



Financial Literacy and Education Commission Public Meeting Minutes
May 24, 2017
U.S. Department of the Treasury – Cash Room
9:00 a.m. to 11:30 a.m.

Dave Lebryk, Fiscal Assistant Secretary, serving as Senior Career Official for Domestic Finance, U.S. Department of the Treasury opened the meeting at 9:00 a.m., welcoming Secretary of the Treasury Steven Mnuchin and turning the meeting over to him for remarks.

Treasury Secretary Mnuchin began by referring to the President’s comments that Americans’ ability to plan, save and invest is vital to pursuing the American dream, and that having the capability to make sound financial decisions contributes to a strong American economy. He noted that young people who develop fundamentals are more likely to become financially secure adults and that the Programme for International Student Assessment (PISA) data provide insights into what youth know and what this nation needs to do to ensure that people are prepared to make sound financial decisions.

Some of these tactics mentioned included starting positive habits early and using evidence-based practice. The President’s [Executive Order on Core Principles for Regulating the United States Financial System](#) calls for Treasury to promote policies that enable Americans to make independent and informed choices in the financial marketplace. He noted that

- Treasury is working to gather information on how to best implement these principles. He also called on the FLEC to: Lead in using data and research to inform efforts to improve Americans’ financial capability;
- Identify and use effective methods to empower more Americans to be financially capable;
- Highlight innovations that help more Americans take steps toward greater financial security and independence and save and invest throughout their lives; and
- Empower Americans to make independent financial decisions and informed choices in the marketplace, save for retirement, and build individual wealth.

The Secretary concluded by stating that he is pleased to chair the Commission and thanking the FLEC for their commitment. He then turned the meeting over to Vice-Chair Cordray.

Consumer Financial Protection Bureau (CFPB) Director Richard Cordray referenced the PISA financial literacy assessment results as showing that we have work to do in improving financial literacy for youth, specifically that we hold the same position as we did three years ago. He stated that by engaging in smart partnerships and the right investments, we can progress in this

area and that young people should have the training and opportunity to put their skills to use before having to make significant financial choices in real life.

He described the CFPB's work in supporting parents and financial education providers with resources and information, encouraging schools to integrate financial literacy into their curriculum, and providing resources to help others implement financial education programs in their community, including financial education resources in libraries.

Director Cordray described the CFPB's research on creating an evidence-based developmental framework for understanding how youth build financial capability. He emphasized that we must ensure that youth can develop the capability to make sound financial decisions regardless of income, education or background.

(The Secretary then exited the meeting, and Dave Lebryk assumed the chair for the remainder of the meeting.)

Chair Lebryk called the first panel. Moderator Janneke Ratcliffe, Assistant Director, Office of Financial Education, CFPB, introduced the panelists: Peggy Carr, Acting Commissioner, National Center for Education Statistics, U.S. Department of Education and Andreas Schleicher, Director for Education and Skills at the Organisation for Economic Cooperation and Development.

Acting Director [Carr](#) discussed the mission of the NCES, which is to disseminate data on education in the U.S., report on the condition of education and provide an international context for education. She also acknowledged the CFPB's support for the U.S. PISA assessment.

She then proceeded to discuss the primary findings of the PISA study, which were:

- 22% of 15-year old students lack basic financial literacy skills;
- 45% of the students in higher-income schools were top performers, compared to 3% of students in lower-income schools.

She discussed the definition of financial literacy, which is the demonstrated knowledge and understanding of financial concepts and risk and the behaviors and attitudes that allow a person to make effective financial decisions. She noted that the study assesses financial literacy at age 15 because young people are consuming financial services and have bank accounts and are earning money and making financial decisions. The PISA measures the understanding of money and transactions in context, planning and managing finances, risks and rewards and financial landscapes. It also assesses the mastery of identifying financial information, evaluating financial issues, and applying financial knowledge. Director Carr noted that there were no measureable changes in the U.S. score from 2012.

She then shared some examples of questions that the students were asked.

Director Carr pointed out that there is more than 100 point difference between higher-income and lower-income students, as measured by the percentage of school students receiving free-and-reduced lunch. In higher-income schools 45% of those eligible for free-or-reduced lunch are high-performers vs. 16% low performers. In lower-income schools 3% of those eligible for free-or-reduced lunch are high-performers vs. 38% low performers. Race also reflected differently: black students had an average 100 point and Hispanic students had a 60 point difference from their white and Asian peers. No gender differences in average scores were determined. The survey also found that those who discussed money matters almost every day with their parents scored 42 points higher than those who discussed money matters weekly or monthly. Students with a bank account (53% of the students participating in the survey) scored 42 points higher on average, than those who did not.

