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before the

Subcommittee on Financial Institutions and Consumer Credit

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Good afternoon, Chairman Gutierrez, and distinguished members of the Committee. Thank you for the opportunity to testify before you today about the need for effective financial education for Americans.

I am Gerald Lauber, Financial Literacy Advisor to the President of the National Urban Alliance (NUA). Prior to working with the NUA, I was a school superintendent, an assistant superintendent for instruction, a principal and a classroom teacher. In all, I have devoted over 45 years to the process of helping students learn. I also have had a career in law enforcement, and a first responder at ground zero, following the events of September 11, has provided me a further opportunity to serve my community. These essential experiences have provided me with another vantage point on human and organizational behavior. All of this informs my testimony today about what is needed for financial literacy education to be an effective part of our nation's economic revival.

For the eleven years since my retirement from public education, I have worked with the National Urban Alliance (NUA), which is an independent, not-for-profit organization dedicated to the belief that every child has the capacity to learn and that every teacher is responsible for providing the highest levels of instruction so that each student can become all he or she is capable of becoming. Toward this end, over the past two decades the NUA has worked in thousands of classrooms across this Nation. We focus on helping schools assess their instructional programs and deliver professional development for teachers so they are better prepared to help their students master content and learning skills. We have learned a great deal about education and organizations. This knowledge is applicable to teaching and learning financial literacy.

We know that teaching a subject does not ensure all students will learn it. We must establish relevance between content and each student's need to learn. Many obstacles interfere with the delivery of educational content, lack of time, resources and will power to name a few. And, there are many factors that interfere with the learning process, including past educational success, lack of awareness of some of life's positive outcomes and, I regret to say, too much awareness of some of life's other pitfalls. For too many students and teachers, financial literacy seems foreign, although they and their families contend every day with their own economic choices and decisions.

Financial literacy programs must contend with these common problems associated with teaching and learning while competing for sufficient space in the crowded instructional day. To contend successfully with these complications is a matter of professional skill and organizational focus. Without plans for professional development and content that is integrated into the curriculum through material relevant to students, financial literacy will be just another catch phrase in our past history of failing to educate our citizens about how they may manage their daily life to position them for long term financial security.

We have identified other factors that interfere with the ability to maximize learning in classrooms. Factors such as race, age and a tendency to rely on technology, just to name a few, may distance the teachers from the learners. These observable physical and behavioral factors are not insurmountable. But too often they are ignored. Meaningful and long lasting learning effectively relies on the use of strategies that recognize the importance of culture, cognition and language. Successful use of these strategies is dependent on a systemic plan, including the implementation of system-wide professional development and sustained school-based support. All literacy, including financial literacy, is subject to these factors.

The NUA is working to articulate the need for financial literacy education and to help school districts integrate financial literacy materials into the classroom. To date, we have sponsored several financial literacy forums in New York. In Albany last year more than 2,400 educators heard speakers share their concerns about the low levels of student knowledge about personal finance literacy. This year, on May 4, we hosted a forum for school district stakeholders cosponsored by statewide parent, teacher and administrator organizations. A universal voice rose from the forum and spoke of a need for students to learn basic personal finance literacy!

For decades, our education system has not prepared millions of Americans with the basic financial knowledge necessary to be educated consumers when they leave school. This lack of financial literacy education is linked directly to current low savings rates and the mortgage crisis. In our judgment, it underscores the immediate need for sweeping changes in financial literacy education.

As this Committee works to identify new guidelines for financial institutions, we must look to our public educational institutions to develop a blueprint that guides individuals on a parallel path as well. Individuals, public institutions and the financial industry must work together to help map the path for recovery for the next generation of consumers. Without consumer knowledge scammers and opportunists will always find a willing flock to follow them. Absent a basic understanding of personal finance, it's only a matter time before we revisit another financial crisis.

I hope the creation of a new government Consumer Financial Protection Agency (CFPA), as expressed by the administration, will exemplify a real commitment to fight for the education and protection of consumers. That fight must recognize that financial education, right from the start, is part of the answer to protect consumers and build a foundation for behaviors that support a healthy US economy. Why can't we provide the impetus to help our children create a new generation of consumers who use reason to direct the use of their resources rather than celebrating conspicuous consumption and debt

accumulation that currently endangers the basic fabric of our country?

Strategies that help people make informed decisions *will* work if we provide education programs that help all people to obtain financial literacy skills and decision making skills. Application of these skills will strengthen their knowledge in areas such as credit cards, mortgages, insurance and other financial products. In a consumer credit based society we must teach children about credit and the wise use of it so they are prepared to be informed consumers. The lack of inclusion of financial literacy in the vast majority of our nation's schools continues to create a new generation of consumers who are not informed about their use of money and, in too many unfortunate cases, live day to day not knowing where they will get their next dollar. We can't afford to let another generation slip through the cracks, fall into continued debt and remain deficient about how money works for a majority of their lives!

The NUA verified, through visits to schools, that financial literacy education is not a subject systemically taught in many of our nation's classrooms. When I say systemically, I mean that, absent the efforts of a teacher of electives in economics or a scattering of teachers who actually want to teach financial literacy, there are precious few efforts to formally include instruction in financial literacy, embedded in the standard curriculum as part of a K-12 approach to learning .

In recent years we have just scratched the surface on implementing financial literacy education in several states. I hasten to say there are worthwhile examples of excellent financial literacy material that currently exist. The Department of Treasury's Office of Financial Education also can identify resources with content-based materials. In fact, just about every major bank and credit union has materials for teaching financial literacy. Unfortunately, as I noted earlier, teaching financial literacy is not the same as learning financial literacy. Furthermore, there is a great difference between having sound resources and the successful delivery of those resources. Great content does not guarantee effective learning in the classroom. What is clear is that current efforts to transfer knowledge about finance literacy have not worked!

