Financial Literacy and Education Commission Public Meeting Minutes
October 4, 2018
U.S. Department of the Treasury – Cash Room
9:00 a.m. to 11:30 a.m.

Louisa Quittman, Director, U.S. Department of the Treasury called the meeting to order at 9:00 a.m. She introduced Treasurer Jovita Carranza. Treasurer Carranza welcomed the audience and noted the breadth of industries represented; from corporate, academic, and trade associations to the military. She stated the need to improve financial education and financial well-being to contribute to economic prosperity, before introducing the Secretary of the Treasury, Steven Mnuchin.

Secretary Mnuchin stressed financial empowerment and economic opportunity. He stated that, of the members of the Financial Literacy and Education Commission (FLEC), six agencies accounted for 90 percent of federal funds spent on financial education and expressed the need for consolidation and eliminating overlap and duplication. He noted that the President's plan to reorganize the federal government included consolidating and streamlining financial literacy efforts. The team met with over 75 organizations to gather feedback on how the FLEC could improve coordination, amplify best practices, guide research progress and measure and track outcomes. He concluded his remarks by stating that he is looking forward to working with nonprofits, state and local governments, and the private sector to ensure greater financial capability for individuals and households.

Treasurer Carranza then introduced Vice Chair and Bureau of Consumer Financial Protection (BCFP) Acting Director, Mick Mulvaney. The Vice Chair began by noting the important role that financial education plays in protecting consumers. He mentioned new resources available on the BCFP's website to help recover or rebuild after a disaster. The Bureau is focused on promoting best practices, improving financial education around student borrowing, and working with the Department of Agriculture to improve outreach in rural communities. He pointed out that the federal government spends $250 million on financial education and that agencies could work better to measure success together.

Upon the departure of the Chair and Vice Chair, Treasurer Carranza made remarks on FLEC reform. She stated that by supporting financial education, the federal government can address two market inefficiencies: the positive spillovers of a more educated and productive workforce and the negatives of a financially unprepared population. She discussed the FLEC reform process to date, which included meetings, calls and canvassing the financial education ecosystem. As a result, six high-impact areas were determined to frame financial education. These areas concentrate on the household balance sheet. A set of proposed performance measures and metrics were developed and three cross-cutting issues were identified as needing greater coordination: research, digital resources, and outreach. FLEC will seek to better institutionalize best practices, including five based on principles proposed by the BCFP and three additional best practices: know the population served, deliver actionable, timely and relevant information, develop practical financial skills, build on existing motivations and make it easy to make good decisions. The three additional best practices are: professionalize financial education, evaluate for impact, and provide ongoing support. She noted that financial education is a shared responsibility with governments, nonprofits and the private sector. The federal government should not attempt to directly deliver financial education but rather promote best practices, share evidence-based solutions, and deploy policy leadership.

Chris Weaver, Acting Director of the Office of Consumer Policy discussed other FLEC reform actions. He identified three major issues reform seeks to address. The first is developing a governance structure oriented around six high-impact areas: basic financial capability, housing counseling, retirement savings, investor education, and military and veterans' programs. The second requires rebalancing resources spent on financial education to better align with priorities. The third is developing performance measures that can track changes in behavior. He noted that Treasury will be sending recommendations on FLEC reform to the Office of Management and Budget shortly. Mr. Weaver ended by thanking everyone who has contributed to the process.

Ms. Quittman introduced Sarah Gerecke, Deputy Assistant Secretary, Office of Housing Counseling, and Marina Myhre, Ph.D. Social Science Analyst, Program Evaluation Division, Office of Policy Development and Research, U.S. Department of Housing and Urban Development, who discussed HUD's housing counseling program performance.

Dr. Myhre began by stating their mission, which is to help families obtain, sustain and retain their homes. Through a strong network of housing counseling agencies, HUD has reached over a million families annually. She mentioned two prior studies, one on foreclosure prevention and pre-purchase counseling, which paved the way for the current study underway on the effects of homebuyer counseling. The baseline study and a review of over 50 studies show mostly positive correlation between housing counseling and better credit, reduced debt, greater savings, and higher satisfaction with the mortgage process. Other studies show positive effects on debt delinquencies, foreclosure, and reductions in the mortgage default rate for first-time homebuyers. She discussed the design of the study. Early results of the short-term study indicate that counseling results in improved mortgage literacy, greater appreciation for communicating with lenders, and improved underlying qualifications.

