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Statement of

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Chairman Akaka, Ranking Member Voinovich, and members of the Subcommittee, I appreciate the opportunity to be here today to discuss what the Federal Reserve is doing to help Americans make informed financial decisions. This topic is particularly relevant in light of current economic conditions and the impact that depreciating home and stock values, tightened credit markets, and increased unemployment have had on consumers' finances. In my remarks today, I will discuss the Federal Reserve's continued commitment to financial education and consumer outreach. We believe that these approaches are necessary, but as our recent rules on mortgages and credit cards attest, we also believe they are not a substitute for strong consumer protection safeguards in an increasingly complex financial marketplace. I will also discuss the challenges and opportunities for policymakers, regulators, and educators in designing and delivering a well-rounded and effective program to help consumers evaluate their options and make good choices given the array of products and services available to them in the financial marketplace.

Financial Education and Consumer Protection

The Federal Reserve has a long history of providing useful consumer information. We believe that a major line of defense in consumer protection is self-defense--in other words, a well-informed consumer. Educated consumers can serve as their own advocates and better protect themselves from unnecessarily expensive and abusive financial products, practices, and scams by asking good questions about products and practices, especially those that "seem too good to be true." Consumers look to the Federal Reserve for unbiased, research-based financial information--and we intend to keep it that way. Over the years, the Federal Reserve Board has worked with other federal regulatory agencies, many of whom are now our partners in the

Financial Literacy and Education Commission (FLEC), on consumer information resources, both in print and on the Internet.

Nonetheless, financial education is not a panacea. Providing consumer information is one of several necessary and complementary consumer protection strategies ranging from raising awareness, providing accurate information, building capacity among educators and practitioners to developing effective consumer-tested disclosures, and, when necessary, protecting consumers by regulations banning or restricting unfair and abusive products. We believe that all of these approaches are essential for ensuring that consumers can successfully navigate an increasingly complex financial marketplace.

Since I last testified on the subject of financial education, conditions in the credit market have changed significantly. Last year, I reported that the financial services industry was extremely diverse and complex and that new technologies, policies, and financial innovations had contributed to the development of a robust and highly competitive consumer financial marketplace. I discussed our financial education efforts in the context of a market where consumers had relatively easy access to credit, but where many credit products had complex terms and conditions and were being marketed aggressively.

Much has changed in this last year, and the need for reliable financial information for consumers is even greater.

The Current Financial Marketplace

Over the last year, declines in the housing and stock markets have had a significantly negative impact on consumers, their families, and their communities. For example, the homeownership rate, having peaked at 68.9 percent in early 2007, had fallen to 67.5 percent by

the fourth quarter of 2008.¹ Delinquency rates on residential real estate loans rose from 1.9 percent to 6.3 percent over the same period, while charge-offs on mortgage loans rose from about one-tenth of one percent (0.12) to 1.6 percent² and foreclosure filings were up 17.7 percent.³

Aside from the damaging effects of foreclosure on individual homeowners who lose their homes, home values have declined, on average, about 17 percent during 2007 and 2008.⁴ As a result, American families have experienced a substantial loss of wealth and financial security. The Federal Reserve's 2007 Survey of Consumer Finances reported that households lost all the gains in wealth they made between 2004 and 2007. In fact, relative to values in the 2004 survey, adjusted median net worth was 3.2 percent lower in 2008. In other words, consumers are financially less well off now than they were four to five years ago.

The housing market's decline has had a significant impact on the overall economy. Credit tightening has reduced credit availability for many consumers and businesses. Unemployment has risen.⁵ As consumers tapped their lines of credit to help make ends meet, revolving consumer debt grew 9 percent across 2007 and 2008.⁶ During those two years, delinquency rates on credit cards rose from 3.9 percent to 5.6 percent while charge-offs rose from 3.9 percent to 6.2 percent.⁷

Even financially savvy consumers are challenged in this difficult economic environment. Consumers with lower levels of financial capability--whether because of lower income, assets, or understanding--clearly need help to maintain and improve their finances. For financial

¹ <http://www.mbaa.org/ResearchandForecasts>

² <http://www.federalreserve.gov/releases/chargeoff/default.htm>

³ <http://www.realtytrac.com/foreclosure/foreclosure-rates.html>

⁴ <http://www.zillow.com/reports/RealEstateMarketReports.htm>

⁵ The national unemployment rate is 8.5 percent, but as high as 11.2 to 12.6 percent in California, South Carolina, Oregon, and Michigan.

⁶ <http://www.federalreserve.gov/releases/g19/current/g19.htm>

⁷ <http://www.federalreserve.gov/releases/chargeoff/>

educators, these circumstances represent a “teachable moment.” For the Federal Reserve, this is an opportunity to reach consumers with important messages regarding the financial decisions they face, and we have significantly expanded our outreach efforts in response to these economic conditions. Given the current circumstances, consumers require reliable financial information, clear and meaningful disclosures, and regulations to protect them from potential financial harm.

Raising Awareness and Providing Tools

One of the most important roles the Federal Reserve plays is to make consumers aware of emerging issues and trends in the financial marketplace and to help them understand how those trends will affect them personally. An example of this type of financial education is our contract with a distributor of brief consumer news stories, in print and radio format, to daily and weekly media subscribers. We have used this approach for several years and have found it to be an effective means of directing consumers to our website (www.federalreserve.gov) for more information and resources. For example, a recent article on tips for protecting homeowners from foreclosure appeared in 398 newspapers in 26 states. Another article on refinancing mortgages appeared in 444 newspapers in 22 states. Audience penetration for these articles is estimated at 44.6 million and 45.4 million, respectively.

