

**Testimony of Acting Director Joshua Wright
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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 Make Informed Financial
Decisions”**

April 12, 2011

Chairman Akaka and Ranking Member Johnson, thank you for the opportunity to appear before you today on a topic of critical importance to this Administration, the Department of the Treasury, and our nation – empowering Americans to make better informed financial decisions. I want to especially thank you, Chairman Akaka, for your tremendous leadership in helping enact policies intended to increase financial education and financial access. You have been a champion for financial empowerment of all Americans.

All Americans, regardless of income and level of educational attainment, must have appropriate consumer protections, be equipped with financial knowledge and skills, and have financial access, to make informed decisions in an increasingly complex financial marketplace. The Dodd-Frank Wall Street Reform and Consumer Protection Act provides clear rules of the road and consistent enforcement that will help make sure providers act responsibly and transparently. Simultaneously, consumers must take responsibility for their decisions. As the economy continues to recover, consumers still confront difficult financial challenges such as a lack of access to basic transaction, savings, and affordable credit products, stagnant wages, and falling home values. We must ensure that individuals and families have knowledge and skills to manage their financial resources effectively and plan for future life events. In addition to knowledge and skills, consumers must have access to financial products and services that are fair, affordable, understandable, and accessible. The future financial prosperity of our citizens and nation depends, in part, on the ability of Americans to make informed decisions and have access to appropriate financial services and products. Clear rules of the road, fair financial access, and knowledgeable and informed consumers will help our country harness the financial system’s tremendous capacity to fuel growth and investment, which are critical to our continued economic recovery.

My testimony will include an update on the activities of the Financial Literacy and Education Commission (the Commission), the President’s Advisory Council on Financial Capability (PACFC), and Treasury’s financial education and access initiatives, all of which aim to improve financial literacy and financial access and promote economic stability of all Americans.

The Commission Update

In 2003, Congress created the Commission in Title V of the Fair and Accurate Credit Transactions Act of 2003 (FACT Act) to better focus and coordinate federal financial education and literacy efforts. Treasury is honored to serve as the lead agency for the Commission and to report on its significant activities.

I want to acknowledge and thank the other members of the Commission that are participating in today's hearing for their efforts: the U.S. Department of Education, and the Securities and Exchange Commission, as well as the implementation team for the Consumer Financial Protection Bureau (CFPB). We have been leveraging our unique resources and working together to better equip Americans with necessary financial knowledge and skills. They have all been great partners and I appreciate and applaud their work.

Recently, the *Strategy for Assuring Financial Empowerment (SAFE) Report* was submitted to the Senate Banking, Housing, and Urban Affairs Committee and the House Financial Services Committee to inform members and the public of the Commission's activities. My testimony includes several highlights from the report. I respectfully request that the *SAFE Report* be included in today's hearing record.

Title V of the FACT Act requires the Commission to develop a national strategy to promote basic financial literacy and education among all American consumers and coordinate federal efforts to promote basic financial literacy and education. Treasury, in conjunction with the Commission members, published *Taking Ownership of the Future: The National Strategy for Financial Literacy* ("the Strategy") in 2006. The 2006 *Strategy* reviewed the progress towards financial literacy at that time and proposed calls to action, which were implemented between 2006 and 2009. In July 2009, the Treasury Department convened a special Commission meeting to review the Commission's approach to carrying out its purpose and role. As part of that process, Commission members set up a working group to craft a new national strategy, *Promoting Financial Success in the United States: National Strategy for Financial Literacy 2011* ("National Strategy 2011").

The Commission undertook a comprehensive and inclusive process that included reviewing strategic documents from other nations and other agencies as well as reaching out to a wide range of stakeholders in the field of financial education for input. As part of this inclusive process to develop the *National Strategy 2011*, the Treasury, on behalf of the Commission, published a request for comments and carefully considered the comments and made revisions to the *National Strategy 2011* to enhance its clarity and usefulness.

The *National Strategy 2011* provides a roadmap for organizations providing financial education and provides goals to help organizations guide Americans toward financial well-being. It will help ensure that financial education efforts support and advance the elements of the strategy.

Treasury, in conjunction with the Commission members, is developing the implementation plan for the *National Strategy 2011*. Treasury will also be engaged with Commission member entities to develop implementation plans specific to the constituencies that they serve.

