NATIONAL FOUNDATION FOR
CREDIT COUNSELING
Knowing the difference can make all the difference.®

2000 M Street, NW | Suite 505 | Washington, DC 20036

October 30, 2012

Ms. Monica Jackson
Office of the Executive Secretary
Consumer Financial Protection Bureau
1700 G Street, NW
Washington, DC 20552

RE: Docket No. CFPB-2012-0030 – Request for Information on Effective Financial Education

Dear Ms. Jackson:

The National Foundation for Credit Counseling ("NFCC") has a sixty-year history of working with millions of American consumers. With 89 Member Agencies, 733 offices, and 2,500 professionally-certified counselors and educators providing services in all 50 states and Puerto Rico, the NFCC is the largest and longest-serving nonprofit financial counseling and education network in the nation. The NFCC is considered the "Gold Standard" of financial counseling with rigorous Member Quality Standards, Council on Accreditation requirements, and counselor certification requirements. The NFCC and all of its Member Agencies are 501(c)(3) nonprofit organizations. The NFCC's vision is to create a national culture for financial responsibility. The NFCC network's core mission is to promote the national agenda for financially responsible behavior and build capacity for its Members to deliver the highest quality financial education and counseling services to consumers.

All NFCC Members provide comprehensive and holistic counseling and education tailored to the unique needs of each client in an effort to restore financial stability in the client's life. This entails general financial counseling and household budget preparation, credit and debt counseling, housing counseling (including pre-purchase counseling), bankruptcy-related counseling or any combination of these or other issues, including identity theft, tax preparation, cyber-security, debt collection, student loan and healthcare-related debt. Financial literacy and education are important components of the services provided, including informing consumers of their rights under federal and state truth-in- lending, credit reporting, debt collection and other consumer financial protection laws and regulations. Services are offered in one-on-one and group settings in-person, via the telephone, and over the Internet using web-based applications. Since 2008, NFCC

Members have provided quality financial and housing counseling and education services to 13 million consumers nationwide.

On behalf of the NFCC and its Member Agencies, I commend the Consumer Financial Protection Bureau's ("CFPB") attention to financial education and appreciate this opportunity to provide the following comments to outline a practical approach towards testing and ultimately implementing a national financial education strategy.

A. Introduction

In one of the Community Development fact sheets[1] prepared by the Office of the Comptroller of the Currency, financial literacy is defined as: "[the creation of American] consumers…equipped with the knowledge and skills to evaluate the financial options available and identify those that best suit their needs and circumstances."

The President's Advisory Council on Financial Literacy ("Advisory Council"), as noted in its 2008 Annual Report, has adopted the Financial Literacy and Education Commission's ("Commission" or "FLEC") definition of financial literacy which moves consumers from understanding to action: "the ability to use knowledge and skills to manage financial resources effectively for a lifetime of financial well-being.…"[2]

It is important to add to both of these definitions that financial education should be provided and accessible through all existing educational media (counseling, classroom education, TV documentary, self-help books, etc.) and made available to all Americans, regardless of their demographic, cultural and social background at any given time when needed or appropriate.

Consistent with both the Commission's and the Advisory Council's definition of financial education as "the process by which people improve their understanding of financial products, services and concepts, so they are empowered to make informed choices, avoid pitfalls, know where to go for help and take other actions to improve their present and long-term financial well-being,"[3] the NFCC submits that the common categories that financial education should address are:

- Budget (money management) and credit counseling and education;
- Basic financial services and asset building programs (money management and saving);
- Homeownership counseling and education;

[1] Comptroller of the Currency, Administrator of National Banks, Community Affairs Department, Community Developments, *Financial Literacy*, Fact Sheet, date unknown

[2] President's Advisory Council on Financial Literacy 2008 Annual Report to the President, Executive Summary, p. 10, Recommendation 11, January 6, 2009

[3] Ibid.

- Pre-bankruptcy counseling and education;
- Long-term financial planning (retirement and insurance), and;
- Education aimed at recognizing and avoiding abusive lending practices, fraud and identity theft, and ensuring consumer protection.