This spring, in response to the increasing number of foreclosure rescue scams identified by our non-profit partners, the Federal Reserve Board took the unusual step of purchasing 30-second advertisements in movie theaters to raise awareness of these scams and other fraudulent consumer “help.” The advertisements, which played before movie previews in 14 cities with high foreclosure rates across the country, warn consumers about foreclosure scams and direct them to our website for tips on avoiding fraud and for information about other resources

available to them through the Federal Reserve System.⁸ Perhaps even more effective than the advertisements themselves was the coverage that the Federal Reserve received for this effort. Several major newspapers, wire services, and radio and television news programs reported on the movie theater outreach, further extending the reach of our message and raising public awareness of this critical issue.⁹

The Board also has a history of identifying strategic partnerships to enhance our consumer outreach. For example, we are working to expand consumer awareness of foreclosure scams through a partnership with NeighborWorks America and the Conference of State Bank Supervisors (CSBS). The Federal Reserve Board and the Federal Reserve Banks also continue to partner with the “America Saves” program, the American Savings Education Council, Operation Hope, the “Bank On” program, and the Jump\$tart Coalition for Personal Financial Literacy to promote financial education and asset-building strategies.

In addition to the consumer information that Congress has mandated the Federal Reserve to provide to consumers, such as the *Consumer Handbook on Adjustable Rate Mortgages* and *What You Should Know about Home Equity Lines of Credit*, the Board has also developed calculators to help consumers explore mortgage choices and mortgage refinancing.¹⁰ Two weeks ago, we launched English and Spanish versions of our credit card repayment calculator, which allows consumers to estimate how long it will take to pay off their credit card bills if they only make minimum payments. Consumers can also estimate the monthly payments needed to pay off a balance in a specific number of years or the amount of time it will take to pay off their

⁸ <http://www.federalreserveeducation.org/pfed/mediakit.cfm> and <http://www.federalreserve.gov/consumerinfo/foreclosure.htm>

⁹ Press coverage included: Wall Street Journal: <http://onlinewsj.com/article/SB123801611159052151.html>
Orlando Sentinel: http://www.orlandosentinel.com/topic/dp-biz_singletary_0409apr09,0,934880.story
CNN: <http://tips.blogs.cnn.com/2009/04/06/avoiding-mortgage-fraud/>
CNBC: <http://www.msnbc.msn.com/id/29944825/>

Variety: <http://www.variety.com/article/VR1118001756.html?categoryid=3284&cs=1>

¹⁰ <http://www.federalreserve.gov/apps/mortcalc/> and <http://www.federalreserve.gov/pubs/refinancings/default.htm>

balance if they pay a specific amount each month.¹¹ The calculators are available via a toll-free number, (888) 445-4801, and on the Board's website.

Building Capacity Among Educators and Practitioners

While we work diligently to enhance consumer awareness and provide useful financial tools and information, the Federal Reserve is aware that some consumers would benefit from a more structured approach to learning how to make sound and informed choices in the financial marketplace. And sometimes they need coaching, advice, or counseling to help them develop and implement a personal financial plan. The Federal Reserve is committed to empowering consumers and increasing their financial capability by building the capacity of financial educators in schools and community-based organizations.

Across the Federal Reserve System, we host teacher-education workshops for kindergarten through grade 12 teachers. These efforts focus on activity-based constructivist learning approaches, such as computer games, in contrast to more traditional information transfer education models. Our goals are to incorporate more experiential learning and to foster the development of critical thinking and problem-solving skills.

We also host training workshops and conferences for community-based educators working with young adult and adult learners. These events provide updates on emerging issues and resources, as well as ideas for outreach via social media. While many of these are face-to-face sessions, we have also used webinars, online training, and other distance-learning strategies to reach audiences that may not be able to travel to conferences or meetings.

Our support of education and capacity building goes beyond these train-the-trainer efforts. Many Reserve Bank staff members serve as key members of local Jump\$tart coalitions that encourage states and localities to set standards of learning that include financial

¹¹ <http://www.federalreserve.gov/creditcardcalculator/>

decisionmaking skills. Board staff also serves on the advisory council for NeighborWorks America's Center for Homeownership Education and Counseling (NCHEC), which has developed industry standards for quality homeownership education and counseling, including foreclosure mitigation counseling. NCHEC certifies nonprofit organizations as well as individual counselors. The Appendix to my statement provides a sampling of the numerous other Federal Reserve activities related to financial education and capacity building.

At the same time that we work to make sure that quality financial information reaches consumers, the Federal Reserve System is evaluating the impacts of financial education in an effort to better understand what approaches work the best. For example, Board staff, working with the Department of Defense, Army Emergency Relief, and San Diego City College, conducted a longitudinal study involving two groups of soldiers--one receiving a two-day financial education course as part of their advanced individualized training, and a second comparison group that did not receive any financial education. Compared with those in the comparison group, soldiers who took the financial education course were more likely to engage in positive financial behaviors (such as saving regularly, participating more in the Thrift Savings Plan or other retirement savings programs, paying off their credit card bills in full, and having a longer planning horizon) and were less likely to engage in negative behaviors (such as having to pay overdraft fees and paying bills late).¹²

Research on the effectiveness of homeownership education and counseling is currently being conducted by the Federal Reserve Bank of Philadelphia. In addition to research conducted by Federal Reserve staff, the System promotes research on consumer issues through its biennial Community Affairs Research Conference. Our most recent conference, held earlier this month, featured papers on the effectiveness of financial education on financial market participation in

¹² see <http://www.kansascityfed.org/carc2009/papers.cfm##>

addition to several papers that examined consumer behavior related to mortgage and credit card products.¹³

Developing Consumer-tested Disclosures

Clear and well-organized disclosures can help consumers, including the best informed, to make good choices among financial products. The Federal Reserve Board has a number of statutory responsibilities with respect to writing rules for consumer disclosures. We take these responsibilities very seriously. In the past year or so, we have developed extensive new disclosures for a variety of financial products, most notably credit cards, and we are currently in the midst of a major overhaul of mortgage disclosures.

To ensure that new disclosures are useful to consumers, we have increased our use of consumer testing. Exploring how consumers process information and come to understand--or sometimes misunderstand--important features of financial products has proven eye-opening. We have used what we learned from consumer testing to improve our required disclosures. For example, our recently released rules on credit card disclosures require certain key terms to be included in a conspicuous table provided at account opening because our field testing indicated that consumers were often already familiar with and able to interpret such tables on applications and solicitations, but were unlikely to read densely written account agreements.