Ms. Gerecke began by noting the partnership between HUD and the FLEC and praising the rethinking of the FLEC's work. She discussed the difference between research and data collection and how activities are categorized for analysis. She noted that the type of counseling shifts most recently changed from foreclosure prevention to pre-purchase counseling, depending on conditions. She discussed specific outcomes that could be measured, such as developing a budget or accessing resources to improve their housing situations. Some outcomes, such as foreclosure prevention, cannot be immediately measured. Research using administrative data can help determine long-term impacts. She mentioned the difficulties in determining impact and that the numbers are significantly underreported as a result. She then discussed the demographics of the population being served and how these numbers can help HUD determine if they are reaching people that Americans want to see served. Research helps HUD communicate with Congress and the public to determine service gaps or unmet needs. She noted the importance of using the appropriate lessons from the appropriate data source and highlighted randomized control trials (RCT). As an example, she discussed outcomes of an RCT that showed people who engaged online have higher rates of program completion and high levels of satisfaction, but researchers have yet to determine effectiveness of this type of engagement. Last, Ms. Gerecke highlighted the value that research has in promoting good policy, both in government and private sectors.

Ms. Quittman facilitated questions for the panel from the FLEC members. Mr. Weaver asked was if there was a difference in effectiveness depending on the delivery system for counseling. Ms. Gerecke stated that results are forthcoming, but that counselors and content are required to adhere by HUD’s standards, regardless of the organization delivering the information. Regarding whether HUD was tracking effectiveness of group vs. individual settings for education, they are not tracked, but added that both methods have their usefulness. HUD includes one to two hours of individual counseling in their services.

Mr. Gutierrez asked if HUD had information that was specific to Hispanic populations. Ms. Gerecke responded that HUD does have this information, and Hispanics represented are just under 25% of the study participants. She also pointed out that their materials and services are conducted in a variety of languages. She talked about the burdens of collecting information and how they navigate what will be collected and reported.

Another question asked if HUD works with states to help them determine priorities and share information. Ms. Gerecke stated that HUD provides training, produces newsletters, and shares research with the industry. Recently they used data to design their grant application to prioritize the need for more reverse mortgage counseling and disaster recovery counseling.

A question was asked if HUD works with realtors, Ms. Gerecke replied that counseling agencies work with realtors, developers, and trade associations. HUD has a national advisory commission to gather information as part of a feedback loop to inform HUD and the field.

Mr. Rutledge asked if there is a role that counseling can play in retirement readiness. Ms. Gerecke responded that there are several aspects of pre-purchase counseling that can help with retirement, including savings that might occur from paying a mortgage regularly. She mentioned that HUD could include more information on retirement in their basic financial programs.

Mr. Wides asked how industry can use HUD’s data. Ms. Gerecke discussed improving data collection from the lenders using the 9902 Form to determine if people were being directed to counseling but noted the difficulties in getting voluntary information from lenders.

Mr. Billouris asked if the study captures counseling engagement by web browser or mobile app. Dr. Myhre replied that it does not but does have information on how people progress through the learning modules using technology.

Director Quittman thanked Ms. Gerecke and Dr. Myhre and introduced the next speaker, Dr. Daniel Kanewski, Deputy Administrator, FEMA. Dr. Kanewski thanked the FLEC for its support during recent disasters and stated that FEMA shares a commitment to sustained financial well-being for Americans.

Dr. Kanewski discussed FEMA's strategic plan, which includes a primary goal of building a "culture of preparedness" and the relationship between mitigation, resilience, and financial preparedness. He noted that for every dollar invested in mitigation, the country saves $6.

He mentioned the huge gap in insurance and the expected losses of $60 billion per year due to disasters. Households recovering from flooding in Harris County, TX who had flood insurance received on average $110,000 vs. the $4,000 those who did not have insurance. He noted that an estimated one out of every three homes in America are uninsured, and many Americans do not understand the limited scope of FEMA's programs.

