

Testimony of

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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?”**

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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 Osawatomie and Paola Kansas, supplies check balancing kits for business classes at Osawatomie 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.