

**EMPOWERING CONSUMERS: CAN FINANCIAL  
LITERACY EDUCATION PREVENT  
ANOTHER FINANCIAL CRISIS?**

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**FIELD HEARING**  
BEFORE THE  
SUBCOMMITTEE ON  
OVERSIGHT AND INVESTIGATIONS  
OF THE  
COMMITTEE ON FINANCIAL SERVICES  
U.S. HOUSE OF REPRESENTATIVES  
ONE HUNDRED ELEVENTH CONGRESS  
SECOND SESSION

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AUGUST 24, 2010  
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**Tuesday, August 24, 2010**

U.S. HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON OVERSIGHT  
AND INVESTIGATIONS,  
COMMITTEE ON FINANCIAL SERVICES,  
*Washington, D.C.*

The subcommittee met, pursuant to notice, at 10:05 a.m., in the Simons Media Room, The Robert J. Dole Institute of Politics, University of Kansas, 2350 Petefish Drive, Lawrence, Kansas, Hon. Dennis Moore [chairman of the subcommittee] presiding.

Members present: Representatives Moore and Jenkins.

Chairman MOORE OF KANSAS. Good morning. This field hearing of the Subcommittee on Oversight and Investigations of the House Financial Services Committee will come to order. Our hearing today is entitled, "Empowering Consumers: Can Financial Literacy Education Prevent another Financial Crisis?" Inspired from the April 6, 2009, Time magazine cover, "The End of Excess: Why this Crisis is Good for America," this is the third and final hearing in a series where we look at key issues that may not be receiving enough attention following the recent financial crisis so we can learn more and work towards a stronger and more stable financial system.

Before we begin with the formal proceedings, I want to take a moment of personal privilege to first thank Dole Institute Director Bill Lacy and the staff here for hosting today's field hearing, as well as my alma mater, the University of Kansas Chancellor, Chancellor Bernadette Gray-Little, and all the students, faculty, and staff who make this one of the finest places for higher education in the country.

I also want to thank the other member, Representative Lynn Jenkins from the 2nd District of Kansas, who has taken time to be here today. I really appreciate that.

This is our second hearing. As some of you know, we had one yesterday.

We will begin this hearing with members' opening statements, up to 10 minutes per side. Then, we will hear testimony from our witnesses. For each witness panel, members will each have up to 5 minutes to question our witnesses. The Chair advises our witnesses to please keep your opening statements to 5 minutes to keep things moving so we can get to member questions.

Without objection, members' opening statements will be made a part of the record and I now recognize myself for 5 minutes for an opening statement.

Our economy continues to slowly recover following the worst financial crisis we have seen in generations. Everyone knows, whether you are a Democrat or a Republican, that lax oversight and poor regulation of our financial system for too many years sowed the seeds of a near collapse of our entire economy, the worst of its kind since the Great Depression.

And who paid the price for these mistakes? Unfortunately, it was not those "too-big-to-fail" firms on Wall Street, but rather our constituents and businesses here in Kansas and across the country. American households lost about \$14 trillion in net worth over the course of 2 years—\$14 trillion. Retirement accounts saw an over 20 percent decline in value, forcing many Americans to delay their retirement. Millions of Americans lost their homes through foreclosure. Bernie Madoff's Ponzi scheme defrauded \$65 billion from investors.

Given the economic damage we did suffer, it is not surprising that many Americans have lost their faith in our financial system. This is why I was proud to work with my colleagues on the House Financial Services Committee and in Congress in drafting the Dodd-Frank Wall Street Reform and Consumer Protection Act that the President recently signed into law.

A key lesson that we have learned from the financial crisis is that we need to do a better job across sectors—local, State, and Federal Governments, private industry, nonprofits—to utilize scarce resources to better promote financial literacy education.

That is why I am glad the Dodd-Frank Act includes some less-noticed provisions that will aid in this effort. A key provision creates an Office of Financial Education—imagine that, an Office of Financial Education—within the newly created Bureau of Consumer Financial Protection. This office will be responsible for "developing and implementing initiatives intended to educate and empower consumers to make better informed financial decisions." The new law also establishes in the Department of Housing and Urban Development an Office of Housing Counseling, which will conduct activities relating to homeownership and rental housing counseling.

Additionally, the Financial Literacy and Education Commission recently announced the launch of its redesigned financial literacy education Web site, which can be found at [www.mymoney.gov](http://www.mymoney.gov). The new Web site provides new calculators and checklists to assist individuals and families with savings and various life events with financial implications.

There are other examples of what is happening to promote financial literacy on the Federal level, but today we will hear from State regulators here in Kansas and efforts they are taking to promote financial literacy. We will also hear from representatives in the education and local financial community to learn what projects work best to strengthen financial literacy. I look forward to hearing from our witnesses on this very, very important issue.

Will better financial literacy, on its own, prevent the next financial crisis? Maybe not, but I know if we do not do a better job of promoting financial education, we only increase the likelihood of



another crisis. I hope that with today's hearing, we can begin to explore ways in which the Federal Government can be a better partner with State and local governments, and others, to provide the education and resources everyone needs to make better financial decisions.

I now recognize for up to 10 minutes Representative Lynn Jenkins, a member of the House Financial Services Committee; and thank you for being here with us today, Lynn.

Ms. JENKINS. Thank you, Chairman Moore, and thank you for holding this hearing on a very important topic. I, too, would like to thank KU and our panelists and the individuals who have taken the time to come out this morning.

And I would like to welcome everybody to the 2nd District, even if it is by just about 100 yards.

[laughter]

Ms. JENKINS. Financial literacy is such an important issue and I am proud of these elected officials and the industry professionals represented here today for their good work in partnering with one another in an effort to better educate Kansans on their financial health.

As a certified public accountant, a former lawmaker, and a former State Treasurer, I understand firsthand the significance of financial literacy. It is an issue that is near and dear to my heart and one that I continue to have a personal passion for. CPAs have a long history of helping people take control of their financial future, and it was during my tenure on the Board of Directors of the Kansas Society of CPAs that I received my initial introduction to the critical importance of educating the public on fiscal issues through programs like one called "360 Degrees of Financial Literacy" and the "Feed the Pig" initiative which was originated by CPAs across the Nation. We created programs in which individuals might increase their financial literacy.

My interest was further peaked when I was elected to the legislature where Jill Dawkin and a group of folks brought the issue of financial literacy to our attention in our education committee. Their good work raised awareness among individuals in the State House on the importance of education and financial skills. And finally, during my time in the State Treasurer's office and as president of the National Association of State Treasurers, we had the privilege of learning even more about the needs of cradle-to-grave financial education and that approach.

It was such a thrill to see organizations like the Kansas Credit Unions step up to the plate in a big way to help us create programs that addressed the needs of Kansans. And upon my election to Congress, I immediately joined the Financial and Economic Literacy Caucus, whose goal is to promote financial education. And I co-sponsored legislation promoting Financial Literacy Month.

I look forward to learning of additional ways that the Federal Government can encourage this panel working together with us to continue the good work that has been started. And I believe we must continue to promote strong financial literacy programs that are aimed at educating individuals and helping them take control of their financial destiny.

I look forward to hearing from today's witnesses on successful programs that they have used to promote financial literacy and other ideas our witnesses might have for tying together the patchwork of programs at the local, State, and Federal level to ensure Americans are receiving the information that they need.

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

Chairman MOORE OF KANSAS. Thank you to my colleague.

And I am now pleased to introduce our first panel of witnesses: Dennis McKinney, Treasurer, State of Kansas; Sandy Praeger, Commissioner, Kansas Insurance Department; John P. Smith, Administrator, Kansas Department of Credit Unions; Marc Wilson, Securities Commissioner, State of Kansas; and Kevin Glendening, Deputy Commissioner, Consumer and Mortgage Lending Division, Office of the State Bank Commissioner, State of Kansas.

Without objection, your written statements will be made a part of the record.

Treasurer McKinney, you are now recognized for up to 5 minutes to provide a brief summary of your written statement.

**STATEMENT OF THE HONORABLE DENNIS MCKINNEY,  
TREASURER, STATE OF KANSAS**

Mr. MCKINNEY. Thank you, Mr. Chairman. I know to a great extent, I am preaching to the choir here, because some of these programs in our office were started by my predecessor, then-State Treasurer Lynn Jenkins.

As State Treasurer, I believe financial literacy is a national priority. And as a result, my office provides a variety of financial literacy programs to Kansans of all ages. Among other initiatives, we offer an in-school savings program and financial management workshops for grade school and middle school aged students. We also host financial seminars and online resources for adults. These programs are a great resource to Kansas teachers, students, and families. Our goal is to help hard-working Kansans save, invest, and grow to create more opportunities to improve families and communities across Kansas. I might add that in doing this, we try to partner as often as we can with other organizations such as in-State agencies, as often as we can, to get connections within the communities. Our largest partner has been the Kansas Credit Unions.

The Save@School program provides the early education that is critical in shaping young minds in financial management. With the leadership of educators and the cooperation of local financial institutions, this program is reaching thousands of students across Kansas. The curriculum for the Save@School program is designed to make students aware of the benefits of saving, encourage good habits relating to saving and spending, and carry over to the student's family as a way to make positive changes in their own financial lives.

The Save@School program joins the State Treasurer's office, local financial institutions, and schools with the common goal of teaching children so that they become educated consumers who will make responsible financial decisions in the future. Participants open savings accounts and make deposits to their accounts on

scheduled savings days at their school. The students learn the importance of savings through hands-on experience and classroom exercises with the guidance of an employee of the financial institution and the curriculum provided by the State Treasurer's Office. This curriculum aligns with current Kansas State mathematics standards.

The Treasurer's LIFE reading list provides lessons on cost-benefit analysis, barter and exchange, having a job, having and earning money, and saving techniques for kids from preschool through high school. This list is designed to get kids to begin thinking about and engaging in dialogue on some basic financial concepts.

As State Treasurer and as a parent myself, I recommend that parents talk to their children about finances early and often. Reading these books to kids is a great way to communicate the message of financial responsibility and get those conversations started. I appreciate the important role that parents and caregivers play in shaping our children's future. I would just quickly add that some of us like Congresswoman Jenkins and myself had the advantage of 4-H experience, which many of our students do not have today.

Another initiative at the Treasurer's office for parents and children is the Kansas Investments Developing Scholars programs. This is a unique opportunity for Kansas families who want to begin planning for their child's education beyond high school but may need some assistance to make the goal of saving a reality.

The K.I.D.S. matching grant program will match the first \$600 that participants contribute to a Learning Quest 529 Education Savings Program account each year that they are eligible. K.I.D.S. was developed for families with incomes less than 200 percent of the Federal poverty level. To be eligible, participants must be Kansas residents. Whether it is community college, technical schools or university, the challenge of paying for a child's education will only increase in the future.

We reach the middle school students through a one-day workshop called Money\$mart Financial Management. This event was created specifically for Kansas middle school students. Money\$mart is designed to offer middle school students training in sound personal financial philosophies.

The ABCs of Credit Card Finance is a program aimed at educating high school seniors and young adults entering college. It was created by the Center for Student Credit Card Education and instructs students how to wisely choose and responsibly use a credit card.

The Treasurer's office provides seminars specifically for women and for seniors. In 2009, we were a strong partner on the Women & Money Coalition and we sponsored an 8-week series for 90 women to gain control over their finances. This was hosted at Washburn University in Topeka.

Partnering with a number of organizations, we have offered financial literacy programs in Topeka starting with State employees as a pilot project. Based on the success of these pilot sessions, we have decided to expand these opportunities to other people in Kansas.

You asked the question, what kinds of programs have worked well in promoting greater financial literacy? The best programs are

the ones that can entertain the participants as well as educate them. Students of all ages consider finances a boring topic. But money is fun to talk about. Once the word finance or budget is mentioned, eyes start glazing over. So our folks work hard to try engage the students and make the topic fun and then it is easier for the learning to take place.

That is one of the goals in the Money\$mart Program where we also engage college age students in helping with the program because college age students quite often find it easier to get the interest and attention of middle school students and talk to them about what they need to do to prepare for college as well as prepare for better financial management.

You also posed the question, how can we coordinate efforts at the local, State, and national levels? The Jump\$start Coalition is a big step in the right direction. The national Jump\$start encourages public and private entities to come together with the purpose of promoting and teaching financial education. Their primary audience is children, pre-kindergarten through college age youth. In Kansas, the Jump\$start Coalition for Personal Financial Literacy has taken that a step further to include Kansans of all ages (pre-kindergarten through senior citizens). The Coalition efforts encourage partners to work together, combining resources and creating win-wins for the citizens of our State. I would also add the Kansas State Department of Education has been a great partner and is expanding their efforts and we are working with them to be sure that we are coordinated to provide all the resources our office has to offer as they seek to increase financial literacy through our public schools in Kansas.

Thank you.

[The prepared statement of Mr. McKinney can be found on page 46 of the appendix.]

Chairman MOORE OF KANSAS. Thank you, sir.

Next, the Chair will recognize Commissioner Praeger for up to 5 minutes.

**STATEMENT OF THE HONORABLE SANDY PRAEGER,  
COMMISSIONER OF INSURANCE, STATE OF KANSAS**

Ms. PRAEGER. Thank you, Mr. Chairman, and members of the House Financial Services Oversight and Investigations Subcommittee, and especially Congresswoman Jenkins, distinguished guests and audience members, and my fellow panel members. I am Sandy Praeger, the Insurance Commissioner for the State of Kansas, and I have served in that capacity since being elected in 2002. I am pleased to testify before the committee on empowering consumers with financial literacy education in order to prevent another financial crisis, and especially on the necessity of including insurance information for consumers in any such initiative.

The Kansas Insurance Department's mission is threefold: to regulate insurance companies; to educate consumers about insurance issues; and to advocate for consumers when needed. So it is the educational aspect of our mission that I am here to promote and talk about today.

The need for financial education, especially among youth, is always important. However, the earliest segments of those activities

often focus on saving and spending wisely, both parts of financial freedom.

These are tangible financial ideas. They teach a child to save his or her money early, and then the money will be available for them when he or she needs it. By teaching them to shop wisely and compare quality, price, and the need for those particular items, when you do that, the money-saving cycle is repeated and extended.

It has long been my belief that any educational component of financial literacy has to contain a segment on insurance. The idea of spending money to avert risk is a more abstract concept and sometimes harder to convey. It is hard for young people to understand that you spend money buying insurance without receiving any kind of immediate gratification for your expenditure. Probably the best example is when they want to own a car and then have to understand that buying the car is just the first price, it is also the gasoline, the maintenance and the insurance. So that is a little tougher concept to get across. The need for immediacy in our youth carries over into adulthood, with unfortunate consequences when it comes to understanding insurance.

Surveys from our National Association of Insurance Commissioners, the NAIC, have shown that 60 percent of adults cannot answer even basic questions about insurance correctly.

Add to that the ever-increasing bombardment of financial offers to the general public and it is no wonder that money management skills, especially when it comes to insurance topics, are misunderstood and misused.

The NAIC, which I am a member of, has responded to the need for increased consumer insurance awareness through its Insure U program. Insure U is an online educational curriculum customized for consumers in eight different life stages beginning with young adults with young families, progressing to mature families and empty nesters on into grandparents as parents, military—a whole variety of questions and answers that relate to those different life stages.

At InsureU.org, the program includes a basic introduction to the four major types of insurance—auto, home, health, and life—as they pertain to people at different ages and in these different life situations. Consumers can test their knowledge about insurance by taking an online quiz. Since its inception in 2006, Insure U has achieved national media and Web site attention and is promoted heavily by State insurance departments.

Our own Kansas Insurance Department, as part of our continuing consumer education priority, has made its insurance experts available throughout the State through speaker presentations and exhibits. We have been to more than half of the State's counties in just the last 2 years, making presentations on insurance issues to a variety of audiences. Annually, our State fair booth in Hutchinson gives our department instant access to fairgoers and Kansans from across the State.

Our Assistant Commissioner, Bob Tomlinson, who is a former teacher, has made understanding insurance for young people a personal project. He has developed many presentations for high school youth on insurance, and has spoken to dozens of high school classes.

And finally, our Government and Public Affairs Division with the department is responsible for producing and maintaining more than 30 publications and brochures on all aspects of consumer insurance information. We even make an educational coloring book available that explains basic insurance concepts to kids.

The Kansas Insurance Department and the NAIC are working to help Kansas consumers of all ages become literate in insurance matters. But, there is still more work to be done. If we can collaborate with other agencies—and we have done that—and organizations in getting the word out, then we are certainly open to doing even more.

Successful financial literacy education needs to be available through designated lifelong learning environments. Emphasis on basics in the elementary school classroom, followed by advanced high school curriculum and continuing refresher courses in adult life would be ideal. Increased public/private partnerships should be emphasized. There are many insurance education foundations in the United States, but they need more of a coordinated effort to be really successful.

So thank you, Congressman Moore and Congresswoman Jenkins, for the opportunity to be part of this subcommittee hearing. Please call on me or our department and staff any time to assist you in promoting financial literacy.

[The prepared statement of Commissioner Praeger can be found on page 61 of the appendix.]

Chairman MOORE OF KANSAS. Thank you, Commissioner Praeger.

Mr. Smith, Administrator Smith, you are recognized for 5 minutes, sir.

**STATEMENT OF THE HONORABLE JOHN P. SMITH,  
ADMINISTRATOR, KANSAS DEPARTMENT OF CREDIT UNIONS**

Mr. SMITH. Chairman Moore and Representative Jenkins, I am John P. Smith, the Administrator for the Kansas Department of Credit Unions. I appreciate the opportunity today to appear before the subcommittee. My credit union background includes 21 years as a volunteer credit union board member prior to appointments as a credit union regulator; first, in 1993, by Governor Joan Finney, as Administrator of the Department of Credit Unions and then in 1999, I was appointed by Governor Mel Carnahan as Director of the Missouri Division of Credit Unions. I returned to Kansas in 2006 to accept the appointment as Administrator again from Governor Sebelius.

The Kansas Department of Credit Unions is the State credit union financial regulatory agency authorized by the Kansas legislature to provide for management, control, regulation, and general supervision of State-chartered Kansas credit unions.

The department is fully funded as a fee fund agency, operating solely on the revenue produced through fees collected from State-chartered credit unions examined and returned by the agency.

The department supervises and examines 82 natural person credit unions and one corporate credit union. As of March 31st of this year, total assets in Kansas chartered credit unions were about \$3.9 billion. Total credit union membership is 538,983 or roughly

21 to 22 percent of Kansas' population belongs to a credit union. The largest Kansas chartered credit union has \$659 million in asset; the smallest has \$160,000. The 5 largest credit unions make up about 44 percent of the total assets while the 10 largest make up 64 percent of the assets.

I quote these statistics to point out that most of our credit unions are small in assets and, therefore, they have to follow generally the same regulations that the larger credit unions do.

I should also mention that Kansas has 21 federally-chartered credit unions regulated and examined by the National Credit Union Administration, or NCUA.

Share deposits in Kansas credit unions are federally insured up to \$250,000 per account through the National Credit Union Share Insurance Fund, which is an arm of the NCUA.

In addition to examinations, the statutes and regulations provide for the department to grant new charters, merge and liquidate credit unions when necessary, and handle consumer complaints.

Most importantly, credit unions are member-owned cooperatives. Their boards and committees are non-paid volunteer members.

As a regulatory agency, the department has no mandate by law to provide financial literacy education, nor have we been asked to do so. However, we do recognize the importance of financial literacy in a variety of ways. The consumer resources section of our Web site has links to the consumer protection laws and a brief description of each law. As these are listed in my written testimony, I will not take the time to go through them, but they are there for the use of consumers.

I want to next turn to financial literacy. In preparation for the testimony today, since we do not have a mandate, I did contact some of our credit unions and asked them what they are doing as far as financial literacy and I included a synopsis of what was reported to me from a sampling of our credit unions in our written testimony. Many of them are involved with the programs by the State Treasurer's office that began when Representative Jenkins was State Treasurer and continue on under the current State Treasurer. Several credit unions as well as the Kansas Credit Union Association are involved in those programs. The Jump\$tart Coalition is another program and as far as the department, I attend meetings and am involved with the Jump\$tart Coalition.

I want to turn now to promotion of financial literacy outside of schools. Credit unions with close ties to companies that are experiencing effects of the economic conditions often provide financial counseling to their members. A recent example of this is the sponsor company of Cessna Credit Union recently reduced its workforce by over 55 percent. Cessna Credit Union made a concerted effort to buffer the impact of job loss by deferring payments, restructuring loans, offering a safe place to deposit severance or early retirement funds, and offering financial education and counseling programs.

We have observed similar efforts in other credit unions. Two years ago, I recall a cement plant closing in southeast Kansas. The credit union is still functioning today because they took the appropriate steps so that they could continue, even with the loss of their members' high paying jobs, at least for that community. We en-

courage credit unions to become proactive if an economic downturn may affect their members' financial ability to handle their financial obligations.

Encouraging financial literacy in this group goes beyond schools—again, as I stated earlier, as we have no mandate under the law to promote or provide financial literacy education, I do support a role for the department in that.

The financial literacy of credit union members enhances the department's position as a safety and soundness regulator. Fewer delinquent loans and bankruptcies improve the financial performance of a credit union, which influences the ability of that credit union to loan money at a competitive rate and pay improved dividends. So it is a win-win solution; if you have financial literacy, you should have a good credit union member.