To pursue one of the goals of the National Strategy 2011, efforts are underway to promote the five “Core Competencies” created by the Commission to focus financial education efforts in the field. These Core Competencies will represent five personal finance concepts every American should have command of. There were several steps taken to develop the Core Competencies, including consulting with researchers and practitioners in the field, conducting literature review, and incorporating public comments. The final stage of development is to translate the Core Competencies into an accessible resource. We are currently working to determine best practices to disseminate this information to the public, for instance by identifying strategic partners and by working with a social marketing expert.

A Financial Access Working Group, comprised of Commission members, has been created to ensure better integration of financial education and financial access efforts into existing federal programs that serve low- and moderate-income individuals and families and coordinate federal efforts around promoting financial access for unbanked and underbanked households. Having described a number of activities of the Commission, I will take this opportunity to address the comments about financial literacy from the Government Accountability Office (GAO) report, *“Opportunity to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue,”* that was published in March 2011.

An additional collaborative activity, the National Financial Capability Challenge is a non-monetary awards program designed to increase the financial knowledge and capability of high school aged youth across the United States. This joint effort with the Department of Education challenges high school teachers and other educators to teach the basics of personal finance to their students, and rewards students, educators, schools, and states for their participation and their success. Educators and top-scoring students receive award certificates.

Educating Americans to be more financially literate is a difficult challenge and requires the attention of many governmental agencies and private organizations. The federal entities engaged in financial literacy often have different missions, constituencies, and expertise, which can and should be leveraged to deliver optimal financial literacy, education and access. Just a few examples of the federal entities that have financial education programs provide a window into understanding the need for this varied, yet integrated approach. Examples of these essential efforts include: investor education provided by the Securities and Exchange Commission, housing counseling provided by the Department of Housing and Urban Development; and military personnel education initiatives provide by the Department of Defense to ensure financial readiness. Parents and families are provided financial education opportunities through Department of Health and Human Services.

In addition, the new Consumer Financial Protection Bureau will have a special focus on educating consumers and will assume the Vice-Chairmanship of the Commission. Treasury will continue to work with the CFPB to clearly delineate the roles of both agencies’ financial

education offices and coordinate to avoid duplicative efforts. Bringing these various approaches together, to complement, rather than duplicate efforts, is a key role of the Commission, and one we believe taken seriously by all of its member agencies.

MyMoney.gov is a great example of how the Commission has worked together to harness our resources. The redesign and relaunch of MyMoney.gov has been met with positive reaction, as the unbiased one-stop source for federal government information on financial education. The site continues to be improved, interactive self-assessment tools and a research clearing house are in process, and additional consumer search and navigation enhancements are being planned.

Treasury will continue to work collaboratively with the Commission members to identify possible duplicative efforts, and leverage resources to minimize fragmentation and maximize financial education efforts.

President's Advisory Council on Financial Capability

On January 29, 2010, the President signed Executive Order 13530, which created the President's Advisory Council on Financial Capability (Council) to assist the American people in understanding financial matters and making informed financial decisions, and thereby contribute to financial stability. It is largely composed of non-governmental representatives with relevant backgrounds, such as financial services, consumer protection, financial access, and education. The Council is tasked with recommending methods to coordinate and maximize the effectiveness of existing private and public sector efforts and identify new approaches to increase financial capability through financial education and financial access. The Secretary of the Treasury looks forward to receiving the Council's recommendations.

Financial Education and Financial Access Initiatives

The Treasury Department has implemented financial education and financial access initiatives in the last year and has proposed to engage in additional activities intended to help improve access to financial services.

Financial Education and Counseling Pilot Program

Through the Financial Education and Counseling (FEC) Pilot Program, the Community Development Financial Institutions (CDFI) Fund of the Department of the Treasury, working with Treasury's Office of Financial Education, provided grants to enable experienced organizations to provide a range of financial education and counseling services to prospective homebuyers, with the goals of:

- increasing the financial knowledge and decision-making capabilities of prospective homebuyers;
- assisting prospective homebuyers to develop monthly budgets, build personal savings, finance or plan for major purchases, reduce their debt, improve their financial stability, and set and reach their financial goals;

- helping prospective homebuyers to improve their credit scores by understanding the relationship between their credit histories and their credit scores; and
- educating prospective homebuyers about the options available to set and achieve short- and long-term financial goals.

