



Financial Literacy and Education Commission Public Meeting
February 25, 2015
9:00 am - 11:30 am
U.S. Department of the Treasury – Cash Room

Minutes

Participating FLEC Members and Invited Speakers

Susan	Shockey	Department of Agriculture
Barbara	Thompson	Department of Defense
David	Soo	Department of Education
Elizabeth	Coogan	Department of Education
Gretchen	Lehman	Department of Health and Human Services
William	Glavin	Department of Housing and Urban Development
Debra	Golding	Department of Labor
Melissa	Koide	Department of the Treasury
Amias	Gerety	Department of the Treasury
Julie	Schroeder	Department of Veterans Affairs
Luke	Reynolds	Federal Deposit Insurance Corporation
Mark	Pearce	Federal Deposit Insurance Corporation
Tim	Manning	Federal Emergency Management Agency
Eric	Belsky	Federal Reserve Board
Marietta	Jelks	General Services Administration
Gail	Laster	National Credit Union Administration
Thomas	Curry	Office of the Comptroller of the Currency
Alan	Sorcher	Securities and Exchange Commission
Doug	Walker	Social Security Administration

Thomas	Curry	Office of Comptroller of the Currency
Gigi	Hyland	National Credit Union Foundation
Cecilia	Edwards Karam	Capital One
Bill	Lawton	Community Financial Credit Union
Bob	Mantell	TS Institute, Treynor State Bank
George	Barany	Consumer Federation of America
Laura	Rosen	Center for Public Policy Priorities
Leigh	Tivol	CFED
Leanne	Martin Fay	Commonwealth of Massachusetts

Opening Remarks

Amias Gerety, Counselor to the Secretary of the U.S. Department of the Treasury, representing the Chair of the Commission

Mr. Gerety expressed his delight to participate in the meeting and welcomed all attendees. He laid out the FLEC’s focus on increasing the financial literacy of young Americans and in particular increasing access to youth savings accounts. He noted the Commission prioritized “starting early” because young people do not have the capability they need. He also explained financial institutions have asked for regulatory guidance on youth savings accounts, and that guidance has been provided.

Richard Cordray, Director of the Consumer Financial Protection Bureau, Vice Chair of the Commission

Director Cordray thanked everyone for their continued work to make a difference in the financial lives of consumers. After acknowledging America Saves Week and Military Saves Week, Mr. Cordray announced the FLEC would be releasing guidance to help more young people become actively engaged in their own financial lives. He stated that since completing a youth employment pilot last year, the CFPB is focused on which programs are working and which can be more effective. He explained the program communicated savings messages through youth employment programs. Mr. Cordray explained the pilot revealed young people are eager to save but face challenges accessing financial products that enable them to do so. He stated service providers were hesitant to offer these programs due to a lack of regulatory guidance. Mr. Cordray hopes the regulatory guidance will help increase access to these programs.

Mr. Cordray noted hands-on learning is important, and that parents should teach financial capability skills at home. He explained the CFPB’s recent “Financial Well-Being: The goal of financial education report,”¹ and its formation of financial well-being goals and behaviors. He also noted consumers need access to safe and affordable accounts. Mr. Cordray mentioned America Saves Week and Military Saves Week as annual opportunities for promotion of financial education; and announced the CFPB is engaging in military financial education events.

¹ Available at http://files.consumerfinance.gov/f/201501_cfpb_report_financial-well-being.pdf.

Melissa Koide, Deputy Assistant Secretary for Consumer Policy, U.S. Department of the Treasury

Ms. Koide thanked all the regulatory agencies and staff that took part in the regulatory guidance for youth savings accounts. She also explained how the guidance is important to promoting youth savings accounts.

Thomas Curry, Comptroller of the Currency

Mr. Curry reported that the regulatory guidance applies to all federally-insured financial institutions, and is aimed at building financial capability opportunities for youth. He explained the accounts work with in-school banking programs and have low minimum balance requirements and low or no maintenance fees. He also explained the terms of the accounts must be provided in an age-appropriate manner. Mr. Curry explained that the guidance answers common questions about youth savings accounts and reiterates customer identification program requirements. Mr. Curry stated school districts may establish master savings accounts if those accounts have a restricted purpose, such as saving for higher education. Mr. Curry also noted students with savings accounts in their own names are more likely to finish college, which leads to more financially secure futures.