I want to conclude with a few suggestions. To be financially literate is a life-long venture. New financial products such as individual retirement accounts or IRAs, debit cards, different types of home mortgages and home equity loans—these new products continue to be developed. While financial literacy education is part of the K through 12 educational system, in my opinion, more could be done to promote life-long financial literacy, to keep informed about new products and how to budget for their proper use. With the current focus on the recent financial crisis, public policymakers have an opportunity to support and encourage financial institutions to provide financial education regarding consumer safeguards such as overdraft protection for their members/customers and the general public. While another crisis may not be prevented, the general public will be better prepared.

As a caveat, Federal agencies should not preempt State consumer protection laws that offer greater protection than Federal laws.

In adopting Federal regulations implementing the Dodd-Frank Wall Street Reform and Consumer Protection Act, Federal agencies must not overregulate and must allow the marketplace to function. Additional regulations are a difficult burden to our smaller asset size credit unions. As I pointed out, we have a number in our State.

I thank you for allowing me to present the testimony today on this important topic.

[The prepared statement of Mr. Smith can be found on page 65 of the appendix.]

Chairman MOORE OF KANSAS. Thank you very much, Mr. Smith. Commissioner Wilson, you are recognized, sir, for 5 minutes.

**STATEMENT OF THE HONORABLE MARC S. WILSON,  
SECURITIES COMMISSIONER, STATE OF KANSAS**

Mr. WILSON. Thank you, Mr. Chairman, Congresswoman Jenkins, distinguished panelists, and especially I would like to thank the University of Kansas for hosting us today. It is fantastic to be back on the campus of my undergraduate alma mater.

As Kansas Securities Commissioner, I am responsible for protecting and informing Kansas investors, promoting integrity and full disclosure in the marketing of financial services, and fostering capital formation. As you may know, in 1911 Kansas became the



first State to regulate securities, predating the Federal securities acts by over 20 years and forming the basis for the system of registration and disclosure that we have today. Like the SEC, the Office of the Kansas Securities Commissioner, or KSC, examines both investment advisers and broker-dealers located in Kansas. Unlike the SEC, KSC also has trained and duly sworn law enforcement officers who investigate allegations of illegal and unregistered activities. Additionally, in cooperation with district and county attorneys, KSC prosecutes its own cases. We are not reliant upon local, State, or Federal prosecutors to take and try these cases. Consequently, securities fraud receives the specialized attention it deserves from law enforcement in Kansas.

As I mentioned, one of the goals of our office, statutorily mandated, is to educate Kansas consumers. And that is what I am going to focus on today.

We have found that because of our mission of fraud prevention, one of the target groups for education are senior citizens and those nearing retirement. They are often the target of people who are attempting to defraud them of their nest eggs that they are building for retirement. This population also has very specific investment needs as far as the reduction of risk in their portfolio. Therefore, we do many outreach activities to senior citizens throughout the State. Our staff goes to senior meetings, our staff will visit Rotary Clubs, student groups and just about anybody else who invites us to come and give a presentation.

But I think one of the things that we do that is especially relevant to the hearing today is our outreach to younger people through the Kansas Council for Economic Education. We have an investor education fund. The Kansas legislature set up this fund in the early part of the decade. And those companies and individuals who pay fines for breaking the law or violating acceptable business practices, those funds go into the fund, which we then can turn around and use for investor education. Some of it funds the travel and expenses for our own staff when they do outreach, but we also provide grants to organizations. Some of them have been mentioned by other panelists.

The largest grant that we give is the Kansas Council for Economic Education to fund a game called the Stock Market Game. This game targets students in grades 3 through 12 and what it does—and it is certainly more complicated for the older students who can understand better, but what it does is it allows students to manage a hypothetical portfolio of \$100,000 in an actual stock market situation. And far from the kids eyes glazing over, I hear reports back of kids who are cutting class so they can go make trades. So I think this particular program is very special in that regard. Once kids do it, they very much want to participate and their interest really is peaked in what happens with financial services.

And really, despite our mandate of fraud prevention and despite our targeting of an older population, despite the need to do that outreach, the integration of financial literacy in the school curriculum from an early age gives consumers a foundation from which they can update their knowledge throughout their lifetime as their financial needs change. I think targeting those young people

is a very important thing and I know that Mr. Glendening is probably going to address this as well, because they are even larger financial supporters of the Kansas Council for Economic Education.

Our funds—we increased our donation and support of the Stock Market Game so that every Kansas student who wants to participate can do so regardless of their financial situation. And when we did that, the participating teams rose from 443 to over 1,300 and that includes 701 teams that came from teachers who were new to the program. So what I am hoping to do is work with the Kansas Council for Economic Education and get the word out to teachers that there is this curriculum that is available, not just the Stock Market Game, but many others that are free, they are ready-made, they take very little preparation time, and they fit very well with the mandates for consumer education and mathematics that Kansas schools must comply with.

I see that I am running out of time, I will leave certain matters to my written testimony. I do agree with you, Mr. Chairman, and some of the other panelists that there is no guarantee that financial literacy by itself will prevent another financial crisis. But it would certainly make a financial crisis less likely.

Financial literacy is the key to creating or recreating, as the case may be, an American economy that is not driven by consumption, but instead balances consumption with savings and investment. Were Americans as prodigious savers as they are consumers, the United States would have an alternative path out of the recession, the same path that throughout its history, the United States rode to greatness. That approach is to make capital available to the private sector, not by purchasing unneeded or unnecessary goods, but instead by placing excess cash into bank deposits, commodities, equities and government and corporate bonds, as did our forefathers.

Transforming consumers into investors through financial literacy is a goal that is greater than preventing hardship or fraud. It is also the path toward turning our Nation from the world's largest debtor into once again the world's largest creditor nation.

Thank you for the opportunity to be here today.

[The prepared statement of Mr. Wilson can be found on page 81 of the appendix.]

Chairman MOORE OF KANSAS. Thank you.

The Chair will next recognize Deputy Commissioner Glendening. You are recognized, sir, for 5 minutes.

**STATEMENT OF THE HONORABLE KEVIN GLENDENING, DEPUTY COMMISSIONER, CONSUMER AND MORTGAGE LENDING DIVISION, OFFICE OF THE STATE BANK COMMISSIONER, STATE OF KANSAS**

Mr. GLENDENING. Thank you, and good morning, Mr. Chairman, and Representative Jenkins. I am Kevin Glendening, Deputy Bank Commissioner and Administrator of the Kansas Uniform Consumer Credit Code.

In my position, 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 lev-

els, poor credit, repossessions, and foreclosures can have severe effects on both the individual's personal and family life. These outcomes are sometimes a result of illegal or deceptive actions on the part of an unscrupulous lender or broker, but are frequently simply the result of a lack of understanding of basic financial, credit, and borrowing issues.

Aware of the relationship between informed consumers and lowering the incidence of predatory or deceptive lending practices, in 1999, my office was successful in adding provisions to the Kansas Uniform 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 potential 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, 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 any financial literacy programs or material is getting someone to use it in a meaningful way. Third, the method by which financial literacy is both 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 reach can be an effective way to leverage available resources.

Our financial literacy initiatives generally fall into two groups, those targeted toward school age children and those geared toward the needs of adults. Two of our most successful programs directed at school age children involve partnerships with nonprofit organizations. As Commissioner Wilson mentioned, the Kansas Council on Economic Education is one of those groups. It 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 kindergarten through 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 7,000 students participated in the online program in 246 schools, representing 92 school districts in Kansas.

More recently, our office has partnered with a nonprofit organization known as Communities in Schools of Wichita and Sedgwick County. 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 their work known 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 and show how life choices can affect financial well-being. This past year, over 5,000 students in middle and high schools participated in Reality University in 17 schools in the Wichita/Sedgwick County area. We hope to expand this financial literacy program across the State in the future.

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 child care issues, or specific community interest areas can create a value added element and attract more interest. In 2009, more than 11,000 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 ensuring 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.

[The prepared statement of Deputy Commissioner Glendenning can be found on page 41 of the appendix.]

Chairman MOORE OF KANSAS. Thank you to our witnesses for your testimony. I will now recognize myself for 5 minutes for questions.

The FDIC conducted a nationwide survey last year, and that study showed that roughly 8 percent of U.S. households, approximately 9 million, are unbanked, meaning those households do not have a checking or savings account. And roughly 18 percent of U.S. households, roughly 21 million, are underbanked, meaning those

households have a checking or savings account but rely on alternative financial services.

Treasurer McKinney, is that something we should be concerned about? And if so, what can be done about it?

Mr. MCKINNEY. Thank you, Mr. Chairman. We agree that is a major problem and there are several organizations in different communities that are working with families to help them become banked and have and understand banking services and utilize banking services on a regular basis. But we agree that is a problem and there are a number of groups, particularly in the urban areas in Kansas, that are working on that issue.

Chairman MOORE OF KANSAS. Thank you, sir.

Administrator Smith or Deputy Commissioner Glendenning, any comments?

Mr. SMITH. I agree that this is a problem and I think those numbers are accurate. Again, as Commissioner McKinney pointed out, there are a number of organizations working with those, as well as I think individual credit unions are working in their communities to try to provide services to non-banked individuals.

Mr. GLENDENING. Mr. Chairman, my only comment would be that we have interviewed fairly extensively individuals who frequently utilize small loan products, payday loans, title loans, those type products, and one of the key factors that we hear over and over again is that rapid accessibility to the credit, which to me, that is one of the major stumbling blocks for the more traditional methods, the bank model so to speak, of obtaining credit, is the time involved to fill out the applications and do the underwriting. That is not to say there should not be underwriting, there certainly should be, but what attracts consumers to that type of product is that rapid ability to get cash quickly.

Mr. MCKINNEY. If I might add, Mr. Chairman, the BEST Coalition in Wichita is working extensively on this as well as the Kansas Partnership—

Chairman MOORE OF KANSAS. Excuse me, the what coalition?

Mr. MCKINNEY. BEST Coalition, "B-E-S-T," Building Economic Stability Together, is working on collaborative relationships in that regard as well as Kansas Partners for Asset Development is active. And that one is also supported extensively by the Kansas Action for Children.

Chairman MOORE OF KANSAS. Thank you, sir.

The FDIC conducted a nationwide survey last year and that study—I'm sorry, excuse me. I'll ask this question of the whole panel, starting with Treasurer McKinney. Is there good coordination between various State offices here in Kansas, and how would you describe the level of coordination or cooperation with your counterparts at the Federal level? Also, what suggestions should Congress consider in supporting efforts to better coordinate and cooperate so we do not have redundant efforts and maximize limited resources in promoting financial literacy?

Mr. MCKINNEY. I would say we have had excellent cooperation among State agencies, the ones here, with the Attorney General's office. Just recently, in a meeting with senior citizens, we were distributing some of the publications from Commissioner Praeger's office, and the Kansas State Department of Education has also taken

steps in this direction as well. And we have had extensive cooperation with the Commissioner's office.

Chairman MOORE OF KANSAS. Any other comments from panelists?

Ms. PRAEGER. I would just agree with Treasurer McKinney. We do try to coordinate our efforts and then our National Association, that is the main function of the National Association of Insurance Commissioners, is to coordinate among the States and with other entities at the Federal level. We have lots of opportunities after 2008 to collaborate with the whole AIG and financial meltdown, which required everybody coming together and talking about ways to avoid that going forward. And I think obviously those discussions continue.

Chairman MOORE OF KANSAS. Mr. Smith?

Mr. SMITH. I would agree. We meet, we share information. Also as far as our Federal insurer, the NCUA, we meet periodically. We have good communications with them, we may not always agree on regulations and we feel sometimes they need to have a better overreach, but we do have good communications and cooperation.

Mr. WILSON. With all my vast experience of 2½ months on the job, I would agree also.

[laughter]

Chairman MOORE OF KANSAS. How long on the job?

Mr. WILSON. Two and a half months, sir.

I think that we must cooperate. Some of us have better access to expertise or personnel or financial resources than others, but working together, there is no reason why we cannot reach every Kansan we need to. We just need to take some time and make a point of it.

Mr. GLENDENING. I concur with that, Mr. Chairman.

Chairman MOORE OF KANSAS. And my final question for this panel, this question is for Commissioners Praeger and Wilson: I think most people think about financial literacy in terms of checking and savings accounts, but it would seem to me that learning about investments for purposes of saving for college or retirement as well as learning about car or life insurance is just as important. Commissioner Praeger, I will start with you, do insurance issues get left out of this conversation too much and how do we make sure financial literacy efforts cover insurance issues? And Commissioner Wilson, next to you, the same question with respect to securities, how do we ensure securities are covered in financial literacy?

Commissioner Praeger?

Ms. PRAEGER. I do think that has been the reason we have really tried to step up our efforts on education on insurance issues, because I do think too often insurance does get left out of the equation. Insurance is a product you buy to ensure that when you have any sort of financial stress in your family, you are able to use the insurance and pick up and move on, whether it be a house fire or a car accident, or an unexpected illness. So it definitely—I think it is cornerstone to financial security for families and it should be incorporated. We do work closely with our counterparts, the other financial services areas in Kansas, to ensure that we have appropriate regulation so that things do not fall through the cracks, but

yes, I think insurance, as I said, is the cornerstone of financial security.

Mr. WILSON. I would agree with those statements because before one starts investing in securities or amassing a retirement nest egg, if you have a car or a spouse or children, insurance has to be the first thing you think about. Knowing what level and what type of insurance you need is a very fundamental financial issue that people should understand. Hopefully once you have crossed that threshold and one begins earning enough money to think about putting some away for a rainy day, retirement or funding education, hopefully programs like the Stock Market Game will at least provide young people with basic information about what an equity is, what risks are involved with investing in those particular types of investments, and what others are out there that they can put their money into that is not only tax advantaged but also reduces their investment risk.

Chairman MOORE OF KANSAS. Thank you to our panelists. My time has expired and I will now recognize Representative Jenkins for 5 minutes for questions.

Ms. JENKINS. Thank you, Mr. Chairman.

I think we can all agree here that we have some work to do in this area and I am very impressed by the good work that you all are doing to improve the situation. But I would be interested to hear what each of you might believe is the most significant impediment to improving America's financial literacy and maybe why. And if you believe there is a way that Congress or those of us at the Federal level can help to overcome that impediment.

Mr. MCKINNEY. I will start, I guess. We have found—it is our belief that as schools had to move more to focusing on what they had to do to meet testing standards, then financial education was somewhat dropped from curriculums. That is being reversed now, we believe. We have new interest in that at the Kansas State Department of Education, because we believe that financial literacy can be incorporated with lessons on math that are designed to meet the standards. If you are studying math, you can obviously incorporate—this particular type of math problem can be built around a financial literacy education problem. And that is where we are receiving more cooperation from the Department of Education. So we think that barrier is being overcome.

And then at the Federal level, which goes back to the question that Congressman Moore asked, what would we like Federal agencies to do; number one, we would like the Federal Reserve Bank to continue their efforts with their Money\$mart week, which works in the greater Kansas City area, maybe expand that to more areas in the 10th District. I think in fact they are having a meeting on that today, which we have personnel attending that meeting.

And the second thing I would like to see is the new office of Financial Education that was created by the Dodd-Frank bill, we would like for them to come out and talk to us first before they start anything to see how we build a cooperative relationship instead of respond to what they start, because like I said, we already have, I think, excellent cooperation at the State level among various State agencies; if they would come out and see how can they

plug into this effort and build on it instead of coming out with an initiative that we would then have to respond to and work around.

Ms. PRAEGER. I think even some of our Federal regulatory entities oftentimes overlook insurance as well and I know the Treasury several years ago had a financial literacy forum in Washington and we had to, through our national association, remind them that perhaps it would be important to have a component in that day-long seminar on insurance, which they did. And since then, they have included insurance. So I think even some of our Federal agencies sort of forget insurance and part of that I think is because insurance has been, as you all know, traditionally regulated at the State level. But the Dodd-Frank bill does include a provision for a Federal insurance office, the FIO. And I think it will be interesting to see how we can use that office in a way that can help coordinate activities between the Federal entities and State entities. I still am a passionate believer that Federal insurance regulation should be avoided and that it should remain at the State level, because insurance is a product that we all buy to use in the future, as has been pointed out, and the services that our department provides in terms of assisting consumers is just invaluable. We are a small State, and we answer 20,000 to 25,000 calls a year. I cannot imagine what a congressional office would have to do to expand if we were not there to answer those consumer questions.

So I think working more collaboratively, and I think the FIO, this newly created office, gives us the opportunity to build on what we do best, which is be there for the consumers and advocate for consumers, and educate. But also create a greater awareness in Washington, in our Nation's Capitol, of the important role insurance plays in the whole financial services area.

Mr. SMITH. I think the new office not only should listen but perhaps they should fund too, maybe at the State level. Kansas is a strong State-chartered State as far as credit unions and banks too. It is obvious that Kansans have selected the State charter and I think they believe that our examiners, our departments are the ones who know the economy, know the situations and the services are better delivered at the local and State level rather than the Federal level.

Mr. WILSON. Send money.

[laughter]

Chairman MOORE OF KANSAS. Pardon me?

Mr. WILSON. I see in the Dodd-Frank bill that there were funds made available, grant funds made available for States that have adopted certain securities policies and certain insurance policies and I know that my staff has had staff level conversations with Commissioner Praeger's office about seeking those funds. So we greatly appreciated that. I think the provision of funds, even in small amounts, can go a long way toward alleviating this problem.

Mr. GLENDENING. I think obviously the coordination of the State and Federal efforts is critical. The CFPB, the Consumer Financial Protection Board's education component, I would think a mandate to at least engage the State regulators through their associations, for instance NACCA, National Association of Consumer Credit Administrators, which I am a board member of, it would be I think worthwhile to take the financial literacy programs that the States



have developed, oftentimes fine-tuned, and incorporate that perhaps on the larger scale rather than building a new bicycle. I think that would be a far more effective way to go about it.

Ms. JENKINS. Thank you. Does that mean I am yielding back zero time or do I have time?

Chairman MOORE OF KANSAS. Go ahead.

Ms. JENKINS. Maybe just one more then. I agree with our Treasurer that schools are a great place to start to address this issue, but so many times our teachers are feeling overwhelmed that we are just throwing one more thing on them to teach within the same amount of hours every day. And so that's, I think, the need for all of the different programs outside of a regular school day that you all do. But I am concerned that perhaps the people who need the information most might not be accessing many of the programs. And I wondered if just finally you might have any thoughts about how to get to those kids who cannot go to a MoneySmart camp or a senior who does not go to Rotary Club, or how we can better get the information to perhaps those people who need it most.

Ms. PRAEGER. In the education area, I know Emporia State has a financial literacy education component where they train teachers. And I think one of the goals there is to incorporate, so that you are not having a separate section on financial literacy or how to manage your money. But you can incorporate those skills and those lessons into probably just about every aspect of education. So I think finding more creative ways to build it into the curriculum rather than having it be separate or where it is more difficult. So that would be one approach from an education standpoint, just to find ways to build it into existing curriculum.

Mr. WILSON. I agree with that and none of us obviously have any authority over curriculum in Kansas. However, I can tell you that just looking at what our increased support for the Stock Market Game did, when you go from 443 teams to 1,304, that is between 3,000 and 5,000 students who participated, extra students who participated in that activity. And reaching the teacher certainly had a much greater impact than if we would send personnel out on a road trip to various parts of the State to try to reach young people individually. There just are not those sorts of groups out there who have the impact that the schools can have.

Regarding outreach to seniors, that is something where we can simply learn working through area agencies on aging and various other groups who have contact with seniors around the State. They are a lot easier to reach with specific useful information.

Ms. JENKINS. That Stock Market Game is a perfect example. I had to limit little Hayden Ross Jenkins' 6th grade computer time when he was back at that stage because he was so obsessed with his portfolio, and he was doing far better than his parents at the time.

Chairman MOORE OF KANSAS. You should have listened to him.

Ms. JENKINS. I should have listened to him. It was just such a fabulous experience, but I am afraid that only some of the special education students were able to be exposed to that and it just would have been nice for the entire population there at Jay Shideler Elementary, to have had that experience and to peak their curiosity. So we will just continue to work on that.

I will yield back, Mr. Chairman.

Mr. MCKINNEY. Mr. Chairman, there are two programs in greater Kansas City—Bank on America Saves program and as I mentioned the Kansas Partnership for Asset Development that are targeting exactly the populations that you mentioned need to be addressed, particularly to help move those families and children from being unbanked into a banking environment and learn those basic concepts.

Ms. PRAEGER. Can I just give you a quick example of the kinds of things that can be built into the curriculum?

Chairman MOORE OF KANSAS. Absolutely.

Ms. PRAEGER. Taking the Stock Market Game approach, instead of actually doing investing which I think in the younger grades they probably do not, but you can build teams within the math program and pair up a really strong math student with one who is not as strong and work on averages. And so the average in a sense becomes their market value. And it is team building, it helps both of them, you learn more when you teach than I think kids realize. But there is an example of using the concepts, some financial literacy concepts, but just using them within the existing math curriculum.

