S. Hrg. 110–337

FEDERAL GOVERNMENT'S ROLE IN EMPOWERING AMERICANS TO MAKE INFORMED FINANCIAL DECISIONS

HEARING

BEFORE THE

OVERSIGHT OF GOVERNMENT MANAGEMENT, THE FEDERAL WORKFORCE, AND THE DISTRICT OF COLUMBIA SUBCOMMITTEE

OF THE

COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS UNITED STATES SENATE

ONE HUNDRED TENTH CONGRESS

FIRST SESSION

APRIL 30, 2007

Available via http://www.access.gpo.gov/congress/senate

Printed for the use of the Committee on Homeland Security and Governmental Affairs

U.S. GOVERNMENT PRINTING OFFICE

35–529 PDF WASHINGTON : 2008

For sale by the Superintendent of Documents, U.S. Government Printing Office
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FEDERAL GOVERNMENT'S ROLE IN EMPOWERING AMERICANS TO MAKE INFORMED FINANCIAL DECISIONS

MONDAY, APRIL 30, 2007

U.S. SENATE,
SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT MANAGEMENT, THE FEDERAL WORKFORCE, AND THE DISTRICT OF COLUMBIA,
OF THE COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS,
Washington, DC.

The Subcommittee met, pursuant to notice, at 2:30 p.m., in Room SD–342, Dirksen Senate Office Building, Hon. Daniel K. Akaka, Chairman of the Subcommittee, presiding.

Present: Senator Akaka.

OPENING STATEMENT OF CHAIRMAN AKAKA

Chairman AKAKA. The U.S. Senate Committee on Homeland Security and Governmental Affairs, Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia hearing will come to order. I call this Subcommittee to order. It is very appropriate that this hearing be conducted today, on the last day of Financial Literacy Month.

My interest in financial literacy dates back to when my fourth grade teacher required me to have a piggybank. We were made to understand how money that was saved a little at a time can grow into a large amount, enough to buy things that would have been impossible to obtain without savings.

My experience with a piggybank taught me important lessons about money management that have stayed with me throughout my life. More people need to be taught these important lessons so that they are better able to manage their resources.

Americans of all ages and backgrounds face increasingly complex financial decisions as members of our Nation's workforce, as managers of their families' resources, and as voting citizens. Many find these decisions confusing and frustrating because they lack the information and skills necessary that would enable them to make wise personal choices about their finances.

A sample of economic statistics presents some disturbing realities. Consumer debt exceeded a record $2.4 trillion in 2006, and household debt reached a record $12.8 trillion. Americans' rate of personal savings as a percentage of disposable personal income declined from minus 0.4 percent in 2005 to minus 1.1 percent in 2006, making 2005 and 2006 the only years since the Great Depression when this savings rate has been negative.

In a 2006 survey, Jump Start Coalition for Personal Financial Literacy found that high school seniors scored an average of only 52.4 percent on an exam testing knowledge of basic personal finance. The Retirement Confidence Survey conducted by Employee Benefit Research Institute found that only 42 percent of workers or their spouses calculated how much they need to save for retirement, down from 53 percent in the year 2000.

Millions of working families are susceptible to predatory lending because they are left out of the financial mainstream. The unbanked rely on alternative financial service providers to obtain cash from checks, pay bills, send remittances, utilize payday loans, and obtain credit. Many of the unbanked or low- and moderate-income families can ill afford to have their earnings diminished by reliance on these high-cost and often predatory financial services. In addition, the unbanked are unable to save securely to prepare for the loss of a job, a family illness, a downpayment on a first home, or education expenses. Without this sufficient understanding of economics and personal finance, individuals will not be able to manage their finances appropriately, evaluate credit opportunities, and successfully invest for long-term financial goals in an increasingly complex marketplace.

It is essential that we work toward improving education, consumer protection, and empowering individuals and families through economic and financial literacy in order to build stronger families, businesses, and communities.

My colleagues and I have worked on several important initiatives for financial literacy. My legislation, the Excellence in Economic Education Act, or the EEE Act, was enacted as part of the No Child Left Behind Act. The EEE is intended to fund a range of activities such as teacher training, research and evaluation, and school-based activities to further economic principles. I have obtained funding of approximately $1.5 million for the EEE Act each year, in each fiscal year since fiscal year 2004. I will continue to work to fund this important Federal program.

In the year 2003, the Fair and Accurate Transactions Act created the Financial Literacy and Education Commission. The Commission is tasked with reviewing financial literacy and education efforts throughout the Federal Government, identifying and eliminating duplicative financial literacy efforts, and coordinating the promotion of Federal financial literacy efforts, including outreach partnerships between Federal, State, and local governments, nonprofit organizations, and enterprises. The Commission also established a website, MyMoney.gov, and a toll-free hotline to serve as a clearinghouse and provide a coordinated point of entry for information about Federal financial literacy and education programs, grants, and other information the Commission deems appropriate.

I worked with my colleagues on this Subcommittee to bring about the enactment of the Thrift Savings Plan Open Elections Act of 2004. This mandated that the Office of Personnel Management develop and implement a retirement financial literacy and education strategy for Federal employees. During today's hearing, we will learn more about the effectiveness of our Federal financial literacy efforts and what must be done to improve financial literacy throughout the Nation. Greater financial literacy will result in stronger families, better functioning markets, and a more secure future for our country.

I thank our witnesses for being with us today, and I look forward to your testimony and to working with all of you towards this very important goal.

In our first panel, it is my pleasure to welcome the Chairman of the Federal Deposit Insurance Corporation, Sheila Bair. I know we share a deep commitment to improving the financial literacy of our country. I have greatly appreciated her outstanding financial literacy efforts during her service at the Department of the Treasury, the FDIC, and at the University of Massachusetts at Amherst.

Chairman Bair, it is the custom of this Subcommittee to swear in all witnesses, so will you please stand and raise your hand and take the oath? Do you swear that the testimony you will give before this Subcommittee is the truth, the whole truth, and nothing but the truth, so help you, God?

Ms. BAIR. I do.

Chairman AKAKA. Thank you very much. Let the record note that the witness responded in the affirmative.

Although the statements are limited to 5 minutes, I want all of our witnesses to know that their entire statement will be included in the record.

Chairman Bair, will you please proceed with your statement?

TESTIMONY OF SHEILA C. BAIR,[1] CHAIRMAN, FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC)

Ms. BAIR. Chairman Akaka, thank you very much. I appreciate this opportunity to testify on the state of financial literacy in America.

The world of finance is far more complicated today than it was just a generation ago. Back then the average consumer had a checking account, a passbook savings account, and maybe a home mortgage with their local bank. Today, after 40 years of deregulation, new technology, and market innovation, consumers have a vast array of financial services from which to choose. More and more of these services are delivered outside traditional bank branches. Electronic payments are replacing cash and checks, and new credit products are reaching all parts of society.

Competition and innovation ultimately give consumers more choices at lower prices. But it has gotten so complicated these days that it can make your head swim when you go to open an account or take out a loan. This is not good for anybody—consumers, bankers, lenders, or the U.S. economy at large.

On top of that, we are a Nation that has forgotten how to save. We are great at spending, but we do not know how to save our hard-earned money. Nationwide, the savings rate, as you pointed out, Mr. Chairman, was a negative 1.1 percent last year.

I am not suggesting that American consumers become accountants and penny pinchers. We are just saying it is time to get smart

[1] The prepared statement of Ms. Bair appears in the Appendix on page 35.

about your money and learn how to handle it, especially those just starting out or with a lower income.

Recognizing the need for improved financial literacy, the FDIC developed its Money Smart curriculum in 2001 to help low- and moderate-income adults enhance their money management skills, understand basic mainstream financial services, avoid pitfalls, and become more savvy about using banking services.

In light of emerging problems in the subprime mortgage markets, we will be updating Money Smart this summer to help consumers evaluate and compare different types of mortgages, in particular, the risks and trade-offs between fixed and adjustable rate mortgages.

To date, more than 864,000 adults have attended at least one class using the Money Smart curriculum. A year from now, 1 million will have taken the training. This is a very popular program. We had hoped to train a million people by 2010, so we are 2 years ahead of schedule.

Adults are not the only ones we need to reach. I am a big believer, as are you, Mr. Chairman, in educating our young people about money as early as possible. Children have a natural curiosity about money, so why not get started early teaching them how to handle it?

The FDIC recently started a pilot project to further integrate our program into public schools. While a number of States, including Hawaii, already use Money Smart in their educational programs, we will be directly contacting about 120 school systems and related government agencies about using this program.

In addition, many States such as Massachusetts have school bank programs that teach students practical financial skills. Building on these programs, the FDIC is also developing school-based initiatives as part of our Alliance for Economic Inclusion, to help financial institutions and others set up student-run banks in high schools. This can be a powerful—and I hope fun—way for students to learn financial skills.

The final point I want to make is that these programs do work. This morning we announced the results of a new Gallup poll we commissioned to assess the impact of financial education on long-term consumer behavior. This is a landmark survey. It is the first ever to document what consumers do after being taught how to better handle their money. The results clearly show that education makes a big difference in the way people save and spend their money.

The poll found that seven out of ten people said they saved more 6 to 12 months after completing our Money Smart program. One in two reported that their debt decreased. And three in five said they were more likely to comparison shop when opening a bank account. Thirty-seven percent of those who did not have a savings account opened a savings account after completing our program, and over 25 percent started using direct deposit for the first time.

This proves the lasting benefits and the power of learning how to manage your money. For consumers it is the ticket to financial freedom.

Also this morning, we helped launch D.C. Saves, a new initiative to encourage Washingtonians to reduce debt, save money, and build wealth. Such community efforts, which are part of the FDIC's mission, are another effective means to educate the public.

Let me end by observing that financial education is no panacea, and it certainly is no excuse for irresponsible financial products or services. However, a consumer who knows the right questions to ask, understands economic fundamentals, and has the confidence to challenge products and practices that seem too good to be true is a regulator's best weapon as we work to protect the public.

Thank you very much. I would be happy to answer any questions, and before I completely conclude, I would like to acknowledge that we are a very proud partner of the Federal Literacy and Education Commission (FLEC). I focused mainly on our FDIC efforts this morning, but given the second panel, I did want to say that we are very pleased to work with that effort as well.

I would also like to note that I was just advised that ABC News will be disseminating to its affiliates tonight a Money Minute segment on the Gallup poll survey results and the important impacts that Money Smart is having. And that should reach about a million individuals, and so that should also be an important way of getting our word out about our financial education efforts.

Thank you, Mr. Chairman.

Chairman AKAKA. Thank you for your statement, Chairman Bair. Thank you for doing all you can to support education of our young people, as you said, and the general public as well.

I am very pleased to learn from your statement that the Money Smart program has resulted in positive behavioral change among consumers.

Ms. BAIR. Yes.

Chairman AKAKA. What lessons learned from Money Smart could help other agencies implement effective financial literacy programs?

Ms. BAIR. I think a couple of things. First of all, Money Smart is written in a very direct, straightforward, basic way. It is very understandable to a wide segment of the population.

Also, in terms of delivery mechanisms, we work very closely with nonprofits, and some banks, to offer the Money Smart curriculum as well. But I think working with nonprofits—people that are in the communities, groups that are in the communities—is particularly important to reach especially the lower- and lower-middle-income segments of the population. Also, making the financial education transaction-related so that it has an immediate relevance to the individual or family enrolled in the curriculum. A lot of the folks who come to use the Money Smart curriculum are buying homes for the first time. They are receiving counseling through NeighborWorks of America, and they receive the Money Smart curricula as part of that transaction-oriented impetus.

Many others will open up a checking account or a savings account for the first time at a bank, after the curricula is offered. So tying financial education to a financial transaction and making it immediately relevant to that transaction, I think, is very helpful.

Chairman AKAKA. Chairman Bair, I am deeply concerned that too many working families are taken advantage of by unscrupulous lenders through payday loans. In your statement, you indicate that the FDIC issued the Affordable Small-Dollar Loan Guidelines last year intended to develop low-cost small loans coupled with savings opportunities.

Ms. BAIR. Yes.

Chairman AKAKA. How have FDIC-insured banks responded to these guidelines?

Ms. BAIR. They have been very supportive. The comment letters were almost all uniformly supportive, and we are encouraged. We have many banks that have approached us that are interested in launching a low-cost, small-dollar loan program, at least on a pilot basis.

I think the one challenge we have in engaging the broader financial banking community is to prove that these loans can be responsibly priced and profitable. I think there are some misconceptions about the credit risk involved. They are not as high, I think, as a lot of banks perceive them to be, given the fact that we are talking about providing a product to an individual who is already a bank customer. The thing that is frustrating about payday loans is those folks already have banking accounts. They have to provide a check as collateral for the loan.

So the customer is already there, and I think working with banks so that they can understand that there are models to lend in a way that is responsibly priced, but also profitable, is going to be our main challenge going forward. But we have had a tremendous and very encouraging response, so I am optimistic that we are going to be able to get some significant level of small-dollar alternative options at a lower cost, and also have a savings component built into that.

Chairman AKAKA. Chairman Bair, I am worried also that Americans are not saving enough.

Ms. BAIR. Yes. Me, too.

Chairman AKAKA. Also they are accumulating so much debt.

Ms. BAIR. Yes.

Chairman AKAKA. I hear this a lot from parents of college students who receive their children's bills. They are very concerned. What policies need to be implemented to encourage savings and discourage debts?