Mark Pearce, Director, Division of Depositor and Consumer Protection, Federal Deposit Insurance Corporation

Mr. Pearce explained the regulatory guidance will make it easier for banks and schools to connect young people with financial institutions, and help them build good financial habits. He noted that the FDIC and CFPB worked on an instructor-led “Money Smart” curriculum, which is now available on the FDIC’s website. He also stated the FDIC is working on training tools for teachers, parents and caregivers to facilitate financial education. The website, www.FDIC.gov/teachers will house the resources. Mr. Pearce also noted the FDIC Youth Savings Pilot is underway and includes nine banks working to offer youth savings accounts.

Eric Belsky, Director of the Division of Consumer and Community Affairs

Mr. Belsky echoed the view that the new guidance would help financial institutions expand their programs and would have implications for financial inclusion. He also stated research and evaluation are important parts of financial education and reported that the Federal Reserve as part of the FLEC, worked with the *Journal of Consumer Affairs* to publish papers on youth savings that build opportunities for financial inclusion.

Meeting Panel: Youth Savings Programs in Practice

Luke Reynolds, Chief, Outreach & Program Development, Federal Deposit Insurance Corporation served as moderator and introduced the panelists.

Gigi Hyland, Executive Director, National Credit Union Foundation

Ms. Hyland stated that ideally financial education would be part of every school day. She gave an overview of credit unions’ history and their involvement with youth savings. She mentioned the National Youth Involvement Board - a volunteer organization focused on equipping the credit union industry with the resources to reach youth. She mentioned Biz Kid\$, which is a youth financial literacy program that inspires kids to think about their future and empower them to make smart financial decisions through a television series, classroom curriculum, and peer-to-peer approaches. Ms. Hyland also explained that credit unions host high school financial reality fairs, which are hands-on experiences where students identify their career choices and complete budgets based on starting salaries. She also mentioned CUNA’s

Mad City Money Reality Fair and America's Credit Union Museum. Lastly, Ms. Hyland encouraged FLEC members to continue conversations with states to encourage youth savings efforts.

Bill Lawton, Chief Executive Officer, Community Financial Federal Credit Union

Mr. Lawton explained his credit union cooperative's youth savings work in Michigan since 1962. He explained that educating youth was good for business. Through educational partnership coordinators, these efforts create new relationships with parents, build its community-focused brand, and create a strong base of young members. Mr. Lawton also described one of the credit union's reality fairs.

Mr. Lawton outlined the challenges the credit union has faced in its efforts to promote youth savings. For instance, finding school partners to teach financial education is difficult because the schools' priorities are aligned with the subjects on which students are tested, and students are not tested on financial education. Secondly, gaining family support has been difficult as well as justifying the costs of the programs to the credit union. Mr. Lawton explained that it is difficult to track the credit union's effectiveness and membership growth resulting from these initiatives. He also described the schools' concern of mixing education with commercial interests. Nonetheless, Mr. Lawton encouraged the FLEC to find and share success stories. He also recommended the FLEC create educational standards for healthy living and provide "turnkey" best practice solutions.

Celia Edwards Karam, Managing Vice President, Capital One

Ms. Edwards Karam explained financial literacy investments are key to equipping communities with the money management skills they need. She described Capitol One's four student-run banking programs. Ms. Edwards Karam explained that each of her banking programs is successful because they equip students with necessary skills, such as college and job skills. She explained that the programs employ high-potential students and impose on the student workers a very rigorous 10-week summer training program. The program makes the students responsible for teaching financial literacy in their classrooms. Ms. Edwards Karam mentioned the students voluntarily teach their communities financial literacy skills. She noted the programs target under-privileged communities.

Ms. Edwards Karam stated that since starting the program in 2007, 194 students have graduated from the program; 100% graduated on time (higher than the average rate for the participating schools); and 94% went to college (tremendously higher than the average rate for the schools). She stated the business benefits to Capitol One include its future customers being better equipped to use its products, and the bank's communities being better educated.

Bob Mantell, Director, TS Institute, Treynor State Bank

Mr. Mantell described the TS Institute's K-12 program which works with an Iowa school district. He described how the program promotes and enhances financial literacy by providing objective advice on curriculum, best practices, subject matter expertise on state standards, and in-school support such as lesson plan delivery and assessment facilitation. Mr. Mantell explained the TS Institute also provides professional development for teachers, and supports infrastructure to complement classroom learning, including in-school banking and after school programs. Mr. Mantell also mentioned the Iowa Department of Education has recently dedicated resources to the improvement of financial literacy and has moved to make financial literacy mandatory for all students.

Questions

Commission members and panelists discussed how financial institutions could build partnerships with schools. Panelists noted the importance of personal relationships with school staff and leadership. They also discussed whether parents were inhibiting the use of school savings programs by not providing support. Panelists noted challenges that might arise if the parents are required to be custodians of youth accounts. Commission members discussed how the regulatory guidance addresses the issue of parental sign-up and the ability for schools to enroll students into youth savings accounts.