Chairman MOORE OF KANSAS. I thank our panel of witnesses here who testified and I really truly believe that this is a very, very important topic that we need to continue talking about in the future because I think there is a lot of lack of understanding of our financial system out in the country at large and I think it would be a great gift to future generations in this country if we educate our children and grandchildren about this and people have a better understanding overall of how this system works. Because there is just a lot of just lack of understanding and I just do not think we can underestimate—I think all of us understand how important that is and I think we owe that to future generations of our country.

So I want to thank our panelists for being here today and you are excused at this time.

I will invite the second panel, if you will come up, we are going to take about a 3-minute break while we change panelists here. But thank you all.

[recess]

Chairman MOORE OF KANSAS. If I could ask the people in the room, please, to take your seats. We are going to start the second portion of our hearing this morning. I appreciate the people who have come to hear the witnesses' testimony, and I appreciate especially our witnesses who are here today, our second panel of witnesses, to testify.

I am pleased at this time to introduce our second witness panel: Taylor Petty, Master's in Accounting Student at the University of Kansas, welcome; Kathryn Nemeth Tuttle, Assistant Vice Provost for Student Success, University of Kansas; Gayle Voyles, Director, University of Missouri-Kansas City Center for Economic Education; Shawn Mitchell, President and CEO, Community Bankers Association of Kansas; and Chris Wolgamott, Community Development Liaison, Meritrust Credit Union.

Without objection, the written testimony of each of the witnesses will be made a part of the record, and you will each have up to 5 minutes to summarize your written statements.

Mr. Petty, sir, you are recognized for up to 5 minutes for your statement.

**STATEMENT OF TAYLOR PETTY, MASTER'S IN ACCOUNTING  
STUDENT, UNIVERSITY OF KANSAS**

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

I want to begin by saying that it is hard to care about something that you do not understand. We found this to be the opinion of many high school students. National assessments show that high school students, American high school students, are only scoring at less than half correctly on assessments of their understanding of basic financial topics.

We have 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.

Evidence shows that we are failing our youth. Eighteen to 25 year olds are the fastest growing age group of bankruptcy filers. One in five bankruptcy filers are college students. So we see that particularly in this age group of young Americans, making not only necessarily core bad financial decisions, but also not really understanding financial basics.

With this background, we partnered with the Wichita School District to develop a financial literacy curriculum that was going to be implemented in all of the high schools, eventually in all the high schools in the State of Kansas.

The State of Kansas authorized in a bill the addition of questions involving financial literacy on State assessments. In order to meet these assessments, the Wichita School District partnered with the University of Kansas to develop this financial literacy curriculum.

We were responsible for authoring financial literacy curriculum on five topics: budgets and savings; identity theft; credit; home mortgages; and taxes. It was interesting that these five topics were actually ones excluded from the financial literacy curriculum because they did not feel like they had adequate material to cover these topics.

So we began by examining existing financial literacy curriculums to see what was being taught in these areas. And we found that for a large part, financial literacy curriculum is not designed to appeal to high school students. I know that we have already had testimony to this, but what we found was that there is not really an appeal to high school students because the curriculum are not designed around situations and decisions that high school students will face.

What we found was that education made practical motivates students. And so in developing our curriculum, we really looked at these five areas and ways in which we can appeal to their interests. In some of the areas, for instance in the area of credit, we

looked at a credit card application. And we literally walked the students through a credit card application so that they could look and see the interest rate that they are going to be charged and other factors that they need to consider. We also have them decide what they want to learn about. So in the area of credit, they can choose whether they are going to examine things such as saving for a car or saving for college, depending on what really is of interest to them at that time.

Another important area that we focused on was home mortgages. Obviously, the home mortgage crisis that we have seen was precipitated in large part by consumers not understanding financial information. And so in this area, we do not start with the idea that everyone is going to own a home because the simple reality is not everyone will own a home.

So we provide them with access to tools such as calculators where they can look at making the decision to rent versus buy and also understanding basic terms that come with home mortgage.

Another area that we considered in the curriculum is that much existing curriculum tends to only emphasize learning definitions and this simply is not adequate to train students in making real decisions that they will be faced with in just a few years. So our curriculum emphasizes practical applications in real-life decisions that they will make. So in many ways, they are not just learning that the definition of interest is something—a charge for lending money, but they are learning to apply an interest rate to decisions such as owning a home and the interest rate that they will be charged on their home mortgage.

We consulted with the Wichita School District for this curriculum, and in developing it, we realized that not all teachers in the State of Kansas are proficient in these topics. And so in our curriculum, we included not only teaching notes that provide the teachers with references to materials from financial publications such as the Wall Street Journal, but also just access to resources from the Federal Government and also from State agencies that provide information on financial literacy.

In partnering with the Wichita School District, we really became aware of the fact that teaching financial literacy is difficult because it does not appeal to students and also that there really is a lack of financial literacy within the schools. That includes teaching faculty as well. So in providing this curriculum, it was important not just to provide handouts for the students, but also to provide information so that the teachers themselves can become informed about these topics.

I want to thank the two co-authors in the graduate program who helped me author it—Rebecca Feickert and Kristen Hageman, both of them helped in authoring it and I also want to thank the Wichita School District as well as the Office of Dennis McKinney for partnering with us on our project.

Five minutes is a short period of time to cover a curriculum that we developed that covers 9 weeks of schooling, but what we really hope is that this curriculum will start—

Chairman MOORE OF KANSAS. We do not have 9 weeks.

[laughter]

Mr. PETTY. We really hope that we can start, not only in the State of Kansas, but also use this curriculum to really spur other programs throughout the United States.

[The prepared statement of Mr. Petty can be found on page 56 of the appendix.]

Chairman MOORE OF KANSAS. Thank you very much for your testimony.

Ms. Tuttle, you are recognized for 5 minutes.

**STATEMENT OF KATHRYN NEMETH TUTTLE, VICE PROVOST  
FOR STUDENT SUCCESS, UNIVERSITY OF KANSAS**

Ms. TUTTLE. Thank you. Chairman Moore and Representative Jenkins, I appreciate this opportunity to testify today about a new financial literacy program for KU students at the University of Kansas.

Financial literacy for college students is a significant concern across the country. Not only does it affect students' financial lives, but it also affects their ability to persist and graduate, another nationwide issue.

KU students returning to campus this week were greeted with a new way to improve their financial literacy and their ability to graduate, when Student Money Management Services opened its doors in the Kansas Union. It is dedicated to improving KU students' financial situations by empowering them to analyze their finances, develop a budget, manage funds, make sound decisions, and commit to controlling their financial lives at KU and into the future.

The need for this service is clear and convincing. We are in the midst of a financial crisis. The average debt for KU graduating seniors is \$22,478, and this is an increase of \$4,200 in just 6 years. So we have an increasing loan indebtedness for our graduates. Interestingly, we have evidence of both KU students' lack of financial knowledge and their understanding that this education is important. The evidence is from research from the KU Financial Task Force where they found the average literacy score in a study of KU students was 3.26 on a scale of 1 to 6, probably about a C+, where 1 indicated no understanding and 6 indicated complete understanding. However, 82 percent of these students said that it is important to learn about money management and credit and debt management and 84 percent said they want to learn about saving and investing.

Leticia Gradington, a KU alumna with extensive experience in financial planning and with teaching college students, has been hired as our new program coordinator. And right now, we are in the process of hiring several peer educators. These will be very well trained KU students who will do one-on-one work with students, give class presentations, and do outreach to student groups and organizations. As has been mentioned in some of the comments about having students teach students, I think this peer educator part could be one of the most important parts of our program. Information will also be provided through publications, Web sites, and other electronic communication methods.

The staff will provide the information to students, as mentioned, on personal finances, developing budgets, tracking expenses, under-

standing credit cards and loan indebtedness, and planning for life after graduation. We are also very fortunate at KU that we can refer them to very specific offices to help with those things, such as Financial Aid and Scholarships, we have Legal Services for Students that can deal with issues like landlord/tenant, Bursar's Office for payments and the School of Business Personal Finance 101 course that I will tell you a little bit more about in a minute.

This program is important to us too because it is collaborative, we are working with the Office of the Vice Provost for Student Success, the School of Business, Student Senate which is our student governance entity and they played a leadership role in this in the past and a new initiatives program fund. We also have an advisory board that will have campus members in terms of faculty, staff and students, as well as community members to help guide us in our future development.

Student response has already been enthusiastic. We had a job fair last week and hundreds of students stopped by our table to find out more about our center.

Let me mention just a couple of other things that are available to KU students along this line. We have an excellent financial literacy guide that is on our Financial Aid and Scholarships Web site which provides information on a wide range of these topics. Cash Course is a free, online personal finance course developed by the National Endowment for Financial Education, which includes budgeting and financial planning and debit and credit cards and economic survival tips. It is quite good. And we have a new program this fall that we are very excited about. It is called Financial Aid TV for the U2 generation. It is short online videos on a variety of topics including money basics, saving and borrowing money, credit cards, and credit scoring. Also, all the range of financial aid information. And that is on our Financial Aid and Scholarships Web site.

Interestingly, in the task force that we did, students indicated that their preferred way to get information was via the Web site. So I think for today's college students, we need to think about other electronic media such as social media. Facebook should be considered for utilization to connect with students on this important issue.

I want to talk for a moment about the School of Business Finance 101 class, a three credit semester long course open to all KU students. It provides some of the more in-depth information that has been discussed already today. For example, mortgages, renting and leasing, savings, investments, and insurance. About 140 students take that course every semester, and I really think this in-depth education is almost a necessity for getting to that next level of financial literacy. We are going to be choosing from the students who got A's in this course for our peer educators.

Barriers to greater financial literacy—many have been discussed today. I do think coordination between the K-12 efforts and higher education is crucial and we have already had discussion about how KU is doing that today. Efforts should be made with faculty members on the college level to integrate financial literacy more in their courses. Special attention should be paid to better help low-income and first generation college students in this area. And I think an-

other point could be when students are employed in campus jobs but also in their first professional employment. This is when questions about insurance, withholding—we could do much more with employers perhaps in educating students and young adults at that point.

Mr. Chairman, I appreciate this opportunity to provide information on the efforts made by the University of Kansas to improve the financial literacy of our students. Improving the education, the financial education, of our citizens is a vital issue for the University of Kansas, our State, and our Nation. Thank you.

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

Chairman MOORE OF KANSAS. Thank you.

Ms. Voyles, you are recognized for 5 minutes.

**STATEMENT OF GAYLE VOYLES, DIRECTOR, UNIVERSITY OF MISSOURI-KANSAS CITY CENTER FOR ECONOMIC EDUCATION**

Ms. VOYLES. I also would like to thank Chairman Moore and Representative Jenkins for the opportunity to testify today. The views I am expressing are my own personal beliefs and they are not the views of the University of Missouri at Kansas City.

I would like to talk to you a little bit about the Council for Economic Education Web site which points out that in coming years, young people will face unprecedented economic opportunities and challenges. They also ask whether young people will be ready to meet the economic opportunities and challenges head on. And then they answer it and say yes, provided they understand the economic way of thinking.

I know there has been a lot of discussion about the division between economics and personal finance, how do they all fit together. In the State of Missouri, we have been very active in the Missouri Council on Economic Education in trying to promote a K-12 spiraling curriculum that would integrate economics and personal finance across the curriculum. However, what really transpired was a half credit personal finance course that is State-mandated for every student before they graduate from high school.

The Missouri Council led the movement to try and at least make sure that students, before they graduate, will have some economic and personal finance experience. But we decided that was not really enough. To have a class with a half credit course for so many things that everyone has talked about today is really hard. And then when you look at—we heard so many people say the teachers do not always feel comfortable. Who is going to teach the course? How do we make sure that it is a quality course and that our students are really learning?

I personally have been an elementary and high school teacher for 7 years as well as teaching at the college level for the past 15 years. My experience has taught me that it is much easier to teach and influence student behavior at a younger age in developing this economic way of thinking. When students are not introduced to economics and personal finance concepts prior to entering high school, the broad range of knowledge and skills that the students bring to class make it very difficult for a high school teacher to know where to start.

I had written in my testimony that the Stock Market Game and the Personal Finance Challenge that the Missouri Council on Economic Education runs helps motivate students to actually take an interest and get involved. I think we have heard a lot of testimony today on how important it is to get the students actively engaged. There are three national studies out that prove that the Stock Market Game does increase academic achievement in math, economics, and financial skills.

What I wanted to share is what was said by the teachers in Missouri who have been teaching personal finance courses for 3 years. I have two master personal finance educators from the Blue Springs School District, Mike Hagerty and Kevin Clevenger, who highlighted for me the importance of personal finance education. They start by saying, "Can the Missouri required Personal Finance Course prevent another financial crisis? In our opinion; no. However, if one is asking whether the personal finance course can make a substantial difference for the future of citizens in our State and our country; absolutely yes."

There is not a day that goes by that we do not have a parent or an adult tell us that they only wished they had taken a course like Personal Finance when they were in school.

Our youth are starting to get it, they are asking the right questions and seeking answers to the economy's current issues. We feel strongly that the classroom forum and in particular Personal Finance class will continue to allow students to seek out the answers.

I also wanted to quickly share some of the data that came from the Missouri Department of Elementary and Secondary Ed. Because we do have this required course, there has been a State test, but the problem is that not every district has to register their students and have them take the course, because if they have a stand-alone personal finance class, it is up to the district to decide how they decide mastery level. However, the students in the State who have embedded the personal finance competencies into another course are required to take the test. So the data that is in my written testimony and a little of it that I will share with you in my remaining minute shows that only 23 districts' students who were enrolled last year's second semester course participated in the State level personal finance pre- and post-tests.

The overall gains between the pre- and post-tests were reflected for the following areas of personal finance from highest gains to lowest: spending and credit, approximately a 16 percent gain; money management, a 15.3 percent gain; saving and investing, a 14.19 percent gain; and income, an 11.99 percent gain.

So we know that we are making a difference.

Now, if you look at how many students overall have taken the pre- and post-test in the 3 years, Missouri has had 15,094 students. How did they do? How many are an A? Eight percent. B's, 17 percent. C's, 20 percent. D's, 18 percent. F's, 36 percent.

The rest of my written testimony really attests to the fact that I believe in K-12 spiraling curriculum and I do believe that these are habits and skills that are developed young, practiced throughout life that will really have the highest chance of helping us have stronger communities in our nation.



I did mention children's literature, which someone else mentioned, is a great way to start young children. They really make the connection. KU's Center for Economic Education hosts a Web site that provides over 600 annotated book suggestions for teaching economic concepts.

The School of Economics in Missouri is a community involvement Economic Education and provides K-5 economic and personal finance simulations. Over 11,000 students visit that school per year on one-day simulations.

There are all kinds of financial literacy programs.

One other one I wanted to mention, "Yes You Can" Financial Education from American Century Investments, provides a wealth of resources.

I also am aware that Representative Cleaver introduced a bill referred to as the "Financial Literacy for Youth Act of 2009" and I have read the bill and I am very much in support of it.

Thank you very much.

[The prepared statement of Ms. Voyles can be found on page 77 of the appendix.]

Chairman MOORE OF KANSAS. Thank you, Ms. Voyles.

Mr. Mitchell, you are recognized for up to 5 minutes.

**STATEMENT OF SHAWN P. MITCHELL, PRESIDENT AND CHIEF EXECUTIVE OFFICER, COMMUNITY BANKERS ASSOCIATION OF KANSAS**

Mr. MITCHELL. Thank you, Chairman Moore and Representative Jenkins. I am Shawn Mitchell, President and CEO of the Community Bankers Association of Kansas. CBA represents currently 298 banking locations through Kansas. We are also the Kansas State affiliate of the Independent Community Bankers of America. IBCB represents 5,000 community banks across the country and has an ongoing commitment to promoting financial literacy throughout the nation. I speak on behalf of both associations.

I have personally been a community banker in Kansas for the last 15 years. I currently serve as the CEO for CBA, which I have been for the last 20 months. Previously, I was president and CEO of the Farmers & Merchants State Bank in Wakefield.

Managing money wisely and making effective financial decisions is critical to excelling in life and enjoying a secure financial future. Unfortunately, too many Americans lack the skills and knowledge to make those appropriate financial decisions. Our Nation's mounting consumer debt, falling savings rates, skyrocketing personal bankruptcies, and the proliferation of high-cost non-bank fringe providers point to a need for better financial education.

Community banks engage in a wide range of financial educational efforts, many in conjunction with local schools and civic groups. Whether showing students how to manage credit responsibly, helping a family understand the home buying process or teaching foreign-born residents the benefits of having a checking account, financial literacy programs build a strong future for all.

I did bring a few examples of some different initiatives by Kansas banks. One example is the First National Bank of Frankfort. They have purchased textbooks for the consumer family science teacher for use in that classroom. This specific textbook leads stu-

dents through a lesson in which they write checks and balance their own checkbooks. The checks are used then in the community for real life items such as gas, groceries, etc. The students are able to know their balances and track their expenses as part of the class.

Another example is the First Option Bank in Osawatomie and Paola. They supply check balancing kits for business classes where they learn how to also balance checkbooks, how to interpret and reconcile monthly bank statements as well as information about debit cards, ATMs, credit cards, and online banking. During Community Bank Week, which is held every April, First Option Bank is present in five area schools touching over 1,100 students with information and encouragement to begin saving during Community Bank Week that is done all over the entire State by the community banking institutions.

What are some of the barriers to greater financial literacy? Financial literacy is a complex issue with many variables. We are constantly bombarded with the message that we deserve—no, that we are entitled to that new car, new house, new clothing, newest electronic gadget, etc. What we do not hear is that those things have to be paid for from what we earn.

We have a responsibility to teach prudent money management skills to our children so that they will create good financial habits and carry them into their adult life. We see too many examples of good people who have made themselves victims of poor financial management simply because they do not understand what they can truly afford.

One banker observed that our children are extremely technologically literate, but they are very financially illiterate when it comes to dealing with real world financial concepts. Due to the structure of current curriculums, which are geared for preparing students for college and passing assessment tests, our educational system has neglected to teach our young people real life skills. The importance of these life skills classes is being overlooked and undervalued. We are sending our children out into the world with a PC and the latest checkbook software and assuming that they are smart enough to become financially literate on their own.

There are actually two key initiatives that I believe need to be considered—financial literacy and appropriate government regulation of the financial sector. Banks have seen a massive wave of regulatory restructuring and increased government intervention. An unfortunate side effect of the massive regulatory push is that financial products are becoming more difficult to understand, even by the savviest of consumers. What was once a 1-page loan contract is now a 25-page document full of government-required disclosures. Instead of reading—

Chairman MOORE OF KANSAS. Of course, people read that, do they not?

Mr. MITCHELL. Oh, absolutely.  
[laughter]

Mr. MITCHELL. Instead of reading the entire document, consumers look at the payments and where do I sign. Does this help? Or do we just make it easier for the unscrupulous non-bank firms to victimize our consumers? Increasing regulatory burdens on com-

munity banks is not a substitute for an educated consumer. Over-regulation hurts banks and consumers alike.

In conclusion, American consumers were abused by many of the non-bank financial firms of Wall Street as well as unscrupulous mortgage brokers pushing the "American dream" without consideration for the consumer's actual welfare. We will recover from this crisis, and community banks will continue to serve a vital role in their respective communities. Increasing financial literacy protects consumers, fosters financial stability and benefits individuals, communities, and our Nation as a whole.

Thank you.

[The prepared statement of Mr. Mitchell can be found on page 51 of the appendix.]

Chairman MOORE OF KANSAS. Mr. Wolgamott?

**STATEMENT OF CHRIS WOLGAMOTT, COMMUNITY  
DEVELOPMENT LIAISON, MERITRUST CREDIT UNION**

Mr. WOLGAMOTT. Good morning, and thank you, Chairman Moore and Representative Jenkins.

I am Chris Wolgamott, Community Development Liaison at Meritrust Credit Union. For the past 5 years, I have been working as the financial literacy provider for our credit union. It just goes to show how our credit union values financial literacy, that they have hired a full-time individual to do nothing but financial literacy. I am the only financial literacy representative who is hired full time to do my job in the State of Kansas for credit unions, so I consider it an honor to talk to you today.

Financial literacy encompasses a broad range of topics and spans a lifetime of learning. Learning how to save, share, spend, invest, and protect money have become key components to financial literacy curricula around the Nation and around the State of Kansas.

In 2003, the Wall Street Journal reported that 70 percent of Americans lived paycheck-to-paycheck and also the Harris Interactive Study in 2009 for financial literacy reported that about 50 percent of Americans do not live on a budget and 20 percent of Americans regularly pay bills late and receive late payment fees due to that.

The credit union movement is founded on the principle of people helping people. From July 1, 2009, to June 30, 2010, credit union employees and volunteers around the Nation conducted more than 13,500 presentations reaching over 413,000 young individuals as reported by the National Youth Involvement Board, which is a support organization for credit unions nationwide, to provide financial literacy.

Credit unions in Kansas are also extremely involved in financial literacy across the State. This year, just in the State of Kansas, over 6,000 students were reached by credit union staff members and volunteers, including myself. Meritrust Credit Union is also very involved. I have been able, with the support of my credit union, to reach over 2,200 students in the State of Kansas, spanning from Dodge City out to Atchison, Kansas, using a variety of curriculum, both provided by the State Treasurer's Office as well as what we have written on our own.