Mr. Schleicher [began by pointing out that people](#) face greater challenges in the financial world, with digital services providing new opportunities and risks. People are also living longer, with more uncertain job prospects, and the most vulnerable citizens are often financially excluded. Mr. Schleicher discussed the importance of measuring financial literacy at age 15:

- Two out of three 15 year-olds earn money, 40% have informal jobs-, and 1 in 5 students work in a family businesses.
- More than 50% have a bank account in the U.S

Regarding progress since 2012, he stated that only Russia and Italy have seen progress, and a number have regressed.

He then discussed how the financial world has changed over the past three years, with faster shopping and payments, and how technology has made lending easier and quicker. The risks of digital fraud, misuse of digital footprints, profiling and cybersecurity are considerations.

He highlighted the importance of students discussing money matters with their parents, and when relying on parents for financial information this tends to work best for more privileged students. Students with similar math and reading skills differ in financial literacy performance based on income, with low-income students twice as likely to be low performers.

Across countries, there is a large difference in the extent that disadvantage plays out in different countries. The data shows that 38% of the variation in financial literacy is not explained by math or reading skills. Students also develop financial skills and habits beyond school and there is a positive relationship between financial literacy and holding a bank account, for example. He noted that financial experience can be fostered through instruments, videos, interactive games and competitions. He also indicated that financial literacy seems to be related to the disposition of students to make strategic, forward-thinking decisions.

Mr. Schleicher went on to state that the highest priority should be to addressing the needs of low-performing students beyond math and reading. There should be a will to help students make the

most out of available opportunities at school and help parents provide learning opportunities outside of school.

The panel had questions and discussion with members of the FLEC. Among the topics discussed were the role of family businesses and entrepreneurship promotion. Mr. Schleicher noted that there is some impact by family business ownership, but that it is not clear how entrepreneurship translates into financial literacy.

A Commission member asked what the strategies might be in other countries to engage the financial service sector, particularly to provide access to bank accounts. Mr. Schleicher replied that to the PISA does not measure classroom quality or time for financial education. He conjectured that financial education in disadvantaged schools, if delivered, is of lower quality.

Regarding adult performance, he referenced another study that 22% of 12th graders are scoring below basic skill levels. Based on assessments, the more teachers spend time on financial education, the better student performance.

FLEC members were interested in information on differences by socio-economic status in different countries Mr. Schleicher made the point that socioeconomic status and having a bank account affect financial capability. He indicated that it would be useful to compare what schools in different countries are doing to teach financial education, as well as the two states that have state-level results. He referenced 15 year-old disadvantaged Chinese students that perform on par with average American students. He also called out the Netherlands for exposing students to financial experiences, and stated that it “is not by chance that every child has a bank account.”

The moderator then turned it over to the next panel, which discussed primary and secondary financial education in the U.S. Dr. Carly Urban, Professor of Agricultural Economics, Montana State University, began the discussion.

[Dr. Urban](#) summarized her work focused on the effectiveness of high school financial education. She pointed to main errors with previous studies:

- Mandates don't produce instant results
- Mandates don't necessarily require implementation of a financial education curriculum
- Some mandates are not enforceable and are unfunded
- Some studies assume that all financial education is exactly the same

This study looked at three states (Georgia, Texas and Idaho) with similar mandates and intensive personal finance course requirements and curricula; then measured credit behaviors beyond graduation of students who received that education until they reached the age of 22. The results showed that there was no change after the first year of teaching the curriculum, but by the second and third year there are noticeable improvements in credit scores. In Georgia, the second graduating class experienced improvements of 6 points in average scores and 11 points by the third cohort. The effects were similar in Idaho, and in Texas they experienced 16 points higher

in the second year and 32 point higher credit scores by the third year. Regarding delinquency rates, there were increasingly large reductions in delinquency rates in all states. Georgia had 1.2 percent point decrease in the second year and 1.8 percent point decrease in the third year. In Idaho, the effects were similar.

She then discussed the differences between each state. While there's no clear-cut answer, differing demographic compositions, state implementation, slightly different curricula and different baseline averages could be contributing factors to differing outcomes.

Dr. Urban concluded with takeaways:

- Prior research may not determine the specifics of the financial education delivered, so view headlines with caution and determine what kind of financial education is actually offered.
- The research presented suggests that rigorous financial education tailored to the state population can effect early life delinquencies and credit scores in positive ways.
- Implementation of mandates is key. Mandates alone will not change behavior. Effective mandates require intense cooperation across the state, including teacher training.

She then turned the meeting over to Superintendent for Georgia Schools, Richard Wood.

Superintendent Wood stated that he came into his position firmly believing that children need personal finance education. Georgia has been implementing solutions. From kindergarten through 12th grade personal finance and economic standards are purposely integrated throughout the course work. The Career Tech Agriculture programs have included a stand-alone financial literacy piece, and students have the opportunity to take this course. The Georgia Council on Education helped create the course, and provides annual support for teachers and staff development.