In sum, financial education should deliver a structured, logical way for consumers to increase their knowledge of the financial system, and to learn how to compare products and services, in order to fundamentally change their attitude, and ultimately modify their behavior over time.

The NFCC believes that as a national entity, the CFPB should be responsible for measuring and reporting the short- and long-term effects of financial education strategies on the broader national economy, as well as identifying successful models of local and regional collaboration that can be scaled.

B. The Challenges of Promoting Financial Educating the American Consumer

A number of critical issues make the task of creating relevant and effective financial education programs challenging:

- A Complex Environment

Not long after the Commission issued its report in 2006, the financial landscape began to change dramatically. Since the late 1990's credit had been easily accessible for most consumers, regardless of how well they managed their finances and credit. The mortgage crisis highlighted the frequently disastrous consequences of that era of "easy borrowing." Further, as the Advisory Council noted in its 2008 Annual Report: "…the market turmoil and credit crisis of 2008 underscore[d] the critical need for improved financial literacy in the United States… Far too many Americans entered into home and other loan agreements that they did not understand and ultimately could not afford."[4]

Unfortunately, credit can be very expensive and many consumers borrow at a high-cost with limited options to get out of the financial choices they have made. The ever increasing variety and complexity of financial products and choices available, often accompanied by confusing, incorrect, or contradictory/misleading content, makes it even more difficult for consumers to identify the best choices.

[4] President's Advisory Council on Financial Literacy 2008 Annual Report to the President, Executive Summary, p.5, January 6, 2009

- The American Consumer

Recent studies by the Organization for Economic Cooperation and Development ("OECD")[5], Jump$tart[6], and the National Endowment for Financial Education ("NEFE")[7], show that American consumers have a weak grasp of basic personal finance principles, and that financial literacy levels remain low, especially, but not exclusively, for the less-educated and low-income populations in the US. The NFCC's 2012 Consumer Financial Literacy Research Survey conducted by Harris Interactive revealed that:

- *Nearly half of all Americans today grade themselves C, D, or F in their knowledge of personal finance;*
- *56% admit they do not have a budget;*
- *39% do not have any non-retirement savings; and*
- *Most adults have neither reviewed their credit score (55%) nor their credit report (62%).*

Another very common challenge reported by NFCC Member Agencies is that clients seek counseling as a last recourse, and often too late. Whatever life event with which consumers might be dealing (e.g., divorce, lay-off, death of a family member, etc.), or however uncertain or confused they might be about their financial issues, consumers do not always know where to turn for help in their communities and do not understand the impact of late or missed payments on their credit history and assets, and future ability to access the financial system under favorable terms.

Several factors have significant implication for effectively reaching consumers:

Self-Perception: The 2005 survey by the OECD also reported that consumers often feel more confident than their knowledge justifies, implying that financial educators need to help consumers recognize the limits of their understanding and the benefits of learning more before any behavioral change can be triggered.

Social and cultural pressures: American consumers live in a consumerist society, where they are challenged and pressured daily by communication media and peers to measure personal success with material possessions. In certain communities, consumers are also strongly influenced by the observed behavior and choices of other people. Consumers may keep each other captive in a prisoner's dilemma regarding their consumption pattern. Recent research also suggests that an increasing part of the consumer behavior and decision-making process is driven by issues such as religion,

---

[5] OECD, *Improving Financial Literacy: Analysis of Issues and Policies*, Paris, France 2005

[6] Jump$tart Coalition, *Making The Case for Financial Literacy*, 2004 and 2005

[7] National Endowment for Financial Education, Laurie Boyce and Sharon Danes, *Evaluation of the NEFE High School Financial Planning Program, 1997-1998*, 1998

culture, ecology, and natural environment, instead of more traditional factors such as income, housing, and status.[8]

The importance of "teachable moments": One element of success in educating consumers is the ability to reach them at a critical point in their decision making process or when they are dealing with important life events. These "teachable moments" are effective, but they may vary based on the individual's values and cultural or demographic backgrounds.

The recent economic downturn has significantly, and possibly permanently, changed consumer attitudes toward credit and consumption. This suggests that the environment is right – and consumers are likely to be receptive – to education intended to improve financial literacy.