I want to quickly highlight three different curriculums that are very important that I deem very educational for students. One of them you have already heard talked about, so I will refrain from comment on that. First of all, the Money\$mart Financial Camp provided by the State Treasurer's Office was originally started with a partnership by former Treasurer Lynn Jenkins and is now endorsed by Dennis McKinney and the KCUA Credit Union Association here in the State of Kansas. We have reached over 600 students in the State with this curriculum, teaching over 7 camps in the past 2 years. We have 3 more camps scheduled for the next 3 months, September, October, and November, that will reach a potential of 200 more students. By the end of this school year, we are hoping to have reached about 1,000 students in the State of Kansas over the past 2 years.

Chairman MOORE OF KANSAS. How old are these students?

Mr. WOLGAMOTT. They are geared toward middle school students, so 6th to 8th grade students.

Communities in Schools was talked about earlier, the Reality U that they run in the high schools in the Wichita area. Students are given an income based on their GPA. So if they have a high GPA, they usually receive a higher income; if they have a low GPA, they receive a lower income. If they wanted to be an athlete, a professional athlete and they have a lower GPA, they are a high school PE coach or maybe a middle school PE coach. So the income they receive is structured very closely to the grades that they earn, and that is a really great teaching point to bring their grades up.

Many, many organizations in the Wichita area sponsor and support the Communities in Schools effort with the Reality U. I have been invited with Reality U to go into the schools, in a couple of the schools, while they are not in Reality U, I have gone into the classrooms and taught a budgeting exercise to kind of broaden the scope of what they are able to teach.

As I mentioned, Meritrust Credit Union is very involved in our community. We have partnered with organizations such as Youth Entrepreneurs of Kansas, Gear-Up, Upward Bound, Americorps, various Wichita State University classes, classes at Butler County Community College, VanGo which is an organization here in Lawrence, TRIO, ComCare and we partnered with the Kansas State Attorney General's Office for National Consumer Protection Week.

Some struggles that we have with financial literacy, first of all, it is a struggle to provide financial literacy to adults. Most adults see financial literacy as a very positive thing; yet, in the 2009 Harris Interactive Financial Literacy Survey, 41 percent of adults gave themselves a C, D or F letter grade when it came to financial literacy, but only 12 percent say they are likely to seek financial help from a financial professional, which means they are going to other places or they are not going to seek help for financial literacy at all.

Another weakness I see is the ability to reach students in the classroom. Teachers are placed under tremendous pressure to fulfill the requirements asked of them within a school year. Because of this strain, it is difficult for some schools to invite guests to come into their classrooms because of the constraints that they have. They feel like they need to get everything in that they can get in

and so it is hard for them to invite outsiders to come into their classroom.

To conclude, the need for financial literacy is large, not just for adults, but those soon to be adults. Current statistics point to an increased personal debt and continued “spend first and ask questions later” mentality. A consistent focus on programs involving policymakers, educators, and financial institutions will strengthen what is currently being provided by financial institutions and social organizations.

Thank you for your time.

[The prepared statement of Mr. Wolgamott can be found on page 92 of the appendix.]

Chairman MOORE OF KANSAS. Thank you. I now recognize myself, and I am going to ask—I guess make a statement and ask a general question to all the panelists here, because I think this is a very, very important topic that we are discussing today.

Number one, and some of the panelists have already spoken to some of these questions, but I am just going to throw these out for general discussion by the whole panel if we can for just a couple of minutes. And then we will let Representative Jenkins talk and ask questions.

When, ideally, should we start and how young should we start to educate students about financial literacy? How young can that start? And number two, how do we reach out to the adult population? And again, some of you have spoken to this already, but I would like to hear more general discussion. How do we reach out to the adult population, how do we teach financial literacy and personal finance to adults and Members of Congress even? I am being a little facetious but I am being very serious too because there seems to be, by virtue of some of the statements made by some of my fellow Members of Congress, a lack of understanding about some of this. I tell people all the time, our Nation needs to start living within a budget like most American families do. Not all American families by any means, but most American families. Those are the observations I guess I would make.

How young can we start teaching students? I have heard some—the last witness here spoke about some very young students. Do the rest of you agree with that? And how do we get this ingrained in our public education system so when they start in elementary school and it goes clear up through college and again, how do we reach the adult population.

Any of you, please?

Mr. WOLGAMOTT. If you do not mind me going first?

Chairman MOORE OF KANSAS. Sure.

Mr. WOLGAMOTT. I have two suggestions to reach adults. The first one is we partner with organizations that adults are already part of. Instead of the adults coming to us, we go to them, where they are.

Secondly, we started the Dave Ramsey Financial Peace University program in our credit union. Just because we work at a credit union does not mean we are any better with money than anybody else out there. So we had 19 employees and their spouses come in and we paid for them, as an employee benefit, to receive that financial literacy. Because of that, we were able to, as a group, pay off

\$40,000 in debt and save \$12,000 in an emergency fund, just in the 13 weeks of the program. We are going to be starting that for a new round of students who are employees at our credit union.

So I think you have to go where the adults are; you cannot rely on them to come to you necessarily in order to receive that.

As far as how young to start, we are starting to teach our two year old about money, about putting money into a piggy bank at home, giving an offering at church. There are some very basic things you can do starting very young. Money and finance is very much habit forming and if you do not start those financial habits early in life, then you are continually trying to break them throughout the course of life.

Chairman MOORE OF KANSAS. What a radical notion that is.

[laughter]

Chairman MOORE OF KANSAS. Mr. Mitchell?

Mr. MITCHELL. I agree. I come from the unique perspective of being a community banker. I have had to educate adults on loan products and all that. It is amazing what people do not know about basic finance, and it goes all the way. My wife is a literacy coach which is a reading literacy. But I have also looked at that and the age of kids that she can touch, and she teaches teachers to teach literacy. It is amazing how young they can start learning these things. And I agree, the sooner we start this, it becomes part of who they are, they learn it and then it is not a big deal as they grow older. We teach them young and just make it simple, make it fun. Those kids will in turn also teach their parents. You bring the parents in there and make them responsible for it. It is going to take years, but I think that is a good way to get started and then eventually we will work ourselves out of this situation.

Chairman MOORE OF KANSAS. Ms. Voyles?

Ms. VOYLES. I totally agree with everything the gentlemen have said. I have just one grandchild story to tell you exactly how young they can learn.

My youngest grandson, when he was a year and a half old, hated to be away from his father, he was very connected to him. So when I would take care of him, he wanted to know where dad was. And I would say, he'll be back soon, he'll be back, he would say daddy's working. And I would say why does he work. And he will say make the money.

[laughter]

Ms. VOYLES. Why does daddy need to make the money and he would say to buy diapers, food, and toys. When I took him to the beach for the first time, he was only two, and later he was looking at pictures and he said, I want to go back to the beach. And I said, that was a wonderful trip, we will go back but we cannot go soon because it takes a lot of money for all of us to fly and spend a whole week. So he went on playing and then he came over and he said, grandma, work more.

[laughter]

Ms. VOYLES. So two year olds definitely get it.

I wanted to add to that that one of my big concerns has been—and I know it is hard to address this, but we know with more emphasis on communication arts, math, and science that in many of our schools across the Nation, K-5 social studies education has

been diminished. And the amount of time the teachers are allowed to teach social studies concepts. And economics and personal finance used to fall within that realm. So I think this balance of what I heard people talk about, life skills and where we all belong, what our students need, I have been very, very concerned about this and would like some attention paid to how do we get balance back.

Chairman MOORE OF KANSAS. My time has expired, but can I have just a minute, if any other panelists have anything to add?

Ms. TUTTLE. It has already been mentioned in terms of working with adults and seeing the parent/child relationship as something that is viable. At colleges and universities around the country, we are dealing much more with parents, parents of college age students and so as we think about developing our financial literacy program for college students, we would like to incorporate communication with their parents as well, because some of them have not learned at that stage either. I do think for any level of education, especially K-12, trying to have things be as experiential as possible and I think some of the examples given, it should not be dry, lecture-type information, it needs to be something that they can experience and integrate in their lives. And the college time is when our students really are experiencing that.

Chairman MOORE OF KANSAS. Mr. Petty, any comments?

Mr. PETTY. I just have one brief comment. I feel like necessity is the best motivator and I feel that incorporating a curriculum at the high school level, especially for seniors, as the State of Kansas has done, they are uniquely poised to make significant financial decisions. So I think that there needs to be very direct curriculum that they receive right before they make those significant financial decisions.

Chairman MOORE OF KANSAS. Representative Jenkins?

Ms. JENKINS. I have thoroughly enjoyed the discussion here today and I know we are short on time, but I thank you all and your comment about Members of Congress benefitting from some financial literacy made me smile because I remember a former Speaker of the House, whom I will not embarrass, was speaking here in Kansas several years ago, and he was an educator by profession, and he said the only thing more difficult than teaching junior high school students about money was teaching Members of Congress about the whole issue of the economy.

[laughter]

Ms. JENKINS. I had to smile because I thought how appropriate that is.

I just have one thing. I was interested, Ms. Tuttle, in your presentation, that was very interesting and maybe because I am a mom who just sent my freshman baby daughter off to college, but I was curious, I do not recall hearing this, are you doing this all with your own resources? I know there are so many in the private sector, so many that rely on good financial decisions for the bottom line, are you engaging any corporate participation?

Ms. TUTTLE. That is definitely part of our plan. Since we are just opening our doors, we had to be creative about our funding for the first year, actually looking for internal sources at KU for that. But we definitely plan on partnering. I have taken some notes today no-

ting the kinds of opportunities there are in the State and I think it would obviously be the way to go, because I think there are some ways that it could be done in a very objective way, unbiased way, to get that help. There are also some of those national resources in terms of foundations, like Cash Course and others, so I think there is some opportunity here to partner and expand what we are able to do.

We did this summer visit, an excellent program that has been started at K State called Power Cat Financial Counseling, and they have been going on for about a year and they are also very connected with the academic units, both the Personal Finance Department and the School of Business. So I see us also partnering with academic units and some of the Federal grant money and corporate money that we may have access to as well. But I think it is something we definitely will use in the future.

Ms. JENKINS. I know resources are tight and it seems like there are some in the communities willing to step up in a good way. I know the Treasurer's Office has done so much in this area, it seems like people knock down their door, they want to help, it is just finding those to partner with. So I would love to see that.

And then maybe just a final thought as far as measuring outcomes in this whole area of financial literacy. I am not sure I want to go to my grave before I see the results of all of the efforts that has been put into this. But maybe that is what we will have to do, is just let a generation pass. I don't watch a lot of TV, but there is a ridiculous jingle that sticks in my head from the little bit of TV that I do watch, related to I think a requirement that credit reports be made available. Do you know what I am talking about? There's this ridiculous little jingle about freecreditreport.com. I will not sing it to you.

Chairman MOORE OF KANSAS. Please don't.

[laughter]

Ms. JENKINS. But do we know if things like that are beneficial to getting our message out and should we do more of that? Do any of you have any thoughts or data on measuring outcomes or ideas on how we might, other than just waiting a generation to see if our bankruptcy rates go down and then I will yield back, Mr. Chairman.

Ms. TUTTLE. I am aware of some research that has been done for college students' financial literacy, actually a doctoral research study is starting to be done, I just saw a report about that. I know there are some real assessments going on, and it is in fact showing impact. I mean it was somewhat modest, it did not change behaviors I think as much as they had wanted, but it did change students' knowledge and awareness, it did change their decision-making about personal finance, but maybe less so about taking out loans. So there actually is starting to be, at least on the college level, some real assessment going on about the impact of that. And I think a lot of that has to be looked at in terms of eventually does it actually change behavior. And that will be the harder piece to really get at or see, whether loan indebtedness starts to go down or some of those kinds of issues. On K-12, I would leave that to my colleagues, I am not sure.



Mr. WOLGAMOTT. I think it is very difficult to see outcomes because it is hard to follow the student from when we teach a Money\$mart curriculum or go into the classroom one time and teach. We do not have access to them 3 or 4 years later. And that is something that we are starting to look at with the Money\$mart curriculum and other things that we do, is there a way that we can track the student if we partner with a specific school, 5 or 6 years down the road, maybe give them another evaluation to see have they retained any of the things that they have been taught.

And I think also when we here in the State of Kansas start to add a really strong financial literacy curriculum to the core curriculum that they teach, then I think that will help, I think repetition is the huge thing there. It is very hard in my job to get repetition with the students, but if that is brought up in the schools, then I think that will help a great deal.

I hope we do not just have to wait and see for a generation, that kind of scares me a little bit, but I think the repetition is helpful.

Ms. JENKINS. Thank you, Mr. Chairman.

Chairman MOORE OF KANSAS. Thank you.

I ask unanimous consent that the following documents be entered into the record for our hearing today: First, a statement from our colleague on the House Financial Services Committees, Representative Ruben Hinojosa, who co-chaired the House Financial and Economic Literacy Caucus with our subcommittee's ranking member Judy Biggert; second, a statement from the Financial Education and Counseling Alliance; and third, a letter from the National Association of Credit Unions.

Without objection, these documents will be made a part of the record.

I want to thank our first and second panel of witnesses for their appearances and their testimony. I know Ms. Jenkins and I will take back what we learned from today's hearing to the District of Columbia and share it with our colleagues. I also want to thank the Dole Institute and KU for being such excellent hosts for us today.

I note that either of us, Ms. Jenkins or myself, may have additional questions for our witnesses, which we can submit in writing and without objection, the hearing record will remain open for 30 days for members to submit written questions to these witnesses and place the responses in the record.

I just want to say in closing, I think this discussion today about financial literacy and understanding our financial systems in our country is probably one of the most important discussions we can have and I sometimes, my wife says, have an inappropriate sense of humor, but I think there needs to be a lot of education across the whole spectrum, I am talking about from children and start teaching our children very, very early about how this works and continue that through high school and college and then try to reach the adult population and Congress as well, because we all need to understand this and the consequences of not following good financial practices in our country, because there can be disastrous results if we do not.

I thank all of you and especially my colleague for being here today. Thanks to all of you and we are going to adjourn this hearing.

[Whereupon, at 12:04 p.m., the hearing was adjourned.]

# **A P P E N D I X**

August 24, 2010

**Opening Statement of Chairman Dennis Moore**  
**“Empowering Consumers: Can Financial Literacy Education Prevent Another Financial Crisis?”**  
House Financial Services Subcommittee on Oversight and Investigations  
Field Hearing | Lawrence, Kansas | Tuesday, August 24, 2010

Our economy continues to slowly recover following the worst financial crisis we’ve seen in generations. And everyone knows – whether you’re a Democrat or a Republican – that lax oversight and poor regulation of our financial system for too many years sowed the seeds of a near collapse of our entire economy, the worst of its kind since the Great Depression.

And who paid the price for these mistakes? Unfortunately, it was not those “too big to fail” firms on Wall Street, but rather our constituents and businesses here in Kansas and across the country. American households lost about \$14 trillion in net worth over the course of two years. Retirement accounts saw over 20 percent decline in value, forcing many Americans to delay their retirement. Millions of Americans lost their homes through foreclosure. Bernie Madoff’s Ponzi scheme defrauded \$65 billion from investors.

But given the economic damage we did suffer, it’s not surprising that many Americans have lost their faith in our financial system. This is why I was proud to work with my colleagues on the House Financial Services Committee and in Congress in drafting the Dodd-Frank Wall Street Reform and Consumer Protection Act that the President recently signed into law.

A key lesson that we’ve learned from the financial crisis is that we need to do a better job across sectors – local, state and federal government, private industry, non-profits, etc. – to utilize scarce resources to better promote financial literacy education. This is why I’m glad the Dodd-Frank Act includes some less-noticed provisions that will aid in this effort. A key provision creates an Office of Financial Education within the newly created Bureau of Consumer Financial Protection. This office will be responsible for “developing and implementing initiatives intended to educate and empower consumers to make better informed financial decisions.” The new law also establishes in the Department of Housing and Urban Development (HUD) an Office of Housing Counseling, which will conduct activities relating to homeownership and rental housing counseling.

Additionally, the Financial Literacy and Education Commission (FLEC) recently announced the launch of its redesigned financial literacy education website, which can be found at [www.MyMoney.gov](http://www.MyMoney.gov). The new website provides new calculators and check lists to assist individuals and families with savings and various life events with financial implications.

There are other examples of what is happening to promote financial literacy on the federal level, but today we will hear from state regulators here in Kansas and efforts they are taking to promote financial literacy. We will also hear from representatives in the education and local financial community to learn what projects work best to strengthen financial literacy. I look forward to hearing from our witnesses on this very important issue.

Will better financial literacy, on its own, prevent the next financial crisis? Perhaps not, but I know if we don’t do a better job promoting financial education, that will only increase the likelihood of another crisis. I hope that with today’s hearing, we can begin to explore what ways the federal government can be a better partner with state and local governments, and others, to provide the education and resources everyone needs to make better financial decisions.

**OPENING REMARKS OF THE HONORABLE RUBEN HINOJOSA  
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS  
COMMITTEE ON FINANCIAL SERVICES  
EMPOWERING CONSUMERS: CAN FINANCIAL LITERACY EDUCATION PREVENT  
ANOTHER FINANCIAL CRISIS?  
AUGUST 23, 2010**

I want to commend Chairman Moore for holding this important hearing on financial literacy and ways to provide the tools consumers need to protect themselves from a future crisis. I also want to commend his staff, Glen Sears, for helping organize today's hearing. Such endeavors as this hearing help by increasing public awareness of financial literacy and economic education; recognizing the importance of managing personal finance; increasing personal savings; and helping ensure that the Federal Government, States, localities, schools, nonprofit organizations, businesses, other entities, and the people of the United States observe the month of April as National Financial Literacy Month with appropriate programs and activities with the goal of increasing financial literacy rates for individuals across the United States during all stages of life.

Personal financial literacy is essential to ensure that individuals are prepared to make informed financial choices so that they can become successful heads of households, investors, entrepreneurs, and business leaders. Financially informed individuals are better able to take control of their circumstances, improve their quality of life, and plan for their financial future.

Personal financial management skills and lifelong habits begin to develop during childhood, making it all the more important to support youth financial education.

Recognizing the need to improve financial literacy, I co-founded and currently co-chair the House Financial and Economic Literacy Caucus to provide a forum for interested Members of Congress to review, discuss and recommend financial and economic literacy policies, legislation, and programs. Chairman Dennis Moore (D-KS) has been a member of the Caucus from the beginning and has helped us make significant progress in the cause to improve financial literacy in Kansas, this region of the country and across the United States. I commend him for working with me behind the scenes on appropriations supporting funding for the Kansas Council on Economic Education and for the creation of an Office of Housing Counseling in the Department of Housing and Urban Development.

The Financial and Economic Literacy Caucus works in conjunction with federal agencies, the private sector, and nonprofit and community-based organizations to organize and promote financial literacy resolutions, legislation, seminars, and events, such as "Financial Literacy Month" held in April of each year, including the annual "Financial Literacy Day Fair," that normally is held during the latter part of April, and draws in over 800 people. In 2005, ten people attended the press conference announcing the creation of the Caucus. 800 people attended the 2009 Financial Literacy Day Fair. Chairman Moore played a key role in drawing in a considerable number of attendees. He also helped create a bridge between the non-profit and community-based organizations and the private sector.

I believe that all those present for today's hearing would agree that financial education is the first line of defense against financial fraud.

While many U.S. adults are improving how they manage their money, and more consumers now have a budget and non-retirement savings, many Americans continue to struggle with their finances, especially young adults and minorities. Approximately 60 million people in the United States are either unbanked or underbanked. 54 percent of black households, 44.5 percent of American Indian/Alaskan households, and 43.3 percent of Hispanic households are either unbanked or underbanked;

Personal saving as a percentage of disposable personal income was 3.1 percent in February 2010, compared with 3.4 percent in January 2010, and a reduction from a 12-month average of 4.1 percent in 2009.

Bankers large and small across the United States teach savings skills to young people each year during 'Teach Children to Save Day,' which was launched by the American Bankers Association Education Foundation in April 1997 and has now helped more than 80,000 bankers teach savings skills to more than 3.2 million young people.

Staff from America's credit unions focus on the financial needs of young people, provide financial literacy education, and teach youth under the age of 18 the benefits of saving and goal setting annually during "National Credit Union Youth Week."

More than 100 Federal agencies have collaborated on a Web site, [www.consumer.gov](http://www.consumer.gov), which helps consumers shop for a mortgage or auto loan, understand and reconcile credit card statements and utility bills, choose savings and retirement plans, compare health insurance policies, and understand their credit report and how it affects their ability to get credit and on what terms.

We in Congress, the public, community-based, and private sector organizations throughout the United States are working on a wide range of financial literacy outreach efforts, including multi-media campaigns; financial literacy websites; one-on-one financial counseling; and, of course, today's hearing.

I again commend my good friend from Kansas, Chairman Dennis Moore, and his staff Glen Sears for organizing today's hearing and helping further the financial literacy and economic education cause across the United States.

God bless.

**Testimony of**

**Kevin Glendening  
Deputy Bank Commissioner  
Administrator, Kansas Uniform Consumer Credit Code  
State of Kansas**

**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?”**

**August 24, 2010**

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-8<sup>th</sup> 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.