We continue to use qualitative cognitive testing with individuals to help us develop clear disclosures and quantitative validation testing to assure the new disclosures represent an improvement over those currently existing in the marketplace. We are also learning from the field of behavioral economics as we continue to explore ways to provide disclosures that consumers will pay attention to, comprehend, and use in their decisionmaking.

¹³ <http://www.kansascityfed.org/carc2009/papers.cfm##>

Writing Regulations to Curb Unfair and Deceptive Practices

As I indicated earlier, we believe that financially educated consumers are an important line of defense in well-functioning markets. At the same time, because of the complexity of certain products and terms, it may be difficult for consumers to weigh their costs and benefits or make informed choices. Some products posing a high degree of risk to consumers, especially those targeted at vulnerable populations, are often offered through aggressive or misleading marketing. Thus, there remains a need for effective regulation and enforcement that are responsive to market changes and that protect consumers from unscrupulous players.

Our consumer testing efforts have taught us that even the best disclosures do not offer the best protection to consumers in all cases. Our testing shows that some aspects of increasingly complex products simply cannot be fully understood or evaluated by consumers, no matter how well-educated the consumer or how clear the disclosure. In those cases, direct regulation, including the prohibition of certain practices, is necessary. An example from our recent rulemaking was the allocation of payments by credit card issuers. When creditors charge different interest rates for purchases, cash advances, and balance transfers, they can increase their revenues through their payment allocation policies. For example, a consumer might be charged 12 percent on purchases but 20 percent for cash advances. Under the old rules, if the consumer made a payment greater than the minimum required payment, most creditors would apply the payment to the purchase balance (the balance with the lower rate) thus extending the period that the consumer would be paying the higher rate. Under these circumstances, the consumer is effectively prevented from paying off the cash advance balance unless the purchase balance is first paid in full.

To help consumers understand this practice and its implications, we used an iterative process to design model disclosures that were intended to inform consumers about payment allocation practices. Extensive testing indicated that, when asked to review and interpret our best attempts at clear disclosures, many consumers still did not understand the payment allocation practices well enough to make informed decisions. Given the inability of any disclosure to adequately convey the costs of these payment allocations and because the allocation methods used by creditors were structured to produce the maximum cost to the consumer, the Board's new rules limit the discretion of creditors in allocating consumers' payments. The Board also banned "double-cycle billing," a practice by which a bank calculates interest based not only on the current balance, but also on the prior month's balance, on similar grounds; we found from testing that the complexity of this billing method served only to reduce transparency to the consumer without producing any reasonable benefit. These actions were part of the most comprehensive change to credit card regulations ever adopted by the Federal Reserve Board.¹⁴

Similar issues have arisen in the mortgage arena, where many of the poor underwriting practices in the subprime market had potentially unfair and deceptive features.¹⁵ For example, the failure to require escrow accounts for homeowners' insurance and property taxes in many cases led borrowers to underestimate the costs of homeownership. The Federal Reserve restricted this practice and others through new rules released in July 2008.

By using a variety of strategies to address the continuum of consumer needs--from making consumers aware of an issue, to providing reliable information and clear disclosures that allow a meaningful evaluation of financial choices, to prohibiting certain egregious products and

¹⁴ <http://www.federalreserve.gov/newsevents/press/bcreg/20081218a.htm>

¹⁵ <http://www.federalreserve.gov/newsevents/press/bcreg/20080714a.htm>

practices--the Federal Reserve can empower consumers to make informed financial decisions. In so doing, we aim to promote the economic well-being of consumers and their families.

Broader Efforts in Support of Financial Education

In addition to the Federal Reserve's efforts to promote consumer education and protection, we have supported the Financial Literacy and Education Commission in meeting its mandates and implementing its national strategy. Since its inception in 2004, Board staff has served on the MyMoney.gov website working group and the national strategy working group. The Federal Reserve Board and the Reserve Banks have been engaged in many of the action items identified in the national strategy, including working with unbanked and underbanked audiences, improving access to financial services, developing a national financial capability research agenda, and encouraging global partnerships. We look forward to working with the new leadership at the Treasury Department and intend to continue to provide support for the national strategy.

Beyond work with FLEC, Federal Reserve Board staff has also been engaged with colleagues internationally. In particular, we have represented U.S. financial education efforts with the International Network for Financial Education sponsored by the Organization for Economic Cooperation and Development (OECD).¹⁶ Federal Reserve Board staff serves on a subcommittee to create evaluation criteria that will allow cross-cultural comparisons of the impacts of financial education programs. Since 2002, the Federal Reserve Board has met with other international financial regulators to share best practices with respect to financial consumer protection and education issues. In these international settings, we have learned that while we are on the forefront of many consumer education and protection efforts, there is much that we can learn from others.

¹⁶ http://www.financial-education.org/pages/0,3417,en_39665975_39666038_1_1_1_1_1,00.html

Conclusion

In summary, we believe that a comprehensive approach best enables consumers to function effectively in the financial services marketplace. By enhancing consumer awareness, by providing reliable information to help consumers understand financial products and services, by requiring meaningful and consumer-tested disclosures, and by prohibiting unfair and deceptive financial products and practices, we believe we can both protect consumers and help them to make informed financial decisions.

Appendix

Recent Federal Reserve System Financial Education Initiatives

Federal Reserve Bank of Boston

The Reserve Bank produced the video *Lessons from a Storm*, based on case studies from Hurricane Katrina. The video depicts the advantages of having a bank account for families trying to reestablish a firm financial footing (<http://www.bos.frb.org/consumer/lessons-from-a-storm/index.htm>). The Community Affairs group has also raised awareness in their region of successful “Bank On” efforts and initiatives targeted at immigrant families. Reserve Bank staff works with Harvard University faculty on a project during income tax season to apply behavioral economics principles to help low-to-moderate income families save.