- Multitude of Materials and Services

Educational materials are generally available at no- or a very low-cost and are fairly easily accessible through clearinghouses such as the Jump$tart Coalition (at www.jumpstart.org for K-12, which provides more than 500 programs), and the FLEC's at www.mymoney.gov. The FDIC with "Money Smart" and other entities (such as the NFCC with its suite of guides on general financial education, homeownership, and bankruptcy), have also developed comprehensive financial education materials that may be customized by different service providers. Many national, regional, and local public and private entities have developed educational materials and teachers' guides, targeted at specific segments of the population.

Effective use of these materials, however, depends on the motivation and self-selection of the teachers, or, if studied individually, of the consumer. In addition, there is no quality control mechanism at the national level over the content of these materials, and there are no systematic tracking and measurement of the behavior modification they trigger.

Some entities have begun to address these issues by creating standards for education delivery. For example, the Jump$tart Coalition has established a series of standards for the delivery of K-12 education, broken down into four major components: income; money management; spending and credit; and saving and investing. In its 2008 Annual Report, the Advisory Council made the following recommendation:

> *Recommendation 12 – The United States Department of the Treasury should identify and standardize the specific skills that a person should have upon completion of a comprehensive financial literacy program and explore the*

[8] Institute for Sociology, Hamburg University, Hamburg, Germany, *A Refined Inglehart Index of Materialism and Postmaterialism*, October 2003

> *creation of a certification program for such programs and for instructors of programs that meet the criteria.*[9]

It also lists specific skills that and concepts that those programs should convey.

The NFCC strongly commends these efforts, but notes that standards are only guidelines unless they are enforceable and measurable, preferably at the national level. It further notes that most of the counseling currently offered by service providers is reactive and remedial, and therefore often limited to one particular dimension of personal finance and education. In order to establish effective financial education programs, a shift in focus from remedial towards early intervention and prevention needs to occur.

- <u>Distribution Channels</u>

Delivery channels, whether identified as entities or individuals (e.g., practitioners or other advisors, such as community or religious leaders) have to be easily accessible and trusted to be effective. Distribution channels suffer from the same lack of standardization as the delivery of counseling services which prevents the implementation of consistent and measurable programs at the regional or national level.

The NFCC network of Member Agencies, along with other large national service and program providers (such as NeighborWorks America), has started to develop standardized referrals and full-life cycles for its education and counseling programs, and has implemented rigorous reporting and performance tracking processes. These models may serve as templates for the design of a national financial education strategy.

- <u>Quality Measurement and Tracking</u>

To date, very few surveys on the effectiveness of financial education programs have been implemented. Some surveys have linked an increase in savings amongst consumers as a result of financial education programs, but have not yet reported an increase in the levels of overall financial literacy of American consumers. The most important challenges are defining success factors and ensuring sustainability and scalability of the research over time.

Success Factors: The first big challenge in measuring services and programs is establishing common definitions for both what is being measured and the measures of success. The current environment discourages such an approach because of the ad hoc, audience-specific nature of most financial education initiatives.

---

[9] President's Advisory Council on Financial Literacy 2008 Annual Report to the President, p. 36, January 6, 2009

The second challenge is to identify measurements that truly reflect an improvement in financial literacy and wellness and not just an increase in volumes or a change in variances. Too many providers currently measure the success of their programs by the number of consumers reached or the number of books distributed. Even when pre-and post-tests are included in consumer education, the tests do not capture any long-term, more fundamental or behavioral changes.

Sustainability and Scalability: Many recent program and service providers have carried out pilots in local markets, or pilots targeted at specific populations, with the intent to track some of the behavior changes. Examples include studies on targeted counseling that have shown positive results over time, such as Hirad and Zorn (2001), on 40,000 mortgage loans;[10] Staten (2003), on the impact of credit counseling on subsequent borrower behavior;[11] Bayer, Bernheim and Scholz on workplace programs;[12] and Staten (2006), on the impact of counseling delivery media.[13]

All of these efforts, however, face one or more of the same challenges:

1) Limited in time or scope (often due to funding constraints);
2) Lack of a control group (therefore limiting the scientific validity of its conclusions);
3) Scalability (funding restrictions often limit the expansion of the pilot to other markets where results and conclusions could be validated), and;
4) Lack of participation or involvement by all the relevant parties (leading to the risk of missing important factors for the evaluation).

