



Financial Literacy and Education Commission (FLEC) Public Meeting

May 15, 2013

9:00 am – 11:00 am

U.S. Department of the Treasury – Cash Room

MEETING MINUTES

Committee Members Present

Commodity Futures Trading Commission
Consumer Financial Protection Bureau
Consumer Financial Protection Bureau
Department of Agriculture
Department of Defense
Department of Education
Department of Health and Human Services
Department of Housing and Urban Development
Department of Labor
Department of the Treasury
Department of the Treasury
Department of the Treasury
Department of the Treasury
Department of Veterans Affairs
Federal Deposit Insurance Corporation
Federal Emergency Management Agency
Federal Reserve Board
Federal Trade Commission
General Services Administration
National Credit Union Administration
Office of Personnel Management
Office of the Comptroller of the Currency
Securities and Exchange Commission
Small Business Administration
Social Security Administration
White House Domestic Policy Council

Michael Herndon
Richard Cordray
Gail Hillebrand
Susan Shockey
Brenda McDaniel
David Soo
Mark Greenberg
Bill Glavin
Phyllis Borzi
Jacob Lew
Cyrus Amir-Mokri
Melissa Koide
Meaghan Muldoon
Julie Schroeder
Luke Reynolds
Alex Amparo
Allen Fishbein
Cristina Miranda
James Zawada
Kenneth Worthey
Ray Kirk
Barry Wides
Lori Schock
Nathaniel Bishop
Kojuan Almond
Racquel Russell

Introduction

Cyrus Amir-Mokri – Assistant Secretary for Financial Institutions, U.S. Department of the Treasury

Amir-Mokri welcomed the members of and the public to the meeting of the FLEC. He then introduced Secretary Jacob Lew.

Welcome and Opening Remarks

Jacob Lew – Secretary of the Treasury

Secretary Lew began his remarks by recounting a story about an eighth grade science class that he visited in Cleveland, Ohio. The students told Lew that they planned to go to college. Lew said that he was encouraged and motivated to do what he could do to make those hopes and dreams come true and that the Obama Administration is committed to helping young people get the skills and knowledge they will need to pursue successful careers and contribute to the economy. Lew noted that the Administration has focused on expanding education and affordable loans through Federal financial aid by expanding Pell Grants and improving repayment options available to student loan borrowers. Lew also noted that we can and must do more in this area because unemployment, and especially unemployment among young people, is too high. The President's budget lays out several initiatives to expand opportunities to workers including creating advanced manufacturing hubs, investing in research and technology, and expanding domestic energy production, all of which are fully paid for and will not add a dime to the deficit. Lew then said that Americans must develop basic financial knowledge and learn how to navigate a complex financial system. It is critical to begin building these financial skills early in life and the President's Advisory Council on Financial Capability has recommended that financial education be integrated into the school day. Lew concluded by thanking Consumer Financial Protection Bureau Director Richard Cordray for joining him as vice chair of the Commission and by thanking his colleagues across the federal government for their support on this important issue.

Amir-Mokri announced that the Federal Emergency Management Agency is now a member of the FLEC and how was very important for Treasury and FEMA to join together. Amir-Mokri then turned it over to CFBP Director, and Vice Chair of the Commission, Richard Cordray.

Richard Cordray – Consumer Financial Protection Bureau

Director Cordray noted that the economic landscape that is confronting young adults is of critical importance to the future of our nation and our economic health. Cordray agrees with Secretary Lew that unmanageable student loan debt weighing down this next generation of adults should be of grave concern to this country and the federal government is working to figure out how to best manage that problem and provide alternatives and opportunities for young people to manage their debt. Cordray also agreed with Secretary Lew that education and matters of personal finance are essential pillars of life, as we know it, in America. CFPB recently released policy recommendations for youth financial education, starting in Kindergarten and continuing through the end of high school. Cordray listed the five core recommendations and discussed them:

- 1) Financial education should start early and be continuous.
- 2) As part of youth financial education, students should practice financial management through experimental learning.
- 3) Engage and support those teachers who are interested in teaching personal financial management.

- 4) Integrate financial education topics into standardized tests.
- 5) Increase parental involvement in their kid's personal financial education.

