nonprofit organizations to sponsor a variety of events and programs ranging from counseling on mortgage and consumer debt issues to budgeting and the responsible use of credit. To the extent possible, we have made an effort to take financial literacy information to the consumer rather than making the consumer seek us out. This may take the form of presentations in the workplace, on college campuses, or participation in financial fairs or other community meetings and neighborhood events. This is, I believe, a critically important aspect of a successful adult financial literacy program. Unlike school based programs, where you generally have a captive audience, financial literacy programs geared toward adults can be considerably more challenging. Many of the problems and behaviors that can contribute to an individual’s financial distress are the same issues that can make delivering financial literacy information to adults difficult. Participating in events that also provide other information of interest to adult audiences, for instance home purchase or tenant/ landlord issues, parenting and childcare issues, or specific community interest areas can create a value added element and attract more interest. In 2009, more than eleven thousand individuals attended one of our sponsored adult programs.

While our own financial literacy initiatives have had a measure of success, it is difficult to quantify the extent to which these and other programs may ultimately contribute to the stability of our financial future. This, however, should not deter additional efforts at both the state and federal level to invest in greater financial literacy efforts. The benefit of these programs, particularly those aimed at children will not be fully apparent until those children enter adulthood and become the primary users of financial products and services. The recent financial crisis has generated more interest and awareness of financial literacy issues; however it is important to remember this must be an ongoing long term educational goal. Ultimately, encouraging more aware and better informed consumers is at least part of the solution to insuring the financial crisis is not repeated.

Again, thank you for the opportunity to appear before the committee today and I would be happy to answer any questions.