

# February 2012 FLEC Meeting Minutes

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## Financial Literacy and Education Commission Public Meeting

February 14, 2012

10:30 am – 12:00 pm

U.S. Department of the Treasury – Cash Room

### MEETING MINUTES

#### Financial Literacy and Education Commission Members Present:

Federal Reserve Board of Governors	Anna Alvarez-Boyd
Dept. of the Treasury	Cyrus Amir-Mokri
Office of the Comptroller of the Currency	Karen Bellesi
Small Business Administration	Nathaniel Bishop
National Credit Union Association	Roger Blake
Dept. of Education	Elizabeth Coogan
Consumer Financial Protection Bureau	Richard Cordray
Dept. of Labor	Michael Davis
Social Security Administration	Jim Courtney
Dept. of Housing & Urban Development	William Glavin
Dept. of Health & Human Services	Mark Greenberg
CFTC	Michael Herndon
Office of Personnel Management	Raymond Kirk
Dept. of Defense	Brenda McDaniel
Federal Deposit Insurance Corporation	Luke Reynolds
Securities & Exchange Commission	Lori Schock
Dept. of Veterans Affairs	Julie Schroeder
Dept. of Agriculture	Susan Shockey
Federal Trade Commission	Colleen Tressler
Office of the Comptroller of the Currency	Barry Wides
General Services Administration	James Zawada
Dept. of the Treasury	Louisa Quittman

#### Other Participants:

Sophie Raseman, Dept. of the Treasury  
Matt Fellowes, Founder and Chief Executive Officer, Hello Wallet  
Chris Vein, White House Office of Science and Technology Policy

#### Introduction

Louisa Quittman, Director for Financial Education for the U.S. Department of the Treasury called the meeting to order.

#### Welcome and Opening Remarks

*Cyrus Amir-Mokri, Assistant Secretary for Financial Institutions, U.S. Department of the Treasury*  
*Richard Cordray, Director, Consumer Financial Protection Bureau*

Cyrus Amir-Mokri, Assistant Secretary for Financial Institutions, U.S. Department of the Treasury, welcomed Commission members and the general public to the meeting of the Financial Literacy and Education Commission (FLEC). He began by thanking the Commission for their work and their successful coordination of agencies. He expressed his excitement about the work being done on Smart Disclosure, or using information and technology in a way that focuses on and improves consumers' decision making. He mentioned that the Treasury and the Social Security Administration will sign a Memorandum of Understanding supporting future research. He also gave a summary of the last meeting of the President's Advisory Council on Financial Capability, noting that a key recommendation of the Council was that the federal government serve as a model employer for the integration of financial capability in the workplace. Finally, he welcomed Richard Cordray, Director of the Consumer Financial Protection Bureau (CFPB) and new Vice Chair of the Commission.

Cordray began by highlighting the work of the CFPB aligned with the objectives of the Commission. He mentioned that the ability to understand and control one's finances is one of the most important life skills because it creates a path to economic independence and mobility. He briefly highlighted the Office of Financial Education, headed by Camille Busette, which is mandated by law to develop and implement initiatives intended to educate and empower consumers, which has already done significant work with their "Know Before you Owe" Campaigns.

### **Financial Education Approaches: Smart Disclosures**

*Moderator: Chris Vein, Deputy Chief Technology Officer, Government Innovation, White House Office of Science and Technology Policy*

Chris Vein introduced the panelists.

#### ***Panel:***

*Sophie Raseman, U.S. Department of the Treasury, and Co-Chair, Smart Disclosure Task Force*

The first panelist was Sophie Raseman, who discussed Smart Disclosure and its connection to financial education. She first explained the concept of Smart Disclosure, or taking the data on products and services such as price and features of financial products and making it available to the public in machine readable formats for people to access via the internet. The financial education community has been a leader in promoting access to these tools. For example, the National Strategy for Financial Literacy from 2011 focuses on promoting broader access to tools that can help consumers make wiser choices, and Smart Disclosure is one of the most powerful ways of stimulating the creation of tools for financial consumers. This concept is already being done with sites like Kayak.com, which allow consumers to run flight search comparisons, or other mobile comparison shopping tools. However Raseman highlighted a gap in the market for similar financial product comparison tools, resulting from a lack of data access that innovators require to build these tools. She noted that the government has two important levers for establishing access to data: releasing data sets and making information that sellers of financial products disclose to the marketplace more usable. Even those products that have begun to create these financial products like HelloWallet or Mint.com are limited because of their lack of data access. Raseman reminded the Commission that the Task Force on Smart Disclosure exists in

part to serve as a resource to agencies who are interested in exploring how Smart Disclosure can help them in their work.