Bank staff created two new interactive education programs, *Consumer Savvy* and *Teens and Credit* for community and school groups; they also conduct teacher workshops. The Bank hosts the LifeSmarts competition for the state of Massachusetts and supports this competition in other New England states, including the successful launch of JV LifeSmarts for middle school students in cooperation with the Citizen Schools partnership. The Bank created and hosts the Reserve Cup Challenge that brings together high school teams from across New England states to compete. The Bank offers a 10-unit financial capacity apprenticeship, *Let’s Talk about College* and hosts *Kids Invest! WOW* as part of an after-school and extended-day program. They collaborate with the Massachusetts Council for Economic Education in the provision of the Economics Challenge and the Financial Challenge for New England states.

The Bank created and hosts the New England Youth Financial Education Forum bringing together financial education stakeholders from each of the six New England states. The advisory group includes representatives from the states’ Departments of Education, Consumer Affairs, and Treasury offices as well as directors of the state affiliates of the Jump\$tart Coalition and the Council for Economic Education, university professors, and other state officials.

In collaboration with the Museum of African American History, the Bank has created the Black Entrepreneurs of the 18th and 19th Centuries exhibit that is being hosted both at the Bank and at the Museum. The exhibit focuses on the role of entrepreneurs in the economy and highlights the lives, challenges, and contributions of over 60 black entrepreneurs in selected industries.

Federal Reserve Bank of New York

The New York Fed has been proactively involved in economic and financial capability programs for students and teachers, from elementary school through college, for many years. The elementary school program, *It’s All about Your \$*, is a part of the Jr. Fed Club that includes hands-on activities for students and a savings pledge. The High School Fed Challenge has more than 100 high school teams competing for the district championship; the winner competes in the national finals at the Board of Governors. Staff is developing the Fed Challenge Online, an e-learning site for high school students and teachers to learn about macroeconomics and monetary policy.

Reserve Bank staff works with Sagrada Corazon University in Puerto Rico on the Economic and Financial Educational Alliance of Puerto Rico, providing teacher training for high school economics teachers and a local economics contest for high school students focusing on local economic issues.

Staff provides two continuing education programs for high school teachers: *In the Shoes of a Fed Policy Maker* and *Global Economic Forum*. These three-day summer programs are designed to help teachers more effectively incorporate economics into their classroom. The Bank also hosts a symposium for two- and four-year college professors; *The Federal Reserve in the 21st Century* features a day on Fed Basics and another on current topics presented by Federal Reserve Bank of New York research economists. This year, the second day focused entirely on the recent financial market crisis and Fed response.

To facilitate understanding and monitoring of consumer credit issues, the Bank's public website provides timely, detailed geographic information on delinquencies of bank credit cards and mortgages through a set of dynamic maps (<http://www.newyorkfed.org/regional/subprime.html>). Staff continues to develop features for the site, including adding data on auto loans and more detailed information on all mortgages at the state, county, and zip code level.

Staff is creating a simple communications tool to aid low-income potential homebuyers. To retain homebuyers as homeowners, staff has created a series of flyers, customized by region, to enable borrowers to find free and reliable foreclosure prevention resources, available on the website (<http://www.newyorkfed.org/regional/commdev.html>). In addition, staff created a "spot a scam" checklist to supplement the Foreclosure Prevention Flyers.

To build and expand educational capacity in the region, staff works with key stakeholders, including the Community Bankers, HopeNow Alliance, other federal and state banking regulatory agencies, and a range of community leaders and helps professionals across the region. In addition to conferences and training sessions, staff participated in borrower fairs and events that offered assistance to distressed homeowners looking for solutions to their mortgage-related troubles. Last year, home borrower fairs in Brooklyn, New York; Newark, New Jersey; and Westbury, Long Island helped about 700 home borrowers. This year, the HopeNow Home Preservation Forum, held in Newark with the New Jersey Department of Banking and Insurance, attracted 904 families to the half-day event compared with 193 families in 2008.

To develop capacity in the legal community, the Reserve Bank's Legal group formed the Lawyers' Foreclosure Intervention Network (LFIN), a pro bono pilot program cosponsored by the City Bar Justice Center. LFIN marshals the resources of New York City's legal community to assist New Yorkers facing the prospect of foreclosure.

Federal Reserve Bank of Philadelphia

The Federal Reserve Bank of Philadelphia is conducting a long-term experimental-design study of the effectiveness of pre-purchase homeownership counseling on consumer credit behavior and homeownership outcomes with the assistance of the Consumer Credit Counseling

Service of Delaware Valley (CCCSDV) and Abt Associates, Inc. A major emphasis is on the financial behavior of participants *after* they become homeowners. Many homebuyers experience the greatest frequency of problems in the third or fourth year of their mortgage loan, including falling prey to unscrupulous lenders when refinancing and mortgage default. The study recently completed the process of recruiting program participants and is completing the first-year follow-up interviews.

The Community Affairs department holds three meetings annually and participates on the steering committee for the Financial Education Network of Southeastern Pennsylvania. This group provides training and professional development to nonprofits, housing counselors, community banking lenders, credit unions, and others who work to enhance the financial capacity of the low- and moderate-income population and others. Recent topics have included state, local, and national foreclosure prevention programs such as FHA Secure, Hope for Homeowners, Philadelphia's Residential Mortgage Foreclosure Diversion Program, and the HopeNow Alliance.

The Reserve Bank has been active in cautioning consumers about foreclosure avoidance scams. Bank staff also participated in the Consumer Information Fair sponsored by the Pennsylvania Office of the Attorney General during National Consumer Protection Week.

The Federal Reserve Bank of Philadelphia continues to train and provide materials to high school teachers to teach the *Keys to Financial Success* personal finance course. About 70 schools offer the course to between 2,000 and 3,000 students per semester. An additional 15 to 20 teachers will be trained this summer. In March, Bank staff trained 34 elementary school teachers in the *Money Matters for Kids* program, a personal finance curriculum. This program incorporates active- and collaborative-learning teaching methods in response to economic education research that shows teaching personal finance needs to be incorporated from kindergarten through grade 12, as in other disciplines such as reading and mathematics, in order to be most effective. This program will be offered as a one-day program along with the *Personal Finance for the Middle School Classroom* course aimed at teachers in grades 6 to 8. Staff also hosted a delegation from the Russian Federation on a study tour to learn more about how personal financial education is implemented in the United States.