Ms. BAIR. Well, I think what we are doing in financial education is helpful. Also, supporting the America Saves program, which is spearheaded by Consumer Federation of America and local efforts is important. I was in Ohio to support Cleveland Saves. We were involved with a D.C. Saves event this morning. I think these types of efforts are important in terms of getting the word out concerning how important saving is.

Also, it is important to work with banks to make sure that there are savings vehicles available for lower-income people that do not have high minimum balances or high fees to get people started with just \$5, \$10 or \$25 a month. Really, you just need to get started somewhere, but making sure that there is a low-cost savings product that is accessible to them is very important.

I think also as regulators, bank regulators, we need to make sure that the incentives we provide banks are equally weighted between credit and savings products. Perhaps in the past we have put a little too much emphasis on the extension of credit. Certainly credit needs to be widely available. But I think we need to put at least as much emphasis on asset accumulation and savings products.

And, finally, it is important to come up with savings products that facilitate making savings automatic, even tying them to debt programs, like a small-dollar loan program. For example, qualifying someone for a small-dollar loan, but as they make the repayment, an amount would automatically go into a savings account.

There are a lot of creative ways, I think, that banks can make savings automatic, and all the research shows that if you make it automatic, and make it easy, people will save.

Chairman AKAKA. As you know, approximately 10 million households in the United States do not have accounts at mainstream financial institutions. Unfortunately, too many of these households depend on high-cost, fringe financial services. They miss out on opportunities for saving and borrowing at credit unions and banks.

What do you think must be done to bring these households into mainstream financial institutions?

Ms. BAIR. Here, again, I think financial education is key. Also, it is important to work with banks to make sure that the product mix that they offer and the marketing that they offer taps into this vast untapped market. This is a huge market opportunity for banks as well as a very good public policy objective.

It is important that the product mix is right, including a savings account and basic financial services like money orders. A lot of lower-income families do not need a complicated checking account when they are starting off on their banking relationship. If they are introduced to a product that is too complex that ends up costing them money as opposed to saving money, they are going to sour in their view of banks.

Working with banks, to make sure that the regulatory incentives are of the right mix, and also encouraging the availability of very basic entry-level types of financial services that are needed by lower-income families is a good way to start.

Chairman AKAKA. Yes. Well, I really appreciate your responses to my questions today, and we are all in this together to try to highlight financial literacy and to help people make better decisions.

I want to thank you so much for your part in our government to help bring this about. There is no question we need to work together as a team to make this happen throughout the country, and you have been such an integral part of this. I look forward to working with you further on this, and I want to thank you again for being here.

Ms. BAIR. I also very much appreciate the support you have given me over the years, and I am very pleased to be here this morning. Thank you.

Chairman AKAKA. Thank you, Chairman Bair.

Now I ask the second panel of witnesses to come forward. Testifying on the second panel are: Morgan Brown, Assistant Deputy Secretary for Innovation and Improvement, U.S. Department of Education; Dan Iannicola, Jr., Deputy Assistant Secretary for Financial Education, U.S. Department of the Treasury; Robert Danbeck, Associate Director for Human Resources Products and Services Division, Office of Personnel Management; and Yvonne

Jones, Director, Financial Markets and Community Investment Team, Government Accountability Office.

I want to welcome all of you and thank you so much for being here. As you know, it is the custom of this sUBCommittee to swear in all witnesses, so will you please stand and raise your right hand? Do you swear that the testimony you are about to give this Subcommittee is the truth, the whole truth, and nothing but the truth, so help you, God?

Mr. BROWN. I do.

Mr. IANNICOLA. I do.

Mr. DANBECK. I do.

Ms. JONES. I do.

Chairman AKAKA. Thank you very much. Let the record note that the witnesses responded in the affirmative.

Thank you very much for being here. This is a hearing that will certainly help every person in our country. So I would like to call on Mr. Brown to please proceed with your statement.

TESTIMONY OF MORGAN BROWN,[1] ASSISTANT DEPUTY SECRETARY FOR INNOVATION AND IMPROVEMENT, U.S. DEPARTMENT OF EDUCATION

Mr. BROWN. Thank you, Mr. Chairman, and good afternoon. Thank you for the opportunity to appear before you today to discuss the important topic of financial literacy and what the U.S. Department of Education is doing to address this issue.

In recognition of April being Financial Literacy Month, Secretary Spellings last week joined the heads of other Federal agencies, as well as business and nonprofit leaders at the White House, to, in the words of the President, "make sure that the Federal effort toward financial literacy is well coordinated with the private sector."

The first program I want to talk about is the Excellence in Economic Education (EEE) program that you earlier made reference to, Mr. Chairman.

The EEE program is administered by the Office of Innovation and Improvement, which I head. This program promotes efforts to increase the economic and financial literacy of elementary and secondary students. The objectives of the program are to: one, increase students' knowledge of and achievement in economics; two, strengthen teachers' understanding of and competence in economics; three, encourage economic education research and development; four, assist States in measuring the impact of education in economics; and, five, leverage and expand increased private and public support for economic education partnerships at the national, State, and local levels.

Under the statute, the Department is authorized to award one competitive grant to a national nonprofit educational organization whose primary mission is to improve the quality of student understanding of personal finance and economics. The grantee must subgrant 75 percent of its grant funds to State or local educational agencies and State or local economic, personal finance, or entrepreneurial education organizations. The subgrantees must work in

[1] The prepared statement of Mr. Brown appears in the Appendix on page 50.

partnership with other organizations that promote, among other things, personal finance education and economic development.

Over the 3-year life of the program, the Department has awarded almost $4.5 million in grant funding to the National Council on Economic Education (NCEE), who you will be hearing from in the next panel of witnesses. During that time NCEE has implemented a variety of initiatives designed to improve financial literacy in our schools. NCEE's mission is to promote economic and financial literacy for all students in grades K–12 through its network of State councils and university-based centers, by training thousands of teachers who will reach millions of students. NCEE's project activities are intended to help students to develop the skills they need to become knowledgeable consumers, savers, investors, and effective participants in a global economy.

Through the Excellence in Economic Education Program, NCEE has awarded 310 subgrants totaling nearly $3.35 million to State and local education agencies as well as State and local organizations that provide economic, personal finance, or entrepreneurial education programs. To ensure greater cost-effectiveness and corporate community involvement, subgrantees are required by the Excellence in Economic Education program statute to match their Federal funding dollar for dollar.

My office is in the process of measuring the performance of the grantee by determining the percentage of students and teachers trained under the project that demonstrate an improved understanding of personal finance and economics as compared to similar students whose teachers have not had the training provided by this project. We expect to have baseline information by the end of the current fiscal year and comparison data a year later.

With regard to the future of the EEE program, the President's budget requests no funding for fiscal year 2008, consistent with the Administration's policy of eliminating small categorical programs that have limited national impact and reallocating these funds to high priorities. Districts that wish to implement economic education activities, however, can use funds provided under other Federal programs to do so. For example, the Improving Teacher Quality State Grants program supports efforts to ensure that all teachers of core academic subjects, including economics, are highly qualified, so funding under that program may be used for professional development activities in economics education.

I want to say a word about the Financial Literacy and Education Commission. The Department of Education also continues to work in partnership with the Financial Literacy and Education Commission in its efforts to improve financial literacy in our country. Earlier this year, the Departments of Education and the Treasury cohosted a 2-day Kindergarten through Postsecondary Financial Education Summit. Attendees included a diverse group representing educational agencies and foundations, banking and investment institutions, nonprofit organizations, and private corporations. The focus of the summit was to engage public and private financial education practitioners in a dialogue to discuss innovative strategies to promote the integration of financial education into the core curriculum.

In closing, let me once again thank the sUBCommittee for inviting me to speak today. We will continue to monitor the effectiveness of our grant to the NCEE and to work with the Department of the Treasury on future financial literacy initiatives.

Thank you, Mr. Chairman. I would be happy to take any questions.

Chairman AKAKA. Thank you very much for your statement, Mr. Brown. Mr. Iannicola.

TESTIMONY OF DAN IANNICOLA, JR.,[1] DEPUTY ASSISTANT SECRETARY FOR FINANCIAL EDUCATION, U.S. DEPARTMENT OF THE TREASURY

Mr. IANNICOLA. Good afternoon, Chairman Akaka. Thank you for this opportunity to appear before you today to talk about the important issue of financial literacy in America. Mr. Chairman, your leadership on this issue stretches back several years, and I commend you for your early recognition of financial literacy as an area of national concern.

I would like to briefly discuss the financial literacy issue we are faced with and then discuss the Federal responses to that issue.

Our robust marketplace of financial products and services has given Americans more options than ever before on activities such as investing, financing a home, or obtaining other consumer credit. Additionally, the steady migration from defined benefit plans to defined contribution plans has given people even more decisions to make about retirement. It is as if every American has woken to find himself or herself promoted to the position of CFO of his or her own household. Are we ready for the job? And if not, how do we address the new reality that our economic choices have simply outpaced our financial knowledge?

The answer, of course, is financial education. Only when we learn more about our money will we be able to move forward confidently in the modern financial marketplace.

The Fair and Accurate Credit Transactions Act of 2003 established a 20-agency group called the Financial Literacy and Education Commission and named the Secretary of the Treasury as Chair of the Commission. The law required the group TO produce a website, a hotline, a multimedia campaign, and a national strategy. I will describe progress on each of these projects.

In October 2004, the Commission launched MyMoney.gov, a one-stop shop for Federal financial education information which is available in English and Spanish. The site has 399 links and has had 1.7 million hits. Also in October 2004, the Commission launched a toll-free hotline called 1–888–MyMoney, which is available in English and Spanish and has received 18,000 calls. The multimedia campaign is well underway and will be launched in the fall of 2007.

The FACT Act also required the Commission to develop a national strategy for financial literacy. In April 2006, the Commission released the document entitled “Taking Ownership of the Future.” Each of the strategy’s 13 chapters end with numbered calls to ac-

[1] The prepared statement of Mr. Iannicola appears in the Appendix on page 54.

tion. These calls to action are milestones for the Commission which allow us to measure its performance.

I will give a chronological summary of progress on the calls to action.

In April 2006, the Small Business Administration completed Call to Action 3–2 by adding retirement training tools for small businesses to MyMoney.gov, and the Treasury Department completed Call to Action 5–2, with the release of an identity theft DVD. Sixty thousand of these DVDs were subsequently distributed.

In July 2006, and following Call to Action 2–1, the Departments of Housing and Urban Development and the Treasury Department cohosted a homeownership roundtable. And in August 2006, Call to Action 12–2 was completed when GSA and the Treasury Department finished the first survey of Federal financial education programs and resources.

As of December 2006, and as part of Call to Action 6–2, the Federal Reserve Banks and the Treasury Department converted three-quarters of a million paper check benefit recipients to direct deposit enrollees.

Under Call to Action 6–3, the Department of Health and Human Services implemented a public education campaign which helped to enroll more than 1.4 million beneficiaries in Medicare's Part D program so they could take advantage of the new drug benefit.

In February 2007, as mentioned by Mr. Brown, the Departments of Education and the Treasury cohosted a 2-day summit on youth financial education as part of Call to Action 10–1.

In March 2007, under Call to Action 8–1, the third of four regional summits on the unbanked occurred in Seattle. Earlier summits occurred in Chicago in May 2006 and in Edinburg, Texas, in December 2006. These events were the result of a partnership with many financial institution regulators.

Also in March 2007, the Treasury Department hosted a financial literacy roundtable focused on Native populations. And just last week, Call to Action 1–1 was completed when the Treasury Department launched a public service announcement campaign promoting the MyMoney website.

In December 2006, the Government Accountability Office issued a report on the Commission. The Commission welcomed the insights of GAO. As part of the Commission's statutorily mandated annual review of the strategy, the Commission incorporated many of the GAO recommendations into its 2007 strategy revisions, including defining the terms "financial education" and "financial literacy"; committing to conduct a usability study and a customer satisfaction survey on the MyMoney website; and committing to have an independent review of Federal financial education programs and resources.

Last, GAO recommended that the Commission work closely with private entities, State, and local governments, which was accomplished earlier this month when the Treasury Department and the Office of Personnel Management completed Call to Action 12–5, by establishing the National Financial Education Network of Federal, State, and local governments.

As we move forward, the Commission will be implementing the remaining calls to action in the National Strategy.

I hope this discussion has given you a useful overview of the Commission's work. We hope that through our emphasis on increased financial literacy people gain the skills to make better decisions and, therefore, live better lives.

Thank you, and I look forward to your questions.

Chairman AKAKA. Thank you very much, Mr. Iannicola, for your statement.

Mr. Danbeck, would you please proceed with your statement?

TESTIMONY OF ROBERT F. DANBECK,[1] ASSOCIATE DIRECTOR, HUMAN RESOURCES PRODUCTS AND SERVICES, OFFICE OF PERSONNEL MANAGEMENT

Mr. DANBECK. Good afternoon, Mr. Chairman. It is my pleasure to be here today to outline the important work the Office of Personnel Management is doing to ensure Federal employees are ready for retirement. OPM is committed to educating Federal employees about the need for retirement savings and investments and providing information on how to plan for retirement, including how to calculate the retirement savings and investments needed to meet their retirement goals. As part of that commitment, we were pleased to participate in Financial Literacy Day on Capitol Hill last week, where we provided information about the various benefit programs available to Federal employees and had experts available to answer attendees' questions. We also invited representatives from the Thrift Savings Plan (TSP) to join us, thereby providing attendees with additional resources to discuss this important facet of their retirement benefits.