Georgia is also looking for ways to tie financial literacy into other things, such as student debt. Georgia high school students have the opportunity to graduate high school with a diploma and two years of college credit. Combined with the Hope Scholarship, students can graduate with a four-year degree completely paid for. They are also looking at ways in which they can engage business, specifically financial institutions.

Superintendent Woods then turned the discussion to David Mancl, Director of Financial Education for the Wisconsin Department of Financial Institutions. Mr. Mancl described that Wisconsin employs a variety of tools to shape financial education, including: standards, mandates, teacher training, Governor's Council, awards, a grant program and career planning. Wisconsin was one of the first states to develop stand-alone financial education for kindergarten through first grade, including content, performance and proficiency benchmarks. In school districts with the required personal finance course, 89% have aligned the course to these standards. Wisconsin's training program received an award for teacher training best practices in

2004. Nearly 900 educators have been trained and more than 40,000 students were taught personal finance by trained teachers in the current school year.

Wisconsin has created a grant program for school districts to apply for a grant to enhance financial literacy initiatives. Since 2010 course requirements have increased from 25% to 64% in school districts. Wisconsin also mandated academic and career planning services that include financial literacy and have access to a debt specialist. The Governor's Council on Financial Literacy, created in 2011 with 25 appointed members from education, business, finance, community organizations and government conducts an annual summit, recognizes individuals and organizations for demonstrated excellence in financial literacy education and elevates Wisconsin's national presence.

The meeting then returned to the FLEC members for questions and discussion. Questions included asking what kinds of outcomes are being sought in the states, whether there is a legislative mandate in Georgia, are there differences between urban and rural communities in career planning and economic development and what can federal agencies do to support financial education efforts. Others asked how Wisconsin determines success, what are the motivating factors of the students and drivers of their reception to the material, the role of savings and what obstacles Georgia faced in promoting financial education.

Superintendent Woods started by stating that there are differences in urban and rural communities, particularly the funding. Georgia is looking at how to support entrepreneurship and interest which is continuing to grow, specifically with help from partners like the Department of Agriculture and the Chamber of Commerce. Teachers engaged students by focusing on real-life experiences instead of teaching to a test.

Dr. Urban responded to measuring success by not only conducting standardized tests but also measuring activity. For example, local districts adopting a requirement for one semester of personal finance and developing well-trained teachers are indicators that the students will be learning the subject matter. She suggested "unleashing" federal agencies to help, including financial institutions to engage with students and develop credit union branches in school. "Reality Days," which are experiential simulations of adult financial decision-making provides opportunities to make financial decisions and learn from mistakes.

Dr. Urban also warned about the different incentives at play when including financial institutions in developing curricula, as there are incentives at play and there is "a lot of bad curricula out there."

Dr. Urban asked Mr. Mancl whether there's a difference in socioeconomic status of the schools that take up the mandate of financial education. Mr. Mancl indicated that there likely was, and replied that the requirement isn't a "silver bullet."

A Commission member asked Superintendent Woods about other “real life” courses that students are asking for in school. The Superintendent replied that students are interested in government, economics and how civics fits in to these areas. Students are asking, “why” and “how” they actually apply these lessons in life. Georgia is trying to work with the science and core classes, and in one case, is working with Lockheed Martin to create coursework. Mr. Mancl was asked if Wisconsin can tell the difference between districts who have adopted the mandate and those who have not, regarding financial knowledge. He stated that they don’t have the research to support this and that it is needed.

The panel concluded and moved to Dr. Jeffrey Larrimore, Federal Reserve Board, who discussed the results of the 2016 [Survey of Household Economics and Decisionmaking](#).

Dr. Larrimore stated that the survey casts light on current issues affecting financial well-being, particularly among low-and-moderate income households. In 2013, 62 percent reported “doing okay” or “living comfortably” vs. 70 percent in 2016. Thirty percent say that they are struggling to get by. Two questions indicate the extent to which people are living on the financial edge. A quarter responded that they are not expecting to make all of their current monthly payments. When asked whether a \$400 emergency expense would affect their ability to make other payments, 35%stated that they couldn’t pay the current monthly bills. Dr. Larrimore also stated that survey showed substantial differences based on the level of education, race and ethnicity. The survey also found that parent’s level of education and financial experiences growing up impacted the respondent’s level of stress about financial security and future financial stability.

The survey also explored higher education. Higher education seems beneficial for most people, but those that majored in science, technology, engineering, math, and business were more likely to say that education was a worthwhile investment. People who completed a degree were more likely to say that benefits outweigh the costs, but for people who didn’t complete a degree the sentiment is more mixed. There appear to be big differences across degree completion and type of institution in the value of the degree, along with the major.

