

Testimony of Taylor Petty
Before the
House Financial Services Subcommittee on Oversight and Investigations
Field Hearing at the Robert J. Dole Institute of Politics
University of Kansas
Lawrence, Kansas
August 24, 2010

Chairman Moore, Representatives Jenkins and Cleaver, I appreciate the opportunity to testify today about how the University of Kansas partnered with the Wichita School District in providing financial literacy education.

It's hard to care about something you don't understand.

And it is clear American high school students do not understand financial basics. A nationwide assessment found that high schoolers understand less than half of the financial basics covered in the exam.

We've already seen the consequences of that lack of understanding.

The credit crisis and mortgage meltdown are largely because many American consumers do not understand their financial decisions. We cannot continue this cycle by failing to provide the next generation with financial education.

Evidence shows we are still failing our youth today. Eighteen to 25 year olds are the fastest growing age group of bankruptcy filers. One in five bankruptcy filers are college students, and college freshman average over \$3,000 in credit card debt.

After working with two fellow graduate students last year with the Wichita School District, I believe financial literacy coursework can be successfully included in the high school curriculum. We support initiatives to assess the financial literacy knowledge of high school students. Without a requirement for a financial education course, our youth will continue to depend on their parents for knowledge about financial decisions – many of whom are in financial crisis themselves due to a lack of education.

As Kansas' flagship research university, service is one of the missions of KU. Under recent Kansas law, Kansas School districts must incorporate financial literacy into their curriculum. Because of KU's strong commitment to serve Kansas, my accounting master's class received the opportunity to partner with the Wichita School District on developing a financial literacy course.

The Wichita School District asked our class to assist in developing curriculum for five financial topics that were not currently addressed. We developed the curriculum during the 2009 school year.

We began by examining existing financial literacy curriculums and we found that existing financial literacy curriculum is not designed to appeal to the interests of high school students. We chose to design the curriculum around situations and decisions the students are currently facing to make the financial literacy material more relevant and to demonstrate how to apply the concepts to real problems.

Education made practical motivates students to learn. Every class session includes opportunities for students to apply what they are learning to their own personal financial decisions.

Each section of the curriculum was authored by one of the three graduate students working on the project. I developed the format and design of the curriculum based on similar curriculum I developed for the School of Social Welfare at the University of Kansas. Each lesson plans was reviewed and critiqued by the other two graduate students and the faculty at the University of Kansas. Each section of the curriculum emphasizes competency and the development of research skills to enable students to be able to find answers to future financial questions.

We consulted with the Wichita School District extensively in developing the curriculum. A panel of teachers reviewed the curriculum and provided suggestions to help facilitate learning. Electronic copies of the curriculum have been provided to the Wichita School District to facilitate future revisions.

Mr. Chairman, I want to thank Rebecca Feickert and Kristen Hageman for helping to author the curriculum. I also want to thank Dennis McKinney, the Treasurer for the State of Kansas, for initiating our involvement in the project. Finally, I want to thank Alice Duwe from the Wichita School District for being a great partner on the program. We hope that it is very successful.

The KU/Wichita School District Curriculum addresses the following major financial literacy issues for students.

1. Budgeting and Savings
2. Credit
3. Home Mortgages
4. Identity Theft
5. Taxes

In our review of prior financial literacy courses, teaching focused more on learning definitions of terms instead of real life application. For example, teaching interest rates must be more than describing the definition as the charge for lending money. Students need a clear explanation of why zero interest rate loans or other teaser rates are not financially wise. There are hard and fast costs to interest rates related to personal savings, home mortgage payments, or personal credit cards. Current financial literacy curriculum should prepare students to make financial decisions, not just inform students about relevant terms. The University of Kansas' curriculum emphasizes understanding and practical application.