As you know, the Thrift Savings Plan is a Federal Government-sponsored retirement savings and investment plan open to Federal civilian employees and to members of the uniformed services. The TSP offers savings and tax benefits comparable to what many private corporations refer to as 401(k) plans. We strongly encourage all eligible Federal employees to take advantage of TSP as a means of preparing for their future. Due to your leadership, Congress took steps to help make Federal employees more aware of the opportunities available to them through the TSP when it passed the Thrift Savings Plan Open Elections Act of 2004. The Act directed OPM to develop a "strategy to provide employees information on how to plan for retirement and how to calculate the retirement investment needed to meet their retirement goals."

OPM is doing this through a strategy based on an education model we call Retirement Readiness NOW. The model focuses on the outcome of our retirement financial education programs to provide employees information on how to plan for retirement and how to calculate retirement investments needed to meet their retirement goals.

Retirement readiness combines basic information about the benefits provided by the government, as an employer, and the broader financial education needs of employees. Rather than being a "near-retirement" event, the retirement readiness model considers retirement financial literacy and education as a career-long process. The model incorporates the broad range of information employees need

[1] The prepared statement of Mr. Danbeck appears in the Appendix on page 61.

to help them make informed retirement planning decisions. It also recognizes that these needs change as a person moves through his or her career.

Our Retirement Readiness NOW model takes a total balanced approach to planning that covers:

Networking Engagement—finding enjoyable challenges, connecting with other people in meaningful activities such as volunteer work, or even exploring a new career;

Overall Health—staying as healthy as you can for however long you live; and understanding the aging process and how best to approach health care such as preventative and disease treatment;

And, finally, Wealth—preparing financially to have sufficient income to support your own standard of living in retirement.

OPM has three key roles in retirement planning: Capacity, Coordination, and Catalyst. Building capacity means providing training and tools to agency benefits officers so that they can help employees understand their benefits and identify their financial education needs.

OPM's Retirement System Modernization (RSM) project will provide employees with tools that for the first time ever will allow them to model their future retirement benefits based on a complete set of their actual Federal employment information. RSM modeling tools will include a web-based application that will contain personalized content and decision support, enabling employee self-service access 24 hours a day, 7 days a week, by telephone or via a web interface. The RSM tools will allow a one-stop experience for employees to initiate changes to their retirement benefits. These capabilities will be available beginning February 2008.

Another important step we have taken is the development of a partnership with the American Savings Education Council of the Employee Benefits Research Institute. Through this partnership, we have developed the Federal Ballpark Estimater, which is based on the widely-used American Savings Education Council Ballpark Estimater, and our Estimater will go live shortly.

However, OPM and agencies cannot provide employee retirement readiness without the direct involvement of the employees themselves. Employees must take advantage of opportunities provided and must assume responsibility for taking steps to meet their own retirement goals. Our responsibility, and one we work on daily, is to provide as many tools as possible so that folks have this information as they near retirement.

OPM also is very proud of the active role it has taken as a member of the Financial Literacy and Education Commission. We were on the national strategy working group and earlier this month cohosted with the Department of the Treasury the first meeting of the National Financial Education Network. This clearinghouse will not only serve as a valuable resource for State and local governments, it will identify a rich array of resources agency benefits officers can use to explain their retirement readiness education program for Federal employees.

I appreciate this opportunity to testify before the Subcommittee on this very important issue. I will be glad to answer any questions you may have.

Chairman AKAKA. Thank you very much for your statement, Mr. Danbeck.

Ms. Jones, will you please proceed with your statement?

TESTIMONY OF YVONNE D. JONES,[1] DIRECTOR, FINANCIAL MARKETS AND COMMUNITY INVESTMENT, U.S. GOVERNMENT ACCOUNTABILITY OFFICE

Ms. JONES. Mr. Chairman, I appreciate the opportunity to discuss how the Financial Literacy and Education Commission developed the National Strategy for Financial Literacy. My comments are based on a report that GAO issued in December 2006 that assessed the Commission's effectiveness. Today I will discuss how the Commission developed a national strategy to promote financial literacy and education, implemented its website and telephone hotline, coordinated Federal financial literacy efforts, and promoted partnerships among government, nonprofit, and commercial organizations.

First, the National Strategy includes a series of recommendations presented as calls to action. The calls to action are largely descriptive, not strategic, and mainly describe existing programs. Consequently, most Federal and nonprofit agencies we interviewed said that the strategy was unlikely to affect their financial literacy and education efforts.

Based on our review, we recommended that the Commission include in the strategy concrete definitions for financial literacy and financial education, clear and specific goals and performance measures, actions needed to accomplish the goals, a description of required resources, and a discussion of the appropriate roles and responsibilities for Federal agencies and other organizations.

The Treasury Department, as Chair of the Commission, responded that the Commission is a new entity and that the strategy is largely a blueprint to provide general direction. Also, the strategy will be updated annually.

Additionally, in its April 2007 report to the Congress, the Commission partially responded to our recommendations by including definitions for financial literacy and financial education, as Mr. Iannicola mentioned.

The Commission also established the MyMoney website that connects consumers with close to 400 Federal financial English language websites and over 40 similar sites in Spanish. Representatives of financial literacy organizations generally said that the site is effectively serving its purpose. Website usage has been growing and reached 76,000 visits in March 2007.

However, we recommended that the Commission conduct usability tests and measure customer satisfaction. Last month, the Commission informed Congress that it would undertake these evaluations by the second quarter of 2009.

Consumers can also use the telephone hotline the Commission established to order a free toolkit of English and Spanish language financial literacy publications from several Federal agencies. But we found that the number of calls to the hotline have been limited: 526 calls in March 2007.

[1] The prepared statement of Mr. Jones appears in the Appendix on page 70.

The Commission was also required by law to develop a plan to improve Federal agency coordination. The Commission created a single Federal focal point, but it faced challenges because of the agency's differing missions, its limited staff and funding, and the lack of legal authority to compel agencies to take action.

The Act also tasked the Commission with identifying areas of duplication and overlap among Federal financial literacy activities and with reviewing the effectiveness of these activities. However, the Commission's reviews relied largely on agency self-assessments. We recommended that the Commission provide for independent evaluations by a disinterested party, which the Commission has said it will do by 2009.

To promote partnerships between Federal agencies and State and local governments as well as with the nonprofit and private organizations, the Commission has taken a number of steps, including public meetings and outreach events. But the impact of these steps is unclear.

Our report recommended that the Commission explore additional ways to cultivate partnerships with nonprofit and private organizations. For example, enhancing cooperation with State and local governments is particularly important given the crucial role the school districts have in improving financial literacy. Last month, as Mr. Iannicola said, the Commission held the first meeting of the National Financial Education Network, one of whose goals is to create a dialogue on financial education.

We recognize the significant challenges confronting the Commission, notably the inherent difficulty of coordinating the efforts of 20 Federal agencies. Given the small number of the staff the Commission has and its limited funding, we believe that early efforts undertaken by it represent some positive first steps. At the same time, more progress is needed if we expect the Commission to have a meaningful impact on improving the Nation's financial literacy.

Mr. Chairman, this concludes my prepared statement. I would be pleased to respond to any questions that you may have.

Chairman AKAKA. Thank you very much, Ms. Jones, for your statement.

Mr. Iannicola, in your statement, I was glad to hear of the activities and the programs that you have and learn that there has been some coordination among Federal agencies as well.

In fiscal year 2005, $1 million was appropriated for the development and implementation of the National Strategy. How have these resources been spent?

Mr. IANNICOLA. Mr. Chairman, we did receive that appropriation and put it to good use. Roughly $200,000 of that appropriation was put towards the actual production of the National Strategy itself, which includes putting together transcripts from six public meetings we had used to get comments from organizations. That occurred over several months. And then we also spent a fair amount of money on translating the documents into Spanish so that more people could access it. We hired some professional editors to help make it more clear. In addition there were designing, printing, and distribution costs, so all that totaled a little over $200,000.

The balance was put towards the development of a multimedia campaign, which is also required under the FACT Act and called for under the strategy. And that totaled somewhere around $700,000, and we have obligated those funds to a partnership with Ad Council and an ad agency out of New York called Lowe Advertising. And we have been working with them on developing a multimedia campaign, have gone through things like focus groups and some early creative stages and hope to see that completed in the fall of this year.

Interestingly, based on what we have been talking about, the target that we have decided on is young people and credit management, so that will be the thrust of that ad campaign.

Chairman AKAKA. Your Commission activities, as you mentioned, have been ongoing. In a statement made by Ms. Jones, she indicated that effective national strategies should include discussions of costs, the sources and types of resources needed, and where those resources should be targeted.

Mr. Iannicola, what resources are needed to ensure that the Commission can adequately fulfill its mandates?

Mr. IANNICOLA. Well, presently, under our situation, we have found that the coordination called for by the FACT Act, working together with the 20 agencies has provided us enough synergy such that we have been able to add value without having to add resources. And right now that is where we still are. We believe we can accomplish the mandates of the statute and the calls to action under the National Strategy with existing resources.

Chairman AKAKA. Mr. Danbeck, as you know, a number of Federal agencies have campaigns intended to improve the financial literacy of their employees. Are there any specific efforts currently being conducted by agencies that you consider to be models that could be duplicated and implemented by other Federal agencies?

Mr. DANBECK. Well, the one that immediately comes to mind is a program that is being currently coordinated by the Department of Agriculture through its benefits officers, where it is using its Cooperative State Research Extension Centers to disseminate information from a financial planning/financial literacy perspective to all of its constituents. So it is a rather creative program to use the extension centers that are already in place for normal function, but also to promote financial literacy.

We are also working with the Social Security Administration, the Department of Justice, the Department of Health and Human Services, and with our colleagues at the Treasury Department on a number of financial fairs, where we go out and assist them in providing the information on-site to their employees.

Chairman AKAKA. Ms. Jones, the GAO report recommends that the Commission implement outcome measures to gauge its success. Could you please give us some examples of outcome measures they could use?

Ms. JONES. Mr. Chairman, it is difficult to—[off microphone]—credit. They might also look at other things like a reduction in the number of people who are unbanked.

Chairman AKAKA. Mr. Brown, in your testimony you state that the NCEE could continue its financial education activities without Federal support, solely relying on the Nation's private institutions which have business incentives to stress certain consumer behaviors. This greatly concerns me because I believe that although private resources can be useful, we have an obligation that our students have a basic understanding of economics and personal finance so that they can effectively participate in the modern economy.

Is your statement specifically aimed at the activities of the NCEE? Or are you suggesting that there is no need for any Federal funding for financial education and that our students should have to depend on private efforts for their education?

Mr. BROWN. Thank you for your question, Mr. Chairman. My comments are specifically with regard to the EEE program in that because of the substantial increases the President has made in such high-priority areas as Title I funding for low-income children or School Improvement Grants, that to offset those substantial increases he has proposed not requesting funding in the next fiscal year for a number of smaller programs.

Having said that, if the Congress were to decide not to fund the EEE program, we would certainly be willing to work with NCEE to give them information about other sources of funding that are not specifically focused on economic education or financial literacy but could be used, were State and local government entities aware of them, for that. And then, as you mentioned, in my written testimony I suggested that there may be opportunities to raise additional funds in some areas of the private sector that have a strong interest in financial literacy and consumer education among students as well.

So those would be two areas that we would be happy to work on.

Chairman AKAKA. Mr. Brown, in your testimony you stated that the Administration's policy has been elimination of "small categorical programs that have limited national impact and reallocating these funds to high priorities," such as EEE. However, in 2006, our Nation faced record consumer debt levels and negative savings rates. Even in your testimony, you state that "financial literacy has gained attention as it has become more financial literacy has gained attention as it has become apparent that improving financial education in our Nation's schools is important to ensure that young people are equipped with the necessary skills to make sound financial decisions."

How does the Administration reconcile its policy with the pressing need for financial education? And what else is the Administration pursuing to address this issue?

Mr. BROWN. Mr. Chairman, I think it is important to note, as I did in my testimony, that the President certainly thinks financial literacy is enormously important, and he even hosted a meeting at the White House just last week with the heads of both the Education Department and the Treasury Department, as well as leaders from the private and nonprofit sectors that are very interested in financial education to highlight the importance of it. And so through the efforts of a number of agencies, including the Treasury Department and including the Commission that we have talked about, I think there is a lot—there is certainly interest in making sure that we promote financial education and work with a lot of both public and private sector partners.

However, within the K–12 education budget, in terms of the President's proposal for that budget, he has made a decision that there are higher-priority areas for funding, again, Title I, School Improvement Grants, IDEA, etc., and that to offset those, he did not request funding for a number of smaller grant programs.

So it was simply in the issue of the K–12 budget and the President setting priorities for his request to Congress, but it is not a statement that he believes the Administration should have no involvement in the efforts to promote financial literacy.

Chairman AKAKA. Mr. Danbeck, I am concerned that not enough people have planned and prepared for retirement. As a consequence, they will not be able to retire on their own terms. What did OPM learn from the Retirement Readiness survey conducted among Federal employees?

Mr. DANBECK. Thank you, Mr. Chairman. That is a very good question.

What we found was that the majority of Federal employees, more than eight out of ten, stated that they are on track relative to their planning for retirement. And it is interesting because, if you look at the private sector, the same survey questions would say approximately four out of ten workers in the private sector feel that they are on track. So our Federal employees do feel that they are making progress towards their goal.

Only one in four workers feel they will have to work in retirement in another position, which is rather interesting. And only two out of ten actually have a professional financial advisor who they use to help them with retirement plans.

So it is a rather mixed bag, if you will, of responses.