The discussion then turned to questions. A FLEC member asked a question about whether the survey captures where people turn to for higher education and retirement advice. It was posited that college-educated parents transfer this knowledge to other generations. Another question was asked if college degrees are as valuable as they had been in prior generations.

Dr. Larrimore responded that these factors are not included in the report, but he did not recall there big differences across generations and there was not a substantial decline.

Following Dr. Larrimore’s presentation, Jane Patterson of the Securities and Exchange Commission, on detail to Treasury’s Office of Consumer Policy, provided an update on the activities of the Long-term Financial Security Committee and the “Educating New Investors for Long-Term Financial Security” Roundtable held in March. At the roundtable, over 40 representatives from government, financial services and others participated in a discussion on the

challenges and successes in reaching new and potential investors. The roundtable members discussed that potential investors may be fearful of the unknown and mistrustful of financial institutions based on a history of exploitation. If they overcome these fears they may be unsure of how to take the first steps to investing. They are confronted with too many choices and complicated terms. Stemming from these findings, the FLEC is developing a few resources: a guide for consumers to help understand how to report bad actors and suspicious behavior to the appropriate government agencies; a resource on investing basics for new investors; and a resource to educate people and caregivers about ABLE accounts, which are tax-advantaged savings accounts for people with disabilities.

Barbara Smith of the Social Security Administration gave an update on the Evaluation and Research Committee. The Committee convened a research roundtable on May 4 at the Department of the Treasury, which explored embedding financial capability into federal programs and services. The Committee is also collaborating with the American Council on Consumer Interests to put out a special joint issue on this topic in the *Journal of Consumer Affairs*, focused on economically vulnerable families and individuals. The call for papers will go out in June or July 2017 and the special issue is expected to be released in early 2019.

The meeting then progressed to other updates from the FLEC members.

Liz Ortiz, FDIC highlighted two new resources available on [FDIC.gov/youthemployment](https://www.fdic.gov/youthemployment) that helps people working with to build financial skills in youth. “[A Roadmap for Banks, Schools and Nonprofits](#)” is a curriculum cross-walk for youth workforce training programs that uses the Money Smart curriculum to help meet the financial education requirements of the Workforce Innovation and Opportunity Act. “[Linking Youth Savings with Financial Education: Lessons from the FDIC Pilot](#)” explores how partners have worked together to address the needs of children in their communities.

Mike Carr, VA mentioned that he is seeking to incorporate mymoney.gov into his agency’s activities so that the VA’s four to five million beneficiaries have access to financial education and information.

Chairman Lebyrk closed the meeting by stating that “I don’t think anybody would conclude now” that financial education doesn’t make a difference. He thanked the FLEC for the work they do collaboratively to support financial education, and urged the members to look to the PISA data to identify whether countries that make more intensive education efforts are showing better results and using this data to justify, bolster and provide supports for efforts much needed around the world.

The meeting concluded at 11:29 a.m.

Financial Literacy and Education Commission Representatives

Department of Treasury, Chair	Secretary Steven T. Mnuchin Dave Lebryk Brian Peretti Louisa Quittman
Consumer Financial Protection Bureau, Vice Chair	Richard Cordray Janneke Ratcliffe
Commodity Futures Trading Commission	Meredith Regine Scialabba
Department of Agriculture	Caroline Crocoll
Department of Defense	Dawn Bilodeau
Department of Education	Jason Botel
Department of Health and Human Services	Gretchen Lehman
Department of Housing and Urban Development	William Glavin
Department of the Interior	Jim James
Department of Labor	Debra Golding
Department of Veterans Affairs	Robert “Mike” Carr
Federal Reserve Board	Allen Fishbein
Federal Deposit Insurance Corporation	Elizabeth Ortiz
Federal Trade Commission	Cristina Miranda
General Services Administration	Marietta Jelks
National Credit Union Administration	Kenneth Worthey
Office of the Comptroller of the Currency	Karen Bellesi
Office of Personnel Management	Kristopher Rogers
Securities and Exchange Commission	Lori Schock
Small Business Administration	Donald Smith
Social Security Administration	Robert Patterson
White House Domestic Policy Council	Ja’Ron Smith

Additional Speakers

- Peggy G. Carr, Acting Commissioner, National Center for Education Statistics, U.S. Department of Education
- Andreas Schleicher, Director for Education and Skills, Organisation for Economic Co-operation and Development
- Carly Urban, Assistant Professor of Economics, Montana State University
- Richard Woods, State School Superintendent for Georgia
- David Mancl, Director, Office of Financial Literacy, Wisconsin Department of Financial Institutions
- Jeff Larrimore, Senior Economist, Federal Reserve Board
- Jane Patterson, Attorney-Advisor, Securities and Exchange Commission
- Barbara Smith, Senior Economist, Social Security Administration