Cordray concluded by noting that CFPB's goal is to give all consumers the confidence and peace of mind that the financial world is not full of pitfalls that will ruin their lives, but it is always true that the best and immediate form of consumer protection is self protection – being able to avoid problems in the first place and knowing what you can do when you have problems.

Racquel Russell – Deputy Assistant the President for Urban Affairs and Economic Mobility, White House Domestic Policy Council

Russell reiterated that financial education/literacy is an important priority for the President. The President has talked about creating lives of opportunity for all Americans and how there is a direct nexus between financial literacy, financial capability, and growing the middle class. The President wants all Americans to have the economic security that comes with financial literacy. Russell said that she looked forward to the presentations today, thanked the Commission members, and sent a special thank you to Amir-Mokri, Melissa Koide, Cordray, Gail Hillebrand, and Camille Busette for their leadership on this important issue.

Presentation: Young Adults and Economic Insecurity

Presenters

Dr. Caroline Ratcliffe – Economist and Senior Fellow at the Urban Institute

Dr. Eugene Steuerle – Richard B. Fisher Chair at the Urban Institute

Dr. Signe-Mary McKernan – Senior Fellow at the Urban Institute

Recap of presentation

The presentation began by discussing wealth inequality. According to the Survey of Consumer Finances, a person who made \$248,462 in 1983 would have made \$496,536 in 2010. This represents an increase of 101 percent whereas the middle 20 percent and the lowest 20 percent incomes remained stagnant. In the same period of time from 1983 – 2010, older generations accumulated wealth while younger generations stagnated. This has the potential to create “lost generations” who are not able to become financially stable. The average family debt of 29 to 37 year olds, excluding mortgage debt, has increased dramatically from 1989 – 2010. Student loan debt is up \$10,381, car loans are up \$302, and credit card debt is up \$1,215, while other debt has fallen \$2,078 since 1989. Most people build wealth over a lifetime through the stages of early childhood, adolescence, young adulthood, adulthood, mid-life, and up to retirement. People typically reach their peak asset accumulation at this mid-life period. The wealth building path is not the same for all people. The average family wealth for those born 1943-51 is significantly lower for Hispanic and African American families than it is for whites.

Following the presentation there was a question and answer session. The questions raised by FLEC agencies covered topics such as financial education and debt levels, kids savings accounts, the high cost of post-secondary education, disparities in debt between higher and lower income people, and disparities in debt among gender.

Deputy Assistant Secretary Melissa Koide discussed the Commission's strategic focus on young people through the theme of Starting Early for Financial Success, recognizing that the financial stability of young people and their families is vital to the future strength of the economy. Koide also discussed the recent President's Advisory Council on Financial Capability and two important approaches that came out of it: *Money as You Grow* and *Money as You Learn*. Koide then turned it over to the co-chairs of the Children and Youth Committee, Luke Reynolds – Chief, Outreach and Program Development, Division of Depositor and Consumer Protection at the Federal Deposit Insurance Corporation and Jeannie Chaffin – Director, Office of Community Services from the Administration for Children and Families at the Department of Health and Human Services.

Building Financial Capability Among Children and Youth **Report from Children and Youth Committee and Panel Introduction**

Committee Co-Chairs Reynolds and Chaffin described the Committee role, which is to provide leadership to foster collaborations between FLEC member agencies for the purpose of enhancing federal efforts that help American children and youth build knowledge, skills and habits to prepare them for a financially capable adulthood. The Children and Youth Committee is focusing on two strategies:

- 1) Foster improved collaboration among programs that promote saving for children and youth toward known and unknown needs;
- 2) Promote and support coordination/integration among Federal programs with potential or goals targeted to prepare facilitators of financial learning to discuss financial concepts effectively in both formal and informal education settings with children/youth

Chaffin introduced the panelists.

Presenters:

Jeanette Betancourt – Sesame Workshop

Julie Heath – University of Cincinnati

Dr. Betancourt began her presentation by explaining some research findings. The research that she presented indicated that:

- 1) Young adults display lower financial literacy knowledge than older generations;
- 2) There are opportunities to engage young children in financial education in ways that integrate the whole family;
- 3) There are limited bilingual (English/Spanish) resources supporting everyday moments and financial education for young children.