*Michael L. Davis, Deputy Assistant Secretary, Employee Benefits Security Administration (EBSA), U.S. Department of Labor*

Mr. Davis discussed some of the work being done at the Department of Labor on Smart Disclosure, and the impact that they have found it has on real Americans. Mr. Davis began by discussing the role of EBSA. Its mission is to protect the benefits of working Americans, retired Americans and those enrolled in private sector plans including retirement and health plans. There are about 140 million Americans affected by these plans, so EBSA's role is regulation and enforcement around the operation of these plans. There are regulations regarding how these plans must operate, which mandate acting in the interest of the people enrolled. This law is the 1974 Employee Retirement Income Security Act (ERISA). Mr. Davis mentioned that EBSA is very active in this area of indictment for non-compliance and in other areas. One function that not many are aware of is that participants of different plans can actually call a number (866-444-EBSA), and get a live person on the phone to discuss their benefits. Mr. Davis cited some of the impactful work currently being done, particularly with victims of domestic violence. After learning that many victims stay in abusive situations for financial reasons, EBSA began hosting webcasts on retirement and benefits for those working with victims, and formed plans for another webcast targeted towards the victims themselves.

With regard to Smart Disclosure, Mr. Davis pointed to the Form 5500, a key tool for consumers, which outlines benefits plans of companies. This form is available for free online. There are raw data sets available as well, which have been viewed 47,000 times over the past couple of years. The private sector is using this data as well. For example, Brightscope has a system which groups plans by peer groups, size of the plan and assets, industry, number of participants, etc., and rank the plans in terms of fees and other components. Another company is FreeERISA, which makes information more available to people in the industry

*Matt Fellowes, Founder and Chief Executive Officer, Hello Wallet*

Mr. Fellowes offered a private sector view of the way Smart Disclosure helps consumers increase their savings and overall financial wellness, and how additional Smart Disclosures would help that objective even further. Mr. Fellowes reported that about 70 percent of workers reported living paycheck to paycheck, which results in an inability to effectively allocate their paychecks. Retirement needs are ultimately going unmet along with emergency funds and other savings goals in favor of bills, spending, debt and health. The number one reason people report that they are not contributing enough to their 401(k) is because they are concerned they don't have enough money to do so. With more immediate concerns hanging overhead, Mr. Fellowes stated that workers living paycheck to paycheck are not focusing on understanding financial products and services. This situation makes workers vulnerable to abuses. HelloWallet uses Smart Disclosure to help consumers find better prices in the marketplace and they use personalized messages and guidance based off of the data that they observe on individual households. After an individual agrees to disclose their financial data, HelloWallet is able to assess warning signs. For example, if an individual has not purchased a car in years, they are

vulnerable to the financial pitfalls of maintenance for their old car, without ever beginning to save for a new one. HelloWallet will therefore send reminder messages encouraging saving or routine checkups to avoid more costly emergency maintenance.

Mr. Fellowes pointed out that as successful as these tools are, they could be even more effective if more data were available. For example IRS data would provide a much richer picture of a person's finances. Item-level data on food consumption would also assist companies with improving the health of their employees, something more employers are becoming increasingly interested in. Mr. Fellowes expressed that there is an enormous amount of power in Smart Disclosure. HelloWallet has increased savings contributions by 80 percent within three months. He also acknowledged the risks, namely privacy, or false advertising of products which offer inflated returns.

### ***Discussion/Q & A from the Commission***

Mr. Vein asked the panel about the next steps and ways of prioritizing the work to be done. Mr. Fellowes replied that though the answer is not a simple one, the first step might be to define the automation of data and getting a clearer picture of the opportunities available. Mr. Davis replied that this is a topic that is being actively discussed, and Ms. Raseman stated that an important and practical next step is to talk to the data user communities and get their feedback on what they consider most valuable. Mr. Fellowes also clarified that part of what makes HelloWallet so user-friendly is that the consumer does not have to manually input their data, they simply log on to their bank through the application and the data populates automatically. He noted that a big barrier here was that consumers have to trust an online company with their user name and password. They overcame this barrier by distributing through employers, maintaining independence without advertisements, and touting a social mission with values that instill confidence in consumers. Mr. Vein closed the panel portion by asking about digital inclusion and the digital divide, and the possibility of making that divide worse. Mr. Fellowes posited that the key is to be very mindful of the fact that there is a diverse group of needs, and that there are no silver bullets.

