

Testimony of

Julie Cripe

On Behalf of the

AMERICAN **BANKERS** ASSOCIATION

Before the

Subcommittee on Financial Institutions and Consumer Credit

Of the

Committee on Financial Services

United States House of Representatives

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Mr. Chairman and members of the Committee, my name is Julie Cripe and I am President, Chief Operating Officer and Director of OmniBank, N.A. in Houston, Texas. OmniBank has roughly \$325 million in assets and has been in existence for 52 years. I am also Chair of the American Bankers Association Education Foundation Board. For more than eighty years the Education Foundation has supported the banking industry's efforts to teach personal finance skills in schools and communities across the country. I am here today on behalf of the American Bankers Association (ABA) to address the role of the banking industry in promoting financial education for Americans.

ABA, on behalf of the more than two million men and women who work in the nation's banks, brings together all categories of banking institutions to best represent the interests of this rapidly changing industry. Its membership – which includes community, regional and money center banks and holding companies, as well as savings associations, trust companies and savings banks – makes ABA the largest banking trade association in the country.

I want to thank Chairman Bachus for holding this hearing and inviting members of the banking industry to testify on this important topic. I also want to acknowledge the work

of Representatives Biggert and Hinojosa who co-chair the Congressional Financial and Economic Literacy Caucus. Their leadership of this group – which includes most of the members of this subcommittee – shows their commitment to increasing outreach aimed at financial literacy. Representatives Biggert, Hinojosa, Green, Tiberi, and Costa also joined bankers in elementary school classrooms last April as part of the ABA Education Foundation’s National Teach Children to Save Day (see attachment A). We had a record 10,000 bankers in classrooms that day and it is particularly gratifying when bankers and Members of Congress can join together to teach children the importance of saving for the future. Coming up on October 19, the ABA’s Education Foundation is sponsoring another annual event called National Get Smart About Credit Day. I also want to acknowledge Representatives Lucas, McCollum, and Schwartz who plan to participate in credit education lessons to groups of teenagers and young adults in high school and college classrooms and community centers that day.

As bankers, we are in the fortunate position of helping other people make their dreams come true. Bankers put people in homes and cars, they create jobs by funding the start-up and continuing operations of small businesses, and they help people save for retirement and send their kids to college. Yet it is heart-breaking that so many people fail to realize their dreams or lose their hard-earned money because they lack basic knowledge about money management.

Our individual institutions and our industry as a whole are uniquely suited to helping stop the cycle of financial illiteracy. We recognize that everybody has a vested interest in being as smart about their money as possible. Through the efforts of thousands of bankers every year and the work of the ABA Education Foundation, we hope to make a difference. All of us need to work together to produce and distribute financial education materials and

sponsor outreach programs. The groups testifying today know each other well and we always look for ways to enhance what each is doing. Coordination is a natural complement to the individual programs and methods of learning that each of us produce, which are tailored to the particular needs of our audiences. For banks, we tailor products to serve the unique demographics of our particular communities.

For my bank, 91 percent of our loans are in low- to moderate-income areas. Recently, OmniBank hosted a Congressional Teach Children to Save event with Congressman Al Green for forty fifth-graders at a charter school in Houston. Congressman Green participated directly in the savings education lesson and was so moved by the enthusiasm for the lesson that he pledged \$10 to each of the savings accounts we opened for the students. Mr. Green promised to come again next year to see how the children are doing with their savings. I also recently attended a Teach Children to Save Day in San Antonio, which was sponsored by the ABA Education Foundation and Citigroup. The event was in a low-income area, was also attended by the superintendent of schools, and served more than 100 elementary school children. Students worked hard determining needs and wants, and also learned the importance of saving some money for charitable donations.

As my testimony will illustrate, my example is not unique. Each year, more and more bankers take to classrooms, churches and community centers to help people learn about budgeting, saving for the future, and managing credit wisely.

In my testimony today I would like to make four points about financial education:

- Financial education is vitally important in today's complex society and the banking industry will continue to play a key role in expanding outreach efforts.

- The ABA – particularly through its Education Foundation – is working to provide bankers with the tools necessary to expand outreach activities across our country.

- Collaborative efforts among businesses, non-profit organizations, and government agencies will help to leverage each sector’s own efforts to provide a variety of choices for consumers to learn about managing money.

- There are several ways the federal government can enhance delivery of financial education.