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**U.S. House of Representatives  
Committee on Financial Services  
Subcommittee on Oversight and Investigations  
Representative Moore, Chairman  
August 24, 2010**

Testimony by Kansas State Treasurer Dennis McKinney

Good morning Chairman. As Kansas State Treasurer, I believe financial literacy is a national priority. As a result, my office provides a variety of financial literacy programs to Kansans of all ages. Among other initiatives, we offer an in-school savings program and financial management workshops for grade school and middle school aged students. We also host financial seminars and on-line resources for adults. These programs are a great resource to Kansas teachers, students, and families. Our goal is to help hard working Kansans save, invest, and grow to create more opportunities to improve families and communities across Kansas.

Children and adults alike must understand that they do have control over their financial future. Money management programs such as Save@School, stress basic financial responsibilities that are best learned early in life and reinforced through the years.

The Save@School program provides the early education that is critical in shaping young minds in financial management. With the leadership of educators and the cooperation of local financial institutions, this program is reaching thousands of students across Kansas. The curriculum for the Save@School program is designed to: make students aware of the benefits of saving, encourage good habits relating to saving and spending, and carry over to the student's family as a way to make positive changes in their own financial lives.

Save@School joins the State Treasurer's office, local financial institutions and schools with the common goal of teaching children so that they become educated consumers who will make responsible financial decisions in the future. Participants open savings accounts and make deposits to their accounts on scheduled savings days at their school. The students learn the importance of savings through hands-on experience and classroom exercises with the guidance of an employee of the financial institution and the curriculum provided by the State Treasurer's office. This curriculum aligns with current Kansas state mathematics standards.

Children and adults alike must understand that they do have control over their financial future. Stressing basic financial responsibilities is a lesson best learned early in life and reinforced through the years. The Treasurer's LIFE reading list (Lessons in Financial

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Education) provides lessons on cost-benefit analysis, barter and exchange, having a job, work and human capital, having and earning money, and saving techniques for kids from preschool through high school. This list is designed to get kids to begin thinking about and engaging in dialog on some basic financial concepts.

As both Kansas State Treasurer, and as a parent myself, I recommend that parents talk to their children about finances early and often. Reading these books to kids is a great way to communicate the message of financial responsibility. I appreciate the important role that parents and caregivers play in shaping our children's future.

Another initiative at the Treasurer's office for parents and children is the Kansas Investments Developing Scholars (K.I.D.S.) program. This is a unique opportunity for Kansas families that want to begin planning for their child's education beyond high school but may need some assistance to make the goal of savings a reality. The K.I.D.S. program is just one step to bring Kansas families closer to reaching their goals to allow their students the opportunity to advance beyond post-secondary education. This includes community college, technical college or university level accredited education.

K.I.D.S. matching grant program will match the first \$600 that participants contribute to a Learning Quest 529 Education Savings Program account each year that they are eligible. K.I.D.S. was developed for families with income less than 200% of the federal poverty level. To be eligible participants must be Kansas residents. Whether it is community college, technical college or university, the challenge of paying for a child's education will only increase in the future.

We reach the middle school students through a one-day workshop called Money\$mart Financial Management. This event was created specifically for Kansas middle school students. Money\$mart is designed to offer middle school students training in sound personal financial philosophies and practices in a fun environment that enhances leadership and teamwork skills. Students engage in specific lessons regarding topics such as money and choices, budgeting, saving and goal-setting and cash and credit. These events are sponsored by Kansas State Treasurer Dennis McKinney and the Kansas Credit Union Association (KCUA) and held throughout the state.

The ABCs of Credit Card Finance is a program aimed at educating high school seniors and young adults entering college. It was created by the Center for Student Credit Card Education, Inc. and instructs students on how to wisely choose and responsibly use a credit card before they enter the workforce. The Treasurer's Office offers a trainer's guide, PowerPoint, and student primer free.

By participating in the program, students develop the skills necessary to build a positive credit history that will benefit them for years to come. This program can help prevent creditors from profiting at the expense of our young adults. Some high school teachers are using this to enhance their curriculum in business and economics classes in Kansas.

The Treasurer's office has provided seminars specifically for women and for seniors. In 2009 as a strong partner on the Women & Money Coalition we sponsored an 8-week series for 90 women to gain control over their finances. This training was developed by women for

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women of all income and education levels. These women increased their financial knowledge, developed confidence in their decision making ability, and gained control of their life through informed money management. Back by popular demand, the Women & Money Series will be held September through October, 2010 at Washburn University in Topeka.

Our office has also begun conducting brown bag lessons on personal finances to help Kansans maintain financial independence. Financial education empowers individuals or families to become more financially secure and independent. We believe it is important for Kansans to make educated decisions to make their money work as hard as possible for them.

The Treasurer's office, partnering with a number of other organizations, has offered financial literacy programs in Topeka starting with state employees as a pilot project. Based on the success of these pilot sessions, we recently decided to expand the opportunities for more Kansans to benefit from these informational sessions. This Fall the Treasurer's Office Brown Bag Series is traveling to Hays, Manhattan, Wichita, Emporia, Pittsburg, and Lawrence.

**What kinds of programs have worked well in promoting greater financial literacy?** The best programs are ones that can entertain the participants as well as educate them. Students of all ages consider finances a boring topic. Money is fun to talk about. Once the word finance or budget is mentioned; eyes start glazing over.

The MoneySmart program at the Treasurer's Office partners with the Kansas Credit Union Association (KCUA) to bring college students to facilitate financial workshops for middle school students. The energy generated by the college student facilitators causes the Middle school students to pay attention and enjoy learning. Not only do the middle school students learn about finances; they also learn about college life. Fun balanced with responsibility.

Middle school students are receptive to listening about why continuing education is important to a college student; why it is important to get good grades in high school and why it is important to take challenging classes while they are still in high school. Seeds are planted encouraging students to continue their education in subjects they are passionate about. Another win-win benefit of this MoneySmart program is the financial education the college students receive by teaching the curriculum!

The Kansas Council on Economic Education, among other great initiatives, offers the Financial Foundations for Kansas Kids personal finance/economics curriculum for the K-8 grade classroom. This is a comprehensive set of standards-based, interactive computer courseware lessons that integrate personal financial literacy and its underlying economic principles into the language arts and math curriculums. All elementary schools and middle schools in Kansas receive the courseware free! A pre-test and post-test are also available for teachers to measure learning.

Consumer Credit Counseling Services (CCCS) is a non-profit organization teaching several successful financial classes: The Money Action Program (a basic budgeting and credit use program); Couples and Money (a program that helps couples discuss money issues and a forum to work out solutions); Raising Money Smart Kids (a program that teach to parents

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how to talk to their kids about money and spending); and Homebuying (a program that educates consumers on the homebuyer process and how much they can afford).

Housing and Credit Counseling, Inc. is a non-profit United Way Agency that provides counseling and education about budgeting, credit, debt repayment, tenant-landlord issues and homeownership opportunities with offices in Topeka, Lawrence, and Manhattan. These classes are a huge benefit to citizens of all income levels in these communities.

The Kansas State University Research and Extension offices also provide valuable financial education to Kansas consumers across the state--no marketing or selling financial products.

An exciting pilot in Kansas is The Bank On America Saves - Greater Kansas City initiative to move unbanked and underbanked households into the financial mainstream as a way to promote economic success among all residents, particularly low- to- moderate income residents of the Kansas City metro. In cities around the country these initiatives have been used by city and county leaders to support or compliment local government driven economic development plans.

**How can we coordinate efforts at the local, state and national levels?** The JumpStart Coalition is a big step in the right direction. The national JumpStart encourages public and private entities to come together with the purpose of promoting and teaching financial education. Their primary audience is children pre-kindergarten through college-age youth. In Kansas the JumpStart Coalition for Personal Financial Literacy has taken that a step further to include Kansans of all ages (pre-K through senior citizens). The Coalition efforts encourage partners to work together, combining resources and creating a win-win for the citizens of our state.

The Treasurer's Office supports the efforts of JumpStart to get public and private entities working cooperatively together. This creates a win-win scenario for our state in stretching valuable dollars while working toward common goals to make a positive impact on their financial welfare and improve families and communities across Kansas.

Another collaborative effort that has been effective in Kansas is the Federal Reserve Bank of Kansas City's initiative for Money Smart Week of Greater Kansas City. This week-long event in April each year creates synergy among private and public entities.

The partnerships developed during this weekly activity continue throughout the year and create additional opportunities for financial growth and development for the citizens of the greater Kansas City community. Organizers of this event are making strides to take this concept statewide. Wichita is holding an information session with the hopes of hosting the first Money Smart Week, Wichita in April, 2011! Information provided by Erika Ramirez, Community Affairs Advisor, Federal Reserve Bank of Kansas City 816-881-2480

In Wichita the BEST Coalition (Building Economic Stability Together) has made great strides in collaboration--local organizations working together. The Goal of the Coalition is that South Central Kansans will have income and assets to strengthen family stability by

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expanding financial and educational opportunities in order to sustain economic setbacks.  
Colleen O'Callaghan, United Way of the Plains, 316-267-1321 ext 4215

The Kansas Partners for Asset Development (KPAD) is another healthy collaboration of organizations to establish real opportunities for Kansas families to achieve financial prosperity. Kansas Action for Children spearheads this group and published a report in February 2009 "Getting Ahead in Kansas; An Asset-Building Policy Roadmap for Establishing Real Opportunities for Kansas Families to Achieve Financial Prosperity". April Holman, Kansas Action for Children, 785.232.0550

**What are the major barriers to financial literacy in Kansas?** There is widespread agreement that financial education is important and should be implemented comprehensively in our public schools—Pre-K through collegiate levels. The biggest barrier to implementing this is funding and preparing teachers to teach financial education.

There is a great need for financial literacy education. In the past five years, HCCI has seen an alarming increase in home loan delinquency and default on the part of its clients. Kansas' Attorney General, Steve Six, reported in July 2010 that Kansas foreclosure activity now ranks Kansas as 34th in the nation. Attorney General Six predicts the numbers of foreclosed homes in Kansas will reach 11,500 to 12,500 by the end of December 2010.

The President's Advisory Council on Financial Literacy submitted a comprehensive report to President Obama in January, 2009. Please take a few minutes to review the report. It not only identifies barriers to financial literacy; this report contains recommendations to address these issues that are vital to the future of our economy.  
<http://www.ustreas.gov/offices/domestic-finance/financial-institution/fin-education/council/>

**Are there any specific segments of society that need greater attention?** Lower-income groups are targeted most by predatory lenders. This makes financial education in lower-income communities particularly important. It is important to put reasonable safeguards in place to keep predatory financial practices in check. One example of this is limiting the percentage of interest that can be charged in short-term loans like the Military Personnel Financial Services Protection Act of 2006 caps the rate institutions can charge military families at 36 percent.

Thank you for your time this morning and for your attention to these important issues facing our nation. Children and adults alike must understand that they do have control over their financial future. My office stands ready to assist in any way possible to help hard working Kansans save, invest, and grow to create more opportunities to improve families and communities across Kansas.

I will be happy to entertain questions.





Directed By The Members We Serve

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Testimony of

**Shawn P. Mitchell**  
President and Chief Executive Officer  
Community Bankers Association of Kansas

On behalf of the

**Community Bankers Association of Kansas  
&  
Independent Community Bankers of America**

Before the

**Congress of the United States  
U.S. House of Representatives  
Committee on Financial Services  
Subcommittee on Oversight and Investigations**

Field Hearing on

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

August 24, 2010  
Robert J. Dole Institute of Politics, University of Kansas  
Lawrence, Kansas

Chairman Moore, Ranking Member Biggert, and Members of the Subcommittee, I am Shawn P. Mitchell, President and Chief Executive Officer of the Community Bankers Association of Kansas, located in Topeka, KS. The Community Bankers Association of Kansas (CBAK) is a statewide association of banks bound together by the shared philosophy that a community-based bank can better serve its customers than a nationwide mega bank. CBAK currently represents 298 banking locations throughout Kansas. CBAK is the Kansas state affiliate of, and actively engaged with, the Independent Community Bankers of America (ICBA). ICBA represents nearly 5,000 community banks across the country and has an ongoing commitment to promote financial literacy throughout the nation.

I have personally been a community banker in Kansas for the last 15 years, serving as CBAK CEO for the last 20 months and previously as President and CEO of The Farmers & Merchants State Bank, Wakefield, Kansas (a \$25MM community bank located 90 miles west of Topeka, KS). I have an AS degree in Criminology from Barton County Community College, Great Bend, KS, a BS in Business Management from Baker University, Baldwin City, KS and I am a graduate of the Graduate School of Banking at Colorado, University of Colorado, Boulder, CO.

I am pleased to address the Subcommittee here today at this field hearing entitled, "Empowering Consumers: Can Financial Literacy Prevent Another Financial Crisis?"

### **Background**

Managing money wisely and making effective financial decisions is critical to excelling in life and enjoying a secure financial future. Unfortunately, too many Americans lack the skills and knowledge to make appropriate financial decisions. Our nation's mounting consumer debt, falling savings rates, skyrocketing personal bankruptcies and the proliferation of high-cost nonbank "fringe" providers (even before the recent financial crisis) point to a need for better financial education. Moreover, millions of Americans do not have a relationship with a depository institution, simply because they do not understand the system. Building a relationship with the consumer is how a financial institution finds out how to best serve the consumer and how the consumer discovers what products or services are appropriate for them. One size does not fit all.

Community banks engage in a wide range of financial education efforts, many in conjunction with local schools and civic groups. But CBAK and ICBA recognize there is more the industry can do. For this reason, CBAK and ICBA support federal efforts to promote financial literacy education and forge government, nonprofit and private-sector partnerships to bring more financial literacy programs and resources to community banks and their communities. Whether showing students how to manage credit responsibly, helping a family understand the home buying process or teaching foreign-born residents the benefits of having a checking account, financial literacy programs build a stronger future for all.

ICBA has an ongoing commitment to promoting financial literacy, encouraging its nearly 5,000 member community banks to provide programs within their communities, as well as forging government, nonprofit and private-sector partnerships, such as with the Jump\$tart Coalition and the FDIC Money Smart program. ICBA also recognizes community banks with outstanding financial literacy programs through a financial literacy award as part of the annual National Community Bank Service Awards.

#### **Examples of Financial Education Initiatives in Kansas**

The First National Bank of Frankfort, KS has purchased textbooks for the consumer family science teacher for use in the classroom. This specific textbook leads students through a lesson in which they “write” checks and balance their checkbooks. The checks are used for real life items such as gas, groceries, etc. The bank doesn’t actually process the checks, but the students are able to know their balance and track expenses. This same community bank also purchased the student edition of the Wall Street Journal for the current affairs class.

First Option Bank, with locations in Osawatomic and Paola Kansas, supplies check balancing kits for business classes at Osawatomic High School and Prairie View High School to assist in teaching the financial segment to business students. The kits are published by Internal Training Services and provide materials for training on how to open a checking account & prepare a deposit slip, proper technique for writing checks, how to maintain a checkbook, how to interpret and reconcile a monthly bank statement as well as information about debit cards, ATMs, and on-line banking. During Community Bank Week in April, First Option Bank is present in five area schools touching over 1100 students with information and encouragement to begin saving. This should have a huge impact in their trade area in relation to financial literacy.

**Barriers to Greater Financial Literacy**

Financial literacy is a complex issue with many variables. We are constantly bombarded with the message that we deserve... no we are entitled to have that new car, new house, new clothing, newest electronic gadget, etc. What we do not hear is that those "things" have to be paid for from what we earn.

We have a responsibility to teach prudent money management skills to our children so that they will create good financial habits early and carry them into their adult life. We see too many examples of good people who have made themselves victims of poor financial management simply because they did not understand what they could truly afford. They have confused their needs with their wants.

One banker serves on several committees for their local school district. This banker has observed that our students are extremely technologically literate, but very financially illiterate when it comes to dealing with real world financial concepts. Due to the structure of current curriculums, which are geared for preparing students for college and passing assessment tests, our educational system is neglecting to teach our young people real life skills. The importance of these "life skills" classes is being overlooked and undervalued. We are sending our children out into the world with a PC and the latest checkbook software and assuming that they are smart enough to become financially literate on their own. The current curriculums have great relativity, but if we do not also teach our children how to live within their means we haven't taught them how to live well.

For our nation to continue the economic recovery and avoid finding ourselves back in this situation there are actually two key initiatives that need to be considered; financial literacy and appropriate government regulation of the financial sector.

Banks have seen a massive wave of regulatory restructuring and increased government intervention. An unfortunate side effect of the massive regulatory push is that financial products are becoming more difficult to understand for even the savviest of consumers. What was once a one page loan contract is now a 25 page document full of government required disclosures and loaded with legal terminology. Instead of reading the entire document consumers look at the payment and sign where told. Does this help? Or do we just make it easier for the unscrupulous non-bank firms to victimize our consumers. Increasing massive regulatory burdens on community banks is not a substitute for an educated consumer. Over regulation hurts banks and consumers alike.

**Conclusion**

American consumers were abused by many of the non-bank financial firms of Wall Street as well as unscrupulous mortgage brokers pushing the “American dream” without consideration for the consumer welfare. Community banks serve a vital role in their respective communities. They stand ready to assist their friends, neighbors and communities with safe, sound financial products and services. Community banks support and promote many financial literacy programs for all consumers, especially those programs that help the underserved, disadvantaged and youth of our nation. Increasing financial literacy protects consumers, fosters financial stability and benefits individuals, communities, and our nation as a whole.

**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

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**Testimony of**

**Commissioner of Insurance  
Sandy Praeger  
State of Kansas**

**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?”**

**August 24, 2010**

Good morning Chairman Moore, members of the committee, distinguished guests and audience members. I am Sandy Praeger, and I am the elected Commissioner of Insurance for the State of Kansas. I have served in that capacity since being elected in 2002. I am pleased today to testify before this subcommittee on empowering consumers with financial literacy education in order to prevent another financial crisis, and especially on the necessity of including insurance information for consumers in any initiatives in regard to this.

The Kansas Insurance Department's mission is to **Regulate** insurance companies, **Educate** consumers about insurance issues and **Advocate** for consumers when needed. It is the educational aspect of our current mission that I am here to help promote.

The need for financial education among youth is always important. The earliest segments of those activities often focus on saving money and spending it wisely, which are both parts of sound financial freedom.

Those segments embody tangible financial ideas: Teach a child to save his or her money early, and money will be available when he or she needs it. Teach them to shop wisely and compare quality, price and need, and the money-saving cycle is repeated.

Going one step further, it's long been my belief that any educational component of financial literacy has to contain a segment on insurance. However, the idea of spending money to avert risk is a more abstract concept. It's hard for younger people to understand that you spend money buying insurance without receiving immediate gratification for your expenditure. The need for immediacy in gratification often carries over to adulthood, with unfortunate consequences when it comes to understanding insurance.

Surveys from the National Association of Insurance Commissioners (NAIC) have shown that 60 percent of adults can't answer basic insurance questions correctly.<sup>1</sup>

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<sup>1</sup> National Association of Insurance Commissioners, 2010

Add to that the ever-increasing bombardment of unclear and unsound financial offers to the general public, and it's no wonder that money-management skills, especially when it comes to insurance topics, are misunderstood and misused.

The NAIC, of which I am a member, past officer and current committee chair, has responded to the need for increased consumer insurance awareness through its Insure U program. Insure U is an online educational curriculum customized for consumers in eight different life stages.

At the website [InsureUonline.org](http://InsureUonline.org), the curriculum includes a basic introduction to the four major types of insurance—auto, home, health and life—as they pertain to people at different ages and in different situations. Consumers can test their knowledge about insurance by taking an online quiz. Since its inception in 2006, Insure U has achieved national media and website attention, with millions of viewing impressions, and has been promoted heavily by state insurance departments.

On the state level, our own Kansas Insurance Department, as part of our continuing consumer education priority, has made its insurance expertise available throughout the state through speaker presentations and exhibits. My staff and I have been to more than half of our state's counties in the last two years, making presentations on insurance issues to a variety of audiences. Annually, our state fair booth in Hutchinson in September, throughout the 10 days of the fair, gives our department instant access to fairgoers, their questions and concerns.

Assistant Commissioner Bob Tomlinson, a former teacher, has made understanding insurance for young people a personal project. He has developed many presentations for high school youth on insurance, and he has spoken to dozens of high school classes.

Finally, our Government and Public Affairs Division within the department is responsible for producing and maintaining more than 30 publications and brochures on all aspects of consumer insurance information. We even have an educational coloring book that we make available to children that explains basic insurance concepts.

The Kansas Insurance Department and the NAIC are working to help Kansas consumers of all ages become literate in insurance matters. Still, there's more work to be done, and if we can collaborate with other agencies and organizations in "getting the word out," we are certainly open to it.

Successful financial literacy education needs to be available through designated lifelong learning environments. Emphasis on basics in the elementary school classroom, followed by advanced high school curriculum and continuing "refresher" courses in adult life would be ideal. Increased public/private partnerships could be emphasized. There are many insurance education foundations in the United States, established by consumer groups and by insurance companies, but they could use a coordinated effort in order to achieve the consumer success we all desire.

Thank you, Chairman Moore and subcommittee members, for the opportunity to be a part of this hearing. Please call on me and the Kansas Insurance Department staff to assist you in any way to promote successful consumer financial literacy.