Commission members and panelists considered the issue of the lack of data that is necessary to assess business advantages of these programs (costs, development of relationships, and future business); there was general agreement of the need for more data. A fourth discussion point was the issue of teacher support and engagement. Panelists noted teachers understand and support students, and described how their respective organizations train and prepare teachers and provide teacher resources.

A final topic of discussion was barriers to scale. Panelists noted internal barriers exist due to the difficulty of linking the programs to long-term benefits to the institution. They also discussed the challenges in building relationships with schools. Cecilia Edwards Karam mentioned that it might be helpful to put financial literacy and education on smartphones to better reach youth in a scalable way.

Meeting Panel: Policy Implications of Youth Savings

Leigh Tivol, Senior Director, Programs, Corporation for Enterprise Development

Leigh Tivol began the panel by framing the state of the field in youth savings, noting dozens of new programs are arising at the state and local levels. She also explained that new research is helping advocates build their cases for investment in youth savings. She noted the lack of solid data on the number of school based programs, but estimated (low estimation) that thousands of schools are engaged. She also described other types of youth savings programs. Ms. Tivol explained that establishing additional partnerships has been a barrier to scale because of questions about regulatory and legal implications of the programs. She noted the new guidance would address many of those questions. Ms. Tivol moderated the panel, pointing out that different approaches may be useful in different settings, but a common theme is integrating savings into existing systems.

Laura Rosen, Policy Analyst and Opportunity Texas Coordinator, Center for Public Policy Priorities

Laura Rosen explained her work on Texas' policy and platforms to expand financial education statewide. She explained that it is better to combine education and account access as seen through her organization's Amarillo pilot outcomes, in which teachers reported that having a bank account brought the lessons to life for students. She also noted that being in the schools provides an ability to reach many more students. Ms. Rosen described school banking as costly but financial education costs can be minimized through the use of existing curricula. She further stated that mandates are not politically viable in her state, but the programs should be optional at the local level. She suggested college savings with incentivized matching would be helpful in gaining parent participation; and the product should be distributed through curriculum. She also noted many financial institutions already offer youth savings accounts. Ms. Rosen stated her organization would provide technical assistance to these programs throughout the state of Texas.

Leanne Martin Fay, Director of Financial Education, Commonwealth of Massachusetts

Leanne Martin Fay explained her work at the Massachusetts' Treasury and its "Savings Makes Sense" grassroots efforts with schools and banks. She explained the state's efforts have been hampered due to questions about regulatory interpretations. The state is committed to implementing a youth college savings account program.

George Barany, Director, Financial Education and Young America Saves, Consumer Federation of America

After announcing America Saves Week, George Barany explained Consumer Federation of America's youth savings initiative, which focuses on a young person's first paycheck as a teachable moment to introduce financial concepts, such as saving. To highlight the need for automatic savings for youth, he provided examples from focus groups that have evaluated the use and effectiveness of youth savings programs. For example, young people reported everyone tells them to save, but no one ever shows them how to save. Moreover, those who did save did so through a direct deposit split-pay process and received account-opening assistance from a banker. Thus, Mr. Barany called for a business argument to convince financial institutions of the long-term benefits of this type of youth savings program. He also emphasized the split-pay process needs to be simple for young people to understand and enroll.

Questions

Amias Gerety asked about the use of bank accounts versus 529 plans for saving for college. Laura Rosen noted that a pilot project showed parents did not feel comfortable enrolling in an investment product, such as the 529 plan, that locked their assets. Leigh Tivol explained the "ease of use" challenge for investment accounts such as 529 plans amongst the unbanked population. Ms. Tivol requested ways to make 529 plans easier to use.

Mark Pearce questioned whether there are additional areas for regulators to do work, such as FDIC's pilot or looking at the metrics for the Community Reinvestment Act Service Test. George Barany mentioned tax benefits may be helpful. Mr. Barany also suggested highlighting programs that do great jobs would be helpful. Mr. Barany also mentioned the idea of identifying populations that use alternative financial services, and marketing to those populations. Thomas Curry acknowledged changing demographics pose risks to its regulated institutions. Laura Rosen added that the role of banks in providing financial education could be elevated by participation in school bank programs. The group discussed the need to respond both to the business needs of financial institutions, and the educational objectives of schools.

Closing Announcements

Barbara Thompson, Director, Office of Family Policy/Children & Youth

Barbara Thompson announced Military Saves Week will close with a fair at the Pentagon. She stated that 2015 is the ninth year of Military Saves Week and the Department of Defense hopes to expand to 50,000 pledges.