Financial Education is Important and Bankers Are Actively Involved

As technology and innovation continue to advance, the world continues to become more and more complex. The myriad of options across all industries and products complicates the ability of consumers to make informed decisions. With regard to financial services, the number of available options makes the challenge of money management more difficult and the banking industry is evolving to better meet the needs of its customers. Yet financial illiteracy remains a problem. Basic money management skills are often lacking in adults today and many parents feel unprepared to teach their kids about money.

Few schools in America today are providing basic education in personal economics. Only seven states currently require high school students to complete a course that includes personal finance in its syllabus prior to graduation. And, only a few additional states are

slated to incorporate financial education into their curricula in coming school years.

Furthermore, many teachers are not trained to teach personal finance, and many have never even taken a basic economics course.

One aspect of the seriousness of the financial literacy problem is that it can linger for decades – even lifetimes. Those who are uneducated about banking services often turn to check-cashing services and payday lenders to address their financial needs. They pay more than they have to for financial services in a very competitive market and are easy prey for criminals and fraudsters.

The problem has been widely acknowledged by government agencies, cabinet secretaries, lawmakers and other public- and private-sector organizations and leaders. But no industry has a bigger stake in improving America's financial education than banking. An educated consumer base benefits both the economy and the local community, and educated consumers are better customers. Thousands of bankers are in fact taking the lead in communities nationwide with financial education programs aimed at adults, children, high school students, senior citizens and those with limited access to financial services, including recent immigrants and low- to moderate-income residents.

For example, Citizens State Bank of New Baltimore, Michigan has embraced financial education as a means to address frightening statistics about financial literacy among young people. The bank sponsors an in-school program in which elementary school children operate a make-believe bank. The children apply for banking jobs, are interviewed and "hired" as branch managers, assistant managers, tellers, marketing workers and security guards. The lessons learned through the school are further enhanced when real bankers – employee volunteers – go into the schools to teach savings and credit lessons.

Canandaigua National Bank & Trust, located in Canandaigua, New York, promotes financial education through its Web site. Through a series of “Life Situations,” such as graduating, getting married, starting a family, and buying a home, the Life Situations program illustrates the financial challenges posed by such situations and the steps needed to meet them. Clicking on any of the Life Situations leads to Canandaigua National Bank’s “CNB University,” Web section which provides topical articles, Internet links, and other information geared toward helping consumers make sound financial choices.

First National Bank of Chester County, located in West Chester, Pennsylvania launched its financial education program two years ago. As part of the program, First National established a school bank for deposits and arranged periodic bank tours for kids at its main office. Last year, the bank added two fifth-grade classes to its program at the behest of teachers. Among other things, the fifth-graders learn how to enter transactions into a check register, how to add and subtract them properly, and why it’s important to keep records of what they take out and put into their accounts.

Another example involves Wayne County Bank in Waynesboro, Tennessee. Last year four employees of the bank received awards from the Tennessee Bankers Association for making numerous financial education presentations between July 1, 2004 and April 1, 2005. Another six employees received similar recognition. Bank employees visit each school in the county at least once per week, with four employees attending each visit.

Wayne County Bank also has operated a school bank for 15 years that enables students to make deposits. But it adds a twist to that concept with a popular “money wheel.” Every time a student makes a deposit, a bank employee spins the wheel, and

whatever slot the wheel stops on - \$1, \$2, \$5 (which once a month changes to \$10) – Wayne County Bank adds that amount to the deposit.

Initiatives such as these exemplify the role banks play with respect to financial education in their communities, especially the school system. By promoting familiarity with bank employees and financial concepts in general, banks are building trust and confidence, and creating a win-win situation. Such investment pays off not only in present and future business, it undoubtedly boosts the financial literacy of the entire community.

The ABA Continues to Promote and Provide Resources to Advance Financial Education Outreach

Banks are not alone in their efforts. The ABA continues to promote financial education programs that are utilized by bankers and by the general public. The ABA Education Foundation (“Foundation”) is committed to educating consumers of all ages about money and helping bankers serve as a source of user-friendly financial information. The Foundation’s programs are specifically developed for the banking industry and enable bankers to provide young children, teenagers and adults the skills they need to budget, save and manage credit. They include hands-on presentations, online courses, booklets, Web sites, and newsletters. (see Attachment B)

Among the programs sponsored by the Foundation are “Teach Children to Save” and “Get Smart About Credit.” Every April, National Teach Children to Save Day brings bankers into local schools to talk with students and their teachers about savings and money management. Since its inception in 1997, over 46,000 bankers have entered classrooms to teach lessons about the importance of saving money to almost 2 million students nationwide. The Foundation also makes Teach Children to Save resource kits available

which include age-appropriate lesson plans, student worksheets, display posters, and media tips and talking points.