**Testimony by  
John P. Smith Administrator  
Kansas Department of Credit Unions**

**Before the**

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

**Hearing**

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

**August 24, 2010  
Robert J. Dole Institute of Politics  
University of Kansas  
Simmons Media Room**

John P. Smith, Administrator  
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Chairman Moore, Ranking Member Biggert, and Members of the Subcommittee:

I am John P. Smith, Administrator, Kansas Department of Credit Unions. I appreciate the opportunity to appear today before the subcommittee. My credit union background includes twenty-one years as a volunteer credit union board member prior to appointments as a credit union regulator. In 1993 I was appointed by the Governor Joan Finney as Administrator of the Department of Credit Unions. In 1999 I was appointed by Governor Mel Carnahan as Director of the Missouri Division of Credit Unions. I returned to Kansas in 2006 to accept the appointment as Administrator, Department of Credit Unions from Governor Kathleen Sebelius.

The Kansas Department of Credit Unions (KDCU) is the state credit union financial regulatory agency authorized by the Kansas Legislature to provide for management, control, regulation and general supervision of state-chartered, Kansas credit unions.

KDCU is fully funded as a fee fund agency operating solely on the revenue produced through fees collected from state-chartered credit unions examined and regulated by the agency.

KDCU supervises and examines 82 natural person credit unions and 1 corporate credit union. As of March 31, 2010:

- Total assets of Kansas chartered credit unions: \$3,869,671,286.
- Total credit union members in Kansas: 538,983.
- Largest Kansas chartered credit union has assets of \$659,696,030.
- Smallest Kansas chartered credit union has assets of \$160,049.
- The 5 largest credit unions make up 44.27% of the total assets or \$1,573,087,798.
- The 10 largest credit unions make up 63.81% of the total assets or \$2,366,170,448.

Kansas also has 21 federal-chartered credit unions regulated and examined by the National Credit Union Administration (NCUA).

Share deposits in Kansas credit unions are federally insured through the National Credit Union Share Insurance Fund (NCUSIF), an arm of the NCUA.



In addition to examinations, the statutes and regulations provide for KDCU to grant new charters, merge and liquidate credit unions when necessary and handle consumer complaints.

Credit unions are member owned cooperatives. Their board and committees members are non-paid volunteers.

As a regulatory agency KDCU has no mandate by law to provide financial literacy education nor have we been asked to do so. We do recognize the importance of financial literacy through a variety of ways. The consumer resources section of our web site [www.kansas.gov/kdcu/](http://www.kansas.gov/kdcu/) has links to consumer protection laws and a brief description of each law.

**Federal Trade Commission (FTC)**

Regulation B – Equal Credit Opportunity  
Regulation E – Electronic Funds Transfer Act  
FCPR – Fair Credit Practice Rule  
FDCPA – Fair Credit Reporting Act  
HIDC – Holder in Due Course  
Regulation M – Consumer Leasing Act  
Regulation Z – Truth in Lending Act

**National Credit Union Administration (NCUA)**

BSA – Bank Secrecy Act  
Regulation C – Home Mortgage Disclosure  
Regulation CC – Expedited Funds Availability  
FDPA – Flood Disaster Protections Act  
TISA – Truth in Savings Act  
Gramm-Leach-Bliley Act – Privacy of Consumer Financial Information

**Housing and Urban Development (HUD)**

RESPA – Real Estate Settlement and Procedures Act  
FHA – Fair Housing Act

**Federal Reserve**

Regulation D – Reserves on Transaction Accounts

To prepare for the testimony today, several Kansas credit unions active in financial literacy education were contacted last week for information on their efforts to promote financial literacy. Here are details of the information received.

**Educational Credit Union (ECU), Topeka, Kansas**

In our response to your request regarding our credit union's efforts and commitment to the goal of increasing financial literacy among our membership, here are some details about our recent activities in that area:

- Save @ Schools – ECU was one of the first credit unions in the state to sign on with the State Treasurer’s office with the promotion of a formal Save @ Schools initiative. Our credit union has participated with as many as 13 local Topeka elementary schools by opening youth savings accounts for students and then returning to the schools on a frequent published basis throughout the school year in order to accept deposits to those accounts. The goal is to work with younger students to increase knowledge and understanding of building savings as a means of planning for the future. Our data indicates that ECU opened 555 Save @ Schools youth accounts, with current total savings accumulated of more than \$83,000.
- Money\$mart Camp – ECU staff members have participated in the Money\$mart Camp from the very first years of partnership with the State Treasurer’s office when the event was held at the Rock Springs 4-H camp. This camp is structured to reach the middle school age child as they begin to form their spending habits for the future, and focuses more on the wise use of credit and how to determine the difference between a “need” and a “want”. The day-long camps are now held on at least an annual basis, but are based in our local community with the hope that we can reach more children. ECU staff continue to donate, support, and volunteer with this event on an ongoing and annual basis, including one coming up in early September.
- Newsletter – As many credit unions do, nearly every quarterly newsletter mailed to our membership includes at least one article aimed at financial education and literacy. While we have no way of knowing how many read the article or heed the advice, we believe that it is important to continue to promote life-long financial learning as a means of helping consumers of all age make better financial decisions and choices. These articles are posted on our website then as well.
- Debt in Focus – About a year ago, ECU joined a beta program with the Filene Research Institute to develop and promote an online financial tool called Debt in Focus. The online tool was added to our website, and is designed to allow members (and non-members who find the site) to anonymously enter their current financial data and then compare themselves against peers and benchmarks for household financial performance. The site gives them tools and tips for increasing their individual financial situation, including suggested options for paying down debt more quickly in an effort to increase their discretionary household budget and their net worth. The site also allows a user to save the data and revisit the site periodically to track their progress and improvement.
- Women & Money – For the second year of this new program, ECU has co-sponsored and promoted the local Housing & Credit Counseling, Inc. Women & Money series. This six-week night class is designed for women of all ages, income and education levels and is designed to increase financial knowledge and decision making ability through informed money management. The course is designed with single mothers in mind, due to the stronger money management

- As probably every other credit union does, ECU uses every one-on-one opportunity available with our members to talk about wise financial choices. Many members applying for a loan or accessing another of our products or services ask questions and seek guidance with improving their net worth, reducing household budget expenses, improving their credit scores, etc. and we do everything reasonable during those interactions to help inform and educate members on financial concepts.

**Credit Union of America (CUA), Wichita, Kansas**

- This is the second school year with the student branch at Southeast High School. USD 259 is very supportive and involved with this program.
- We hire two students as CUA employees to work in the branch and they also work at our other credit union locations. Our first two student workers now have permanent positions with CUA following high school graduation. The student branch initiative created **jobs** and employment training, a win-win for CUA and the student.
- CUA has a student and faculty accessible location for member/student business and also has placed an ATM at Southeast High School.
- We are an active part of the curriculum at Southeast High School as well as other schools. We have conducted more than 12 financial literacy classes or programs in 2009 and plan to expand the number in future years.
- CUA's board of directors has made a commitment to fund the branch and program for both an initial trial period and long term basis based on community and student value knowing the revenue or value to CUA will likely never be there to support the costs.
- CUA has set up special student membership accounts and processes to better serve this unique membership/demographic base.

**First Choice Credit Union (FCCU), Maize, Kansas**

- This is the third year in operating the branch at Maize High School. We are planning for another branch in the new Maize High School in 2011.
- The high school credit union is staffed by a senior and a junior student supervised by a FCCU staff member. Students also work part time at regular FCCU locations.

- ATM dispenses only \$5. Otherwise the branch is full service.

**Sunflower UP Federal Credit Union (SUPFCU), Marysville, Kansas**

- Provides financial literacy education for parochial and public schools from K through 12 in Marysville, Kansas for the fifth year.
- Schools are visited one day per week. 50% participation in the parochial schools, 25% participation in the public schools.
- Most successful learning tool is students making deposits and watching their accounts grow in value.

**K-State Federal Credit Union (KSFCU), Manhattan, Kansas**

- Since 2004, when KSFCU partnered with then Kansas State Treasurer, Lynn Jenkins, and local schools we have been offering a youth financial literacy program called Save at School. Woodrow Wilson Elementary was the first school to offer the program in the 2004/05 school year. To date, we are operating in 6 elementary schools.
- The goal of the Save at School program is to teach students the importance of saving money and the concept of money management. Each school has an in-house credit union one morning per week, where 5<sup>th</sup> and 6<sup>th</sup> grade students are hired to manage and operate the business. Students may open an actual credit union account and make deposits at their in-house credit union. As part of the learning experience, educational materials on financial literacy are available, that can be presented by teachers or credit union personnel.
- We have several teachers that see the value in what we offer and have us back each year. They incorporate what we can teach the kids with, most often their math classes. We strive to get more and more time in front of the kids so that we actually have an opportunity to teach more than just showing the benefits of a savings account.
- Everything we do with the school and the children is 100% free; we have no fees of any kind for going into the schools teaching or for the onsite branch.

**Promotion of Financial Literacy Outside of Schools**

Credit unions with close ties with companies that are experiencing effects of the economic conditions often provide financial counseling to their members. The sponsor company of Cessna Credit Union recently reduced its workforce by over 55%. Cessna Credit Union made a concerted effort to buffer the impact of job loss by deferring payments, restructuring loans, offering a safe place to deposit severance or early retirement funds and offering financial education and counseling programs.

We have observed similar efforts in other credit unions. We encourage credit unions to become proactive if an economic downturn may affect their members financial ability to handle their financial obligations.

**Encouraging Financial Literacy**

While KDCU has no mandate under Kansas law to promote or provide financial literacy education, I support a role for KDCU in financial literacy.

The financial literacy of credit union members enhances KDCU's mission as the safety and soundness regulator. Fewer delinquent loans and bankruptcies improves the financial performance of the credit union, which influences the ability of that credit union to loan money at a competitive rate and pay improved dividends.

**Concluding Suggestion**

To be financially literate is a life-long venture. New financial products such as individual retirement accounts (IRAs), debit cards, different types of home mortgages, and home equity loans continue to be developed. While financial literacy education is part of the K through 12 educational systems, more could be done to promote life-long financial literacy to keep informed about new financial products and to budget for their proper use. With the current focus on the recent financial crisis, public policy makers have an opportunity to support and encourage financial institutions to provide financial education regarding consumer safeguards (such as overdraft protection) for their members/customers and the general public. While another crisis may not be prevented, the general public will be better prepared.

As a caveat, federal agencies should not pre-empt state consumer protections laws that offer greater protection than federal laws.

In adopting federal regulations implementing the Dodd–Frank Wall Street Reform and Consumer Protection Act, federal agencies must not over regulate and allow the marketplace to function. Additional regulations are a difficult burden on our smaller asset size credit unions.

I thank you for allowing me to present testimony on this important topic.

**Testimony of Dr. Kathryn Nemeth Tuttle**  
**Assistant Vice Provost for Student Success**  
**University of Kansas**  
 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 a new financial literacy education program for KU students at the University of Kansas.**

**Executive Summary**

Financial literacy for college students is a significant concern across the country. Not only does it affect students' financial lives, but their ability to persist and graduate, another nationwide issue.

KU students returning to campus last week were greeted with a new way to improve their financial literacy education, and their ability to graduate, when Student Money Management Services opened its doors in the Kansas Union. Student Money Management Services is dedicated to improving KU students' financial situations by empowering them to analyze their finances, develop a budget, manage funds, make sound decisions, and commit to controlling their financial lives at KU and into the future.

The need for this service is clear and convincing: we are in the midst a financial crisis; the average debt for KU graduating seniors is \$22,478, an increase of \$4200 in just six years; and we have evidence of *both* KU students' lack of financial knowledge and their understanding that this education is important. This evidence is from the research of the KU Financial Literacy Task Force:

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- The average financial literacy score in a study of KU students was 3.26 on a scale of 1-6, where 1 represented no understanding and 6 indicated complete understanding of financial competency;
- 82% of KU students in the study think it is important to learn more about money management and credit and debt management; and
- 84% indicated it is important to learn more about savings/investing.

Leticia Gradington, a KU alumna with extensive experience in financial planning and with teaching college students, is the new Program Coordinator. We are in the process of hiring several financial Peer Educators—trained KU students who can work one-on-one with students, give class presentations, and do outreach to student groups and organizations. Information will also be provided through publications, websites, and other electronic communication methods.

The staff will provide information to KU students on managing personal finances, developing budgets, tracking expenses, understanding credit card and loan indebtedness, planning for life after graduation and appropriate referral to campus resources such as Financial Aid and Scholarships, Legal Services for Students, Bursar's Office, and the School of Business Personal Finance 101 course.

The program is a collaborative effort that is funded through the Office of the Vice Provost for Student Success, School of Business, Student Senate, and a new initiatives program fund. An Advisory Board with membership from the campus -- faculty, staff and students -- and the community will continue to provide guidance for our efforts. An assessment plan is being developed.

Student response has already been enthusiastic—hundreds of students talked to us about the new service at an on-campus job fair just last week.

Other KU innovations, available to all KU students, include:

- **Financial Literacy Guide:** available on the Financial Aid and Scholarships website which includes sections on planning for college, managing finances while in college and life after graduation.
- **CashCourse:** a free, online personal finance course, developed by the National Endowment for Financial Education, which includes a budgeting and financial planning section with a budget wizard for student use and sections on dealing with debit and credit cards and economic survival tips.
- **Financial Aid TV:** short, on-line videos on a variety of topics including money basics; saving and borrowing money; credit cards; credit scoring and tips on saving money. Available on the Financial Aid and Scholarships website.

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In our Task Force survey, students indicated utilizing websites was a preferred method for receiving financial literacy information. For today's college students, social media such as Facebook should also be utilized to connect with students on this important issue.

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In addition, the School of Business offers a FIN 101 course, a 3 credit-semester long course which provides much more in-depth financial education, including understanding the basics of mortgages, renting and leasing, savings, investments, and insurance. Course enrollment averages 140 students each semester. Students who have completed this course will be candidates for the financial Peer Educator position.

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Barriers to greater financial literacy include better coordination between K-12 and Higher Education. As you are hearing today, KU is making strides in this area. Efforts should be made with faculty members to increase financial literacy education across disciplines. Special attention should be paid to better help low income and first generation college students in this area; in addition some cultures are averse to borrowing, even from low-interest federal financial aid loan programs. In general, we should consider all opportunities to provide more financial education, such as when students are employed, or are hired for their first full-time jobs.

The development of Student Money Management Services is based on the work of the KU Financial Literacy Task Force that issued its report in 2009. Mr. Chairman, I request that this report be included as part of the record.

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Mr. Chairman, I appreciate this opportunity to provide information on the efforts made by the University of Kansas to improve the financial literacy of our students. Improving the financial education of our citizens is a vital issue for the University of Kansas, our state, and our nation. Thank you.

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## **Report of the University of Kansas Financial Literacy Task Force**

### Background

The U.S. Financial Literacy and Education Commission defines financial literacy as “the ability to make informed judgments and to take effective actions regarding the current and future use and management of money.” Therefore, financial literacy should include the ability to understand financial choices, plan for the future, spend and manage money wisely, and be ready for life events such as losing a job or saving for retirement. At the heart of the definition of financial literacy is the term “informed,” as emphasized previously. It is the effective use of information in the decision making process that separates the more financially literate from the less financially literate decision.

Financial literacy or lack thereof, is of critical concern to students, financial aid administrators and others on and off-campus. Recently, many institutions have implemented campus-wide Financial Literacy programs to assist students in managing personal finances, including information about how to graduate with as little debt as possible.

Although Financial Aid and Scholarships currently offers individual debt counseling services, we believe a comprehensive program would benefit students, colleagues and community constituents through more coordinated efforts and communication. Our proposal to create a Financial Literacy Task Force was approved in the spring of 2008, with the primary goals of assessing the current financial management tools available on this campus as well as other institutions and exploring new ideas for connecting students with the appropriate resources to help them achieve financial awareness while pursuing their post-secondary education.

### Research

We have conducted research to determine the level of need for a financial literacy program at KU and the necessary skills and resources needed to effectively educate our students on financial management issues. Through our research and discussions, the Task Force members believe it is imperative that KU provide financial literacy information to students, parents, and alumni. For example, the average debt for undergraduates continues to rise, as does the use of credit cards. May 2009 graduating seniors who borrowed educational loans in 2009 had an average loan debt of \$22,478, up from \$18,271 in 2003, a jump of over \$4,200 in just six years. Effective financial education and tools must be provided to students so they are better equipped to make sound financial decisions and enhance their success, both in and out of the classroom.

The need for financial literacy programs appears to be universally recognized and many universities already have programs in place. To determine the need for financial literacy education at the University of Kansas, Master’s degree students in Dr. Susan Twombly’s Assessment and Program Evaluation class surveyed students in 13 fall 2008 PRE101 courses (194 first-year students responded). Based on the students’ self-reported responses to this survey, we learned the following:

- The average financial literacy score for the population surveyed was 3.26 on a scale of 1-6, where 1 represented no understanding and 6 indicated complete understanding of the financial competency (financial competencies included: money management, credit management/debt, insurance, and savings/investing).

- When asked if respondents thought it was important to learn more about each financial competency while in college:
  - 82% indicated it is important to learn more about money management and credit and debt management;
  - 84% indicated it is important to learn more about savings/investing; and
  - 77% indicated it was important to learn more about insurance
- In response to the survey question asking how they would like to learn more about financial literacy, the majority of respondents indicated they would most likely use websites and printed resources to obtain financial literacy information in the future, followed by classroom instruction and one-on-one counseling.
- These responses are consistent with the approach taken by other institutions that currently have financial literacy programs.

Additionally, the Task Force found that key components of programs at other institutions include:

- online information via the university website (most common approach)
- extracurricular seminars or workshops on personal finance topics, often presented in cooperation with student organizations;
- financial counseling services;
- informational publications (either printed and/or downloadable from the university website)
- online interactive courses or modules on financial topics; and
- public service announcements on university radio stations.

#### Recommendations:

- Develop a Financial Literacy Office. (Student Money Management Students opened August 2010.)
- Develop a Financial Literacy Advisory Board. (First Board meetings held in Summer 2010.)
- Provide online financial literacy information for students, parents, and alumni. (CashCourse added Spring 2009.)
- Develop curriculum and create a peer-to-peer mentor program. (Peer Educators to be hired by September 2010).
- Provide professional development opportunities for faculty and staff across campus to enhance financial literacy across disciplines (e.g. offer a certificate to faculty/staff members who complete the training).
- Encourage students to enroll in FIN 101 Personal Finance.
- Increase collaboration with high schools to develop or enhance financial education.
- Continue to assess the need for financial literacy among KU students. Personal finance modules should be developed and infused into courses such as PRE 101, PRE 210, and LA&S 492.
- Consider and possibly develop a noncredit certificate program through an academic unit such as the School of Business

#### Summary

The KU Financial Literacy Task Force strongly believes that KU should play a role in educating our students on managing personal finances. We are committed to developing programs to help KU students become more financially literate while receiving their KU education, and to persist and graduate from the University of Kansas.

Subcommittee on Oversight and Investigations Hearing  
 “Empowering Consumers: Can Financial Literacy Education Prevent Another Financial Crisis”  
 10 AM Tuesday, August 24, 2010  
 Simons Media Room at the Robert J. Dole Institute of Politics  
 University of Kansas

**The views I am expressing today are my personal beliefs; they are not the views of the university (UMKC). Gayle Voyles, Director of the UMKC Center for Economic Education**

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Thank you for the opportunity to share the role the Missouri Council on Economic Education has in educating students in personal finance and economics and preparing them for success in life.

The Council for Economic Education website points out that in the coming years, young people will face unprecedented economic opportunities and challenges. They also ask whether young people will be ready to meet these economic opportunities and challenges head on and then answer by saying yes, *provided* they understand the “economic way of thinking”.

I have served as an elementary and high school educator for seven years, as well as teaching at the college level for the past 15 years. My experience has taught me that it is much easier to teach and influence student behavior at the younger ages in developing this “economic way of thinking”. When students are not introduced to economics and personal finance concepts prior to entering high school the broad range of knowledge and skills students bring to class make it very difficult for high school teachers to know where to start.

**The Missouri Council on Economic Education** led the cooperative effort of requiring a personal finance course for graduation and then collaborated with Missouri educators, administrators, and districts to provide resources for classroom and teacher preparation, in addition to managing student competitions (Stock Market Game and Regional, State, and National Personal Finance Challenges) that motivate students to master the concepts and principles. Three National Studies show The Stock Market Game’s impact on Economics, Mathematics and Financial Literacy Skills: National Assessment of Educational Progress (NAEP) tests show that general economics students who participated in a stock market simulation score significantly higher on economics tests. Learning Points Associates study reports significant gains in academic achievement in mathematics and financial literacy by SMG students. National JumpStart Coalition research finds consistently higher scores in money management skills among SMG students.

**Throughout this process, teacher participation was critical as they are responsible for educating the students. I will share the thoughts of two master personal finance educators from the Blue Springs School District: Mike Hagerty and Kevin Clevenger, who highlight the importance of personal finance education:** “Can the Missouri required Personal Finance Course prevent another financial crisis? In our opinion; no, but nothing can actually prevent it. However, if one is asking whether the personal finance course can make a substantial difference for the future of citizens in our state and our country, absolutely yes!