In summary, to maximize the likelihood of successfully cultivating a culture of financially responsible consumers, an effective infrastructure needs to be created at the local and national levels, focused on consistent, effective and measurable materials and programs delivered via a variety of service delivery channels, consistent across markets with meaningful tracking and reporting methods, both short- and long-term. Further, this infrastructure must be well supported and marketed through effective and relevant campaigns.

---

[10] Abdighani Hirad and Peter M.Zorn, *A Little Knowledge Is a Good Thing: Empirical Evidence of the Effectiveness of Pre-Purchase Homeownership Counseling*, 2001

[11] Gregory Elliehausen, E. Christopher Lundquist and Michael Staten, The Impact of Credit Counseling and Subsequent Borrower Credit Usage and Payment Behavior, January 2003

[12] Patrick Bayer, Douglas Bernheim and John Karl Scholz, *The Effects of Financial Education in the Workplace: Evidence from a Survey of Employers*, 1996

[13] Michael Staten and John Barron, Evaluating the Effectiveness of Credit Counseling – Phase One: The Impact of Delivery Channels for Credit Counseling Services, May 2006

The NFCC's recommendation is consistent with the conclusions reached by the participants of the National Research Symposium on Financial Literacy and Education in October 2008.

C. Requirements at the National Level for a Successful Implementation

- Creation of a Central Steering Committee

A central coordinating body with representation from all sectors at the national level is critical to the success of a national financial education strategy. Its primary responsibility would be to ensure that local market initiatives are delivered consistent with national criteria and standards. This would include:

  - Adoption and enforcement of accreditation services and standards for program content and delivery;
  - Central coordination of research on measures of effectiveness at both the local and national levels, including outcomes definitions;
  - Development and implementation of a national financial literacy index, and;
  - Leadership on consumer behavior research to track the long-term effect of the overall strategy over time.

All critical stakeholders should be represented, particularly (but not exhaustively):

  - The credit/commercial sector, including major financial institutions, retailers, large employers;
  - The federal government, particularly the CFPB, Treasury, OCC, HUD and other regulatory agencies;
  - Consumer/community-based organizations such as NeighborWorks America, the NFCC, Consumer Federation of America, NEFE, Jump$tart, National Council of La Raza, Catholic Charities and other faith-based entities, etc.;
  - Representatives of other financial services, and;
  - Education and advocacy groups including the National Education Association, AARP, unions, etc.

Over time, it is anticipated that the central steering committee will report an increase in the effectiveness of the services provided and associated efficiencies in delivery cost at both the local and national levels.

- National Financial Literacy Index

Vital to the long term success of a national financial education initiative is the development of a National Financial Literacy Index ("NFLI") to evaluate the actual impact on consumer behavior over time. The NFLI should be applicable at both the local and national levels and complement any program-specific outcomes tracking. The Commission and the Advisory Council have also endorsed the creation of an NFLI.

The principal steps toward the development of this Index are to:

1) Identify common indicators of success for financial education programs and educational materials at the individual and community levels based on common definitions. These indicators will have to be representative of effective educational methods and driven by behavioral changes.
2) Review past research and studies on financial counseling and education for other potential meaningful measurements or validate new measurements.
3) Identify a representative sample of programs whose participants and content are representative of broader, national demographics, and structure their design as test and control and incorporate both short- and long-term measurement criteria that ultimately can be scaled nationally.
4) Identify financial education program providers who will adopt identified standardized measures of success as a baseline in their own curricula and offer tracking and reporting support to incent participation.
5) Establish within the national steering committee, a roundtable of committee members, as well as research professionals, to review, validate and refine metrics on a regular basis.
6) Design and implement an Index that captures major indicators across national networks and research, on an annual basis. This Index will be used as the "pulse" for the progress made in financial literacy.

- <u>National and Local Outreach Campaigns</u>

Consumer outreach is critical to the success of any financial education initiative. National and local campaigns will need to be created to appeal to consumers, and highlight, in clear and compelling terms, why they should seek out financial education. The message also must communicate how consumers can access programs and services and be adaptable to a variety of media channels.