Our KU curriculum is user friendly for the teacher. We provide teaching notes, student handouts, assignments, and projects, and grading rubrics. Teaching notes include directions for classroom discussions and activities to enhance learning. Activities direct students to resources that can be

used in the classroom and outside the course. Articles from financial publications, such as the Wall Street Journal, and government agencies are used to facilitate classroom discussion and understanding. Assignments and projects require practical application. Students must develop personal financial plans for each topic. Projects include creating an individual portfolio of personal financial decisions and summarizing lessons learned from each topic. The curriculum is developed to meet the varied learning capabilities of students. Completion and personal application of the financial topics is emphasized for grading purposes.

The University of Kansas' curriculum comprises nine weeks of course material. The curriculum is independent of the State of Kansas' existing financial literacy curriculum and is capable of being implemented into any existing financial literacy curriculum. Other states and existing financial literacy programs can implement our curriculum. Our goal in creating the curriculum was to help students to practically understand financial topics and use that understanding to make wise financial decisions.

Mr. Chairman, my class appreciated the opportunity to help educate Kansans. We hope this course and work will continue to foster the Kansas tradition of carefully managing personal financial matters and knowing when its time to borrow or not to borrow, renting or buying a home, or investing in the stock market.

A list of the class content and an outline of the curriculum are included in my written testimony.

It is a great honor to be here today. Thank you for this opportunity to share our work promoting financial literacy in Kansas high schools.

Appendix A: Financial Literacy Curriculum Developed for the State of Kansas

1. Budgeting
 - a. What is a budget? Why Should I Care?
 - b. How Much Does It Really Cost?
 - c. Budgeting and Bills!
 - d. What Are My Short Term Goals?
 - e. Budgeting for My Short Term Goals
 - f. Long Term Planning & Personal Savings
 - g. My Financial Portfolio
2. Credit
 - a. Credit Cards
 - i. Credit Basics
 - ii. FICO Credit score
 - iii. Understanding Principal and Interest
 - iv. Credit Card Act of 2009
 - v. Credit Card Applications
 - b. Student Loans
 - i. Financial Aid Overview
 - ii. Federal Grant Options
 - iii. Federal Loan Options
 - iv. Online Financial Aid Tools
 - c. Auto Loans
 - i. Auto Loan Overview
 - ii. Glossary Terms Review
3. Home Mortgages
 - a. How Much Home Can I Afford?
 - b. What are the Costs of Buying a Home?
 - c. How to Use Rent vs. Buy Calculators
 - d. What Do I Need to Know Before I Buy?
 - e. What is Equity in a Home?
 - f. What is a Home Equity Loan?
 - g. Lessons Learned About Home Equity Loans
 - h. The Pitfalls of Home Mortgages
4. Identity Theft
 - a. How to Avoid Identity Theft
 - b. Identity Theft Prevention in Your Community
 - c. Identity Theft Statistics
 - d. The Fallacy of Identity Theft
 - e. Identity Theft Through a Lifetime
 - f. Final Written Project: Identity Theft Current Events

Appendix A: Financial Literacy Curriculum Developed for the State of Kansas (cont.)

5. Taxes

- a. What Types of Taxes Exist?
- b. Sales Tax & The Candy Conundrum
- c. What is the Use Tax?
- d. Characteristics of Tax Rates
- e. Quiz: Understanding the Differences Between Progressive, Proportional, & Regressive Tax Rates
- f. How Should We Be Taxed?
- g. Classroom Debate: Debate Arguing for a Progressive or Proportional System
- h. What is Withholding?
- i. Completing Form W-4
- j. What are FICA Taxes?
- k. What is Considered Income?
- l. Becoming Familiar with Form W-2
- m. Form 1099
- n. Introduction to Form 1040
- o. Introduction to the Tax Formula
- p. What is Adjusted Gross Income & Why Does It Matter?
- q. What is the Standard Deduction?
- r. What are Itemized Deductions?
- s. How Do I Know If I Can Claim an Exemption?
- t. Tax Credits- Child, Earned Income, & Education Credits
- u. Which Form 1040 Should I Use?
- v. Final Project – Completing Form 1040A