The formative research revealed challenges for parents, grandparents, and early childhood educators when it comes to childhood financial education. One way to address this challenge is to integrate financial education into every day moments, helping to teach children about choices and value. Betancourt mentioned that there are many free bilingual financial education resources available at www.sesamestreet.org/save and www.pncgrowupgreat.com and that there are many ways to facilitate the integration of financial education into a variety of settings. The research that was conducted had an impact on helping both families and educators to do a better job on financial education for children.

Dr. Heath's presentation noted that the adoption of the common core standards by states poses both a challenge and an opportunity. The financial literacy/common core integration project offers a chance to incorporate financial education into different classes. Under this approach children will learn about different financial topics throughout their K-12 education. Children will learn about topics such as opportunity cost what money is, the value of education, setting goals, delayed gratification, scarcity, inflation, cost/benefit analysis, time value of money, compound interest, and risk. *Money as You Learn* offers tools for educators to integrate personal finance into the Common Core aligned texts, lessons, and tasks.

Work Plan Report-Out from Committees

David Soo from the Department of Education provided the report from the Post-Secondary Committee

The Post-Secondary Committee is focused on decisions about paying for college because the Committee is concerned that parents and students currently encounter too much noise in the marketplace when deciding how to fund their postsecondary options. To help with these decisions CFPB, Department of Education, and others have direct to consumer resources that aim to help students and parents make well-informed steps towards funding their postsecondary education. The Committee's goal is to curate resources and coordinate efforts across FLEC agencies to get the resources into parents and students hands. One idea of the Committee is to pilot an online "community of practice" of educators working to support students and families as they make financial decisions about paying for postsecondary education.

Meredith Regine provided an update from the Early Career Committee

The Early Career Committee is working on a financial education pilot for early career federal employees. Before developing the actual pilot, the Committee is collecting information about the existing financial education programs for federal employees to learn about what is already in place. The Committee developed a questionnaire and was completed by benefits officers in 10 FLEC agencies. The types of trainings varied among the 10 agencies but for most agencies benefits trainings for new employees are voluntary and do not require a follow-up training. The Committee presented some of their other findings and noted that they are happy to share their questionnaire with any other FLEC agencies who are not on the Early Career Committee.

Susan Shockey from the Department of Agriculture provided an update from the Research and Evaluation Committee

Dr. Shockey noted two items produced by the Research and Evaluation Committee released at the meeting. The first is a research priorities document for Starting Early for Financial Success that builds off of the 2012 FLEC research priorities. This document is posted on MyMoney.gov and treasury.gov. The second item was described by Allen Fishbein of the Federal Reserve Board.

Allen Fishbein from the Federal Reserve Board announced that the FLEC has partnered with the Journal of Consumer Affairs to produce a special issue of the journal focused on the FLEC strategic focus Starting Early for Financial Success. The purpose of the special issue is to promote high quality academic research in the field of financial literacy that can be used to inform current policy discussions. The specific details on the research topics of interest for the special issue, as well as the journal submission process, are available in the call for papers that

the FLEC has just released. The call for papers is available on treasury.gov, mymoney.gov, and on the Journal of Consumer Affairs' website. The FLEC is seeking submissions from a wide range of disciplines such as economics, public policy, education, social work, sociology, and behavioral psychology among others. Submissions are due March 16, 2014 and the FLEC anticipates that the issue will be published in late 2014 or early 2015. FLEC plans to host a symposium in 2014 where the authors of articles selected for publication will present their findings in DC and receive feedback on their work. The FLEC encourages individuals to share the call for papers with any researchers who may be interested in this topic.

After hearing no other announcements, Koide commended and thanked Ray Kirk, who is retiring from the Office of Personnel Management for his many years of service and dedication to the work of the Commission. She noted that Mr. Kirk provided enormous support to the Early Career Committee in developing their work plan, provided many ideas to the Commission as we developed the Core Competencies, and gave us valuable insight on the financial practices of federal workers.

Conclusion and Announcement

Koide announced the proposed date for the next meeting is October 17, 2013.

The meeting adjourned at 11:10 AM.

Link to webcast:

<http://treas.yorkcast.com/webcast/Viewer/?peid=e0cbc6dff8864f05861d35346a7ba55e1d>