Interestingly, there is not a day that goes by that we don’t have a parent or another adult tell us that they only wished they had taken a course like “Personal Finance” when they were in school. It is

obvious that they now recognize the importance of education in regards to leading the way in successful personal financial management.

Our youth are starting to “get it.” They are asking the right questions and seeking answers to our economy’s current issues. We feel strongly that the classroom forum and in particular “Personal Finance Class” will continue to not only allow them to seek out the answers but also help resolve many of the crises across our country. Interestingly, we are addressing the same major issues on a daily basis in the classroom which are headlining the news: “The credit crisis/the housing crisis/the banking crisis and many others are all topics that we deal with on a daily basis.

As high school teachers, it is sometimes difficult to explain to a young person how they might use material taught in the classroom inside the *real* world. Personal Finance is a course that students can *immediately* see how the material taught in the classroom can have an immediate and lasting effect in their lives.”

**Qualitative information helps tell the story, but quantitative data provides stronger evidence that personal finance and economic education is making a difference.** Below is pre and post test data from the Missouri State Department of Elementary and Secondary Education. It is important to recognize that *if* districts have a stand- alone personal finance course they are *not* required to have their students take the state test. Only 23 districts’ students who were enrolled in last year’s second semester course participated in the state level personal finance pre and post tests. After reviewing those districts’ 1, 811 students’ average scores I found the following to be true:

- **Overall gains between the pre and post tests were reflected for the following areas of personal finance (from highest to lowest gains):** Spending and Credit (16.05% gain); Money Management (15.3% gain); Saving and Investing (14.19% gain); and Income (11.99% gain).

	Pre	Post Average Scores
Spending and Credit	54.71%	70.76%
Money Management	52.45%	67.64%
Saving and Investing	51.15%	65.34%
Income	56.28%	68.27%

- When examining pre and post averages of males versus female students I noticed that male students’ average gains were a little higher than those of female students in three of the four areas of personal finance:

	Male Average Gains	Female Average Gains
Spending and Credit	16.9%	15.11%
Money Management	15.05%	15.57%
Saving and Investing	14.24%	14.13%
Income	12.4%	11.53%

- While examining the average scores of students by grade level I found that the largest number of students enrolled in the state-mandated personal finance course were tenth grade students; next highest number of students were eleventh grade students, followed by twelfth grade students.
- Finally, when reviewing the total number of students who have taken the state’s pre and post tests (over time) I found the following to be true regarding their cut scores:

- 1,232 students            90 – 100%
- 2,608 students           80 - 89%
- 3,073 students           70 – 79%
- 2,775                        60 – 69%
- 5,406                        0 – 59%

The Council for Economic Education's [www.econedlink.org](http://www.econedlink.org) website provides a multitude of ways for K-12 teachers to *integrate* economics and personal finance across the curriculum in order to build knowledge.

One favorite choice for elementary students is sharing children's literature stories after teaching economic s and personal finance concepts and having students identify where those concepts can be applied within the story. The KU Center for Economic Education hosts a website <http://classroomclues.com> which helps K-6 teachers find over 600 annotated book suggestions for teaching economic concepts, offers teacher tips for using the books, and often identify additional online lesson plans which focus on the same economics and/or personal finance concepts.

The School of Economics, a model for community involvement in Economics Education, provides K-5 economic and personal finance simulations that students participate in during their field trip experience. Last year, over 11,000 students participated in these simulations.

There are many effective financial literacy programs available for K-12 students today; the challenge for teachers and districts is finding which work best with their particular group of students and district curriculum.

*Yes You Can*, Financial Education from American Century Investments, provides resources for the home and classroom including a quarterly newsletter and curriculum which aligns with the National Standards in K-12 Personal Finance Education. *The program* helps teachers and parents become more involved in their students' and children's financial education so they can: 1) examine their personal financial behaviors; 2) establish new and financially rewarding habits; 3) learn about personal financial concepts; and 4) create the foundation for financial independence. These resources are available at [YesYouCanOnline.info](http://YesYouCanOnline.info).

It is *my* belief that a push for K-12 financial literacy programs in every school has the potential to improve our citizens' ability to make better economic decisions. When national, state, and local organizations, teachers, and parents work together the future looks brighter. **A plan of action is needed** for integrating economic and financial education into state standards, training teachers, implementing curriculum, and verifying behavioral impacts. I am aware that Representative Cleaver introduced a bill, referred to as "The Financial Literacy for Youth Act of 2009" that would require the Secretary of Education to establish a pilot program to award grants to State and local educational agencies to develop financial literacy programs in elementary and secondary schools, and for other purposes. I am in support of the proposed bill and believe it has the potential to make a significant difference for our local, state, and national communities.

Respectfully submitted,  
 Gayle Voyles, Director  
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**Testimony of Marc S. Wilson,  
Securities Commissioner of the State of Kansas,**

**Before the Subcommittee on Oversight and Investigations,  
Committee on Financial Services,  
United States House of Representatives**

**Hearing on "Empowering Consumers: Can Financial Literacy Education  
Prevent Another Financial Crisis?"**

**August 24, 2010**

Chairperson Moore, Congresswoman Jenkins and Members of the Committee,

As Kansas Securities Commissioner, I am responsible for protecting and informing Kansas investors, promoting integrity and full disclosure in the marketing of financial services and fostering capital formation. As you may well know, in 1911 Kansas became the first state to regulate securities, predating the federal securities acts by over twenty years and forming the basis for the system of registration and disclosure we have today. Like the Securities and Exchange Commission ("SEC"), the Office of the Kansas Securities Commissioner ("KSC") regularly examines both investment advisers ("IAs") and broker-dealers ("BDs") located in Kansas. Unlike the SEC, KSC also has trained and duly-sworn law enforcement officers who investigate allegations of illegal and unregistered activities. Additionally, in cooperation with district and county attorneys, KSC prosecutes its own cases; we are not reliant upon local, state or federal prosecutors to take and try cases. Consequently, securities fraud receives the specialized attention it deserves from law enforcement in Kansas.

Today I will focus on KSC's role as a financial services educator. Unfortunately, we see the consequences of financial illiteracy every day. As you might expect, the victims in our cases often lack basic understanding of many financial concepts, including portfolio risk and a basic knowledge of consumer financial products and how to obtain professional investment advice. All too often, consumers without this basic understanding are easily lured into fraudulent investment schemes with promises of high profits and little risk. Without an adequate foundation of financial skills, retail investors cannot ask meaningful questions and are left to take the word of people with a pecuniary interest in selling an investment.

We also find that the targets of our investigations lack basic financial literacy skills. In today's society, many entrepreneurs have grown accustomed to living in debt. If an entrepreneur also lacks budgeting skills, the debts can easily escalate until the entrepreneur becomes desperate to raise capital from any source, legal or not. Even entrepreneurs with the best intentions can end up taking the low road of making exaggerated claims about their business or minimizing its risks to investors.

I am convinced not only that financial literacy education can be an effective tool to protect people from losing their life savings in investment scams, but that these skills must be taught to our young people as part of their school curriculum starting from a very young age. There will always be a need for outreach to populations particularly vulnerable to fraud like veterans and seniors, but integration of financial literacy into school curriculum from an early age would give consumers a foundation from which they can update their knowledge throughout their lifetime as their financial needs change.

Without answers to these basic questions -- What is a mortgage? How do checking and savings accounts work? How does the stock market work? What is a bond? How much risk is appropriate for me? How can I save for retirement without tax penalties? How much insurance do I need and of what type? -- consumers do not even know what questions they should be asking. If financial education merely results in consumers taking on less debt of the wrong type, this alone would play an important role in preventing another financial crisis.

#### *Initiatives to Promote Financial Literacy Education*

Kansans are fortunate that the Kansas Legislature created an investor education fund, administered by KSC, to finance investor education initiatives. Penalties assessed by KSC are deposited into a fund created for that specific purpose. See K.S.A. 17-12a601(d). KSC uses the investor education fund to make presentations to a wide variety of community organizations. KSC also provides grants to other organizations engaged in financial literacy training. For example, with an investor education fund grant, a Topeka non-profit organization, Housing & Credit Counseling, Inc. ("HCCI"), will next month be conducting a multi-week financial literacy training series called "Women & Money." Unfortunately, as a registered credit counselor, HCCI often reaches its target audience after they have encountered financial difficulties.

Though KSC will continue its support for HCCI and others, prevention is our primary focus. For many years, KSC has given \$10,000 per year to the Kansas Council on Economic Education ("KCEE") to help promote "The Stock Market Game" in Kansas schools. The Stock Market Game was developed by the Securities Industry and Financial Markets Association ("SIFMA") and is designed to introduce students in grades 3-12 to the financial markets as they learn math, social studies, economics and language arts. In the game, teams of three to five students invest a hypothetical \$100,000 into stocks, bonds and mutual funds with the goal of maximizing their long term gain. The students learn to cooperate and communicate in managing the portfolio. According to a study in August 2009 conducted by Learning Point Associates and funded by the Financial Industry Regulatory Authority ("FINRA"), The Stock Market Game substantially improves student math scores on standardized tests and improves student investor knowledge. See [Attachment A](#).

Because of encouraging results like these, last year KSC increased its investor education fund support for KCEE and The Stock Market Game to over \$25,000, a level sufficient to permit every interested Kansas student to participate regardless of their ability to pay. The results were nothing short of amazing. Participation in Kansas went from 443 teams to 1304, including 701 teams coming from teachers new to the program. Obviously, given the benefit to Kansas students of participating in this type of applied mathematics, KSC intends to continue its efforts in this regard, especially in trying to reach teachers with the message that this free, off-the-shelf, ready-made curriculum dovetails with



state mandates in both mathematics and financial education. The bottom line is that teachers need to know that financial education of this type fits squarely with improving student performance on mandated achievement tests.

There are, of course, other methods of investor education, some of which KSC tried. In 2006 and 2007, KSC employed a mass media approach, primarily on television, focusing on prevention of investment fraud. The campaign resulted in a short-term increase in constituent contacts with our agency, most of which were reports of fraud for which KSC does not have jurisdiction. While KSC's advertising was not specifically focused on financial literacy efforts, the paid advertising television medium is likely not as effective as focusing efforts on school-age children and the primary targets of investment scams, the elderly.

#### *Major Barriers to Greater Financial Literacy*

I believe that financial literacy education should be targeted at these two primary audiences. Scam artists typically target seniors because they often have significant retirement nest-eggs, so an effort must be made to equip seniors with the necessary skills to protect themselves. In addition, I believe a much greater effort should be made to teach students fundamental skills like budgeting, saving and investing. These skills will serve them when they decide how much debt to incur for higher education, as well as when they enter the workforce and decide on their appropriate amount of insurance coverage and how to maximize retirement savings or an employer's 401(k) match.

An obvious barrier to teaching financial literacy in schools is the fact that teachers are already expected to teach a full curriculum, and the renewed focus on the "3 R's" tends to crowd out everything else. However, as discussed above, there are many free resources that educators can use to introduce financial literacy skills within the context of the ordinary math or social studies curriculum. The real barrier, then, is the lack of familiarity amongst educators about these free resources and the ease with which they can be used.

#### *Other Observations and Suggestions*

The financial regulatory environment can sometimes contribute to the public's confusion about financial matters. For example, the average consumer should not be expected to understand that an investment adviser has a fiduciary standard in providing investment advice, while a stock broker is only required to sell "suitable" investments. *See Attachment B.*

As a securities regulator, I certainly understand the differences between BDs and IAs, and that the purpose of the BDs is to sell an offering to raise capital for its firm's clients. This is a critically important part of capitalism that cannot be replaced. However, what does not work is when retail investors are placed in investments that they never would have considered had they received the advice of a fiduciary. To the extent possible, Congress and regulators should work to adopt sensible, consistent regulations that are understandable to the general public for anyone -- BD or IA -- giving investment advice to retail investors. This would help to make financial literacy education seem less daunting and ensure that investors and those from whom they receive investment advice have the capacity for an informed discussion about the investor's needs before taking on portfolio risk. Further,

just because Congress directed bank regulators to be more consumer-friendly does not mean that this should substitute for the sound, educated discretion of an informed consumer or investor.

*Can Financial Literacy Education Prevent Another Financial Crisis?*

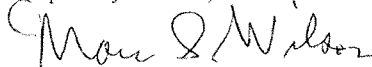
Although I do not claim to be an expert on the root causes of the financial crisis, it appears to me that financial illiteracy contributed in a material way. Consumers who lacked basic budgeting skills were sold homes they could barely afford even under perfect circumstances. They failed to understand the risks of rising interest rates, falling property values, unemployment, unexpected medical emergencies or the myriad of other financial risks involved in taking on consumer debt. The effect on the housing market of securitized products with poorly underwritten mortgages as collateral, combined with a dramatic spike in energy costs, created a toxic mix for consumers who were living on the financial edge. The loss of a job or an illness was all it took to miss the next mortgage payment and fall permanently behind on one's financial obligations.

The American economy is driven by the consumer. If the consumer is taught to budget, save, and invest appropriately, the consumer will be able to weather economic storms more effectively, and the likelihood of a major shock to the economy is decreased. There is no guarantee that financial literacy, by itself, will prevent another financial crisis, but it would certainly make a crisis less likely.

Furthermore, financial literacy is the key to creating (or re-creating, as the case may be) an American economy that is not driven by consumption, but instead appropriately balances consumption with savings and investment. Were Americans as prodigious savers as they are consumers, then the U.S. would have an alternative path out of the recession, the same path that throughout its history the U.S. rode to greatness. That approach is to make capital available to the private sector not by purchasing unneeded or unnecessary goods (which are likely, in any case, made in China), but instead by placing excess cash into bank deposits, commodities, equities and government and corporate bonds, as did our forefathers. Transforming "consumers" into "investors" through financial literacy is a goal greater than preventing hardship or fraud, it is also the path toward turning our nation from the world's largest debtor into -- once again -- the world's largest creditor.

Thank you for the opportunity to share my opinions. I would be happy to answer any questions.

Respectfully submitted,



Marc S. Wilson  
Kansas Securities Commissioner

Attachment A

*[See attached Press Release, Independent Study Finds Playing The Stock Market Game Yields Substantial Gains for Student Achievement in Mathematics and Financial Literacy, Learning Point, Aug. 25, 2009.]*



## PRESS RELEASE

FOR IMMEDIATE RELEASE

CONTACT:

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### **Independent Study Finds Playing The Stock Market Game™ Yields Substantial Gains for Student Achievement in Mathematics and Financial Literacy**

*Students who played The Stock Market Game simulation in schools scored higher in mathematics and showed greater investment knowledge*

CHICAGO (August 25, 2009)—Learning Point Associates announced today that a rigorous randomized controlled trial of the Securities Industry and Financial Markets Association (SIFMA) Foundation's Stock Market Game found that students who played the game scored significantly higher on mathematics tests than their peers who did not play the game. Students playing The Stock Market Game, a financial literacy program taught in elementary, middle, and high schools, also scored significantly higher than their peers on tests measuring their financial literacy.

Learning Point's year-long study found that elementary school students in Grades 4–6 who played The Stock Market Game scored on average above the 55th percentile on the mathematics tests, while students who did not play the game scored on average above the 43rd percentile. Students in Grades 7–10 who played the game scored on average above the 54th percentile, while students who did not play the game scored on average above the 46th percentile.

Students who played The Stock Market Game also significantly outperformed their peers in their knowledge of financial concepts. In tests to measure investor knowledge, elementary school students who played the game scored on average above the 68th percentile, compared to an average score above the 42nd percentile for students who did not play the game. Students playing the game in both middle and high school scored on average above the 58th percentile, while their peers scored above the 42nd and 40th percentiles respectively.

#### **Student achievement increased regardless of how teachers implemented The Stock Market Game.**

Analyses from the study revealed that most teachers used familiar, basic teaching practices when implementing The Stock Market Game, suggesting that the game is easy to implement using standard teaching approaches. Some teachers reported supplementing basic practices with activities that required additional time and expertise, such as projects and field trips. Students of these teachers reported especially high levels of engagement and interest in the game. In some cases, advanced teaching practices led to even greater student benefits. The study found that the more advanced teaching practices that teachers engaged in, such as playing the game along with students, the better students in the upper grades performed on the mathematics test.

Regardless of the classroom techniques—basic or more advanced—an analysis of students' test results found that students playing The Stock Market Game showed better performance on the mathematics and financial literacy tests than their nonplaying peers.

**Students are not the only ones to benefit from exposure to The Stock Market Game.** Teachers of The Stock Market Game reported that the program influenced their financial practices. In a nationwide survey conducted as part of the study, many teachers reported that they were influenced to set financial goals,

analyze their risk tolerance, read the business section of the newspaper, and watch financial programs as a result of teaching the game.

The study was funded by a grant from the Financial Industry Regulatory Authority (FINRA) Investor Education Foundation. The FINRA Foundation wanted to provide reliable information to teachers, parents, and students on the effectiveness of widely used financial literacy programs.

“The results showing significant gains in mathematics achievement and investing knowledge are very encouraging,” said FINRA Foundation President John M. Gannon. “This was a study of uncommon rigor, and we are hopeful that independent evaluation analysis of this type will lead to a better understanding of the effectiveness of financial education.”

#### About the Study

Learning Point Associates conducted a randomized controlled trial with nearly 600 classrooms nationwide. Approximately half of those classrooms played The Stock Market Game and half did not. Learning Point Associates surveyed students who participated in the study to measure their engagement with the game, their development of financial literacy skills, and their application outside of the classroom of the skills taught in the game. More than 2,700 students were surveyed. Learning Point also conducted a nationwide survey of teachers of The Stock Market Game. More than 4,800 teachers who had taught the game within the previous year, including those participating in the study, completed the survey.

The Stock Market Game is an educational program of the SIFMA Foundation. Since 1977, nearly 12 million students have participated in The Stock Market Game.

###

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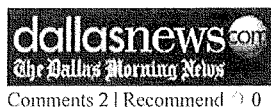
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Attachment B

[See attached Pamela Yip, *Know What Roles Stockbroker, Investment Adviser Play in Handling Your Money*, Dallas Morning News, Aug. 21, 2010.]



## Know what roles stockbroker, investment adviser play in handling your money

03:47 PM CDT on Saturday, August 21, 2010

By PAMELA YIP / The Dallas Morning News  
[pyip@dallasnews.com](mailto:pyip@dallasnews.com)

When you hire a professional to advise you on your finances, you want to be confident that that person has your best interest in mind.

Most financial professionals operate in that manner, but you need to be careful and make sure you're hiring the right individual to meet your needs.

The critical question to answer: Do you need a stockbroker or do you need an investment adviser?

Because the average investor doesn't know the difference, he or she may enter into a business relationship with the wrong assumptions, said Richard Lewins, a former stockbroker and now a Dallas lawyer who represents investors.

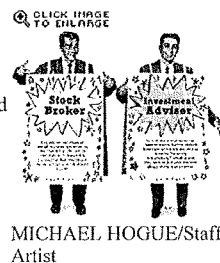
"Most people do not know there are different duties/responsibilities between registered investment advisers and brokers," he said. "They lump all investment professionals into one fungible group, unless they specifically are told the difference."

The term "investment adviser" describes a broad range of people who give advice about securities, such as stocks, bonds, mutual funds and annuities. Investment advisers also may go by the titles of investment manager, investment counsel, asset manager, wealth manager or portfolio manager.

Stockbrokers are financial professionals who buy and sell securities on behalf of clients. They're also known as financial consultants, financial advisers and investment consultants.

While the two are similar, there is a subtle, yet crucial, difference:

- Stockbrokers are governed by the "suitability rule," which means they're required to recommend investments that are suitable for you based on their knowledge of your financial situation and needs.
- Investment advisers, on the other hand, are required to exercise "fiduciary responsibility," which means they have to put your interests ahead of theirs at all times when providing advice and recommendations.



Know what roles stockbroker, investment adviser play in handling your money | News for... Page 2 of 3

Most investment advisers charge a fee based on a percentage of the assets in your account. Typically the larger your account, the lower the percentage.

Stockbrokers are typically paid through commissions paid each time the broker buys or sells a security for a client.

They also may be compensated through fees for investments and services.

Lewins said that since many investors don't know the difference between investment advisers and brokers, "their assumption is that all financial advisers have the same duty, i.e., to always have the client's best interest first."

Most brokers do have their client's best interest at heart when making investment recommendations, but they're not required to meet this standard.

So an investment "could be suitable for 90 percent of the population and still not be suitable for you," said Gary Morris, a registered investment adviser and certified financial planner in Dallas.

Study ordered

In the financial-regulatory law passed this summer, Congress directed the Securities and Exchange Commission to conduct a six-month study of the effectiveness of existing standards for brokers and investment advisers, and whether there are gaps, shortcomings or overlaps in the current regulations.

Aug. 30 is the deadline for submitting public comments to the SEC.

I encourage you to speak your mind because the regulators need to hear from average Americans.

After the study, the SEC is authorized to issue rules regarding the standard of care for professionals who are providing investment advice.

Consumer advocates, financial planners and brokerage industry representatives have said the fiduciary standard should apply to both investment advisers and brokers.

