Financial Literacy and Education Commission Public Meeting Minutes
February 4, 2016
U.S. Department of the Treasury – Cash Room

Opening Remarks

Melissa Koide, Deputy Assistant Secretary for Consumer Policy, U.S. Department of the Treasury opened the meeting describing its focus. She explained the purpose of the meeting was to hear about leading practices in postsecondary education and the financial inclusion effort underway at the U.S. Department of the Treasury. Ms. Koide gave an overview of the agenda and introduced Secretary Jacob Lew, 76th Secretary of the U.S. Department of the Treasury and Chair of the Financial Literacy and Education Commission.

Secretary Lew thanked the member FLEC agencies for the progress made on financial education efforts and recognized the importance of the Commission's role in fostering interagency collaboration. Secretary Lew went on to discuss the importance of forming sound financial habits early in life and the importance of access to safe and affordable financial products in adulthood. He recounted the December financial inclusion forum and the recent progress that has followed by way of private sector commitments.

As Secretary Lew continued, he discussed the Financial Empowerment Innovation Fund, and the important research efforts it supports. The Secretary also mentioned the new starter retirement savings account, *my*RA. This tax season, Treasury is working with tax service providers around the country to make sure Americans know they can automatically save part of their tax refund in a *my*RA account. Secretary Lew closed with a call for action, saying agencies can use their unique role as funders, rule makers and managers of programs to connect more people to financial products and services.

Next, John B. King, Jr., Acting Secretary of the U.S Department of Education, reaffirmed the Department's commitment to financial literacy efforts. Mr. King described the work the department is undertaking to make college accessibility and affordability central to our mission as a country. Advances he noted included making the FAFSA easier to fill out by way of the use of past tax returns and the introduction of the College Scorecard, a tool that provides helpful information to students and families as they select a university.

Mr. King raised concerns about students who finish high school without the skills for success, and reiterated that helping students make good financial decisions regarding their education coincides with the goals of the Department. Mr. King also shared the U.S. Department of Education's focus on the completion challenge, pointing out that the most expensive degree is the one you do not finish. Mr. King closed by saying that education remains the best investment one can make, and that it is important to make that accessible for all.

Next, Richard Cordray, Director of the Consumer Financial Protection Bureau, spoke about the Bureau's role helping young people make informed decisions about paying for college and managing their money while in college. Mr. Cordray discussed one persistent concern: the marketing of banking products to students on college campus across the Unites States. In December, the CFPB sent warning letters to 17 colleges, directing them to improve their public disclosure of school sponsored credit card agreements. The CFPB also released the Safe Student Account Toolkit to help schools approach agreements with financial institutions.

Mr. Cordray touched on the CFPB's participation in Treasury's recent financial inclusion forum and pointed out the 68 million Americans are financially underserved and over 70 million Americans report having no emergency savings. For those who have difficulty navigating the financial marketplace, small financial missteps or surprises can have huge negative consequences.

Panel: Leading Practices in Postsecondary Education

Ms. Koide welcomed Mark Mitsui, Deputy Assistant Secretary for Community Colleges, U.S. Department of Education, to begin moderating the panel. Mr. Mitsui spoke briefly of the importance of financial education around post-secondary education decisions, and other aspects of managing complex financial lives facing students. He noted that many students are those who have been considered "non-traditional" with jobs and families. Mitsui underscored the importance of financial literacy for these students in attaining degree completion.

Jeff Webster, Director of Research for the Texas Guaranteed Student Loan Corporation (TG), spoke of several discrete but related research studies conducted by his organization. TG works in consultation with the National Association of Student Financial Aid Administrators. He shared that stakes are high for borrowers – they run the risk of wage garnishment, redirected tax refunds and damaged credit scores. Mr. Webster indicated that the best method of reducing defaults is through loan counselling and cited the U.S Department of Education's online loan counselling tool.

TG's findings indicate that loan counseling is often text-heavy and lacks customization. Mr. Webster did find that schools are cross training across departments, taking holistic approaches to students' finances and targeting efforts. He then shared that marketing financial education, providing in person counseling, and using a peer-to-peer model for advising are promising practices being employed by colleges.

Bryan Ashton, Assistant Director, Student Life, Student Wellness Center, Ohio State University and Co-Chair, National Summit on Collegiate Financial Wellness, shared (a summary of the activities of the Financial Wellness Center. They work to provide a comprehensive support package that helps students develop financial capability, address financial stress, anticipate and ride through a financial crisis.

Mr. Ashton discussed how mandatory one-on-one coaching sessions, group workshops and online interventions are used by the Student Wellness Center. Working with 32 partner offices on campus, they act as a convener trying to help pinpoint and prevent problems for students. Their findings from the National Student Financial Wellness Study include high levels of student financial stress, financial concerns trickling into academic progress, financial education being low and finances being interconnected to other areas. Lastly he spoke of their National Summit of Collegiate Financial Wellness study that unites individuals, practitioners, researchers and policy makers on the issue of college financial capability.

Betty Habershon, Director of Office of Service-Learning, at the Community Financial Center for Prince George's Community College, provided insight into the role that the college plays for both students and residents of the county. In Prince George's County, over 68,000 residents and 24,000 children live under the poverty line. As a result their community college plays a huge role in the financial capability of community members.