Every October, on Get Smart About Credit Day, hundreds of bankers across the country trade their balance sheets for black boards and volunteer in classrooms to teach kids the do's and don'ts of credit. Nearly 70,000 students have learned how to use credit wisely through the Get Smart About Credit Day program, which is now in its fourth year. The Foundation offers a resource kit for this program as well which includes an introductory video, lessons on credit and debit payment options, lessons on identity theft, pre- and post-tests, and communications tools.

Recently, the Foundation created a new Get Smart About Credit eLearning Program as a means for making it easier for bankers to teach financial skills. Earlier this year, my bank became the first in the country to offer the program. The Foundation also offers the program in Spanish. Based on the Get Smart About Credit resource kit, the self-paced interactive program gives teens and young adults an online experience where they learn how to obtain and manage credit. The eLearning Program allows the cause of financial literacy to be further advanced and adds an extra layer of convenience for students. Banks can offer the program on their own Web sites, and they can brand it with their own logo and color-customized screens. The program even allows banks to track how many students and young adults they have reached.

Teach Children to Save Day and Get Smart About Credit Day are just two examples of what the Foundation is doing to increase financial education. The number of bankers involved and the number of students reached through these programs by no means capture

what the banking industry as a whole is doing. Indeed, bankers are reaching more and more people every day, teaching lessons on budgeting, credit and savings.

Together with the Foundation, the ABA has produced its Toolbox on Financial Education. Designed as a resource tool for bankers all across the country, it contains five separate books that provide guidance to banks on how to start, or enhance, a financial education program.

The Toolbox includes information on how to measure success and how to partner with community-based groups. It also contains case studies from bankers who have developed their own comprehensive financial education programs. Furthermore, the Toolbox contains 14 Web pages that banks can add directly to their own Web sites, including a Parents Guide: Teaching Your Kids About Money. Finally, the Toolbox provides tips for effective presentations and three detailed lesson plans on budgeting, saving, and understanding a credit report. It also encourages bankers to participate in Teach Children to Save Day and Get Smart About Credit Day.

The ABA has taken other steps to reach the public directly. The ABA Web site contains a “Consumer Connection” section through which consumers can obtain information and advice on banking and personal finance directly. The page includes information related to creating a budget, establishing good savings habits, managing credit effectively, and protecting against identity theft and predatory lending scams. The page also includes interactive tools such as a mortgage calculator, a lease calculator, an investment calculator, and a retirement calculator.

Finally, the Consumer Connection section contains the Family Savings Goal Worksheet. The worksheet can be downloaded or printed and is designed to get the entire

family involved in establishing and reaching savings goals for things such as an outing to the local amusement park, or a once-in-a-lifetime vacation.

Collaboration and Individual Efforts Create a Variety of Choices

If we were to start from scratch, delivery of financial education would surely look different than it does today. Like our system of highways, the numerous financial education programs available are not the result of a centralized effort to bring financial literacy to every corner of America. Rather, they are the product of separate and distinct undertakings by businesses, non-profit organizations and governments. Just as individual roads were initially constructed to meet the particular geography and needs of varying communities, so too have financial education programs been developed to meet the specific needs of unique and varying communities. As with the highway system, the key is to interconnect all of these pathways in an effort to promote greater efficiency, while simultaneously encouraging continued development of new and innovative programs.

Interconnecting the financial education efforts of individual entities is a natural complement to the work that is already being done. While numerous organizations are reaching a lot of people through distinct endeavors, we all recognize the benefits that can accrue from working together and we are building bridges to connect our separate efforts. As I mentioned earlier, my bank hosted a Congressional event for a charter school in Houston that was attended by Congressman Green. And banks all across the country are participating with other Members of Congress and local leaders in both Teach Children to Save Day and Get Smart About Credit Day.

The ABA Education Foundation also benefits from working with other organizations. It has formed financial literacy partnerships with several national

organizations such as the Jump\$tart Coalition for Personal Financial Literacy and with Scholastic Inc., the world's largest publisher of children's books. The Foundation has also worked with the U.S. Department of the Treasury, pairing Treasury officials with local bankers for participation in National Teach Children to Save Day since 2001. And, the Foundation features the FDIC's Money Smart program on its Web site and encourages its use among bankers.