Chairman AKAKA. Mr. Iannicola, I understand that the Department of the Treasury is planning to hold roundtables on financial education topics that concern specific multicultural and multilingual populations. I am pleased that the first one in this series was held in March 2007, and it was focused on Native populations.

What actions will be taken to address the financial literacy needs of American Indian, Alaska Natives, and Native Hawaiians?

Mr. IANNICOLA. Well, thank you. We did have a productive meeting, and what we hope will come out of all these meetings are a few things. First, we will have some sort of documentation, some sort of White Paper to come out, so others can learn what happened there and what we want to see follow from it, even if they were not able to attend. But what we have seen already is an impetus towards networking. We had at that meeting lenders, we had those representing Native communities, as well as a whole host of representatives across the Federal Government. Many parts of the Federal Government touch native communities, and we found people who did not know who each other were and needed to. So those connections were made right away.

We hope to have continued connections of those sorts and continue an informal network to make sure the assets and the resources the Federal Government does offer are getting to the right people.

But part of the conference was about lenders and others having a chance to hear what the community really needs. For instance, the importance of trust is something that is necessary to get people in the door of a financial institution. People are told if something is too good to be true, it probably is, and so they put their guard up. But, by the same token, we want to tell them to walk into a financial institution and trust that institution to open an account. So there are some messages that appear to conflict, but it takes some special understanding of the community to get the point across. So that roundtable was an opportunity to give those ideas.

We are also working with other communities and doing the same thing to try to advance the conversation and build new connections.

Chairman AKAKA. Is this going to be extended to American Indians, Alaska Natives, and Native Hawaiians?

Mr. IANNICOLA. We are certainly open to expanding to any organizations that would like to be involved in this effort. The whole point of this conversation is to broaden the circle. So, yes, we have put the invitation out far and wide, and if there are other groups that you would like to put us in touch with, we would be happy to follow through.

Chairman AKAKA. Do you have a timetable on that?

Mr. IANNICOLA. We will be having another one—actually, two of these over the summer, one with Asian and Pacific Islander organizations and another one with African American organizations. And in the fall, we will be working with Hispanic groups for another focused community conversation. And so anytime in the next several months would be appropriate to build this type of effort.

Chairman AKAKA. Thank you.

Ms. Jones, are there commissions similar to the Financial Literacy and Education Commission that share its challenges? If so, what lessons could be learned from those experiences that could be used to improve the Commission?

Ms. JONES. Mr. Chairman, I think that GAO has done some other work looking at commissions that were broadly comparable to the Financial Literacy and Education Commission. I mentioned earlier in my testimony that having clear and specific goals and performance measures and specifying the actions and implementation plan to accomplish goals, including a description of resources that are needed and a discussion of the appropriate roles and responsibilities for Federal agencies and other organizations. These kinds of observations that we made about the Commission were based on prior work.

What I could offer to do, Mr. Chairman, is to provide you with a more detailed summary of the work that GAO has done on other commissions, if that would be helpful.

Chairman AKAKA. Yes, I would like that, please.

Ms. JONES. OK.

Chairman AKAKA. Mr. Iannicola, one of the mandates of the legislation establishing the Commission was to identify areas of overlap and duplication among Federal financial literacy and education activities and propose means of eliminating such overlap and duplication.

Why has the Commission not found any duplication of government financial literacy efforts?

Mr. IANNICOLA. That is a good question. Obviously, we are very concerned about being good stewards of Federal dollars and want to make sure that every dollar is being used properly. The Treasury Department and GSA do a survey every 6 months internally of our Commission members, and we have not found substantive overlap, but we have found areas where we have avoided overlap. And let me talk about each.

Sometimes it appears on the surface that there is some overlap. For instance, the Department of Labor has an Internet publication called “Preparing for Retirement.” SSA, the Social Security Administration, has something called “Step by Step Retirement Planner.” However, they both offer very different information when you dig a little deeper. The Department of Labor is focused on the private elements of one’s plan, maybe personal savings or something that you would get from your employer. However, the piece produced by Social Security, as you might imagine, is focused on Social Security benefits. So while they both deal with retirement and probably have a few pages of overlap, they differ when they get more specific.

Other programs and other publications differ based on the community upon which they are focusing. We have some programs that focus on savings for adults and others that focus on kids. We have some publications that focus on teaching savings to adults so that they can save, and there is even a publication that teaches teachers about how to talk to kids about savings.

So when we probed further, we found that any overlap has either been minimal or necessary, or both. So we do think it is important and will continue to keep an eye on this and believe it so strongly that even though the FACT Act does not require that we have an independent organization look at it, we took the good suggestion of GAO and committed to doing that going forward. So we share that concern.

Chairman AKAKA. Thank you.

Mr. Iannicola, legislation that created the Commission permits the President to appoint up to five additional members to the Commission. Has anyone been appointed?

Mr. IANNICOLA. We presently have it at the existing 20 so, no, no one has been appointed additionally.

Chairman AKAKA. Why has no one been appointed?

Mr. IANNICOLA. We have had a lot of success working with organizations in an informal manner without appointing other agencies to this Commission. When we’ve found a need to work with another agency outside the Commission, we have called them up, and they have been cooperative. But the 20 covers just about most of our needs. I mean, it was a fairly strong list of those who were doing financial literacy in the government.

Chairman AKAKA. Is there a timeline for these appointments?

Mr. IANNICOLA. No. As I understand, under Title V,[1] I think we can add an agency at any time, and so as situations change or as we see an agency that needs to be in the Commission that may not be, we will certainly reconsider adding such an agency.

Chairman AKAKA. Mr. Danbeck, I am pleased to learn more about OPM’s effort to ensure that Federal employees have the resources they need to make informed decisions regarding their retirement. At the same time, retirement planning is just one part of the larger financial picture. Other than retirement preparation, how does OPM educate Federal employees about other aspects of

[1] Copy of Title from Public Law 108–159 appears in the Appendix on page 112.

economic education such as predatory lenders, credit card debt, and sound investing practices?

Mr. DANBECK. Well, Mr. Chairman, our Retirement Readiness NOW model is much more. It takes a broader view than just the retirement related to financial literacy, and our approach is not just about money. It combines basic information about benefits that are provided by the government as an employer, and the broader financial education needs of employees, to include many of the things you just mentioned. And the model incorporates a broad range of information employees need to help them make informed retirement decisions. As I also mentioned in our Retirement Readiness NOW model we take into consideration overall health as well as networking and engagement as employees get ready for retiring.

So we try to have a much more broader, holistic approach to retirement readiness than just thinking about the financial side, although that is a critical component.

Chairman AKAKA. Mr. Brown, in his statement Dr. Duvall of the National Council on Economic Education mentions the need for well-prepared teachers and meaningful curriculum materials toward which some of the EEE subgrants have been directed in order to promote economic and financial education.

Aside from EEE, have any other financial resources gone to support financial literacy education activities for teacher training?

Mr. BROWN. Mr. Chairman, as I mentioned in my statement, there are other sources of funding, particularly for teacher professional development in the area of economics. Those are resources where they are not dedicated necessarily to financial literacy or economics education, but they could be used—they have the flexibility at both the State and local levels to be used that way. Certainly that would include some of the Title II program funding, and also it would include the Improving Teacher Quality State grants program that I mentioned earlier.

So, again, that is something that, whether or not there continues to be funding specifically for the EEE program, we would certainly be happy to work with NCEE and other entities to get the word out at the State and local level that these funds can be used that way if the State and local entities wish to do so.

Chairman AKAKA. Thank you.

Mr. Iannicola, I have some questions pertaining to the website and the hotline. When will the website incorporate the Web Managers Advisory Council's recommendations and best practices for websites?

Mr. IANNICOLA. Well, we are in review of the website on a regular basis. However, I would think as part of the usability testing and the customer satisfaction, it will be done, if not sooner, it will be done by, I believe, the 2009 timeline we had given when we are implementing the GAO recommendation. We may have it sooner, but certainly by that time it will be completed.

Chairman AKAKA. So no definite timeline was set for that type of information?

Mr. IANNICOLA. No, but its safe to say it will be done by the second quarter 2009, and perhaps sooner.

Chairman AKAKA. Has the Commission identified a point of contact for the website to address consumers' questions and concerns?

Mr. IANNICOLA. I believe there is a link right now on the site that will allow individuals to ask a question, but it is more for questions about the website. It is not for asking financial education information questions but, rather, it is for questions about the basic functioning of the website. So there is a possibility to eventually get a hold of someone through the website links.

Chairman AKAKA. Mr. Iannicola, approximately 10 million households in the United States do not have accounts at mainstream financial institutions. What is being done by the Treasury Department and the Commission to encourage people to utilize mainstream financial institutions?

Mr. IANNICOLA. We see that as an issue as well, Mr. Chairman, and that is why one of the more aggressive calls to action we have in the strategy is on the unbanked, and we already are three-fourths of the way through it in that we have committed to having regional roundtables on this issue to bring together players in the private sector and not-for-profits and to focus on the different issues of the unbanked.

We had one in Chicago last May. We also had one in Edinburg, Texas, back in December and focused more on border issues there and the special complexities involved with that. And then this March, we had a conference in Seattle, and we will be having a conference in the Northeast later on this fall. So the upshot of all these conversations is to produce a White Paper with recommendations.

We found some interesting things. We found, as I mentioned before, the idea of trust is important, but also the idea of approachability. We had a credit union tell us in Seattle that one of the things that brought more people in the door was just dressing their people in jeans and T-shirts because that is the way the customers dress. The tradition coat and tie seemed to intimidate some people.

So it is these unique observations that one gets by listening to the grass roots, and that is what we were able to do and bring a lot more of these ideas to the forefront.

Also the conference provided networking possibilities, we heard from a lot of people already that they made connections at that conference and have asked to build a list and serve off of that.

So these are the types of tools that will naturally flow from these types of conversations, so we are going to continue to do that with respect to the unbanked.

Chairman AKAKA. Mr. Iannicola, the GAO report mentions that the financial literacy toolkit is missing information on some vital issues, such as home ownership and credit.

What resources does the Commission need to provide a more comprehensive toolkit?

Mr. IANNICOLA. We have also noted that there are publications we would like to get in the toolkit and are working with our agency partners to see what they can do to help us fill those holes.

Chairman AKAKA. In his written statement, Mr. Brobeck from the Consumer Federation of America outlines several strategies to achieve significant and measurable improvements to specific financial decisions made by most Americans. Examples of these include encouraging self-measurement of net personal wealth, use of automatic savings opportunities, public checking of credit records, and on-time repayment of loans. He also recommends that the Commission develop an online toolkit that could be widely promoted as an annual financial checkup instrument. This is a very interesting recommendation that could lead to the development of concrete proposals that will result in positive behavioral change.

Will the Commission be developing strategies to achieve significant and measurable improvement in the decisionmaking of consumers?

Mr. IANNICOLA. We will continue to implement the strategy to reach these tangible goals you are talking about. One of our primary tools to do that right now is the MyMoney website and the toll-free number. And we do have links on there now that can do that, and I would note that the Ballpark Estimate that OPM has put together is something that can be useful for Federal employees, but similar calculations can be useful for everyone, as Mr. Brobeck notes, to see where they are and where they need to be.

So we will continue to measure the amount of penetration we get, the amount of people who actually use the website, and we hope, through our customer satisfaction survey, to realize how we can do that better.

Right now that is one of our better tangible measures, and so we will continue to watch that closely to see how we can get the website to people who need it.

Chairman AKAKA. Mr. Danbeck, one of the keys to ensuring the financial literacy of Federal employees is the appropriate and ongoing training of agency benefit officers. Consequently, I am glad to hear about your upcoming Retirement Financial Education Symposium and your series of Workshops in a Box. I think, however, that it is also vital to have assessment measures in place to ensure that this training is effective.

What, if any, measures has OPM put into place to ensure that benefits officers have the knowledge necessary to accurately convey retirement information to Federal employees?

Mr. DANBECK. Mr. Chairman, we plan to survey benefits officers later in the year. Our strategy, as you mentioned, is to get the word out to the various agencies through the benefits officers, and we have done a number of things in that regard, including, as you noted, the series of Workshops in a Box and the financial education fairs. We have also provided the agency benefits officers recently with guidelines on how to perform retirement readiness plans.

So we will check later in the year to assess how the agencies are performing. They will have to come back to us and tell us what they have implemented and what successes they have had. Then based on that, we will determine a measurement process. And to be perfectly honest, we have not gotten to that point yet, sir.

Chairman AKAKA. Well, thank you very much for that response.

Mr. Iannicola, what has the Commission done to address the issue of measuring results and ensuring accountability?

Mr. IANNICOLA. As we mentioned, the calls to action are something that we hold ourselves accountable to, and they have dates and actors. But beyond that, we have collected and will continue to collect information from our member agencies.

For instance, we know that, as mentioned in my testimony, about 760,000 people were converted from receiving paper checks to electronic deposit, and we know all the benefits of that. That was done by the Treasury Department and the Federal Reserve banks. We had a DVD that went out; 60,000 of those were ordered by the public. Also, we have seen a number of outreach activities, even in our own office at the Treasury Department. Over a few years, we have gone to 42 States, held 304 financial education sessions, and reached over 24,000 people. In addition to that, we generated 470 media stories so that our word got out to more people than just attended the events.

So these are the type of numbers that, while useful, are not everything we want; that is to say, the ideal measure is knowing that you have changed someone's behavior. That measure for financial educators in Federal or private sector efforts is always a challenging number to get. And it is even harder to tell when financial education was the delta, the reason that some conduct changed. It could be many other things.