Federal Reserve Bank of Cleveland

Reserve Bank staff has been active supporters of the America Saves program from the launch of the pilot program in Cleveland almost ten years ago. Since then, they have conducted surveys of practitioners, convened regional consortia, hosted conferences, and currently advise the Northeast Ohio Consortia for Financial Success. Bank staff provided advice to help launch Pittsburgh Saves in Southwestern PA as a program of the Southwestern Pennsylvania Financial Education Consortium. Staff also advises the Northeast Ohio Coalition for Financial Success, an organization comprising local government, universities, banks, and financial education providers to promote greater awareness of and access to existing resources. The group's tagline is "Build your financial knowledge one step at a time."

With the goal of improving financial stability for individuals and families in Greater Cincinnati, the Cincinnati Branch of the Federal Reserve Bank of Cleveland is working in partnership with the mayors of Cincinnati, Covington, and Newport to launch Bank On Greater Cincinnati in order to connect Greater Cincinnati residents with mainstream financial services. The Federal Reserve Bank of Cleveland has collaborative relationships with the United Way of Greater Cincinnati, the Southwestern PA Financial Education Consortium, Treasury Retail Securities, NeighborWorks Western Pennsylvania, and the Internal Revenue Service (IRS) Volunteer Income Tax Assistance program.

In 2008, the Office of Community Development hosted a research seminar on financial education. Researchers and practitioners shared their perspectives and knowledge regarding financial literacy, impact measures of various programs, and the role of financial education as part of a broader set of policies aimed at enabling financial capability in low- and moderate-income communities. As a result of this seminar, the Bank commissioned a white paper on financial education programs (<http://www.clevelandfed.org/research/workpaper/2008/wp0803.pdf>) and hosted a policy summit on the effectiveness of financial education efforts (http://www.clevelandfed.org/our_region/community_development/events/policy_summit/2008/index.cfm).

The Cleveland Reserve Bank recently launched a new exhibit in their Learning Center and Money Museum, "Power to the People: Regulation and Change." The exhibit introduces community audiences to the regulatory process and the consumer's role in regulatory reform. The exhibit is intended to encourage community dialogue to foster greater public understanding of the Federal Reserve. The exhibit and the program messages regarding consumer education, financial education, and regulatory reform are available to community groups and to other Reserve Banks for use in their outreach efforts. Other Learning Center programs include lessons on critical thinking that are aligned with Ohio Board of Education standards. In addition to traditional student audiences, the Bank offers tailored financial education programs for organizations including Girl Scouts, NAACP, and the library system.

Great Minds Think: A Kid's Guide to Money is a self-directed financial education workbook, available in English and Spanish. It was developed in response to requests for resources to introduce financial education and critical thinking concepts to middle school audiences. After less than two years, the Reserve Bank has received requests for more than 89,000 copies from other Reserve Banks, government, financial, education, community groups, and families. Now in its sixth year, the Cleveland Fed's writing contest--Money, Money, Money--encourages high school students to think critically and creatively about financial decisions. Ongoing feedback from educators informs the structure of the annual contest.

Federal Reserve Bank of Richmond

Federal Reserve Bank staff has collaborated with the New Visions New Ventures Center for Asset Development and their individual development account program. They have also worked with the Jump\$tart affiliates in Virginia to present sessions on credit and mortgage markets in Virginia. Ongoing activities include partnerships with and serving on the board for

Jump\$tart, Junior Achievement, state Councils on Economic Education, and local organizations that promote and support financial literacy.

Outreach and education activities aimed at promoting financial capability include providing professional development and training opportunities for educators, developing and distributing curriculum and informational resources, building capacity for community based educators and organizations, and raising awareness about the importance of economic and financial education through partnerships.

Staff hosted a conference series, “Widespread Impact of Mortgage Foreclosures: From Credit Markets to Local Communities” in conjunction with universities to provide information on mortgage foreclosures nationally and locally. Economists and analysts presented insight into drivers that contributed to the problem, the subsequent disruption of the mortgage market, and the effects on communities. This conference reaches faculty, students, the general public, and local media.

The Bank hosted a professional development webinar series for teachers. The program included topics on housing finance, structured finance, and financial regulations followed by highlights of Federal Reserve resources for teaching personal finance and economics.

With the Virginia and North Carolina Bankers’ Associations, staff conducted four sessions of Back to School, a one-day workshop to prepare bankers to conduct classroom visits. The program is designed to provide bankers with instructional techniques, resources, and content information on relevant topics in the K-12 curriculum; 100 bankers conducted multiple classroom visits across Virginia and North Carolina.

The Reserve Bank hosted foreclosure prevention training for housing counselors in Virginia and assisted in building the capacity of the housing counseling network that serves North Carolina and South Carolina.

Staff serves on the Maryland Fraud Prevention Task Force, helping to determine what information to disseminate to help consumers avoid foreclosure scams in Maryland and to identify the enforcement remedies available.

The Baltimore Branch staff co-sponsored Maryland’s Personal Finance Challenge in partnership with the Consumer Credit Counseling Service of Maryland, the Maryland Coalition of Financial Literacy, and the Council on Economic Education in Maryland. Charlotte Branch staff participated in Financial Literacy Day held at the General Assembly in Raleigh, North Carolina to kick off Financial Literacy Month.

Federal Reserve Bank of Atlanta

The Federal Reserve Bank of Atlanta and the Federal Deposit Insurance Corporation’s (FDIC) Atlanta Regional Office have partnered to develop a financial planning curriculum that serves as an enhancement to the FDIC’s existing *MoneySmart Financial Education* curriculum. The topics include financial services and products that promote lifelong financial stability, such as the fundamentals of financial planning, saving for education, insurance planning, retirement

planning, estate planning, income taxes, and investment planning. Staff also conducts train-the-trainer events using the *MoneySmart* curriculum.