The outreach message must be predicated on a clear understanding of the objectives of a national financial education strategy, having resolved the potential trade-offs associated with different approaches. For example, should the messaging be limited to increasing overall financial knowledge and allow the consumer to be the ultimate decision maker; or should it also play an active role in influencing financial decisions to ensure consistent and effective improvement on local, regional, and national economic performance?

Several national campaigns involving the public, nonprofit, and for-profit sectors have been studied in sufficient detail to be worth mentioning. One example is the "Anti-

Tobacco Campaign,"[14] which reported three main success factors: multitude of consumer options available; strong commitment at the local community level; and effective marketing campaigns.

Multitude of options available for the consumer: The most frequently quoted success factor of the Anti-Tobacco Campaign has been the multitude of options and tailored strategies available to communities and individuals. Examples include instant access to a 24/7 online support system, free counseling and creation of realistic, custom action plans.

Strong local community commitment with regulatory and preventive programs: A real commitment at the community level, with preventive and sanctionable measures, is also recognized as a significant success factor. Among the most effective community strategies, measures such as hefty tax increases, the enforcement of smoke-free environments and prevention programs in schools (with teacher training, parent involvement, etc.) proved to be effective over the long-term.

Effective campaign techniques: Another success factor has been to shift marketing campaigns from a traditional approach of preaching the ills and health effects of tobacco to a new approach focused on the manipulative techniques used by tobacco companies. This type of approach encourages the consumer to better question and understand the driving forces behind his/her behavior and therefore to remedy them in a more constructive way.

When building financial education outreach campaigns, particularly at the local level, it will be important both to focus on accessibility and personalization of programs and services available and also to pay close attention to creating motivating incentives for consumers, sponsors and community leaders. Campaign messages further should encourage consumers to truly reflect on the driving forces behind their decisions and behavior.

D. Building Successful Collaborative Community Models

Key to a sustainable national financial education strategy is the ability to intervene at the local level with well-targeted, collaborative programs.

To identify pragmatic and effective approaches to creating successful financial literacy initiatives in specific markets, the NFCC carried out a series of interviews with Member Agencies in various markets, including Baltimore, Maryland; Corpus Christi, Texas; and Western Pennsylvania. The Agencies were asked a series of questions, ranging from what key segments of the population they would like to reach, what outreach methods and delivery channels would be most effective, and what would be needed to make these programs sustainable over time.

---

[14] The International Journal of Cancer, Volume 97, Impact of the American Anti-Smoking Campaign on Lung Cancer Mortality, February 2002

Based on the research presented in the previous sections, and the results of interviews with its Member Agencies, the NFCC has identified the following overall list of key elements necessary to developing a successful local initiative (specifics may vary depending upon the needs of a particular community):

- Identify targeted communities
- Assess the community needs
- Identify and engage community leaders
- Identify products and services as well as delivery channels
- Create effective incentives for consumers and participating entities
- Quantify funding requirements
- Identify measures of success and implement a tracking mechanism

Applying these elements to the development and implementation of a financial education pilot program, the elements would be as follows:

- <u>Identification of the Local Pilot Communities</u>

To test the viability of the business model, the national steering committee would need to partner with national and local nonprofit organizations and foundations, as well as federal and other private sector organizations, such as financial institutions involved in financial education, to identify two to three target markets where there is a perceived need for financial education initiatives. Pilots should be conducted in these markets to validate assumptions, establish a baseline for outcomes measurement and identify learnings for application in subsequent expansion.

- <u>Assessment of the Community Needs</u>

The initial assessment of each community's needs would include:

Identifying the critical issues – i.e., what are we trying to "cure"?: A thorough diagnosis of the issues to be remedied is the first step towards identifying where the "pain" is and where it hurts the most. The core question that should be asked is: "What are the issues that impact consumers the most?" For example, are unemployment levels increasing overall and/or are there segments of the population such as single female heads of household that are suffering more than the rest of the population? Is there an increase in the number of people coming through emergency services with no health coverage? Are seniors or other segments more impacted than other populations?