Yet it is important to bear in mind that there are certain limits to collaboration. America is a melting pot of differing peoples and cultures. Because individual banks serve unique and varying communities, the financial education programs employed by one bank may not be of the same value to another because their audiences might be different. As I noted earlier, 91 percent of the loans my bank makes are to lower- and middle-income Americans. Thus, the financial education programs we employ are specifically designed to reach this audience and may not be the best fit for banks located in other communities.

Just as there are benefits to collaboration, there are also benefits to encouraging individual creativity. Banks are in the best position to adapt financial education programs to meet the needs of the communities they serve. This includes determining what channels are most appropriate for delivery. Whether it's hands-on classroom presentations, video presentations, interactive Internet programs, brochures, Web links, or some combination of teaching methods, banks are well-poised to decide which roadways to financial literacy make the most sense for their communities.

Our national highway system promotes efficiency by interconnecting pre-existing roadways. However, just as there are benefits to interconnectivity, having multiple options when traveling from one place to another is also of benefit. Collaboration with regard to

financial education will also promote efficiency and should be encouraged, but not at the expense of creative solutions designed to address unique community needs. I think we can all agree that a choice in learning products is always a good thing.

The Federal Government Can Enhance Delivery of Financial Education

While bankers, nonprofit organizations and governments are doing much to promote financial education on their own and in collaboration, there are several ways in which the federal government acting alone can help in this effort.

Encourage Bank Regulators to Grant CRA Credit for Financial Education Activities

Congress can encourage bank regulators to grant Community Reinvestment Act (“CRA”) credit for all financial education programs. Under the current CRA regulation, credit for financial education efforts is given only for programs targeted to low- and moderate-income (LMI) areas or individuals. The banking agencies should eliminate this obstacle.

Many banks have reported that examiners require them to document the percentage of financial education program participants that are LMI. This draws an artificial and inappropriate distinction between programs that are targeted to LMI consumers, and those that are not. Clearly, consumers from all socioeconomic levels stand to benefit from additional financial education. As the ABA has reminded the agencies for years, the CRA is about banks helping to meet the credit needs of their *entire* community, not just LMI residents or neighborhoods. By allowing full CRA credit for any financial education program offered by a bank, without reference to a percentage of LMI participants, the banking regulators will encourage greater financial education outreach.

Furthermore, it is often difficult for community banks to find appropriate CRA investment opportunities. Providing CRA credit investments for financial education programs would help alleviate this problem. It would also address another shortcoming of the current system, which only allows credit for eLearning products that are directed at first time homebuyers. This is too late to start helping people with credit and savings advice.

Incorporate Financial Education into Existing School Lessons in a Meaningful Way

The Department of Education should incorporate financial education into existing school lessons in a meaningful way. Through direct involvement in coalitions (such as the Jump\$tart Coalition) and participation in discussions centering on the goal of bringing financial education to students at the earliest possible convenience, the Department of Education can lend credibility and funding to ongoing efforts to make financial education resources and teacher training available to schools nationwide.

Sponsor Public Service Announcements with Basic Money Management Lessons

The federal government can sponsor public service announcements relating to basic money management lessons. Public service announcements can be an effective way to deliver simple lessons on budgeting, savings and credit. Partnering with nonprofit organizations to develop and produce these is an effective way to leverage resources and expertise.

Provide Financial Support for Existing Activities

Providing financial support for existing activities not only complements what the federal government is already doing, it may be a more effective use of resources than putting the federal government forward as an organizing and screening “body” for all financial education efforts. There are many creative organizations that deliver high quality

educational materials quickly and efficiently. The Jump\$tart Coalition, for example, was created by and still engages content specialists and educational experts who ensure that materials meet a set of recognized standards and benchmarks. The coalition provides a clearinghouse for these educational materials, reviews and screens new and available resources, organizes and updates information about available resources, and makes that information available online. Offering financial support for such activities should be encouraged as it ensures their continued success while not being unnecessarily duplicative.

As previously stated, coordination between the public and private sector is important. However, attempting to organize and distribute the depth and breadth of material that each sector has created would be a frustrating exercise that is likely to fall short of expectations. Rather, it makes more sense to support and fund that which already exists and involves educators and academics.