Ms. Jones had mentioned that it is difficult coming up with those measures, and we would agree.

So we try to keep the numbers that we can, largely input numbers, to see how we are doing, while continuing to try to figure out ways to get even better numbers.

Chairman AKAKA. Mr. Brown, according to your advance testimony, you are currently measuring the NCEE's progress and fulfilling the goals of the Excellence in Economic Education grant by determining the percentage of students and teachers trained under the project that demonstrate an improved understanding of personal finance. The Department of Education has not yet finished compiling its information on the efficacy of the EEE program. How then can the Department of Education assess the national impact of the EEE program and assure that the requirements will be met by shifting responsibilities for financial education training from EEE to other grants?

Mr. BROWN. Mr. Chairman, as you noted in my testimony, we are in the process of doing an evaluation that we think will provide some quite clear results because there will be a control group of students who have not been instructed by teachers who have gone through the training provided by the program. And so we hope to get the kind of concrete results by using the control group that is sometimes difficult to get when you are doing these type of evaluations.

I should also mention that for the first year of the grant program to NCEE, there has been an evaluation study done that we would be more than happy to share with you and other Members of the Subcommittee that was done for the first year of the grant program, which was fiscal year 2004, and that evaluation was released in the summer of last year. And that was not quite the thorough kind of evaluation we are doing now. It was mostly based on survey research of teachers and students and grantees. But the results were very positive, even for that first year, in terms of the survey research that came back. And I am sure Mr. Duvall, when he comes up to testify, will want to say even more about that.

So, again, in no way is the discussion about looking at other resources for funding the EEE program or NCEE through that program a commentary on the performance of NCEE. Again, the evaluations we have so far are very positive. It really has much more to do with funding priorities for the President in the context of the education budget.

Chairman AKAKA. Thank you very much. I will just ask one more question, but I will also be keeping the record open for one week for other Members to submit questions they may have for you.

Mr. Iannicola, on February 1, the Treasury Department officials kicked off a nationwide earned income tax credit awareness campaign. The EITC is a vitally important program for working families.

What resources have been dedicated to this campaign?

Mr. IANNICOLA. As you mentioned, on that day, February 1, Secretary of the Treasury and IRS Commissioner all got together and talked about the importance of EITC and declared that EITC Awareness Day, and that is also why we featured it in the National Strategy.

There are just too many people who are leaving money on the table, as you well know, and some of the resources that have been put toward that from the Treasury Department's perspective come through IRS and the working of their Volunteer Income Tax Assistance (VITA) sites. They work with organizations across the country to train them to help people get their taxes filed, and while they are doing that, they will introduce them to the idea of the earned income tax credit if they are eligible for it and help them to claim it. They can also use that as a teachable moment to get the person a bank account or a relationship with a credit union if they do not have one.

The IRS has also recently developed a split refund technological ability so that now an individual can be enticed to put some of the money into an account and yet still have something to take home. That was new this tax year. So through the VITA sites and IRS, significant resources have been put to improving participation in the earned income tax credit.

Chairman AKAKA. Well, I want to thank the second panel for your responses and tell you that your responses have been helpful. We will keep the record open for a week for any other questions.

I also want you to know that we have a third panel that is coming up, and I would encourage you to stay if you can and have the time to hear the third panel.

So, again, thank you very much for being here, and have a good day.

Now I call on the third panel of witnesses to come forward: Robert Duvall, who is President and Chief Executive Officer of the National Council on Economic Education; and Stephen Brobeck, Executive Director, Consumer Federation of America. It is good to have you here as witnesses on the third panel.

It is the custom of this Subcommittee to swear in all witnesses. So will you please stand and raise your right hand? Do you swear that the testimony you are about to give this Subcommittee is the truth, the whole truth, and nothing but the truth, so help you, God?

Mr. DUVALL. I do.

Mr. BROBECK. I do.

Chairman AKAKA. Thank you very much, and let the record note that the witnesses responded in the affirmative.

Let me ask you, Mr. Duvall, to please proceed with your testimony.

TESTIMONY OF ROBERT F. DUVALL,[1] PRESIDENT AND CHIEF EXECUTIVE OFFICER, NATIONAL COUNCIL ON ECONOMIC EDUCATION

Mr. DUVALL. Thank you very much, Chairman Akaka, and thank you for inviting me to testify today on this timely, critical, and vital issue of the Federal Government's role in empowering all Americans to make informed financial decisions.

The National Council on Economic Education (NCEE), is a unique nonprofit, nonpartisan, independent organization directed by a governing board of volunteer leaders from education and business, with the clear purpose of helping young people learn while in school to think and choose responsibly and successfully when they go into the real world.

For 60 years, the NCEE has been leading the charge to improve economic and financial literacy through education in the Nation's schools. We believe that today both the need for what we do best and the opportunities to effect change and to show, as you have called for, measurable results are greater than ever.

With partners, as you know, we helped to host and promote Financial Literacy Day on Capitol Hill last week, and your leadership has been inspiring for the development of that effort over the years.

The NCEE is differentiated by our mission. We believe that financial literacy comes through effective economic education, and that this education ought to be part of the core learning experience that our young people get while they are in school. We believe they will best learn the basics of practical, applied economics and personal financial decisionmaking skills through well-trained teachers, who are equipped with excellent standards-based teaching materials.

The need to strengthen, expand, and enhance education in basic practical economics and personal finance in our Nation's schools remains urgent. We must prepare our students with the foundation of economic and financial competence so that they can succeed in life.

There is widespread agreement for this proposition among policymakers, business leaders, and educators. The questions now before us, I believe, are: How can we best improve and expand economic and financial literacy efforts? How can we measure results and outcomes to be sure we are making a difference? And what role can both government and the private sector play in this effort?

Let me pick up the theme of much of the discussion today in which I have an earnest interest, and that is, focus on the importance of the Excellence in Economic Education Act (EEE).

Thanks to your efforts, Mr. Chairman, Congress authorized the EEE program as part of the No Child Left Behind Act "to promote economic and financial literacy of all students in kindergarten

[1] The prepared statement of Mr. Duvall appears in the Appendix on page 88.

through grade 12." The EEE directly supports activities that educators can take to improve financial education in our elementary and secondary schools—through professional development for teachers, distributing high-quality, standards-based, and standards-setting educational materials; fostering active learning for students; and evaluating and assessing outcomes and promoting, and then disseminating best practices.

We know that well-prepared teachers instill in our children a sense that they are themselves future stakeholders, decisionmakers, and movers of the American economy. The EEE has provided meaningful resources for teacher training, which is at the heart of making a difference.

In the first year of the EEE, 36 subgrants were awarded to establish and conduct teacher training programs, including for those teachers who specialize in another discipline. This is important. The infusion of personal finance and economics into other classes can be an effective way to assure that these subjects have a place in the core curriculum.

This year, EEE funding allowed the NCEE to distribute 14,000 Virtual Economics CD–ROMS to every school district in the country. Thanks to the EEE, this program is now available, a unique resource for teachers, in every school district in the United States.

I think one of the most important ways we can improve economic and financial education and ensure results is through rigorous evaluation and assessment. Let me just mention—and it is in my written testimony in a fuller way—one glowing example of how the NCEE has used Federal funds provided by the EEE to make a real difference, pursuant to Deputy Secretary Brown's comment.

Financial Fitness for Life, developed by the NCEE, is an award-winning, highly acclaimed, comprehensive K–12 personal finance program, which helps students apply economic and financial decisionmaking skills to the real world of earning and spending an income, saving, using credit, investing, and managing their money—that is, a financial fitness program for getting in shape financially.

The NCEE awarded a grant of funds, through the EEE program, to two researchers at Eastern Kentucky University, who tested the effectiveness of Financial Fitness for Life in an economically underprivileged region of Kentucky. This study found that the use of Financial Fitness for Life significantly increased student performance on a post-test basis when compared with a pre-test of those same students. The study also found that Financial Fitness for Life increases financial literacy, and that, for 7th-, 8th-, and 10th-grade students, this increase is higher than what resulted from any other curriculum, if any, that teachers were previously using to teach financial concepts.

Now, this is a powerful study, and it was presented to the American Economic Association (AEA), in January in Chicago. This kind of evaluation and assessment is something that we are focused on at the NCEE and I see us doing as an increasing contribution to understanding where and how we can make a significant difference.

Through your leadership, Senator Akaka, and the bipartisan support that you have mustered from many others, Congress has provided needed resources to make a difference through the EEE program. And as I have illustrated, the Excellence in Economic Education program allows the Federal Government to strengthen, expand, and leverage effective economic and financial literacy education at the local level, at the grass-roots level, in our Nation's primary and secondary schools, for relatively few dollars.

The EEE maximizes the impact of each Federal dollar by requiring matches for subgrants and leveraging ongoing private sector efforts. And the EEE addresses the key pieces of the economic education and financial literacy puzzle: teacher training, development and delivery of curricular materials, student activities that work, and evaluation and assessment of results.

So I would urge the Congress to maintain and, if possible, increase funding for this needed and outstanding program.

I am very gratified that this Subcommittee is focusing on economic education and financial literacy. Teaching sound economics and personal finance, and making it stick, is not only vital to an individual's success, but will ultimately contribute to ensuring a strong national economy and a more prosperous future for our country.

Thank you again for inviting me to testify today, and I will be happy to answer any questions.

Chairman AKAKA. Thank you very much, Dr. Duvall. And now, Mr. Brobeck, your testimony.

TESTIMONY OF STEPHEN BROBECK,[1] EXECUTIVE DIRECTOR, CONSUMER FEDERATION OF AMERICA

Mr. BROBECK. Thank you, Mr. Chairman. CFA appreciates the opportunity to testify before this Subcommittee on the role of the Federal Government in helping Americans make more informed financial decisions, and we also appreciate your personal leadership in the area of financial education and many other pressing financial services issues.

My written testimony suggests that for many years Federal agencies have played an important role in increasing financial literacy. It also notes that since its establishment, FLEC has strengthened this Federal role. The Commission, led by the Treasury Department's Office of Financial Education, has compiled unique and valuable information about financial education programs and opportunities, has encouraged more cooperation among Federal agencies, and has provided information to increasing numbers of Americans through its MyMoney website.

Our testimony, however, agrees with GAO that FLEC has not yet developed a comprehensive national strategy to advance financial literacy, though it also notes that the Commission faces severe constraints in seeking to develop such a strategy. These constraints suggest that it would be more useful for FLEC to develop and implement informational strategies for encouraging consumers to take specific financial actions. These actions could include—and you mentioned several of them in your questions to the previous panel—an annual financial checkup in which people assess the status of their spending, saving, and use of credit; a more detailed assessment of current and future net wealth; automatic savings

[1] The prepared statement of Mr. Brobeck appears in the Appendix on page 94.

through workplace retirement programs and through preauthorized regular transfers from checking to savings; periodic checking of credit reports and credit scores, which increasingly affect not just credit availability and costs, but also the availability of rental housing, utilities, insurance, and even employment; and prompt loan payments to avoid late fees, penalty interest rates, and lower credit scores.

There are many FLEC members with a potential interest in promoting each of these prudent financial actions. They could develop strategies that involve cooperation with nonprofit and private groups as well as with other government agencies. These strategies should include specific national goals for different actions, such as X million additional Americans self-administering a web-based financial checkup, or estimating their current and future net assets using a website, or participating in workplace retirement programs, or checking their credit reports, or reducing the frequency of late loan payments. And the strategies should utilize the kind of social marketing approaches employed in campaigns against smoking or drunk driving.

Our written testimony suggests that financial education has really yet to adequately prove its worth to the Nation. Targeted informational initiatives led by Federal agencies to help people use their financial resources more effectively would demonstrate the value of this education while improving the lives of millions of Americans.

Thank you.

Chairman AKAKA. Thank you very much, Mr. Brobeck, for your statement.

Mr. Brobeck, you recommend urging the Commission to develop specific financial literacy strategies to achieve measurable improvements in financial decisions. Can you give us an example of the kind of financial decisions you are talking about and how the Commission could work to develop measures to improve these financial decisions?

Mr. BROBECK. Well, in your question to the previous panel, you had actually focused on annual financial checkups, so let me use that as an example.

This could be encouraged by FLEC, and I would assume there would be at least eight to ten Federal agencies, perhaps led by the Office of Financial Education, that would develop a very powerful, compelling web-based instrument that any American could use to check on how they manage their money, their use of credit, their saving, and their investments.

After they develop this, they would then ask nongovernmental experts to critique and suggest improvements in that instrument. They would then test that instrument on groups in the population, including the disadvantaged, who may need the assistance of third parties in order to adequately use that instrument. Keep in mind that there is still a very high percentage of low- and moderate-income and minority Americans that do not have ready access to the World Wide Web. And then—and this is very important—they would set a specific goal of 3 million Americans, 10 million Americans, maybe eventually 20 million Americans, actually utilizing that instrument in the course of a year.

And then—and this is in some ways the hardest thing—they would take the lead to put together a very aggressive, comprehensive national campaign that included thousands of organizations in order to encourage and to assist Americans to take this checkup. And that would include not just the media. It would include financial institutions we work with who I know would support this, I am certain. It would include a whole array of nonprofits, the housing community, and, of course, government agencies at the State and local level as well.

And then, finally, in each year—this could be a multiyear campaign; it would probably have to be to be effective—the effectiveness would be measured. You could measure this, of course, by looking to see how many Americans actually used the website, accessed the website to check the state of their finances. But you could also go out and take random samples of the population or even people who utilized the checkup to ask them whether taking that checkup led to behavioral change.

Chairman AKAKA. Thank you for that.