Identifying the root causes and driving forces behind an identified "financial literacy gap": Questions include: Is the gap caused by lack of education or lack of access to education? Are there structural issues such as legislative barriers, language barriers, economic factors, or lack of infrastructure (hospitals, social services) that have contributed to the lack of financial literacy?

Identifying what is currently working and what is not: Are there local or national efforts that have had a real impact on the targeted community? Have they failed or not shown the anticipated results because they were not effective, or was it because they were not tracked or measured effectively? Are there unique local best practices and effective approaches?

- Identification of the Key Community Leaders and Creation of a Coalition with a Common Mission and a Grassroots Approach

The need for a common mission and a common message through a common voice is one of the most crucial components of an effective financial education initiative within a targeted community. It is critical that community-based organizations and nonprofits providing financial and social services work together, along with local financial institutions, local councils on economic education, and officials representing the local (i.e., city, county and state) Treasurers' offices, state legislators, public and private school administrators, trade associations, credit unions, etc., and that they create local coalitions to work together on financial education initiatives.

All members of the coalition should act in an advisory capacity and should preferably participate on a volunteer basis, although some members might initially need to be offered incentives for participation, similar to Community Reinvestment Act ("CRA") credit for financial institutions.

This core group of organizations, working together will be best positioned to prioritize the target population(s), based on their expert knowledge of the market characteristics, the infrastructure available, and the needs of the different population groups.

Once the target populations are identified, additional members involved or influential within the target populations should be invited to participate in the coalition. For example, large local employers, such as automotive groups in South Texas, or retail and fast food chains if the populations targeted are young adults, or recreational or affinity groups (such as AARP chapters, Boys and Girls' Scouts), would make powerful coalition members.

A local campaign will then be crafted by the coalition, leveraging each organization's outreach network, available resources, and local influence.

An example is the Maryland Coalition for Financial Literacy, whose website may be found at www.mdfinancialskills.org. The Coalition was created five years ago and targets high school students. Its primary mission is to make financial literacy a course requirement prior to graduation from high school. The Coalition is composed of a diverse group of 30 to 40 community leaders from different nonprofits (Maryland Consumer Rights Coalition, Junior Achievement of Central Maryland, etc.), trade associations (Credit Union Foundation of Maryland and DC, Maryland Association of CPAs, etc.), the Maryland Council on Economic Education, the Mid-Atlantic Financial Services Association, the Maryland Bankers Association, the Maryland Retailers

Association, the State Board of Education, University of Maryland Extension Services, Maryland State Treasurer's Office, and others. A complete list of the Coalition Members is available at: www.mdfinancialskills.org/mcfl_members.php.

The idea of the Coalition was initiated by the Commissioner of Financial Regulation for the State of Maryland. The vision was that a group of community leaders with common goals and objectives would be much more effective than different community groups and businesses working independently to try to resolve the same community issues.

The Coalition has worked to enact a joint resolution encouraging schools to make financial literacy a curriculum requirement. To date, its principal success has been through a grassroots approach where Coalition members have met locally with school superintendents, county boards of education, curriculum supervisors, PTAs, and other community representatives.

Through the Coalition's efforts, five school districts (out of 24) in Maryland have adopted a financial literacy, or a form of personal finance education, requirement to graduate from high school, and others are offering courses as an elective.

- Identification of Financial Education Products and Services and Delivery Channels

All NFCC Agencies interviewed believe that the following three segments of the population would be their initial target populations (albeit in different orders of priority):

- o Youth (with a slight distinction between K-12, high school and 18-22 year-old age groups);
- o Seniors; and
- o Low-to-moderate income families.

The NFCC collected the Agencies' suggestions about the type of information (content) that would be most effective within each group, how to best deliver the content (what location, form, by whom, in person vs. other media) and how to incent the different target groups. Most Agencies agreed that high-quality content is already available in many forms, and that the delivery of the education is what would make it most effective.

Based on the interviews, the common delivery components of an effective financial education collaboration are:

- o Minimizing the level of effort (transportation, distance, access) required from the target audience by delivering financial education in convenient locations and at convenient times, such as at the workplace, in schools or in local community centers;
- o Making the content relevant to the different groups and focusing on:
    1. Very practical applications of the basics of finance and budgeting;
    2. Reviewing the short- and long-term implications of personal financial decisions (such as loan total repayment period and cost);

3. Immediate consumer protection issues (such as identity theft) and the necessary steps to resolve them, and;
4. The long term benefits of making good financial decisions.