"When broker-dealers and investment advisers engage in the identical service of providing personalized investment advice about securities to individual investors, they should be held to a uniform, federal fiduciary standard of care," John Taft of the Securities Industry and Financial Markets Association said in congressional testimony. The group is the trade association for the brokerage industry.

Opponents of the fiduciary standard say the additional risk of lawsuits involving brokers would increase costs to consumers. They also argue that suitability standards are already stringent and heavily enforced.

"Compliance cost both in terms of finances and time are high, and those costs are eventually felt by clients," Charles R. Green, a Hurst broker, wrote in comments to the SEC.

"Thus adding another layer of regulation means another layer of compliance, and even more cost to clients."

One regulator expressed concern that the SEC might embrace a weaker standard than currently exists.



Know what roles stockbroker, investment adviser play in handling your money | News for... Page 3 of 3

"The SEC is highly likely to adopt some standard that they're going to label 'fiduciary standard,' but I am not sure – and I'm very concerned – that it won't be the fiduciary standard that exists under the 1940 act that we have had for investment advisers forever," said Denise Voigt Crawford, Texas securities commissioner.

Questions to pose

However the SEC decides to resolve the issue, it's important that you ask key questions before you pick an investment services provider.

Here are some good ones from the Coalition for Investor Education, which consists of state securities regulators, consumer advocates and representatives of the investment adviser and financial planning industries:

- What services do you offer?
- What qualifications do you have?
- How do you charge for those services? Do you receive compensation from other sources if you recommend that I buy a particular stock, mutual fund or bond?
- Are you required by law to always act in my best interests? Will you put that commitment in writing?
- What potential conflicts of interest do you have when recommending investment products to me, and will you disclose those conflicts?
- Will you provide me with a written record of any disciplinary history for you and your firm?

Any reputable provider should be happy to discuss these issues with you and answer any other questions you may have.

But regardless of whether you hire an investment adviser or a stockbroker, remember that it's your money on the line, and no one will care about it as much as you.

WHAT'S THE DIFFERENCE?

**Stockbrokers:** Buy and sell securities on behalf of clients; governed by the "suitability rule," which says they must reasonably believe that their investment recommendation is suitable for a client.

**Investment advisers:** Give advice about securities, such as stocks, bonds, mutual funds and annuities; required to exercise "fiduciary responsibility," which means they have to put your interests ahead of theirs at all times.

**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.

**Written Testimony of**

**Financial Education and Counseling Alliance**

Consumer Credit Counseling of Greater Dallas, Inc.; CredAbility; Garden State Consumer Credit Counseling d/b/a Novadebt; GreenPath, Inc.; Money Management International, Inc.; Springboard Nonprofit Consumer Credit Management, Inc.; and Take Charge America, Inc.

**Before the**

**Subcommittee on Oversight and Investigations**

**Committee on Financial Services**

**United States House of Representatives**

**Field Hearing on**

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

**Simons Media Room  
The Robert J. Dole Institute of Politics  
University of Kansas**

**August 24, 2010**

The Financial Education and Counseling Alliance (the “Alliance”)<sup>1</sup> is pleased to submit this written testimony in connection with the Subcommittee’s hearing on “Empowering Consumers: Can Financial Literacy Education Prevent Another Crisis?” The Alliance would like to thank the Subcommittee for the opportunity to submit this testimony.

Our testimony will cover two topics. First, we will describe who we are and the services we offer to consumers. Second, we will discuss how education and counseling can help prevent — if not the next global economic crisis — at least the next personal economic crisis for consumers who need help.

Free or low cost financial literacy education is an essential service that consumers need to help them understand their own personal economic situations and avoid scams and products that can cause harm. Our services and programs provide consumers with knowledge and skills to help effect a change in their personal financial management and improve their economic well being.

#### **I. Financial Education and Counseling Alliance**

The Alliance is comprised of seven of the leading nonprofit credit counseling agencies (“CCAs”) recognized as exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code (the “Code”). Each agency provides financial educational and counseling services to the public and our services are heavily and effectively regulated under federal and state law, as well as standards and guidelines established by industry trade associations and independent accrediting bodies devoted to consumer protection.

Increasingly, as the economic crisis has worsened, Alliance members are the preferred, trusted source of information for consumers with respect to their personal economic situation and options. In many respects, CCAs have filled the public service gap when few, if any, other governmental or non-governmental organizations provide meaningful education and personalized counseling resources for consumers in financial distress. Many individuals and organizations, including state departments of labor, radio and television consumer reporters, clergy members, and accountants, among others, have been referring consumers in financial distress to CCAs.

The services CCAs provide include debt and budget counseling and education, U.S. Department of Housing and Urban Development (“HUD”)-approved housing counseling, and Executive Office for United States Trustees (“EOUST”)-approved bankruptcy counseling and debtor education, as described below. It is important to understand that all counseling is built upon a foundation of financial literacy education, customized to the specific type of counseling

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<sup>1</sup> Financial Education and Counseling Alliance member agencies are Consumer Credit Counseling Service of Greater Dallas, Inc., CredAbility, Garden State Consumer Credit Counseling d/b/a Novadebt, GreenPath, Inc., Money Management International, Inc., Springboard Nonprofit Consumer Credit Management, Inc., and Take Charge America, Inc. Alliance members are nonprofit, tax-exempt 501(c)(3) organizations focused on consumer credit counseling, financial education and budget and debt management.

provided. As such, counseling *is* education and contributes directly to prevention and remediation of financial problems. The following is a brief description of the services provided by CCAs to consumers.

- **Credit Counseling.** Alliance members' credit counseling is provided free to help distressed borrowers find solutions to their financial challenges, including strategies for dealing with significant levels of both secured and unsecured debt. During the initial consultation, our certified credit counselors conduct a confidential, personal financial assessment to assist with goal setting, budgeting, financial management, understanding credit, and to help determine the best course of action. Over the past two years, Alliance member counselors have worked with about 1 million consumers.
- **Bankruptcy Counseling.** As required by the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 ("BAPCPA"),<sup>2</sup> before filing for personal bankruptcy, a consumer generally must obtain a certificate of counseling from an authorized credit counseling agency. The certificate ensures that the client is educated on the implications of bankruptcy, options that may exist as alternatives to bankruptcy, and strategies for regaining and maintaining financial stability following bankruptcy. Over the past two years, Alliance members provided the required pre-filing counseling session to about one million debtors. The session is generally \$50 or less, and we waive fees in cases of economic hardship. In addition, Alliance members provide post-bankruptcy debtor discharge education programs that cover a variety of financial and budgeting topics.
- **Housing Counseling.** As nonprofit housing and credit counseling agencies, Alliance members provide HUD-approved housing counseling to homeowners who may be delinquent and/or at risk of foreclosure, or in need of financial guidance before or after purchasing a home. We provide information about loan modifications and workouts to ensure the homeowners are organized and prepared to discuss their situations, and potential loan modifications, directly with their servicers. Many of our members also provide reverse mortgage housing counseling and other forms of counseling to assist homeowners with housing-related issues. Alliance members' housing counseling services have touched over 400,000 homeowners in each of the past two years.
- **Financial Education.** Education is integral to all of the counseling services outlined above. In addition, all Alliance members offer an array of financial education classes, workshops, and resources to help consumers manage their money, make informed decisions, and deal with financial challenges. These sessions are held almost daily and in the last two years our members have provided general education sessions to almost 350,000 consumers (excluding online resources). Whether our consumers

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<sup>2</sup> Pub. Law No. 109-8, 119 Stat. 23, enacted April 20, 2005. Under the BAPCPA, individual debtors are required to consult with approved agencies to receive a briefing on the opportunities for credit counseling and a budget analysis, within 180 days before filing for bankruptcy relief, and to consult with approved providers of a personal financial management instructional course, after filing for relief, before receiving a discharge of their debts.

need to learn the basics of credit, construct a personalized budget, save for retirement, or learn how to turn a difficult financial situation around, Alliance members provide the resources to help consumers become educated on a broad range of personal financial matters through classroom, workplace, and online resources.

By providing a variety of free and low cost services to address consumer needs – from debt and budget counseling, to bankruptcy pre-filing counseling and post-discharge education courses, to housing counseling, to general education sessions, including extensive community outreach and online resources – Alliance members help consumers make informed decisions about their financial future through financial literacy and education. In doing so, we help to promote the economic well-being of over a million consumers a year and provide them with the knowledge they need to succeed.

## **II. Preventing the Next Crisis**

### *A. What Happened and What Is Happening?*

Mortgage loans have been at the epicenter of the economic crisis we have been living through in our country. In addition to traditional 30-year fixed mortgage loans, there was an explosion of non-traditional adjustable rate mortgage products (*i.e.*, hybrids, interest-only and option ARMs) which flourished in the absence of government regulation or enforcement and, as could have been predicted, the result of these toxic mortgages was a skyrocketing number of foreclosures.

Notwithstanding the fact that that non-traditional mortgage lending has been significantly reined in, foreclosures continue to dramatically increase. The primary cause for the recent uptick is continuing high levels of unemployment. Millions of Americans, unemployed for extended periods, have simply been unable to afford to make payments on their mortgages. As a result, foreclosures are setting all-time records. For example, banks repossessed a record 269,962 homes in the second quarter of 2010. In addition, as of March, U.S. banks had an inventory of approximately 1.1 million foreclosed homes, another record, representing an increase in inventory of 20 percent from one year ago.

During this crisis, home values have plummeted, leaving nearly 25 percent of all homes currently “underwater,” with mortgage loan balances exceeding the current market value of the home. Without access to home equity (via lines and loans), many homeowners have turned to unsecured credit to pay for basic household expenses, including food, gas and groceries. At the same time, creditors responded to an increasing default rate in credit card payments and imposed increasingly conservative lending rules, thereby limiting the resources available to consumers grappling with income disruptions and increased expenses.

In addition, lacking other options, a record number of Americans, who were fortunate enough to have established 401(k) retirement plans, are taking hardship withdrawals from these accounts, liquidating their future options to meet immediate financial needs. These actions could be the catalyst for another economic crisis, with millions of Americans not being able to survive financially during retirement.



Finally, while the nonprofit counseling sector has worked diligently to serve clients in financial crisis, a new threat has emerged from debt settlement and mortgage loan modification schemes and scams that advertise heavily, attracting vulnerable consumers to pay significant up-front fees, often thrusting them into a deepened state of financial distress.

Given these concerns regarding foreclosures, unemployment, the depletion of retirement assets, and scams, our next credit crisis may be hauntingly similar to the one through which we currently are working our way.

*B. What Can Counseling and Financial Education Do?*

As with most things, knowledge is power. Even though Congress recently passed the *Dodd-Frank Wall Street Reform and Consumer Protection Act*, there is little that the government can do if consumers do not know how best to stay out of debt or are reckless with the credit extended to them. Counseling has had a demonstrably positive effect on consumer behavior, and we hope that Congress recognizes the role we are playing to minimize the effect of the last crisis and avoid the next.

We want to share with you some studies demonstrating the positive effect and value of counseling and financial education.

As mentioned above, Alliance members are HUD-approved housing counseling agencies that provide housing counseling on a wide range of housing issues, including foreclosure prevention. The National Foreclosure Mitigation Counseling (“NFMC”) program, in which many Alliance members participate, is a federally funded program, administered by NeighborWorks America, and is designed to support a rapid expansion of foreclosure intervention counseling in response to the nationwide foreclosure crisis. And, from a study<sup>3</sup> published in November 2009, we find that counseling is helping:

- **Counseling Helped Avoid Foreclosure.** The NFMC program helped approximately 880<sup>4</sup> clients avoid going into foreclosure from January through December 2008. By helping to avoid these foreclosures, the NFMC program created potential cost-savings of \$33 million over those 12 months. Additionally, during the first year of the program, counseled homeowners were about 1.6 times as likely to get out of foreclosure and avoid a foreclosure completion than they would have been had they not received NFMC counseling.<sup>5</sup>

<sup>3</sup> The Urban Institute, *National Foreclosure Mitigation Counseling Program Evaluation: Preliminary Analysis of Program Effects* (November 2009).

<sup>4</sup> The number of homeowners who were moderately delinquent (two or three months) and who would have experienced a foreclosure would have been 4,975 compared to 4,095 actual foreclosures.

<sup>5</sup> The results are based on models using a representative sample of approximately 300,000 homeowners who received NFMC counseling during the first 12 months of the program. The sample loan size is approximately 61,000 loans.

- **Counseling Helped with Loan Modifications.** Loan modifications received by NFMC clients resulted in significantly lower mortgage payments than would have been received without the help of the program, and lower monthly payments may help reduce the likelihood of a recurrence of borrower mortgage problems. On average, it is estimated that NFMC clients who received loan modifications reduced their monthly payments by \$454 more than they would have without NFMC counseling.

And the benefits of counseling are not limited to the housing arena. For example, consumers facing bankruptcy also were helped. A recent study published by the University of Illinois and Money Management International (an Alliance member), found that debtors' financial knowledge, attitudes and behavioral intentions improved as a result of bankruptcy counseling.<sup>6</sup> Over 97 percent of those counseled indicated that they felt more knowledgeable about the bankruptcy process and the options available to deal with their current financial problems. Over 91 percent felt that their overall ability to manage their finances had improved.

### III. Financial Education Helps Change Behaviors

The financial literacy education CCAs render is key to consumers' long-term financial success. As spending patterns are a learned behavior, CCAs provide consumers with access to a variety of education resources that not only address specific crisis events, but also impart actionable steps to help change negative spending behaviors in the long term. Through education, CCAs help consumers learn how to live within their means and drastically downsize their lifestyles during periods of unemployment or underemployment. The financial literacy education that CCAs provide is available to all consumers and includes warnings of the dangers of various types of scams that are prevalent during periods of crisis and which further impede financial recovery.

### IV. Conclusion

High foreclosure rates and unemployment/underemployment are continuing and serious concerns for our nation. Counselors are working every day with struggling individuals and families to keep them in their homes and with overwhelmed borrowers who are seeking options other than bankruptcy.

Every Alliance member has a mission to provide education and counseling to consumers and each has limited resources to provide these services. Each member is organized on a nonprofit basis and is recognized as exempt from federal income taxation under the Code.

Our counseling options are provided to consumers free of charge or at low cost (as mandated by law) and are always subject to waiver in the event of economic hardship. Accordingly, our ability to provide counseling and education depends on funding sources other than from the consumer.

<sup>6</sup> University of Illinois at Urbana-Champaign/Money Management International, Inc., *In Search of a Fresh Start: Can Credit Counseling Help Debtors Recover from Bankruptcy?* (May 2010) (available at [www.cefe.illinois.edu/research/.../MMI\\_BK%20Counseling\\_Paper\\_051210.pdf](http://www.cefe.illinois.edu/research/.../MMI_BK%20Counseling_Paper_051210.pdf).)

As an industry, we need more certainty with respect to funding sources to raise awareness of the availability of objective, trustworthy tax-exempt, nonprofit counseling and education and to enable us to offer counseling to consumers who, for instance, are struggling with servicer requirements for mortgage modifications and are trying to find a way to save their homes. The need for our services — including credit and debt counseling, housing and foreclosure prevention counseling, and bankruptcy counseling, along with fundamental financial literacy and education — continues to expand.

As such, we urge Congress to consider legislation that provides counselors and the agencies that employ them with a dependable source of funds for counseling and education and in amounts necessary to cover an increasingly higher demand for our invaluable services. It is important that the American public have ready access to education and counseling to make their way out of the current economic crisis and avoid another equally or more serious crisis in the future.

\* \* \* \* \*

Thank you for the opportunity to present this written statement on behalf of the Financial Education and Counseling Alliance. We look forward to working with and supporting the efforts of the Subcommittee and Congress on financial literacy education initiatives.



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**Fred R. Becker, Jr.**  
*President and CEO*

August 20, 2010

The Honorable Dennis Moore  
Chairman  
Subcommittee on Oversight and Investigations  
House Financial Services Committee  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Chairman Moore:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only trade association exclusively representing the interests of our nation's federal credit unions, I am writing to you regarding Tuesday's field hearing entitled "Empowering Consumers: Can Financial Literacy Education Prevent Another Financial Crisis?"

As Americans are faced with an ever widening array of financial services, it is important that they are armed with a sound understanding of the basics of personal finance. Financially literate individuals are more likely to spend prudently and put money in savings, retirement funds, and other wealth building accounts. Likewise, the same individuals are less likely to rack up large, burdensome—and sometimes unaffordable—debt, and are less likely to be victims of predatory practices.

As you may be aware, improving financial education and teaching members to invest prudently is a hallmark of the credit union community. NAFCU and our member credit unions know that financial literacy is an issue that touches all Americans, regardless of age and income level, and is closely intertwined with personal savings habits. Credit unions know that saving is a matter of choice, and that the most important factor in long-term wealth accumulation is the act of saving itself. Even though the savings rate has rebounded in recent years, many credit unions have initiated special programs to educate their members and encourage them to save. NAFCU is proud to be proactively involved in promoting financial literacy and personal savings in the United States.

We thank you for holding this important hearing and we look forward to continuing to work with the subcommittee to develop innovative and effective financial education initiatives. Should you have any questions, please do not hesitate to contact myself or NAFCU's Director of Legislative Affairs, Brad Thaler, at 703-842-2204.

Sincerely,

Fred R. Becker, Jr.  
President/CEO

cc: Members of the House Financial Services Subcommittee on Oversight and Investigations

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Statement for the Record

Dennis M. Dice

Chief Executive Officer  
NavPoint Institute for Financial Literacy

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

Field Hearing On:  
“Empowering Consumers:  
Can Financial Literacy Education Prevent Another Financial Crisis?”

August 24, 2010  
Robert J. Dole Institute of Politics, University of Kansas  
Lawrence, Kansas

Thank you for convening the hearing on the critically important and timely topic of financial literacy. On behalf of the NavPoint Institute for Financial Literacy ("NavPoint"), I am submitting this statement for the record. In order to face today's challenges, individuals need a strong foundation of financial literacy. NavPoint appreciates this opportunity and we thank you for your consideration of our views.

**The Need**

The unprecedented financial events of 2008 dramatically brought to light the grave need for financial literacy. Sadly, the financial crisis demonstrated that many do not have adequate financial skills to help them in budgeting, making appropriate use of credit, saving, or investing. As a result, far too many families lost their homes or were forced into bankruptcy; communities across the nation were devastated and many are still dealing with the aftershocks. Financial education is critical to improving the economy in the short-term and possibly averting another financial crisis in the long-term.

**NavPoint**

Over the past ten years, our team has developed, authored, and launched several proven and tested financial literacy courses, online programs, and educational management systems on a national level. NavPoint's mission is to provide a complete range of educational and practical tools that deliver broad personal financial education supported by a robust and comprehensive platform for maintaining financial well-being. These programs have helped over 300,000 Americans gain financial knowledge in the areas of saving, investing, budgeting, use of credit, debt responsibility, and overall money management.

Most recently, our efforts have culminated in the NavPoint | Navigating Your Financial Life™ personal finance platform. The NavPoint personal finance platform is a one-of-a-kind, comprehensive, interactive education and training curriculum that can be customized based on the target audience. Notably, the platform was developed with an eye toward exceeding the recommendations of the President's Advisory Council on Financial Literacy, Financial Literacy and Education Committee, Department of the Treasury, and Department of Education, among others.

**Observations**

In order to be successful, individuals must have access to financial education through multiple, reinforcing means. K-12 schools, colleges, and workplaces provide designated learning environments. At NavPoint, we have targeted a particularly critical and formative period for young people – college, a time when many young people are first faced with complex and significant financial decisions. NavPoint has

been working with community colleges across the country to provide financial education as part of freshmen student orientation. Over the past three years, this program has helped over 30,000 college freshmen students improve their financial literacy knowledge and skills. A study found that more than 80 percent of NavPoint participants successfully completed the course and the average financial literacy score of participants that successfully completed the course increased from an average of 68.60% (“D”) in the pre-course assessment to an average of 96.30% (“A”) in the post-course assessment. The study also demonstrated higher retention rates among students that completed the financial literacy course, which is a significant issue as finances often contribute to decisions to drop out of college.

Significant financial decisions – such as purchasing a home – provide additional “teachable” opportunities to assist people in acquiring necessary financial skills. In this regard, NavPoint has developed various courses. For example, NavPoint has worked closely with the U.S. Department of Housing and Urban Development (“HUD”) - approved housing counseling organizations and national HUD-intermediaries to help facilitate financial counseling and education to over 200,000 people across the country. Similarly, the NavPoint personal finance course content was approved for use in 48 states by the Department of Justice/Executive Office and has helped over 80,000 debtors satisfy their requirements with the courts.

These experiences have demonstrated that successful financial education must fulfill the diverse needs of Americans, regardless of stage of life, circumstances, income levels, or family characteristics. Put simply, the needs of a college student dealing with student loans are different from those of a retiree concerned about stable investment return. In recognition of this, NavPoint’s platform can be tailored to individualized circumstances or specifically targeted audiences as it continues to actively seek avenues to provide financial and economic literacy education.

### **Conclusion**

Financial education must be made available in multiple, reinforcing environments to provide individuals with the knowledge and skills necessary to make financial decisions that will result in their financial well-being and, at the same time, prevent future financial crises. We urge consideration of a variety of tools, such as the NavPoint personal finance platform, as viable financial literacy solutions.

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