Ms. Habershon highlighted their VITA program, established 14 years ago, as an important foundation to financial asset building in Prince George's County with $1.5 million in refunds processed for both students and members of the community. Ms. Habershon went on to inform the Commission of the Prince George's CASH Campaign, a coalition of over 40 asset building organizations, with a focus on financial capability to provide all services in one location. She noted the launch of the Financial Empowerment Center in fall 2015 located on the Prince George's Community College campus which is in partnership with United Way of the National Capital Area.

FLEC members and panelists discussed a number of topics related to the origin of the programs identified and how they could be replicated at other institutions. Panelists noted that organizational leadership was a key factor. They also noted that understanding the context of students' lives was important. Mr. Webster shared that schools which served more disadvantaged population prioritized default prevention and thus leadership was often from the student aid administrators. All of the panelists noted the resourcefulness of colleges developing programs with limited resources.

The group also discussed the value of creating tools and strategies that are fun and user-tested. They also discussed the value of reaching students in high school, and even earlier especially with earlier access to financial aid information. Also covered was the need for students and community residents to continue the financial capability conversation at home and in the community, and to have multiple touch-points. Increasingly more institutions and more offices at those institutions are focused on this topic.

Next Steps on Financial Inclusion: Report from the US Financial Inclusion Forum

The conversation then turned to the recent Financial Inclusion forum held at Treasury. The forum featured a group of financial institutions, businesses, and nonprofits that announced specific initiatives that will accelerate progress on financial inclusion efforts in the United States and worldwide.   One of the outcomes of the forum was a discussion of the role of government in accelerating financial inclusion. Ms. Koide highlighted the rule-making authority of FLEC members and shared the need to provide safe safeguards for consumers when developing innovation friendly tools. She described a few of the private sector commitments made, specifically JP Morgan and PayPal, described here (New Financial Inclusion Initiatives Launched at Treasury USAID Forum).

Ms. Koide then introduced Alexia Latortue, Principal Deputy Assistant Secretary for International Development Policy at the US Department of the Treasury. Ms. Latortue shared five broad messages with the Commission. She noted the case for financial inclusion was clear: at the individual/household level, two billion people globally are excluded from the formal financial system. Despite these figures, there has been rapid progress since 2011 – the percentage of adults worldwide with access to formal financial services increased from 51 percent to 62 percent. Ms. Latortue indicated that while this is progress, there is still a long way to go. She also indicated that financial inclusion is at an inflection point – with great benefits to be gained from the recent policy tailwinds. Another inflection point Ms. Latortue mentioned were the recent advances in technology and the promise of digital financial inclusion. Ms. Latortue shared that mobile technology is driving many financial services innovations, including mobile money and smart phone applications. These technologies can reach underserved users in their communities, without the need for costly infrastructure or "brick and mortar" branches, revolutionizing business models in the financial sector. She continued with effective usage being a concern for both policymakers and service providers. She closed by sharing Treasury's unique position to elevate financial inclusion as an issue among different convening platforms such as the G20 and discussed her colleagues work within the Office of Technical Assistance and amongst Multilateral Development Banks.

Transitioning, Ms. Koide turned the attention of the Commission to Treasury's recent budget proposals, the first of which devotes funding to the development of products and services designed to help low- to moderate-income workers build their savings. The second proposes the creation accounts for young people tied to first time employment opportunities coming through municipalities at the state and local level. Ms. Koide also mentioned funding for a new loan loss reserve product program through the CDFI Fund. Ms. Koide informed members of the Commission that there were updates on each of the committees in their folders. Ms. Koide then opened the floor for the Commission to make announcements.

Commission members discussed the topic of financial inclusion. One topic raised was whether the discussion included access to capital markets. Ms. Koide and Ms. Latortue responded that much of the focus had been in safe and affordable savings and transaction products. There was agreement that both agencies would continue to work together to offset risk on behalf of consumers.

Director Cordray then spoke regarding the 10 percent of Americans who remain unbanked and explored the reasons behind the figure. He outlined the business case for no-overdraft products that would enable 7-8 percent to re-enter the banking system.

Commission Announcements

Cristina Miranda of the Federal Trade Commission announced enhancements to identitytheft.gov and solicited cooperation from fellow agencies to promote it. The site features a personal recovery plan and pre-filled letters to send to credit bureaus, businesses and debt collectors.

The Research Committee reported that Susan Shockey of the U.S. Department of Agriculture has retired. Research has been a priority of the FLEC for some time and Ms. Koide supported USDA's effort to fill her vacancy.

The Financial Capability College and Career Readiness for Young People Committee recently finished their realigning around FLEC's priorities: integrating finance capability programs, improving outreach efforts corresponding to federal resources and improving policy and regulatory connections.

The OCC released their bimonthly financial literacy update, which reaches over 30,000 subscribers. Copies are available at occ.gov/flu. The OCC has participated in several events with regard to age friendly banking to improve financial services for older adults.

Concluding Remarks

Ms. Koide thanked the participants for attending the meeting and shared that the next public meeting of the Commission will be held later in 2016.