Dr. Duvall, I was interested to hear during your testimony that more often than not, teachers assigned to educate students on financial literacy actually specialize in other subject areas. In your experience, what is the key to encouraging teachers to integrate financial literacy lessons into their classrooms?

Mr. DUVALL. Well, we have seen some real progress in that area over the past several years, Senator, as the advocacy effort has had an effect to make people aware of the importance of the issue. You have been a real champion in that.

As States through their own legislative actions have tried to address the problem within the States of financial illiteracy, more and more States are incorporating economics and personal finance into their State standards and making it a requirement that it be taught, and even in a growing number of States that a course be taken from graduation.

As that kind of push is developed, teachers are called upon to respond to the challenge—and school districts—by having well-qualified people to teach those courses. So we are seeing a greater demand for educating the—teaching the teachers so that they can more effectively teach the students.

In our nationwide network, there is a kind of standing joke that a lot of high school economics teachers have the same first name: "Coach." They are people who have been drafted into doing a course in personal finance or in basic practical economics. We can help those teachers by giving them good curriculum and training them, which is terribly important, in how to talk about these basic concepts. Too many teachers have not had themselves economics or personal finance in their own background. And then we can infuse economics into other subject areas.

One of the publications that teaching resources at the NCEE did this past year and was published this summer and has already become a best seller for us, if you will, is a book for high school teachers of American history. It is called "Focus on Economics in U.S. History." We think you cannot talk about the Boston Tea Party without saying something about taxation or the roots of the American Civil War without saying something about the impact of the invention of the cotton gin on the Southern economy.

That kind of infusion into other subject areas—math, history, geography, civics and government—is a way to get the basic concepts into the heads and hands of our kids, but it takes teacher training to do it.

Chairman AKAKA. Thank you for that answer.

Mr. Brobeck, in your opinion, why has the Commission not found any duplication of government financial literacy efforts?

Mr. BROBECK. We are actually not that aware of much duplication in the financial education initiatives of the different FLEC members. But we would add that duplication is not necessarily undesirable because the needs of the people are so great here.

What is really important to us, though, is greater interagency coordination to meet measurable goals related to behavioral change. And the specific initiatives that I mentioned in both my written and oral testimony I think provide an opportunity for such coordination.

Chairman AKAKA. Dr. Duvall, as you noted in your testimony, one of the key components of an effective national financial literacy strategy is evaluation and assessment. I was pleased to hear about the Eastern Kentucky University study which indicated the effectiveness of the Financial Fitness for Life program.

Can you tell me if there are any plans to conduct similar studies in the near future? What should be done to assure that critical assessments will continue?

Mr. DUVALL. Well, it certainly is a priority for the ongoing work of the National Council on Economic Education. I think in the years that I have had the opportunity to think and talk with you, Senator, about this important issue, we have seen some real change. We have moved from the need for making people aware of the issue, although that need continues, to seeing how the issue can be best addressed. We have looked at best practices. We have been talking more and more about solutions to the problem that we have helped people become more aware of. And now I think we are standing right on the edge of the third important part of this effort, and that is, testing, evaluation, and assessment, to see what does work and how it changes behavior. So that will be a priority for our work going forward, and I think it is and can be an important part of the work of many others.

That is why I am so pleased that it is the fourth component of the EEE legislation and why I so earnestly hope that program will continue. It is teacher training, curriculum, and teaching resources, student activities, active student learning, and then measuring results.

Chairman AKAKA. Thank you.

Mr. Brobeck, I am concerned that consumers are not provided with enough information about the long-term consequences of making only the minimum credit card payment. What do you think must be done to ensure that consumers are adequately informed of the true cost of making only the minimum payment?

Mr. BROBECK. Senator, we are very concerned, too. Too many Americans run up thousands of dollars, sometimes tens of thousands of dollars of credit card debt, in part because the low minimums convince them that the debts are affordable. And they are not. And when they finally realize that they cannot even make a 2- or 3-percent payment, it is just too late and they are candidates for bankruptcy.

So credit card statements, in our view, should inform consumers about the consequences of paying at or just above the minimum, and the most useful type of information included is how long and how costly it is to pay off the debt just by making the minimum payments.

Your proposed legislation, the Credit Card Minimum Payment Warning Act, provides this personalized disclosure, and so we strongly support it.

Chairman AKAKA. Thank you.

Dr. Duvall, according to your testimony, one of the most important actions educators can take to improve economic education is to foster active learning for students. Can you give me some examples of these active learning strategies?

Mr. DUVALL. Yes. In our own lineup of things that we offer, there is the Economics Challenge. The Federal Reserve System has a Fed Challenge. These are programs that engage students in a competitive activity that requires that they know something and be able to show what they know. At the lower grade levels, you can have games and activities, even at the—I have been challenged by people who see our mission statement that we are concerned with K–12 education: Can you really teach young people while they are in kindergarten something about some basic personal finance? Absolutely. They can borrow a little lunch money and then pay it back, and you begin to show them how that works. You can make a list of the things that you want and then put price tags by it and then divide that in half and say, “All right. What are you going to do now to make choices?” And if they say, “Well, we will pay for what we can, and then we will put the rest on a credit card,” as was just said, we have got some education work to do.

But those kinds of things you take the dismal science—economics—and make it come alive. And, again, I would say that the things that have been laid out in the EEE legislation—the teacher training and the student activities—are very important if you are going to make that happen.

Chairman AKAKA. Mr. Brobeck, I am deeply concerned that too many families are taken advantage of by unscrupulous lenders through payday loans. What must be done to better protect consumers and encourage the development of payday loan alternatives?

Mr. BROBECK. Yes, Senator, we share your concern. Consumers spend billions of dollars annually on these loans that have triple-digit interest rates.

Now, ideally, we think that Congress should extend the consumer protections that they approved for members of the military a year ago to all Americans. But failing that, we believe Congress should prohibit certain abusive practices, such as payday lenders, for example, partnering with banks to evade laws regulating small loans. This protection and many other important protections is part of your Predatory Payday Loan Prohibition Act, and we also strongly support that legislation.

Chairman AKAKA. Thank you for the support. Mr. Brobeck, I want to thank you and your staff for working so closely with me on consumer protection issues: Travis Plunkett, Jean Ann Fox, along with Chi Chi Wu at the National Consumer Law Center, and Barbara Roper. They are all extremely dedicated and talented individuals. I want you to tell them how I feel.

I will submit my last question pertaining to refund anticipation loans for the record.

I want to again thank you so much for coming today and being a part of this hearing. I wanted to take the time to assess where we are. So many of you have participated in promoting financial literacy throughout our country. I am just at a point of trying to be sure we know what the situation is and where we should be going to improve financial literacy. You all have helped us do that, and I really appreciate your participation.

I want to thank all the witnesses for appearing today. This is, again, an enormously important issue because financial literacy directly impacts the quality of life for our working families. Increasing the knowledge and opportunities of consumers will help them be better able to save for a child's education, manage debt, utilizer lower-cost financial services, purchase a home, and retire on their own terms. I will continue to work with all of you to improve Federal financial literacy efforts.

I want to tell you, again, I look forward to continuing these discussions and initiatives as well. The hearing record will be open for one week for additional statements or questions other Members may have pertaining to the hearing.

And so with all of this gratitude, this hearing is adjourned.

[Whereupon, at 4:29 p.m., the Subcommittee was adjourned.]

APPENDIX

STATEMENT OF

SHEILA C. BAIR
CHAIRMAN
FEDERAL DEPOSIT INSURANCE CORPORATION

Chairman Akaka, Senator Voinovich and members of the Committee, I appreciate the opportunity to testify on behalf of the Federal Deposit Insurance Corporation (FDIC) regarding the federal government's role in empowering Americans to make informed financial decisions.

My testimony will discuss a number of specific programs undertaken by the FDIC aimed at improving financial literacy and enabling individuals and families to build wealth. In particular, my testimony describes the FDIC's *Money Smart* program and the results of a recently completed survey of the program's effectiveness. This study substantiates the long term beneficial changes in behavior that result from financial literacy education. In addition, my testimony will discuss the importance of integrating financial education into school curriculums and FDIC activities in this area. Finally, my testimony will briefly touch on FDIC efforts to increase access to financial services and to provide alternatives to predatory lending for consumers.

The Importance of Financial Literacy

Today's financial landscape is far more complicated than just a generation ago when many individuals' financial transactions were limited to checking and savings accounts and perhaps a home mortgage with their local bank. Deregulation and technological and market innovations over the past forty years have vastly expanded the types and providers of financial services available to the average consumer. In the current financial marketplace, transactions are increasingly occurring outside of bank branches, electronic payments are usurping cash and checks, and new credit products are being created to reach all sectors of society.

A consequence of the growth in new financial products and services that have facilitated the "democratization" of credit is that financial knowledge has become an essential ingredient for intelligent consumer choice. While innovations in the financial services industry have dramatically improved many households' access to credit, this improved access has not always resulted in improvements in household welfare. Lack of adequate financial knowledge can lead consumers to make poor financial decisions.

Recent problems in the subprime mortgage market illustrate how increasingly complex products can lead to poor product choices for consumers who do not fully understand them. Beginning in 2003, complicated new financial products -- particularly, the so-called "2/28" or "3/27" mortgages and other hybrid adjustable rate mortgages (ARMs) -- exploded in popularity in the subprime market. These loans are characterized by a low initial starter rate that increases significantly after the first two or three years under complex formulas, creating a "payment shock" of 30 percent or higher and rendering the loan unaffordable for many borrowers. In some cases aggressive or misleading marketing of the lower starter rates, without full disclosure of the significantly higher costs, obscured key features and costs of the loans. Moreover, there often existed other options than a hybrid ARM -- such as a fixed rate loan with the same lender -- that would have avoided the payment shock altogether for only a marginally higher payment in the early years of the loan.[1]

[1] Testimony of Chairman Shelia C. Bair on "Subprime And Predatory Lending: New Regulatory Guidance, Current Market Conditions, And Effects On Regulated Institutions" delivered to the Subcommittee On Financial Institutions And Consumer Credit Of The Committee On Financial Services U.S. House Of Representatives on March 27, 2007.

In a July 2004 study,[2] the Consumer Federation of America (CFA) concluded that the consumers most likely to purchase complex ARMs were among the least likely to understand these products. In a 2006 follow-on study,[3] the CFA found that consumers using interest-only and payment-option ARMs were more likely to be from a middle- to lower-income population segment, minorities, and have weaker than average (less than 700 FICO) credit scores. These findings, while inconclusive, raise questions about the marketing of these products and are consistent with other research that raise issues about the level of understanding of some consumers regarding sophisticated mortgage products. Better informed consumers could have recognized that the tradeoffs presented by these products -- a lower payment during the first few years with a later reset to a high, if not unaffordable payment -- did not make financial sense in their situations and that the long term costs of these products were much more expensive than more appropriate fixed rate products, in spite of the low starter rate.

The rapid proliferation of hybrid ARMs versus other options suggests that many borrowers either did not understand or were not told about other, less volatile, products. While financial literacy is not a panacea and does not excuse irresponsible lending, a more informed consumer population might have recognized the problems with these products and demanded appropriate fixed rate products -- limiting the issues we confront today in the subprime mortgage market. I have called for national standards to address many of the problems and abuses that are now coming to light in the subprime mortgage market. These standards could impose underwriting based on the borrower's ability to repay the true cost of the loan, especially among

[2] "Lower-Income and Minority Consumers Most Likely to Prefer and Underestimate Risks of Adjustable Rate Mortgages," Consumer Federation of America, July 26, 2004. At the time of the study, 64 percent of respondents preferred fixed rate mortgages. Those that preferred fixed rate mortgages provided answers that indicated an understanding of the risks of ARMs. Many that preferred fixed rate mortgages expressed concern that interest rates and mortgage payments would increase over time. The 25 percent of sample respondents that preferred ARMs were poorer, younger, and less-well educated than those that preferred fixed rate mortgages.
[3] "New Analysis of Non-Traditional Mortgage Borrowers Shows Less Wealthy, Weaker Credit Than Industry Suggests," Consumer Federation of America, May 24, 2006.

the non-bank lenders currently operating with little or no regulatory oversight. It should also address misleading or confusing marketing that prevents borrowers from properly evaluating loan products. However, even with new national standards, there is only so much regulators and the legal system can do. A comprehensive solution requires consumers who have sufficient financial educational tools to protect themselves against inappropriate or, in some cases, predatory products.

Survey evidence suggests that inadequate financial knowledge is pervasive among many segments of society. The April 2007 National Foundation for Credit Counseling (NFCC)[4] consumer financial literacy survey finds that many American consumers do not follow basic sound financial management practices. In particular, of those surveyed:

- Only 39 percent track expenses;
- Less than half have ordered their credit report;
- 38 percent do not pay credit card bills in full each month; and,
- One-third do not know where to go for financial advice.

In addition, low- and moderate-income families who lack basic financial skills are exposed to magnified financial hardships when they are forced to manage financial shocks from unexpected healthcare emergencies, death, or household job loss.

[4] "A Teachable Moment' and a New Mission," The National Foundation for Credit Counseling, April 23, 2007.

Money Smart

Money Smart was developed by the FDIC in 2001 to help low- and moderate-income adults enhance their money management skills, understand basic mainstream financial services, avoid pitfalls and build financial confidence to use banking services effectively. This summer, the FDIC will be issuing an updated version of the *Money Smart* training program that will include a component to help consumers evaluate and compare different types of mortgage products, in particular those that can create problems for subprime borrowers such as hybrid ARMs. More than 864,000 adults have attended at least one financial education class using the *Money Smart* curriculum.