Financial literacy education is a necessary companion to the call for more transparency in banking fees, lending, consumer credit, investing, mortgages, health care and many other aspects of everyday financial life. That call, reinforced by the President's address to the nation on June 20, requires both providing clear information and ensuring individual's ability to understand and use it. Financial literacy programs appropriate for students' ages, life circumstances and life aspirations are needed.

Educators must be practical when designing and delivering financial literacy programs. To address the lack of personal finance literacy we must not only focus on adults, but also commit to financial literacy education for children and youth. An understanding about the personal use of money has eluded far too many Americans. We all need practical information and skills. This is a universal need and it demands a universal response.

While more than 90% of America's students attend public schools, the Presidents Advisory Council on Financial Literacy Education, as it is presently constituted, has only one member who has any public school experience. This fact has not gone unnoticed by the Nations educational community. How does this government demonstrate its commitment to this issue when only 1/20th of the advisors have classroom experience?

Yes, consumers need to be presented financial products in a simpler straightforward manner that is clear, accurate, and contains understandable information. I applaud efforts by this Sub Committee and the Congress to demand that our financial products industry makes information about their products more transparent to consumers. Yet, I must warn and emphasize, that without effective financial literacy education, an understanding of these products will continue to be difficult and will not result in desirable behavioral changes by consumers. Consumer protection and relevant financial education must go hand in hand and must include an emphasis on our nation's young people.

Over the past six months this Congress has authorized nearly a trillion dollars of American taxpayers money to Wall Street to clean up a financial mess that they created that brought this country to an economic condition not seen since the Great Depression. On January 6, 2009, the Presidents Advisory Council on Financial Literacy established by President Bush stated as it principal recommendation," The United States Congress ... should mandate financial education in all schools for students in grades kindergarten through twelve." Local school districts cannot afford another unfunded mandate. Now is the time to supplement that investment by committing some of those resources to sound financial literacy education for Americans.

I urge this committee to strongly support both this message and the messengers working to refine and deliver effective financial literacy education. It is critical to building the information base our citizens need to live as informed consumers. But, just using well-written financial literacy material without a well thought out delivery system will not enable them to transform information into informed action.

Thank you again for inviting me to testify today. I will be happy to answer any questions you may have.

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The following 10 points are written as suggestions for action items pertaining to the 2009 Department of Treasury Financial Regulatory Reform Report pertaining to *financial education*. **Page**

“The CFPA should play a leading role in efforts to educate consumers about financial matters, to improve their ability to manage their own financial affairs, and to make their own judgments about the appropriateness of certain financial products. Additionally, the CFPA should review and streamline existing financial literacy and education initiatives government-wide.”

1. *Get the school systems and teachers ready:* Empower public schools so that their teachers can be taught how to teach financial literacy education. This is accomplished by coherent and coordinated professional development, not merely through published material and insufficient early-release days for staff development. True professional development happens when highly skilled educators model and coach teachers and go into classrooms to demonstrate good practice with schoolchildren, observed by the teachers as well as their principals.
2. *Get students learning about money:* Teach students about financial literacy: credit cards, home loans and other financial instruments. Expose students with knowledge to understand basic consumer financial products and services such as credit, savings, and payment products so they are not ignorant to them.
3. *Get the financial institutions to play fair:* Empower an agency such as a newly created Consumer Financial Protection Agency to take necessary steps to ensure credit card companies, mortgage and other financial institutions responsibly communicate to consumers their terms of services in plain transparent language.
4. *Get the rules straight:* Empower an agency such as a newly created Consumer Financial Protection Agency to be a watchdog on perceived trickery, while stepping up scrutiny on "alternative" or “deceptive” products. The new agency should have broad authority to write rules and enforce compliance through fines or penalties.
5. *Get the real support going:* Support legislation such as Congresswoman McCarthy’s H.R. (insert number) to enable a widespread commitment for Financial Literacy Education throughout the United States.
6. *Get oversight in place the hands of a non self-serving task force.* As TARP has its Congressional Oversight Panel (COP), CFPA should have its public oversight panel for Consumer Protection made up of non-governmental personnel with limited voluntary terms.
7. *Get assessment of Treasury Financial Education actions so they can be improved upon, continued or discontinued.*
8. *Get government agencies working together.* Know who does what, avoid duplicative efforts. Congress should take appropriate measures to include CFPA as part of the Financial Literacy and Education Commission (the Commission) which was established under Title V, the Financial Literacy and Education Improvement Act which was part of the Fair and Accurate Credit Transactions (FACT) Act of 2003, to improve financial literacy and education of persons in the United States. The FACT Act named the Secretary of the Treasury as head of the Commission and mandated the Commission include 19 other federal agencies and bureaus. The Commission coordinates the financial education efforts throughout the federal government, supports the promotion of financial literacy by the private sector while also encouraging the synchronization of efforts between the public and private sectors.
9. *Get familiar with the former President George Bush’s Executive Order: Establishing the President’s Advisory Council on Financial Literacy.* Review its members, limit

terms, and activities. Ensure that members act in an advisory capacity to the President via support of the Treasury. Maintain that no participating or future special interest groups utilize the Council for profit, lobbying efforts, and ensure adequate representation from Public Education.

10. *Get communication going:* 25 years ago people got television news through the major 3 networks. Now they get it from comedy shows, technology has evolved so much and continues to evolve. FDIC recently released their MoneySmart out on MP3 players. How we communicate to the public messages for consumer protection needs to evolve and be as diversified as communication can be.

CFPA should be an investment in our common future, as individuals or private companies, we continue in our country's tradition of capitalism by establishing "rules of the game" going forward in the interest of the individual consumer, the foundation of all for our lasting economic stability.