Staff from the Atlanta Reserve Bank serves on the taskforce for the Bank On Savannah initiative to increase financial access for unbanked individuals. Additionally, Reserve Bank staff participated in the HopeNow Foreclosure Workout event hosted in Atlanta, Georgia. The Atlanta Reserve Bank provided information on foreclosure prevention options, on foreclosure prevention taskforce partners and resources, and on how to recognize foreclosure rescue scams.

Staff supports very active Jump\$tart Coalitions in Georgia, Louisiana, Florida, Alabama, and Tennessee. The Tennessee coalition, with leadership from the Nashville Branch staff, was recognized by National Jump\$tart as the 2009 State Coalition of the Year. In Tennessee, largely because of the work of the state Jump\$tart Coalition, financial education will be a mandatory class for high school students in order to graduate, beginning in 2010. The Nashville Branch has been designated as one of eight organizations certified to provide the required 14-hour training necessary for educators to teach the course. Staff in the New Orleans branch provides an intensive summer teacher training program that incorporates personal financial literacy concepts into the school system's free enterprise class, which is required for graduation. The Atlanta Fed is closely involved with the Georgia Consortium for Personal Financial Literacy, which is the Georgia affiliate of Jump\$tart. In Florida, the Coalition has received funding to provide mini-grants for teacher training and participates in the American Bankers Association's (ABA) Teach Children to Save Day.

The Community Affairs staff is active in the many regional asset-building programs throughout the District to promote asset building and preservation through free tax preparation, financial education, savings programs, and foreclosure mitigation. In Tennessee, asset-building programs are available through the free tax sites, including access to Department of Human Services benefits screening, access to a free "second chance" savings or checking accounts through the SavingsPoint initiative, and access to free one-on-one financial coaching.

Community Affairs is active throughout the District in foreclosure prevention and mitigation including partnering with the HopeNow Alliance, working with local congressional staff to put together foreclosure mitigation events, and convening local and regional task forces for foreclosure mitigation and prevention.

In Louisiana and Mississippi, Community Affairs participates in programs to educate and inform communities about rising mortgage defaults and high-risk markets and trying to combat foreclosure prevention scams. In Florida, a series of *MoneySmart* Train-the-Trainer workshops has been conducted for students at St. Thomas University School of Law. As part of this program, third-year law students were also trained in foreclosure counseling and will do pro bono financial education and foreclosure counseling in the community. In South Florida, Community Affairs has been working very closely with the U.S. Southern Command Office of Family Support to provide mortgage financing information and foreclosure mitigation alternatives specifically for military personnel and federal employees. In this effort, partnerships have been developed with the Departments of Housing and Urban Development and Veterans Affairs to discuss alternatives and services available specifically to active military and veterans.

Also, Community Affairs is working with the Mexican Institute for Mexicans Abroad to train representatives from the Mexican Consulate and other community-based organizations that serve the Mexican immigrant population.

Community Affairs is also working with the Bank On Cities program in Georgia, Tennessee, Louisiana, and Florida. In Georgia, Bank on Savannah has just launched its initiative. In Louisiana, Community Affairs is cooperating to launch a Bank On initiative modeled on Bank On San Francisco in Baton Rouge and Houma/Terrebonne parish with government leadership. In Tennessee, Community Affairs staff is working with the City of Nashville in the very early stages of exploring a Bank On campaign. In Florida, Community Affairs staff is working with the City of St. Petersburg to launch the Bank On St. Petersburg. This city has been selected as one of eight cities in the nation to be awarded a technical assistance grant from the National League of Cities for their Bank On program. Additionally, the Jacksonville area is part of the Treasury's Community Financial Access Pilot Program and Community Affairs has played a key role in convening the community around this initiative.

Additionally, Community Affairs has developed a Disaster Preparedness Center website to assist in financial preparedness and recovery. Small business financial education is also being developed. Branch staff continues to use the convening power of the Federal Reserve to reach out to diverse groups in order to develop partnerships and collaborations around the area of financial stability.

Staff interacted with over 7,300 middle school and high school teachers, with intensive workshop presentations focusing on economic education and financial literacy, and an additional 5,000 teachers with presentations at conferences.

As part of a major initiative to assess the effectiveness of economic education programs, the Atlanta Fed is partnering with the St. Louis Fed to establish standards for economic education and personal finance programs. These standards will cover a wide range of key financial knowledge targets for middle and high school students and will provide a basis for ensuring consistency and measuring the effectiveness of our economic and financial education programs.

The Miami Branch education staff delivered a *Building Wealth* teacher workshop for 50 teachers, featuring the Dallas Fed's personal finance curriculum. They also delivered a "Fed Boot Camp for Academy of Finance (AOF) Teachers" workshop. This workshop sought to familiarize AOF teachers with the Fed's history, functions, and educational resources. Personal finance publications were provided as part of the educational resources featured.

In Alabama, Community Affairs plays a lead role in the Alabama Asset Building Coalition. Birmingham branch staffers serve on the steering committee for the College Access Challenge Grant Program (CACGP), awarded to the Alabama Department of Education by the U.S. Department of Education. This grant program aims to significantly increase the percentage of Alabama's qualified underrepresented students that complete the student aid application, enroll in college, and receive a degree. The steering committee has incorporated a student loan

awareness component that educates participants on the types of loans and the benefits or drawbacks of each.

Federal Reserve Bank of Chicago

Since its inception in 2002, the Federal Reserve Bank of Chicago's Money Smart Week has grown to include more than 20 cities and all five states within the Chicago Fed's district of Illinois, Indiana, Iowa, Michigan, and Wisconsin as well as several cities outside of the district (http://www.chicagofed.org/education/msw/msw_index.cfm). Each year, hundreds of educational classes and activities are offered through these campaigns and tens of thousands of consumers participate. Local financial institutions, nonprofits, government, schools, and libraries work together to promote and offer the many educational resources available to the community. During the designated week, participating organizations are asked to "do what they do already," whether that means their monthly home buying 101 class or annual financial literacy fair. It is the Chicago Fed's belief that well-informed consumers are more likely to make better financial decisions to the benefit of the consumer and possibly the economy overall.