To augment the *Money Smart* program, the FDIC has worked to establish partnerships with community and banker coalitions to blend a strong financial curriculum with service programs and proven asset-building strategies. Also, the FDIC encourages financial institutions to develop partnerships with community-based organizations and other local entities, such as housing authorities, to offer *Money Smart* classes.[5] Research suggests that established community organizations that understand local community needs are in a strong position to deliver effective training even where there may be a cultural distrust of financial institutions.[6]

[5] FDIC-regulated institutions received a letter from the FDIC making them aware of Money Smart (FIL-58-2001, July 8, 2001), and federal credit unions were made aware by a letter sent by the National Credit Union Administration (Letter No.: 01-FCU-06, September 2001).
[6] Jacob, K., Hudson, S., and Bush, M. (2000). Tools for Survival: An Analysis of Financial Literacy Programs for Lower-Income Families, Woodstock Institute. Toussaint-Comeau, M., and Rhine, S. L. W., 2000. Delivery of Financial Literacy Programs, Federal Reserve Bank of Chicago Policy Studies.

Quantifying the Benefits of *Money Smart*

Measurement is an important aspect of determining the success of financial literacy programs and their efficacy in improving consumers' ability to make informed financial decisions. A number of studies have shown that financial education efforts can foster positive changes in behaviors and better equip people to make appropriate financial decisions.

A 2001 study found that participants in a state-mandated financial education high school curriculum had measurably larger asset holdings in adulthood.[7] In another example, a study by the National Endowment for Financial Education (NEFE)[8] found that, three months after completing a financial education course, high school students positively changed their spending and savings patterns in response to the course. About 30 percent of students began to save, 37 percent reported improved self-monitoring of their spending, and almost 50 percent indicated that they were better prepared to analyze credit costs. These findings were consistent with prior studies on the efficacy of high school financial curriculum.[9]

One 2002 study of the literature on the effectiveness of financial literacy training concluded that the type of training, the timing, and participants' comfort with change and other behavioral factors are important determinants of whether individuals are able to adopt better financial behaviors. The study also concludes, however, that "while financial literacy training programs have clearly proliferated, research measuring the effectiveness of the training has not

[7] Bernheim, B. Douglas & Garrett, Daniel M. & Maki, Dean M., 2001. "Education and Saving: The Long-Term Effects of High School Financial High School Curriculum Mandates," July 1997, NBER Working Paper No. W6085.
[8] Danes, S. M. 2003-2004 Evaluation of the NEFE HSFPP, http://www.kdcms.com/nefe/company1/content/273/2003-2004%20nefe%20hsfpp%20evaluation.pdf
[9] Danes, Sharon M., Catherine A. Huddleston-Casas and Laurie Boyce. 1999. Financial Planning Curriculum for Teens: Impact Evaluation. *Financial Counseling and Planning*, Volume 10 (1).

kept pace."[10] It is especially true that most research like the data cited above does not fully measure the long-term impact on adult behaviors.

To address this gap in the research, the FDIC has just completed a major multi-year study designed to measure the effectiveness of financial literacy training, specifically training using the *Money Smart* curriculum. The goal was to measure, over time, not only whether trainees' knowledge of financial matters improved, and whether they *intended* to change their financial behaviors, but also whether, months after the training, they had actually acted on their intentions. The study was conducted to determine the effect of financial education on participant behavior regarding basic banking, saving, budgeting, and credit.

This study, which was conducted in cooperation with NeighborWorks America, consisted of a three-part survey of participants in *Money Smart* courses across the country. The FDIC engaged The Gallup Organization to assist with the development of the survey questions and to administer the survey. The assessment used a pre-training survey to gather baseline data on students' knowledge, behaviors and confidence, a post-training survey to gather data on changes in participants' knowledge, behaviors, confidence and their future intentions, and a telephone follow-up survey six to twelve months after the conclusion of the training to identify changes in those factors.

The findings suggest that *Money Smart* financial education training, covering the basics of checking, saving, budgeting, and credit, can positively change consumer behavior and

[10] Braunstein, Sandra and Carolyn Welch. 2002. Financial Literacy: An Overview of Practice, Research, and Policy. *Federal Reserve Bulletin,* November, page 449.

improve financial confidence. The six to twelve month follow-up survey determined that, after taking the *Money Smart* training, participants were more likely to open deposit accounts, save money in a mainstream deposit product, use and adhere to a budget, and have increased confidence in their financial abilities. Among the key findings, the survey determined that immediately after completing the course:

- 69 percent of respondents reported an increase in their level of savings,
- 53 percent reported their debt decreased, and
- 58 percent stated they were more likely to comparison shop.

The follow-up survey also revealed:

- 13 percent of participants who already had a checking account after the training opened a different type of account at the same institution and 22 percent opened a checking account at a different financial institution by the time of the follow-up survey, thereby evidencing the participants' ability to comparison shop,
- 43 percent of those without a checking account opened a checking account after completing the course,
- 37 percent of those without a savings account opened a savings account after completing the course,
- 28 percent of those with checking accounts and 22 percent of those with savings accounts began using direct deposit for the first time at the end of the course,
- 61 percent of those not using a spending plan/budget at the end of the course used one by the time of the follow-up survey,
- 95 percent of those who used a spending plan/budget at the end of the course still used it at the time of the follow-up survey, and
- There was a 12 percentage point increase in those who "always" pay bills on time between the beginning of the course and the time of the follow-up survey.

The findings of the survey demonstrate that financial education programs can have a positive impact and, hopefully, will act as an incentive for more banks to offer financial education programs as a means to open accounts and build long term customer relationships. While the FDIC is proud of the improvements in financial literacy indicated by the *Money Smart* survey, there is still much work to be done in this area.

Expanding Financial Education in Schools

Building on the verified success of the *Money Smart* program, the FDIC has embarked on a pilot project to further integrate the *Money Smart* curriculum into public schools. Responsible and prudent financial practices should start early to teach good habits to young consumers. Therefore, to increase the availability of financial education for students, the FDIC will contact 120 school systems and related government entities during 2007 to recommend the use of the *Money Smart* curriculum, which has been unanimously endorsed by the Board of Directors of the National School Boards Association (NSBA), for use in public schools. At the same time, we are distributing -- through schools, churches, and other venues -- copies of a special edition of the FDIC's consumer newsletter for teenagers, and another newsletter for young adults becoming financially independent.

A number of states have already integrated *Money Smart* into their educational programs. Allegany County, Maryland high schools use *Money Smart* in business education and family and consumer science classes. In Virginia, many schools are utilizing *Money Smart* in middle and high schools to comply with state legislation mandating economic and personal financial education instruction performance standards. Some jurisdictions, such as Blairsville, Georgia and Long Island, New York, require completion of a financial education program as a condition for graduation and *Money Smart* has been approved for this purpose. In Hawaii, the Department of Education's Adult Education Program incorporated two *Money Smart* modules into their computer-based High School Diploma Program.

School based financial education can also include guest lecturers. For example, the Hawaii Division of Financial Institutions has a pilot program to train their bank examiners to teach *Money Smart* modules to elementary and middle school students at public schools in Honolulu. A New York bank used *Money Smart* to develop a financial education curriculum for elementary and middle schools. In Kansas, the FDIC has coordinated *Money Smart* classes for an *Upward Bound* summer program for at-risk high school students for the past three years.

In addition, many states such as Massachusetts have developed school banking programs that provide practical financial lessons for students. Building on these programs, the FDIC is developing school based initiatives as part of its Alliance for Economic Inclusion (AEI), a new national initiative to establish broad-based coalitions of financial institutions, community-based organizations and other partners in nine markets[11] across the country to bring more unbanked and underserved populations into the financial mainstream. In these initiatives, the FDIC provides technical assistance to financial institutions and others interested in establishing student-run bank "branches" in high schools. This model has a number of potential positive outcomes including integrating financial education into core classes and/or career pathways; job-training and resume

[11] Chicago, Illinois; Baltimore, Maryland; Austin/South Texas; Louisiana and Mississippi Gulf Coast areas; semi-rural areas of Alabama; Greater Boston, Massachusetts; Wilmington, Delaware; Los Angeles, California; and Kansas City, Missouri.

building for students; and expanded access to mainstream financial services for students, faculty and their families.

For example, FDIC staff facilitated the opening of a student-run bank "branch" in a metro-Chicago area high school that, since its inception, has opened 270 accounts and has deposits of over $200,000. In addition, a bank is working to establish a student-run bank "branch" in a central California high school. In Los Angeles, AEI members hope to partner with the Los Angeles Unified School District to promote a "Junior Banker Savings Account" in elementary schools for students between the ages of 8 and 13. The account can be opened with just $1, students will not have to pay fees, and every deposit earns a stamp that can be used toward a reward -- a gift certificate from merchants such as McDonalds or Barnes and Noble.

Other Financial Education Activities

The FDIC partnered with NeighborWorks America to produce and deliver a financial education and housing recovery curriculum for those affected by the 2005 Gulf Coast Hurricanes. This curriculum, *Navigating the Road to Housing Recovery*, provides practical information for families faced with financial decisions related to building, rehabilitating, selling or buying a home after the hurricanes.

Additionally, over the past four years, FDIC has conducted numerous financial education outreach and training events on military bases around the country to teach the fundamentals of money management, ways to avoid the pitfalls of high cost loans and strategies for steering clear of predatory lending. Beginning last year, the FDIC expanded these efforts by providing financial education to military families through collaboration with the Department of Defense, the Corporation for Public Broadcasting, New River Media, and local PBS stations.

Activities Beyond Financial Literacy

Offering a financial education program does not compensate for lenders offering high cost products that do not benefit consumers, particularly low- and moderate-income consumers. It does little good to encourage consumers to comparison shop if alternatives to high cost products are not available to them. The FDIC is actively involved with integrating financial education into broader initiatives that are designed to promote asset-building and access to mainstream financial services. Along with financial institutions and other partners, the FDIC is working to bring currently unbanked and underserved populations into the financial mainstream through innovative low cost products and services, and expanded financial education efforts. These include savings accounts, affordable remittance products, small dollar loan programs, targeted financial education programs, alternative delivery channels, and other asset-building programs.

Affordable Small Dollar Loans

High cost loan products can push consumers deeper into debt. Unfortunately, many people who use high cost products, such as payday loans, already have checking accounts but do not turn to their banks for potentially lower cost forms of credit. Banks, in particular, can do more to expand financial services to underserved consumers by providing affordable small dollar loans with a savings feature and other services such as financial education.

The FDIC is encouraging institutions to use the Affordable Small Dollar Loan guidelines proposed last year by the FDIC, to develop low cost, small dollar loans coupled with savings vehicles. Many lower income families have few alternatives when faced with a financial shortfall. Through this type of lending, banks can help families manage their short term credit needs and build a savings cushion for emergencies.

The FDIC also has started to explore incentives for banks that offer wealth-building products targeted to the underserved. FDIC-supervised banks that offer low cost alternatives to payday loans in a manner consistent with our guidelines, including a savings component, will receive favorable consideration under the Community Reinvestment Act as an activity responsive to the credit needs of the community.

Subprime Adjustable Mortgages

As was discussed earlier in this testimony, many low- and moderate-income homeowners are struggling to make payments on high priced ARMs with rising payments. Repeat refinancings have taken equity from their homes and adjustable rate features have challenged their ability to continue making payments. In previous years, many of these borrowers could have refinanced their mortgages or sold their homes at a profit to repay their debt in full. Now, as home prices have stagnated or even declined in many areas of the country, more borrowers find themselves trapped in mortgages they cannot afford to pay.

Subprime borrowers are particularly at risk because they already have very little financial cushion. Subprime borrowers spend nearly 37 percent of their after-tax income on mortgage payments and other costs of housing -- roughly 20 percentage points more than prime borrowers spend. Of ARMs originated in 2006, a full 24 percent have negative home equity -- in other words, they owe more than their homes are worth. Financial stress on subprime borrowers with adjustable rate mortgages will increase further as rates reset.

The evolving problems in the subprime mortgage market are a major concern of the FDIC. In March, the FDIC and the other federal banking agencies issued for comment supervisory guidance to address the underwriting and marketing of subprime adjustable rate mortgages.[12] While the recent supervisory guidance is directed at preventing future abuses, there remains the urgent issue of how to address the current circumstances of many borrowers who have mortgages they cannot afford and have little prospect of refinancing given today's real estate and loan market conditions. As industry dialogue continues regarding what other steps are needed, we intend to work closely with the NeighborWorks America Center for Foreclosure Solutions and others on expanding targeted financial education and housing counseling efforts to help consumers.

[12] The guidance focuses on two fundamental consumer protection principles. First, a loan should be approved based on a borrower's ability to repay according to its terms (not just at the initial rate, for example). Second, borrowers should be provided the information necessary to understand a transaction at a time that will help them decide if the loan is appropriate for their needs. The FDIC and the federal and state banking agencies feel strongly that clear, common sense standards regarding the underwriting and marketing of subprime adjustable mortgages are necessary to protect consumers and reinforce market discipline, while preserving a flow of capital to fund responsible lending.

The Center is already convening and supporting a coordinated foreclosure prevention and intervention strategy in communities nationwide. One such effort the FDIC has supported is in Chicago. Through a partnership with the city of Chicago and financial institutions, Neighborhood Housing Services of Chicago has prevented more than 700 foreclosures in the past 18 months. Other "hotspots" for foreclosure intervention include Ohio, where foreclosures have more than doubled in the last five years, and metropolitan Atlanta, where the number of failed mortgages has more than doubled between 2000 and 2005. Efforts for these cities will include deploying triage strategies to help as many homeowners as possible avert foreclosure.