### **Financial Literacy and Education Commission Updates**

#### ***General Updates:***

*Louisa Quittman, Director, Office of Financial Education, U.S. Department of the Treasury*

Ms. Quittman began by welcoming Director Cordray and members of his team: Gail Hillebrand, the Associate Director of Consumer Education and Engagement, and Camille Busette, Assistant Director for the Office of Financial Education at the Consumer Financial Protection Bureau. She also welcomed Michael Herndon, of the Commodity Futures Trading Commission's Consumer Outreach Office, and Roger Blake of the National Credit Union Administration, sitting in for Tanya Green. She noted that the January 19<sup>th</sup> meeting of the President's Advisory Council focused on workplace financial education and the roles employers can play in promoting the well-being of workers and sustainability of businesses. The Council recommended that the government serve as a model employer to promote the financial capability of more than 2 million federal employees. Ms. Quittman also mentioned that the MyMoney.gov website was being

upgraded, and that the Council was working on integrating the financial research clearinghouse, as well as consumer finance data-sets. The upgraded website will also include a self-assessment tool. Finally, Ms. Quittman reminded everyone that the National Financial Capability Challenge kicks off in one month.

***Core Competencies and Financial Access:***

*Luke Reynolds, Chief, Outreach and Program Development, Federal Deposit Insurance Corporation*

Mr. Reynolds reported that the Financial Access Working Group is an ongoing resource for agencies considering financial access projects and initiatives, as it helps agencies identify existing financial access programs within other agencies within federal government with the goal of creating better synergies between financial education and access initiatives. Regarding the Core Competencies Working Group, marketing concepts have been developed by marketing experts with information taken from focus groups, to prompt initial consideration and encourage more people to learn more about the core competencies. After those materials are cleared, the group will provide insights on communicating the core competencies. The vision is to align MyMoney.gov so that consumers can go to the site to access resources from the agencies aligned with each of the core competencies. They are currently reviewing existing resources on My Money.gov, identifying gaps, and developing introductory content to introduce each of the five core competencies.

***Research and Evaluation:***

*Jeanne Hogarth, Program Manager, Consumer Education and Research Section, Division of Consumer and Community Affairs, Federal Reserve Board of Governors*

Dr. Hogarth outlined two major projects currently in progress: an updated list of research priorities to build upon that which was created in the fall of 2008, slated for release in the spring; and the research clearinghouse mentioned by Ms. Quittman. This involves building a database of federal research in the area of financial literacy and capability, and federal data sets that other researchers can use. Dr. Hogarth also mentioned that she serves on the Program for International Student Assessment (PISA) Advisory Committee, which is putting together the 2012 PISA Financial Literacy Test. Every three years 15-year olds are surveyed internationally for comparisons in math, literacy or problem-solving skills. In 2012 financial literacy will also be assessed, and the U.S. will participate.

***National Strategy:***

*Karen Bellesi, Special Advisor for Community Affairs, Office of the Comptroller of the Currency*

Ms. Bellesi reported that over the past 18 months the Commission launched both the National Strategy for Financial Literacy and the Implementation Plan for promoting financial success, both of which can be found on MyMoney.gov in the “About Us” section. The Working Group then revamped its mission to include two focus areas: to keep the National Strategy relevant and up-to-date; and to help coordinate the efforts to carry out the Implementation Plan at the federal level. Ms. Bellesi mentioned four planned activities. The first is an outreach plan for the National Strategy and the Implementation Plan to increase public awareness. The second is to coordinate a Commission-wide action plan to include plans of action by the Commission’s

Working Groups to implement the four goals. The third is to recommend focus themes for use by the Commission's agencies in collaborating on outreach and other activities. Finally, the Working Group is creating a web-based vehicle for Commission members to share information and ideas, as well as promote partnerships on the Commission's activities.

### **Conclusion**

Ms. Quittman took time to acknowledge Cassandra McConnell of the CFPB's Office of Financial Education who recently took on the role of Chair of the Outreach Working Group. She also thanked the Working Group Chairs for their reports, and all the members of the Working Groups. Susan Shockey of USDA announced a meeting scheduled for the following day on the topic of "Small Steps to Health and Wealth" with Dr. Barbara O'Neill from Rutgers University. Ms. Quittman concluded the meeting after reminding the Commission of the next meeting, tentatively scheduled for May 22<sup>nd</sup>.

The meeting adjourned at 11:55 AM.