- Having very knowledgeable, expert instructors who will, over time, deliver and manage train-the-trainer programs so that a consistent curriculum and delivery method can be offered as the program expands;
- Delivering financial education over time (three to six months) through multiple sessions, to help individuals assimilate the information and progressively implement the actions steps best fitted to their individual circumstances. and;
- Making easy-to-reproduce educational materials (text books, DVDs, etc.) available to all service providers.

- <u>Creation of Incentives for Consumers and Participating Entities</u>

Member Agency feedback suggests that one of the key elements in creating a successful community-based program is identifying and establishing motivation or "incentives" tailored to needs of the target audience.

For example, for consumers, a tangible benefit that creates a demand for personal financial education and training is often effective (e.g., access to a product that may not otherwise be available to them; a product or service that is made available to them at a reduced cost; meeting an academic requirement, etc.). For organizations such as financial institutions, mortgage lenders, and insurance companies, a regulatory benefit for supporting and investing in financial literacy in communities – such as meeting a component of the CRA – could be compelling.

- <u>Evaluation of Funding Requirements</u>

Implementation costs at the community level will vary widely based on the target population; programs required; existing infrastructure (both human and capital); awareness outreach; and complexity and length of outcomes tracking. It is likely that in the initial pilot phase of a national financial education strategy, costs will be significant as delivery models are built and tested, standards are developed and applied, and refinements are made based on experience.

Nevertheless, efficiencies will accrue over time as a unified coalition of volunteer members, leveraging common materials and educators, identify how to extend successful programs to additional communities and audiences. In addition, a coalition working together should be able to raise private and public grant money more easily by presenting a more compelling and strategic case to a wider audience of possible funders.

Many NFCC Member Agencies believe that once a coalition is created, or at least more effective public-private partnerships are in place, financial institutions will be more likely to invest grants or other resources in financial education if it impacts their communities. Over time, as train-the-trainer programs are created, the overall cost of counseling should decrease. Some Agencies also suggested that a federal grant program, comparable to HUD's SuperNOFA for housing, be created. A government-sponsored program would create a reliable yearly financial baseline.

- Identification of the Measures of Success and Implementation of a Tracking Mechanism

Once the financial education curricula and delivery methods are determined, the short- and long-term measures of success of these programs should be established and consistently used to measure the target population's progress. Based upon standard definitions developed by the national steering committee, these measures should evaluate elements of awareness and increased knowledge about financial matters, as well as capture the behavioral and attitudinal changes over time of the program participants.

During the pilot phase, an array of measurements, from immediate feedback through longitudinal analysis, should be tested. This would include, as appropriate, the most immediate and commonly used measures of success, namely pre- and post-tests. These tests should be applied consistently during the pilot phase to all participants in the financial education programs, regardless of who delivers the course and where it is held. Where possible, control groups should be established and follow-up analysis should be completed at regular intervals for a minimum of three-to-six months and through a year or longer.

Over time, social and economic improvements in the local market economy should also be identified and tracked. These should align with the national measures of success and contribute to the National Financial Literacy Index discussed earlier. Measurements might include tracking variances in the levels of unemployment by sector and population; changes in bankruptcy filings; secured and unsecured debt delinquency levels; increases in access to and use of financial products and services, among others.

E. Conclusion

These comments attempt to highlight the practical challenges to creating and sustaining a successful financial education strategy. It is the result of a review of research on the topic of financial education and literacy in the United States and in other cultures facing very similar issues. It also suggests practical steps toward implementing meaningful and sustainable local pilots that offer national scalability. The NFCC would welcome additional conversations with the CFPB to evolve and expand these comments into a national strategy on the part of the CFPB.

On behalf of the NFCC, thank you for this opportunity to share these comments and we would be please to respond to any request for additional information.

Respectfully submitted,

William P. Binzel
Corporate Secretary & Counsel to the Board of Trustees