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Before the Subcommittee on Oversight of Government Management,

the Federal Workforce, and the District of Columbia

U.S. Senate Committee on Homeland Security and Governmental Affairs

Hearing on “Financial Literacy:

Empowering Americans to Prevent the Next Financial Crisis”

April 26, 2012

Chairman Akaka, Ranking Member Johnson, and Members of the Subcommittee, thank you for the opportunity to appear before you today on a topic of critical importance to the Consumer Financial Protection Bureau (CFPB) and our nation – financial literacy and empowering Americans to prevent the next financial crisis. I want to especially thank you, Chairman Akaka, for your pioneering leadership in helping enact policies intended to increase financial education and financial access for all Americans. The CFPB’s Office of Financial Education is a testament to your many contributions to the financial well-being of American consumers. You have been a longtime and vigorous champion for the financial empowerment of all Americans.

To successfully navigate our complex financial system, all Americans, regardless of income and level of educational attainment, must be equipped with the financial knowledge and skills sufficient to make informed financial choices. The Dodd-Frank Wall Street Reform and Consumer Protection Act’s creation of the CFPB’s Office of Financial Education provides Americans with an office dedicated to serving as a trusted resource for financial information and to improving the financial literacy of Americans.

My testimony will provide an overview of the financial education initiatives currently underway at the Bureau and, particularly, in our Office of Financial Education.

Providing Consumers with Actionable Financial Information

The Bureau has focused early resources on providing critical information to consumers via our website – www.ConsumerFinance.gov – and our Consumer Response Center. We also have launched several initiatives in the vein of making costs and risks clearer for consumers. Our signature *Know Before You Owe Mortgages* initiative is focused on simplifying and streamlining

duplicative mortgage forms that have been confusing homebuyers for many years. We also created and are testing a *Financial Aid Comparison Shopper* to help students navigate the complex world of student loans. The Comparison Shopper helps students to compare financial aid packages and to understand the payments they will face after graduation.

We released a prototype credit-card contract that is shorter and clearer than current credit-card agreements. We tried to keep the prototype to the seventh-grade reading level to make it accessible to as many consumers as possible.

Through our Office of Consumer Engagement the Bureau has also launched “Ask CFPB,” an interactive tool which allows consumers to obtain information about a variety of financial services and products. In addition, the Bureau has produced information for consumers to highlight the financial consequences of various checking-account overdraft fee choices. Earlier this year, the Office of Financial Education coordinated with Volunteer Income Tax Assistance (VITA) sites around the country to help tax filers eligible for the Earned Income Tax Credit think of potential refunds as opportunities to contribute to a qualified savings vehicle.

Each of these efforts is part of a larger endeavor at the Bureau to provide Americans with understandable information that helps them make better, more informed financial choices to achieve their financial goals.

Research and Innovation

American consumers will be better served if financial education is effective in imparting fundamental knowledge and skills. Because there is no clear consensus about the conditions under which financial education is most effective, earlier this year the CFPB’s Office of Financial Education launched its initial Financial Education Program Evaluation Project. This project uses a quantitative methodology to identify what elements of two existing financial education programs do or do not increase consumers' ability to manage their finances, and why. We intend to use the insights produced by this study to provide guidance to practitioners about how to design and support effective education programs. The results will be widely shared with participating Financial Literacy and Education Commission agencies and other stakeholders. As the research project proceeds, we will also facilitate the sharing of programmatic best practices, evaluation methodologies, and common metrics that promote effective financial education among practitioners and other researchers.

The Office of Financial Education is also focused on identifying innovations in financial education that will help consumers successfully navigate common financial challenges. As a first foray, we will be holding listening sessions and consulting with innovators within the next two months. Our objective is to understand how these innovations can be helpful to consumers and how we can leverage them to increase the financial literacy of Americans.

Outreach

In addition to the efforts undertaken to reach consumers more broadly at the Bureau, the CFPB’s Office of Financial Education is also engaged in significant outreach targeted to its particular

mission. American consumers benefit when the fruits of our work and of organizations that are excelling in financial education are shared broadly. We have held listening sessions with financial education providers, addressed faith communities and community organizations, held webinars, and spoken at numerous conferences and events. We also had the pleasure of participating in Financial Literacy Day on the Hill last week. Our outreach efforts continue to inform how we approach financial education and how we structure our work so that it most benefits American financial consumers.

Coordination with the Financial Literacy and Education Commission and with Treasury

Federal agencies involved in financial education have different missions, regulatory authorities, expertise, and resources. The CFPB is the only federal agency whose focus and mandate is the protection and education of the American financial consumer. The Bureau has taken a thoughtful approach to leveraging, complementing, and coordinating with financial education efforts already underway in the federal government. The Bureau's Director serves as the Vice Chair of the Financial Literacy and Education Commission (FLEC), and Bureau staff are engaged with each of the Commission's working groups. For example, the Office of Financial Education is engaged in ongoing efforts with FLEC partners to implement the FLEC National Strategy, and to pursue a coordinated approach to research and outreach. In particular, the Office of Financial Education will work with the FLEC to educate consumers about the Bureau's new remittances rule, which will become effective in January of 2013. Also, as part of our efforts to collaborate across agencies, our office meets regularly with Department of Treasury staff members in the Office of Financial Education and Financial Access to coordinate and leverage our respective activities.

These are just a few of the initial activities we are undertaking to serve American consumers and give them the best tools and opportunities to understand financial choices, challenges, and consequences.

Conclusion

As the economy continues to recover from the worst financial crisis since the Great Depression, it will be especially important that American families who are focused on building more secure financial futures are able to evaluate the choices available to them in the financial marketplace. We must seek to ensure that individuals and families have the knowledge and skills to manage their financial resources effectively and plan for future life events. It is only with knowledgeable and informed consumers that we will be able to fully and responsibly harness the financial system's tremendous capacity to fuel growth and investment, which are critical to our continued economic recovery. The CFPB's Office of Financial Education looks forward to working with this Committee, other agencies, the private and non-profit sectors, and others to improve the financial literacy of all Americans.

Thank you again for the opportunity to testify today. I look forward to answering your questions.