Examples of Money Smart Week events in the past year include activities at Northern Michigan University, helping students learn more about avoiding debt, saving and investing, and the economic stimulus package. Part of the Money Smart Week activities in Detroit included the launch of Bank On Detroit in partnership with the AARP Foundation and their Michigan state affiliate office. Additionally, the Reserve Bank hosted their third annual financial literacy summit (<http://www.practicalmoneyskills.com/summit2009/>).

The Reserve Bank hosted a conference in the Quad Cities area of Iowa that explored the foreclosure situation. Speakers focused on counseling and mitigation programs, and financial literacy and education initiatives.

Federal Reserve Bank of St. Louis

Reserve Bank staff initiated a collaboration with the Securities Division of Missouri's Secretary of State, the Missouri Jump\$tart Coalition, United Way, and the Southern Indiana Asset Building Coalition, to explore having a Money Smart Week in the district. Many of these same partner agencies will also be collaborating on an asset-building and financial education statewide conference in the fall. Staff also met with the Missouri Community Betterment (MCB) Educational Fund, Inc. to explore working together on projects such as *Coming Up with the Money*, *Growing Entrepreneurs from the Ground Up*, *Get Checking*, *Money Smart*, and *It's Your Paycheck*.

It's Your Paycheck is a new nine-lesson curriculum that involves students in learning about wages and taxes, credit cards, payday loans, rent-to-own contracts, and check-cashing schemes. Other curricular resources include *Cards, Cars and Currency*, a five-lesson curriculum that focuses on purchasing a car, how small purchases can add up to one big problem and the costs and benefits of debit and credit cards. For the elementary schools (grades one through three), Reserve Bank staff produced *Piggy Bank Primer: Saving and Budgeting*. The Bank also provides basic economics and personal finance lessons, an eleven-lesson series for kindergarten

through grade five. Staff has trained more than 1,700 teachers, who in turn reach about 72,000 students.

For adult learners, the publication *Kids and Money* helps parents teach their school-age children how to manage money. *You've Earned It* explains how the Earned Income Tax Credit (EITC) works and how to find out if a family qualifies. Staff across the District (St. Louis, Memphis, Little Rock, and Louisville) provides advisory services to local individual development account (IDA) coalitions and collaboratives to link EITC benefits to IDAs. *Learn Before You Leap* promotes homebuyer counseling organizations within the district to encourage potential homebuyers to learn about the process and pitfalls before signing on the bottom line.

Across the district, the Reserve Bank hosted the kick-off for Exploring Innovation in Community Development Week in Louisville and sponsored United Housing's 7th Annual Housing Fair in Memphis. This fair was unique because it targeted not only the general market but also Memphis' growing immigrant community. The event showcased local lenders, real estate professionals and other housing related service providers and gave participants the opportunity to explore affordable lending products available in Memphis and Shelby County. The event's objective was to provide easy access to educational information and materials for homeownership to first-time homebuyers and existing homeowners. Staff across the district is also involved in foreclosure prevention, mitigation, and neighborhood stabilization efforts.

Reserve Bank staff is involved in the Community Financial Access Pilot (CFAP) program in St. Louis and the Mississippi Delta, two of the eight communities involved in the U.S. Department of the Treasury, Office of Financial Education's CFAP initiative. CFAP is designed to increase access to financial services and financial education for low- and moderate-income families and individuals. In addition, staff at the Louisville Branch provides technical assistance and advisory services to the Bank On Evansville, Indiana initiative regarding product development and regulatory issues. The branch hosted the first meeting to introduce the Bank-On initiative in Louisville.

Federal Reserve Bank of Minneapolis

Reserve Bank staff continues to provide leadership to the Minnesota, Montana, and North Dakota Jump\$tart Coalitions. They have worked with the Montana Financial Education Coalition, a Jump\$tart affiliate, to conduct a series of foreclosure workshops throughout the state. These workshops included presentations on the benefits of developing and adhering to a budget, including stories of how families with and without budget disciplines are experiencing the current housing situation. In North Dakota, Reserve Bank staff presented at the North Dakota Jump\$tart's annual conference and continue to provide technical assistance to the organization.

The partnership with and support of the Minnesota Council on Economic Education's *Personal Finance Decathlon* continues. The *Decathlon* challenges students to demonstrate their knowledge of personal finance and sound money management. Students in grades 7 through 12 compete in teams by taking an online test that covers 10 areas of personal finance. This preliminary round is followed by a face-to-face competition for the finalists.

The Bank recently contracted with an instructor to develop teaching resources for high school economics and personal finance utilizing articles that have been published in Reserve Bank publications. The articles that are relevant to EconomicsAmerica's 20 national standards are accompanied by a class supplement. Additional information is available at http://www.minneapolisfed.org/community_education/teacher/supplements/index.cfm. Financial education resources for teachers are also available. An example of these resources includes *Our Money Curriculum Unit*, which provides the history of money and a teacher's guide.

Federal Reserve Bank of Kansas City

The Bank supports the development of original research and data tools that can be used by financial educators in program development, implementation, and evaluation. In the area of Financial Education in the Workplace, the Bank has published interim findings from a longitudinal study of the efficacy of financial education services provided within the workplace setting. A final evaluation and review is under way using data gathered from a broader set of employers. As part of the Oklahoma Asset Building Coalition, the Oklahoma City Branch is supporting the development of the Oklahoma Self-Sufficiency Standard. This tool provides county-by-county data on the income needed by different family compositions to be financially self-sufficient, which can be used to educate and counsel students and clients facing financial and career decisions.