Conclusion

Financial education is vitally important, and as the financial world becomes more and more complex, the banking industry will continue to play a key role in expanding financial education outreach efforts. Thousands of bankers nationwide are taking active roles in developing programs in their communities. Organizations such as the ABA Education Foundation are working to provide bankers with the tools they need to enhance their individual programs. Because the issue of financial education is so important, we all need to work together to create programs that best meet the needs of all Americans. Individual businesses, non-profit organizations, and government should continue to develop financial education programs specifically designed for their particular audiences, while seeking to also work together to provide a variety of choices for consumers to learn about managing their

money. Finally, the federal government can help by encouraging bank regulators to grant CRA credit for financial education programs; supporting the inclusion of financial education programs into school lessons; sponsoring public service announcements that teach basic money management; and providing financial support for existing programs with proven track records.

AMERICAN BANKERS ASSOCIATION EDUCATION FOUNDATION 10TH ANNUAL NATIONAL TEACH CHILDREN TO SAVE DAY

2006 Congressional Events



Rep. Pat Tiberi (OH-12)



Rep. Al Green (TX-9)



**Rep. Judy Biggert (IL-13), Co-Chair, House
Financial Literacy Caucus**

Rep. Jim Costa (CA-20)



**Rep. Ruben Hinojosa (TX-15), Co-Chair,
House Financial Literacy Caucus**

National Partnerships with the ABA Education Foundation

The ABA Education Foundation has formed financial literacy partnerships with several national organizations. These organizations are all involved with education and/or working with young people and offer opportunities for partnerships at the local level.

In addition, you may have organizations in your state or local area that are receptive to working together. These groups offer resources and access to target audiences and can provide assistance in getting your educational programs to the right people.

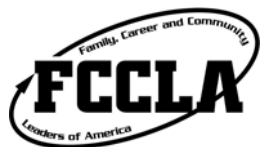
AMERICA'S PROMISE
THE ALLIANCE FOR YOUTH



America's Promise

www.americaspromise.com

ABA's partnership with America's Promise builds on the lasting contributions bankers make in their communities on a daily basis. Every day across the country, banker volunteers are teaching financial skills, providing resources for young people in after-school programs and working through America's Promise to build a brighter future at the local and national level.



Family, Career and Community

Leaders of America (FCCLA)

www.fcclainc.com

The FCCLA network of chapters boasts over 227,000 active member students in all 50 states, the District of Columbia, the Virgin Islands and Puerto Rico. Under the leadership of a teacher/adviser, the chapters focus on promoting personal growth and leadership development through the family and consumer-sciences education.



Jump\$tart

www.jumpstart.org

The Jump\$tart Coalition for Personal Financial Literacy seeks to improve the personal financial literacy of young adults. Jump\$tart's purpose is to evaluate the financial literacy of young adults; develop, disseminate and encourage the use of curriculum standards for grades K-12; and promote the teaching of personal finance.



FDIC's "Money Smart"

www.fdic.gov

The FDIC's Money Smart training program is designed to help adults outside the financial mainstream enhance their money skills and create positive banking relationships. This curriculum contains a set of 10 comprehensive units, and is available in several languages to bankers at no cost.



Operation HOPE

www.operationhope.org

Operation HOPE, a national nonprofit self-help organization, seeks to bring economic self-sufficiency and a sustained spirit of revitalization to America's inner city communities. Operation HOPE measures success through the number of conversions of people who use check-cashing outlets into depositors at banks; renters into homeowners; people with dreams into small business owners; and minimum-wage workers in inner-city communities into living wage workers.



Scholastic

www.scholastic.com

The ABA Education Foundation teamed up with Scholastic, the largest publisher and distributor of children's books, to create "Money in Motion," a program that helps educate teens about financial skills they will need to become financially responsible adults. Through this partnership, the foundation has brought financial teaching materials to 35,000 teachers across the country. Program lesson plans and handouts are available to bankers upon request by calling 1-800-BANKERS.



Children's Financial Network www.childrensfinancialnetwork.com

Neale Godfrey has more than 20 years of experience in the financial field as a banker, author and frequent commentator on national television. A mother of two, she founded Children's Financial Network more than 10 years ago to educate children and parents about money. She has written two books ("A Penny Saved" and "Money Doesn't Grow on Trees") on teaching children the values and life skills they will need to live in a complex financial world today.