

**Testimony of Chris Wolgamott
On behalf of
Meritrust Credit Union**

**Before the
Subcommittee on Oversight and Investigations
of the
Committee on Financial Services
United States House of Representatives Field Hearing
August 24, 2010**

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

Respectfully submitted to Chairman Moore, Ranking Member Biggert and Members of the Subcommittee,

I am Chris Wolgamott, Community Development Liaison at Meritrust Credit Union, Wichita KS. For the past 5 years, I have been responsible for providing financial literacy to our members, organizations and businesses in and around the Wichita area. I currently sit on the Financial Literacy Committee for the Kansas Credit Union Association representing the South Central Chapter of Kansas Credit Unions and also sit on the Youth Entrepreneurs of Kansas Advisory Panel. I received a Masters Degree in Adult and Continuing Education from Kansas State University, and am a certified Dave Ramsey Financial Peace University Workplace trainer.

The Need for Financial Literacy Programs

Financial literacy encompasses a broad range of topics and spans a lifetime of learning. From the basics of sorting coin in a piggy bank to learning budgeting techniques, acquiring knowledge about purchasing a home, deciphering the best choice for retirement savings and protecting your identity, every financial decision that can be made has been taught in some capacity under the umbrella of financial literacy. Learning how to save, spend, share, invest and protect money have become key components to many financial literacy curricula nationally and globally. Not all Americans, unfortunately, have experienced nor retained this worthwhile information.

- In 2003, *The Wall Street Journal* reported that 70% of American families live paycheck to paycheck. (Source: *Wall Street Journal*, April 9, 2003)
- Half of college undergraduates had four or more credit cards in 2008. This number was up from 43% in 2004 and 32% in 2000. (Source: Sallie Mae, "How Undergraduate Students Use Credit Cards," April 2009)
- 60% of college students experienced surprise at how high their credit card balance had reached, and only 17% regularly pay their full balance each month. (Source: Sallie Mae, "How Undergraduate Students Use Credit Cards," April 2009)
- 42% of Americans fail to follow a budget and 26% do not pay all of their bills on time. (Source: Harris Interactive 2009 Consumer Financial Literacy Survey)
- Less than 1/3 of all 18-25 year-olds contribute to a 401(k), and less than 2/3 of all 26-41 year-olds contribute. (Source: Harris Interactive 2009 Consumer Financial Literacy Survey)

Credit Unions Create Positive Solutions

The credit union movement is founded on the principle of “People Helping People”. This philosophy is evident both at the state and national level with concern for financial literacy. From July 1, 2009 to June 30, 2010, credit union employees and volunteers conducted 13,577 presentations nationwide reaching over 413,000 youth as reported by the National Youth Involvement Board (NYIB), a national organization which serves as a financial literacy resource to credit unions. This represents a 6.3% increase in the number of students reached in '08-'09, and does not reflect the numerous educational events for youth and adults not reported to NYIB.

Credit unions in Kansas are also extremely involved in financial literacy across the state. This past year, over 6,000 students were instructed by credit union staff and volunteers utilizing various curriculums and partnering with many social service organizations. Three such instances are highlighted below:

Money Smart Financial Camp

The Kansas Credit Union Association (KCUA) partnered with the former Kansas State Treasurer Lynn Jenkins to create Money Smart Financial Camp, a money management curriculum designed for middle school students. The partnership and commitment to financial literacy continues today under State Treasurer Dennis McKinney. The camp uses five lessons to build participants’ knowledge in goal setting, budgeting, making wise financial decisions, earning interest and recognizing/using different methods of payment. In the past two years, the curriculum has been revamped and has been used at seven different locations to reach 602 students. There are currently three upcoming camps scheduled that will reach over 200 additional students.

Communities in Schools (CIS) Reality U

I have worked with the Reality U program created and facilitated by CIS for three years, and the impact on high school students is extremely positive. Each student is given a job and income based on their current GPA. The student must use this income to navigate a one-month simulation of expenses they will face in adulthood (housing payment, transportation payment, utilities, daycare and many more). Students learn tracking purchases, maintaining a budget and earning enough to support their lifestyle are mandatory to prioritize expenses and finish the month with money left over. As a supplement to the Reality U program, I have been invited to hold lectures that teach the basics of creating a budget, common pitfalls young adults fall into with regard to overspending, and setting financial goals. Meritrust Credit Union has also used a less intensive variation of the reality store at smaller high schools, middle schools and camps where CIS does not currently operate. This program is eye-opening to the students, many of whom have never considered financial consequences to poor decisions.

Meritrust Credit Union's Partnerships with Local Social Organizations

Meritrust Credit Union currently partners with many organizations to add a financial literacy component. In the past year we have provided classes for Youth Entrepreneurs of Kansas, Gear-Up, Upward Bound, Americorps, various classes at Wichita State University, Butler County Community College, many area high schools, VanGo, TRIO, ComCare, and partnered with the Kansas Attorney General's office for National Consumer Protection Week. We also held five summer financial camps in Wichita, Lawrence and Junction City. Collectively, we have impacted over 2,200 individuals with financial literacy in 2010. We are the only credit union in the state with a full-time paid position dedicated specifically to financial literacy, which shows our organizational commitment to improve the financial lives of those we serve.

Areas to Strengthen Financial Literacy

My experiences in financial literacy have revealed a struggle to provide financial literacy to adults. Many adults agree that financial literacy is important, but fail to attend classes provided by financial institutions. This is backed by the research from the 2009 Harris Interactive Financial Literacy Survey. 41% of adult respondents gave themselves a C, D or F letter grade regarding their knowledge of personal finance, yet only 12% say they are likely to learn from a financial professional, sighting self help books and family as the two most used sources. When asked, many financial literacy providers convey they offer classes to membership and have low numbers of attendees. It is easier to reach adults at their place of employment or partnering with an organization they are currently affiliated with than offering classes at retail branches.

Another weakness is the ability to reach students in the classroom. Teachers are placed under tremendous pressure to fulfill all the requirements asked of them within a school year. Because of this strain, it is difficult for some schools to find time to allow guests to present topics that may or may not teach exactly to an educational standard, or to even present the teacher with the option. Current legislation in many states allows for financial literacy to be taught in schools, but this information could often be accentuated by allowing an expert in the personal finance field. Building a connection between schools and financial institutions is a tremendous benefit to both organizations.

Concluding Comments

The need for financial literacy is large, not just for adults, but those soon to be adults as well. Current statistics point to increasing personal debt and a continued "spend first and ask questions later" financial culture. The credit union industry is currently providing many opportunities, both locally and nationally, to strengthen the financial position of many, using our cooperative and member-centric ideology. With such a large network of national financial literacy providers, innovative channels are continually being created to deliver quality curriculum to those in need. A consistent focus on programs involving policy makers, educators and financial intuitions will only strengthen what is currently being provided by financial institutions and social organizations.