The Reserve Bank regularly hosts conferences and trainings for educators and key stakeholders. The Denver office co-hosted the Third Annual Lt. Governor's Summit on Financial Education in Albuquerque, New Mexico. Over 400 people attended 17 diverse breakout sessions on various financial topics. The Bank is co-sponsoring the Financial Education Instructor Training for Native Communities, a comprehensive financial education instructor training for Native American communities, with the Oweesta Corporation on May 5-7, 2009, in Santa Ana Pueblo, New Mexico. This instructor training and certification program will help Native American organizations establish and sustain financial education programs in their communities. The Bank also hosts an annual statewide financial education conference for practitioners in Oklahoma in partnership with the Oklahoma Jump\$tart Coalition.

The Bank supports the formation and development of financial education coalitions throughout the District. In addition to providing organizational development and logistical support to coalitions, the Bank has replicated Money Smart Weeks in Kansas City, Colorado, Oklahoma, and Nebraska.

Developing resources for educators and students continues to be a focus for the District as well. Many new curriculum resources focus on elementary level educators and students, with the goal of filling a gap of available resources for this audience and reaching students with financial and economic concepts at a younger age. Bank staff developed *Fifty Nifty Econ Concept Cards* that can be used in a variety of ways in the elementary/middle school classroom, as well as role plays and games that reinforce personal finance concepts in a fun and interesting way. In addition, each of the four district offices has a traveling educational trunk at its disposal to share with classrooms across their zones, making Federal Reserve resources and education more accessible in the farther reaches of the District. Staff also developed resources for high

school age students to meet local needs, including teaching tips that tie to research published by economists in the District. All of these resources are shared by staff members with local educators and students through workshops, seminars, and conferences.

The Bank is actively involved in the development of local Bank On campaigns in Omaha and Denver. The Omaha office hosted a meeting of partners that resulted in the announcement of the Bank On the Metro campaign and creation of a steering group.

Federal Reserve Bank of Dallas

The Dallas Fed's Community Affairs' personal financial initiatives center on the Bank's publication, *Building Wealth, a Beginner's Guide to Securing Your Financial Future*, the Bank's most popular publication and the most frequently downloaded page from the Bank's website (<http://dallasfed.org/ca/wealth/index.cfm>). Staff provided training at the University of Texas at El Paso for students and adult members of the Las Comadres Para Las Americas, a social network of Latina professionals; the New Mexico Lt. Governor's Financial Education Summit in Albuquerque; the Houston Urban League's Young Professionals; the U.S. Department of Housing and Urban Development's Neighborhood Networks regional workshop; and the Texas Department of Banking in Houston.

Staff recently hosted the official kick-off for Bank On Houston, a collaborative effort to bring the city's unbanked individuals into the financial mainstream. Staff at the Houston branch participated on a panel for the Children's Defense Fund's Financial Literacy Workshop. Staff highlighted *Building Wealth* and made the CD-version available for the 120 attendees.

Reserve Bank staff is involved in foreclosure prevention activities throughout the District, providing information and resources to consumers, industry professionals, and nonprofit housing counseling staffs that are assisting consumers in mitigating foreclosure, in particular in the Dallas-Ft. Worth, Houston, and San Antonio areas.

MoneyWeek Houston, with more than 200 local partners, will coincide with National Financial Education Week, April 19-26, 2009. Youth are a particular focus; Reserve Bank staff will host over 100 teens from several area high schools in sessions about money, earnings, scams, and budgeting. Several banks and the FDIC will participate in the financial education sessions

Reserve Bank staff coordinated employee events for National Consumer Protection Week. The purpose of these events was to raise awareness of Dallas Fed employees about financial education, identity theft, and fraud protection. Staff contacted the Texas State Securities Board for a speaker for a Lunch and Learn event that was held in Dallas, video-conferenced to the branches, and attended by 150 employees across the District. Staff obtained publications from the Federal Trade Commission for distribution at the event and set up a meeting room with computer workstations and printers and organized volunteers to assist employees in ordering their free annual credit reports.

Reserve Bank staff also provided training and professional development opportunities for teachers, including state and national professional development conferences for educators, Advanced Placement Summer Institutes for teachers, as well as student programs targeting diverse groups from at-risk students to those from suburban school districts. In response to teachers' feedback, the economic education staff developed *Building Wealth in the Classroom*, a collection of lesson plans specifically designed for adolescents. These lessons correlate with national and state personal finance standards.

Economic Education staff worked successfully with the Texas Education Association to have both *Building Wealth: A Beginner's Guide to Securing Your Financial Future* and *Building Wealth in the Classroom* approved as recommended personal finance publications that can be used to satisfy the Texas mandate requiring personal finance instruction in the high school economics class. In addition to the *Building Wealth* initiatives, the El Paso Branch offers a program, *Let's Talk About College: A Financial Perspective*. The program was originally developed by the Boston Fed and Citizen School to help urban middle school children learn how to plan financially for college and in so doing develop personal finance skills. The curriculum has been customized for the El Paso branch. El Paso economic education staff offers a series of train-the-trainer workshops for teachers this summer, which will allow the program to be implemented across the area school district in the fall of 2009.

Federal Reserve Bank of San Francisco

The Federal Reserve Bank of San Francisco provided leadership for the first of what will become an annual week-long financial education campaign. Over 125 financial literacy events were held by over 20 different organizations throughout the metro area.

Staff convened a group of key stakeholders to initiate discussions for establishing a Hawaii Jump\$tart coalition. The 20 participants included representatives of local organizations involved in financial education and financial institutions. Staff also worked with college-bound juniors and seniors in East L.A. on the subject of personal financial literacy and the benefits of having banking relationships. The session was a function of the Youth Committee in the Alliance for Economic Inclusion.

Staff at the Los Angeles Branch led the "Four First Fridays" quarterly convening of the Los Angeles Asset Building Coalition. Guest speakers from an adult multi-language financial literacy program and financial institutions presented on what literacy is, how it is tracked, and examples of best practices. The discussion was part of a continuum of training for nonprofits in advance of the Bank On LA program roll-out in the spring of 2009. Reserve Bank staff also participated in the forum on "Immigrants in Our Midst: Cultural Understanding in Diagnostic and Immigration Issues," discussing challenges faced by immigrants within the financial services system and their need for financial literacy resources.