Dr. Kanewski then discussed the lack of emergency savings in American households. He noted FEMA's preparedness survey, which showed that people with higher incomes were more likely to take actions to be prepared. FEMA recently partnered with the FLEC during April Financial Capability Month to message on financial preparedness, and the campaign reached 28 million Americans. The Emergency Financial First Aid Kit (EFFAK) is now the most downloaded resource from FEMA's website. FEMA is working with State Emergency Managers to incorporate financial preparedness partnerships into their strategies. FEMA is also working with youth to promote preparedness. Additionally, FEMA has included two questions on household finances in their most recent survey that can gauge financial preparedness. The survey had two interesting findings: those with flood insurance are more likely to take action and had also experienced a disaster. Regarding renters, a HUD survey found that 39% of the 44 million Americans who rent did not have access to $2,000 for evacuation.

Director Quittman moderated questions from the FLEC.

Ms. Lazere asked how America compares with other countries regarding insurance costs. Dr. Kanewski did not know but posited that inability to pay contributes to insurance gaps. He stated that the National Flood Insurance Program has incurred $20 billion in debt, and that one part of the solution is to implement an affordable insurance so more households can participate.

Director Quittman asked about the role of states and localities in financial preparedness and how this connects to other financial education efforts Dr. Kanewski responded that the state emergency managers have not generally engaged in conversations with other agencies on financial preparedness. FEMA is encouraging them to meet with insurance commissions in their states to address the insurance gap.

Dr. Sahm asked about FEMA's campaign to increase flood insurance uptake. Dr. Kanewski stated that it was still early in the plan to double flood insurance participation by 2023, but FEMA has made progress testing messaging. FEMA found that as a hurricane approaches, those in "shoulder" communities (communities who lie close to but not in the path of the hurricane) had higher rates of uptake. New messages seek to help people comprehend that floods are not covered by homeowner's policies, and these are shown in unusual places, such as gas station screens or pop ups when it is raining.

Mr. Patterson asked for clarification on how insurance is presented during home buying and the percentage of people who do not have insurance but are in flood zones. Dr. Kanewski discussed the differences in risk zones and that only one-third of people in high-risk areas have flood insurance. There are many reasons for this, but he emphasized that any home could flood, regardless of their risk zone. Eighty percent of the losses due to Hurricane Harvey occurred outside of the flood zone.

Ms. Ratcliffe asked about metrics for emergency funds and whether there was opportunity for the FLEC to share common metrics around financial preparedness. Dr. Kanewski replied that they will continue to use common surveys, such as the annual Survey of Household Economics and Decisionmaking, HUD's rental survey, and their own survey of preparedness to better understand and respond to financial preparedness.

Director Quittman thanked Dr. Kanewski and introduced Dr. Wayne Johnson, Chief Strategy and Transformational Officer for Federal Student Aid, US Department of Education.

Dr. Johnson introduced the new mobile application for the Free Application for Federal Student Aid. The mobile app will help students and parents complete the application, manage their loans and oversee their funding relationship. Dr. Johnson noted that $1.5 trillion dollars has been disbursed in student loans, yet little has been done to educate students about how to manage money. Dr. Johnson also discussed potential future innovations, such as uploading financial education content for students and using the app to students find small-dollar loans to help overcome obstacles that can affect their education. He emphasized that these ideas were still under consideration and had yet to be approved.

Mr. Patterson asked if students and parents can both interface with the app, and how it can be used to temper student borrowing. Dr. Johnson stressed that the app and website are designed to be interactive with student, parent, and FSA. They are encouraging this technology to be used as a communication tool between parents, students, and FSA. The app will use "nudges" to encourage positive financial behavior, such as making consistent payments on student debt and saving.

Mr. Reynolds asked if FSA is considering targeting high school students at an earlier age, and Dr. Johnson replied that FSA is targeting students at the junior level to pre-fill the application.

Ms. Lazere asked if the app is accessible to people with disabilities, and Dr. Johnson replied that he would have to check.