The FEC Pilot Program addresses one of the core causes of the foreclosure crisis. Too many homebuyers entered into mortgage products that they could not afford or understand. The pilot is intended to ensure that working families have the financial knowledge to effectively prepare for and evaluate housing choices.

The CDFI Fund made a second round of awards for the FEC program in October. The awards totaled \$4.15 million, which included a grant to the Council for Native Hawaiian Advancement in Honolulu, Hawaii.

Electronic Treasury

Treasury's Electronic Payment efforts continue, with expansion of disbursement of federal payments electronically. Rules are now in place requiring Direct Deposit for all new federal benefit recipients by May 1, 2011, and for current recipients by March 1, 2013. When fully implemented, this initiative will save the Federal Government over \$500 million in the first five years. The GoDirect Campaign and the Direct Express Debit MasterCard program are in place to ensure people have safe and appropriate account options to receive their direct deposits. Individuals receiving Federal benefit payments who do not have an account at a financial institution or prefer receiving their payments on a prepaid debit card can receive a Direct Express card. The card is a safe, convenient and consumer-friendly way for benefit recipients to receive their payments.

In a similar vein Treasury is currently conducting a tax time account pilot, an initiative to improve tax administration while also providing basic financial access. The pilot has two components. The first is the MyAccountCard offer to a sample of low- and moderate-income households that are likely to be unbanked to receive their federal tax refund on a debit card, and then use that debit card as an ongoing financial transaction product. The results of the pilot will help determine the benefits and feasibility of a debit card account as an integrated part of the tax filing and refund process. The second, working with a provider of payroll services, Treasury will highlight the safety, ease and convenience of direct deposit onto payroll cards through tax season communications, including materials distributed with pay statements. Treasury aims to better understand the value of partnering with payroll providers and employers to deliver tax refunds into low-cost accounts. The pilot has the potential to streamline the tax administration process, save the government money, and deliver tax refunds in a faster, more efficient manner, while simultaneously providing access to safe and affordable basic financial transaction products.

Title XII of the Dodd-Frank Wall Street Reform and Consumer Protection Act

Chairman Akaka, your work in authorizing Title XII of Dodd-Frank will provide opportunities for increasing financial access for the unbanked and underbanked Americans. Our most significant proposed initiative utilizing the authority provided in Title XII is the Bank on USA initiative, designed to help bolster local and private sector initiatives to ensure that low-and moderate -income individuals have access to safe and appropriate financial services and products and financial education to help them use products and services soundly. The *2009 FDIC Survey of Unbanked and Underbanked Households* found that one of every four American households is unbanked (meaning they do not have any type of account) or underbanked (meaning that although they may have an account, the mainstream financial system is not meeting their needs, and they are turning to alternative financial services providers). Consequently, individuals that can least afford it are paying high fees for basic financial services, such as cashing paychecks and paying bills. Instead of paying excessive fees for alternative financial services, families would benefit from using mainstream financial services and could utilize transaction savings for a child's education, housing costs, or an emergency fund.

The President's budgets for FY 2011 and FY 2012 included funding requests for Bank on USA. Together with the CDFI Fund, we are working with financial institutions, community-based organizations, community development financial institutions, financial education providers, and local government officials to ensure that we will be able to quickly implement Title XII programs once funding becomes available. These programs will include financial access, financial education, as well efforts to spur new products and services by the private sector that will better meet the needs of the unbanked and underbanked. We are developing the necessary infrastructure to support community-based efforts intended to increase financial access.

Although we have begun these initial steps, appropriated resources are necessary to fully implement all of the proposed activities which are envisioned to utilize the authority in Title XII. Funding for Title XII initiatives is necessary to capitalize on the important economic empowerment opportunities provided by Dodd-Frank.

American families are focused on building more secure financial futures for themselves, and they deserve a fair, stable financial system, as well as the skills and access needed to navigate the financial marketplace successfully. Treasury looks forward to working with this Committee, other agencies, the private and non-profit sectors, and other members to help improve the financial capability of all Americans.