Director Quittman thanked Dr. Johnson and introduced the next speaker, Dr. Patricia Greene, Director of the Women's Bureau.

Dr. Greene discussed the digital platform that is being created to assist women entrepreneurs in growing their businesses, since many women entrepreneurs, many with no formal business or financial training and face bigger funding gaps than their male peers. The platform will deliver information based on individual goals and on a "just in time" basis. The first phase focuses on seven learning paths.

Mr. Reynolds suggested that the Women's Bureau explore using Money Smart before creating new financial education content and Dr. Greene agreed.

Mr. Gutierrez mentioned their partnership with the Women's Bureau on this project and was excited about the upcoming rollout.

Director Quittman thanked Dr. Greene and turned the meeting over to the Treasurer for closing remarks.

The Treasurer concluded by thanking the speakers and participants. She emphasized that having 23 agencies focused on a global model with common metrics will reap benefits, and she looks forward to implementing reform in 2019. Between this meeting and the end of the year, the Treasurer and team will be meeting with FLEC member agencies to further discuss FLEC reform. The next FLEC Public Meeting will be held in early 2019.

The meeting concluded at 10:56.

Speakers

Sarah Gerecke, Deputy Assistant Secretary, Office of Housing Counseling, U.S. Department of Housing and Urban Development
Marina Myhre, Ph.D. Social Science Analyst, Program Evaluation Division, Office of Policy Development and Research, U.S. Department of Housing and Urban Development
Patricia Greene, Ph.D., Director, Women's Bureau

FLEC Members

Steven T. Mnuchin, Secretary of the Treasury, U.S. Department of the Treasury, Chair
Jovita Carranza, Treasurer of the United States, U.S. Department of the Treasury
Louisa Quittman, Director, Financial Education, U.S. Department of the Treasury
Christopher Weaver, Acting Director, Office of Consumer Policy, Department of the Treasury
Mick Mulvaney, Acting Director, Bureau of Consumer Financial Protection, Vice Chair
Janneke Ratcliffe, Director, Office of Financial Education, Bureau of Consumer Financial Protection
Claudia Sahm, Section Chief, Consumer & Community Development Research Group, Board of Governors, Federal Reserve System
Erica Elliott Richardson, Director, Office of Public Affairs, Commodities Futures Trading Commission
Toija Riggins, National Program Leader-Division of Family and Consumer Sciences, Department of Agriculture
Charles "Fred" Drummond, Deputy Assistant Secretary of Defense, Force Education and Training, Department of Defense
A. Wayne Johnson, Chief Strategy and Transformation Officer, Department of Education
Mary Lazare, Principal Deputy Administrator, Administration for Community Living, Department of Health and Human Services
Terry Carr, Senior Program Advisor, Office of Housing Counseling, Department of Housing and Urban Development
Jerold Gidner, Principal Deputy Special Trustee, Office of the Special Trustee for American Indians, Department of the Interior
Preston Rutledge, Assistant Secretary, Employee Benefits Security Administration, Department of Labor

Jamie Manker, Chief Financial Officer, Veterans Benefits Administration, Department of Veterans Affairs
Luke Reynolds, Chief, Outreach and Program Development, Division of Depositor & Consumer Protection, Federal Deposit Insurance Corporation
Dr. Daniel Kaniewski, Deputy Administrator, Department of Homeland Security, Federal Emergency Management Agency
Andrew Smith, Director, Bureau of Consumer Protection, Federal Trade Commission
Marietta Jelks, Consumer Action Handbook Editor in Chief, General Services Administration
Matthew Biliouris, Deputy Director, Office of Consumer Protection, National Credit Union Administration
Mike Evans, HR Specialist, Office of Personnel Management
Barry Wides, Deputy Comptroller, Community Affairs, Office of the Comptroller of the Currency
Mary Head, Assistant Director, Office of Investor Education and Advocacy, Securities and Exchange Commission
Allen Gutiérrez, Associate Administrator, Office of Entrepreneurial Development, Small Business Administration
Robert "Bob" Patterson, Associate Commissioner, Office of External Affairs, Office of Communications, Social Security Administration