Conclusion

The FDIC considers financial education to be an essential component of our activities on vital issues facing consumers, markets and communities today. Not only is financial literacy essential to evaluate the multitude of choices available to consumers, but this knowledge serves to protect informed consumers from bad products and scams. A consumer who knows the right questions to ask, understands economic fundamentals and has the confidence to challenge products and practices that seem "too good to be true" is a regulator's best weapon in consumer protection.

The recent survey results demonstrate that programs like *Money Smart* can be effective in changing and improving the financial lives of consumers. While the FDIC is pleased with the survey results, we are not satisfied. Many populations still need improved education and services to enter the financial mainstream. As a member of the Financial Literacy and Education Commission, the FDIC will join with our governmental colleagues to continue working to achieve this goal.

This concludes my testimony. I would be happy to answer any questions from the Subcommittee.

Testimony of Mr. Morgan Brown, Assistant Deputy Secretary for Innovation and Improvement, Department of Education
Before the Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia
Senate Committee on Homeland Security and Governmental Affairs
Hearing on The Federal Government's Role in Empowering Americans to Make Informed Financial Decisions

April 30, 2007

Good Afternoon, Chairman Akaka, Ranking Member Voinovich and distinguished members of the subcommittee. Thank you for the opportunity to appear before you today to discuss the important topic of financial literacy and what the U. S. Department of Education is doing to address this issue.

In recent years, financial literacy has gained attention as it has become more apparent that improving financial education in our nation's schools is important to ensure that young people are equipped with the necessary skills to make sound financial decisions.

Today, I first would like to discuss the initiatives being conducted under the Excellence in Economic Education program and how it is building capacity in the schools and improving financial literacy in our country. Then, I would like to discuss our efforts to increase financial literacy through our partnership with the Financial Literacy and Education Commission.

Excellence in Economic Education Program

The EEE program is administered by the Office of Innovation and Improvement, which I head. The EEE program promotes efforts to increase the economic and financial literacy of elementary and secondary students. The objectives of the program are to: (1) increase students' knowledge of and achievement in economics; (2) strengthen teachers' understanding of and competence in economics; (3) encourage economic education research and development, disseminate effective instructional materials, and promote the replication of best practices and exemplary programs that foster economic literacy; (4) assist States in measuring the impact of education in economics; and (5) leverage and expand increased private and public support for economic education partnerships at the national, State, and local levels.

Under the statute, the Department is authorized to award one competitive grant to a national nonprofit educational organization whose primary mission is to improve the quality of student understanding of personal finance and economics. The grantee must subgrant 75 percent of its grant funds to State or local educational agencies and State or local economic, personal finance, or entrepreneurial education organizations. The subgrantees must work in partnership with other organizations that promote, among other things, personal finance education and economic development. The grantee must use its remaining grant funds to: (1) strengthen and expand its relationships with State and local personal finance, entrepreneurial, and economic education organizations; (2) support K-12 teacher training programs; (3) support research on effective teaching practices and the development of assessment instruments to document student understanding of personal finance and economics; and (4) develop and disseminate appropriate materials to foster economic literacy.

Over the three-year life of the program, the Department has awarded almost $4.5 million in grant funding. In fiscal year (FY) 2004, we awarded a $1.48 million grant to the National Council on Economic Education (NCEE), and in FY 2005, through a second competition, we provided approximately $1.47 million in first-year support under a five-year grant to the same organization. Subsequently, in FY 2006, we provided the NCEE a second-year continuation award for approximately $1.47 million. Over the past three years, NCEE has implemented a variety of initiatives designed to improve financial literacy in our schools. NCEE's mission is to promote economic and financial literacy for all students in grades K-12 through its network of State councils and university-based centers, by training thousands of teachers who will reach millions of students. NCEE's project activities are intended to help students to develop the skills they need to become knowledgeable consumers, savers, investors, and effective participants in a global economy.

To date, NCEE's activities under the EEE program include:

Direct Activities

(a) ***Strengthening and expanding relationships with State and local personal finance, entrepreneurial, and economic education organizations.***

- NCEE annually awards a capacity-building grant to a State Council or Center for Economic Education to provide technical and professional assistance to school districts and educators in enhancing the quality of economic education instruction in local schools.

- In March 2005, NCEE convened a National Summit on Economic and Financial Literacy. Attended by business executives, economists, policymakers, educators, and education advocates, the National Summit addressed the key issues and challenges in providing universal economic education to students in the 21st Century.

- NCEE published the *Survey of the States: Economic and Personal Finance Education in Our Nation's Schools in 2005.* This "report card" provides a State-by-State analysis on educational standards for K-12 economic and personal finance education. The grantee distributed the survey to local providers of economic and financial education, business leaders, and school districts throughout the country.

(b) ***Supporting and promoting training of K-12 teachers in economics, including the dissemination of information on effective practices and research findings regarding the teaching of economics.***

- NCEE annually convenes its Global Association of Teachers of Economics (GATE) conference, at which the Council offers teacher training and resources to teachers and economic educators nationwide. NCEE provided full scholarships to 10 high school teachers of economics to attend this year's conference.

- NCEE publishes a quarterly newsletter and has developed a website to benefit the GATE, the first professional association for teachers of economics. GATE is intended to help teachers become more proactive in their professional development and improve the quality of economic education instruction for their students through access to teaching resources, networking and training opportunities, and best practices.

(c) Supporting research on effective teaching practices and the development of assessment instruments to document student understanding of personal finance and economics.

- NCEE conducted a national study on pre-college economic education regarding its delivery within the U.S. educational system and its impact on students in grades K-12.

(d) Developing and disseminating appropriate materials to foster economic literacy.

- NCEE developed the *Virtual Economics 3.0* CD-ROM, a teaching resource on economics for K-12 teachers, that includes over 800 cross-disciplinary lessons covering economic and financial concepts. NCEE distributed the CD-ROM to over 14,000 school districts.

Subgrant Activities

Through the EEE Program, NCEE has awarded nearly $3.35 million and made 310 subgrants to State and local educational agencies as well as State and local organizations that provide economic, personal finance, or entrepreneurial education programs. To ensure greater cost-effectiveness and corporate community involvement, sub-grantees are required by the EEE program statute to match their Federal funding dollar for dollar. These subgrantees are implementing activities in the following areas:

- Collaboratively establishing and conducting teacher training programs for teachers of grades K-12, including those who teach disciplines other than economics and financial literacy, on the teaching of economics, personal finance, and entrepreneurship.

- Providing resources to school districts that desire to incorporate economics and personal finance into the curricula of their schools.

- Conducting evaluations of the impact of economic and financial literacy education on students.
- Conducting economic and financial literacy education research.
- Creating and conducting school-based student activities to promote consumer, economics, and personal finance education and to encourage awareness and student academic achievement in economics.
- Encouraging replication of best practices in promoting economic and financial literacy.

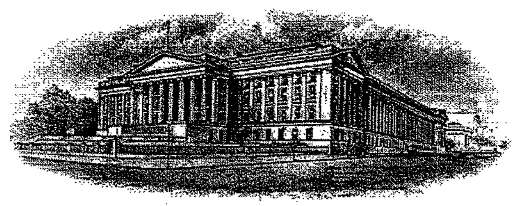
My Office is measuring the performance of the grantee by determining the percentage of students and teachers trained under the project that demonstrate an improved understanding of personal finance and economics as compared to similar students whose teachers have not had the training provided by this project. We expect to have baseline information by the end of the current fiscal year and comparison data a year later.

With regard to the future of the EEP, the President's Budget requests no funding consistent with the Administration's policy of eliminating small categorical programs that have limited national impact and reallocating these funds to high priorities. Districts that wish to implement economic education activities can use funds provided under other Federal programs to do so. For example, the Improving Teacher Quality State Grants program supports efforts to ensure that all teachers of core academic subjects, including economics, are highly qualified, so funding under that program may be used for professional development activities in economics.

The Administration also believes that the National Council on Economics Education can continue, and even expand, its activities without support from this Federal program. The Council is located in New York City, in the heart of the financial services industry, which has a clear and appropriate interest in the development of a financially and economically literate citizenry. In the past, the Council has received grants and contributions from such private firms and foundations as AT & T, Merrill Lynch, the Vanguard Group, Wells Fargo, Moody's and the American Express Bank of America, Kaufman, and Verizon Foundations. Yet, these types of entities represent something of an untapped resource. In 2005, private grants and contributions represented only a small portion of the Council's revenues. With greater outreach to the private sector, the Council should be able to more than make up for the loss of Federal funding for this program.

In addition to administering the Excellence in Economic Education program, the Department of Education continues to work in partnership with the Financial Literacy and Education Commission in its efforts to improve financial literacy in our country. As prescribed in the Commission's publication, *"Taking Ownership of the Future: The National Strategy for Financial Literacy, Call to Action 10-1"*, the Departments of Education and Treasury co-hosted a two-day Kindergarten through Postsecondary Financial Education Summit. Attendees included a diverse group representing educational agencies and foundations, banking and investment institutions, non-profit organizations and private corporations. The focus of the summit was to engage public and private financial education practitioners in a dialogue to discuss innovative strategies to promote the integration of financial education into the core curriculum.

In closing, let me once again thank the Committee for inviting me to speak today. We will continue to monitor the effectiveness of our grant to the National Council for Economics Education and to work with the Department of the Treasury on future financial literacy initiatives.



U.S. TREASURY DEPARTMENT OFFICE OF PUBLIC AFFAIRS

EMBARGOED UNTIL 3:00 p.m. (EST), April 30, 2007
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TESTIMONY OF DAN IANNICOLA, JR.
DEPUTY ASSISTANT SECRETARY FOR FINANCIAL EDUCATION
BEFORE THE U.S. SENATE SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT MANAGEMENT, THE FEDERAL WORKFORCE, AND THE DISTRICT OF COLUMBIA

WASHINGTON, DC- Good afternoon Chairman Akaka, Ranking Member Voinovich and distinguished members of the Subcommittee. Thank you for this opportunity to appear before you today to talk about the important issue of financial literacy in America. As Financial Literacy Month comes to a close, I would like to recognize the strong bi-partisan emphasis on this important topic. Thank you for sponsoring the Senate resolution supporting April as Financial Literacy Month. I would like to commend the House for their recognition of Financial Literacy Month as well. Additionally, President Bush issued a statement observing April as Financial Literacy Month.

Secretary Paulson, along with the rest of the Administration, believes in the importance of increasing financial literacy levels across our nation. In fact, just last week President Bush recommitted his Administration to the cause of financial literacy and charged Secretary Paulson with building on the Financial Literacy and Education Commission's efforts to bring financial education to all Americans. Mr. Chairman, I commend you for your continued leadership on the issue of financial education and for focusing a national spotlight on this critical topic.

I would like to briefly discuss the financial literacy issue we are faced with, then discuss the responses to that issue to date and conclude with a discussion of next steps.

The Issue

Today Americans are faced with a robust marketplace of financial products and services which give them many more options than ever before in structuring their finances. However this has not always been the case. For example, there used to be only a few ways to finance a home, now there are numerous mortgage options. Credit cards used to be hard to come by, now consumer credit is widely available. At one time your employer managed your retirement, now with the steady migration from defined benefit plans to defined contribution plans, the individual has much more to think about.

Times have changed on us. This generation doesn't know any less about money than our parents or grandparents. It is simply that we need to know more *now* than they did *then*. It is as if every American has awoken to find himself or herself promoted to the position of CFO of his or her own household. Are we ready for the job? And if not, how do we address the new reality that our economic choices have simply outpaced our financial knowledge?

The answer, of course, is financial education. Only when we learn more about our money will we be able to move forward confidently in the modern financial marketplace. As a nation we need to learn more about saving and investing, using credit wisely, avoiding fraud and a number of other financial topics.

<u>The Response</u>
Three players are responding to the financial literacy issue: non-profits, businesses and the government.

Non-profits
Non-profit organizations of many varieties are involved in financial education. Some are large national organizations, while others are community-based groups that operate on the grass roots level. They address a variety of financial education issues for adults like banking the unbanked, providing credit counseling or free tax preparation, or helping people build assets to prepare for financial emergencies or to achieve financial goals. Other non-profits, including schools, center their efforts on young people. Some of these groups focus on school based programs that train students and teachers on money matters while other groups focus on reaching youth outside of the classroom.

Businesses
Many companies have also wisely recognized financial education as a cause worthy of their attention. Some companies develop curricula or donate funds for use in support of youth and adult financial education programs. Other companies encourage their associates to volunteer their time on financial literacy programs of non-profit organizations. Still other private sector firms devote resources to financially educate their own employees on money matters.

Federal Government
While the efforts of state and local governments to spread financial education have been commendable, this testimony will focus on the efforts at the federal level.

The Department of the Treasury supports the expansion of financial education both through its own work and through its leadership of a multi-agency commission. I will describe both roles.

<u>Department of the Treasury</u>
Several bureaus and offices within the Treasury Department work in the field of financial education. These include the Bureau of Public Debt (BPD), Internal Revenue Service (IRS), Mint, Office of the Comptroller of the Currency (OCC), Office of Thrift Supervision (OTS), and the Office of the Treasurer. While all of these offices perform important tasks in financial education, Treasury's main effort in the field is conducted by its Office of Financial Education.

In 2002 Treasury established the Office of Financial Education. Since that time, the office has developed rapidly and now stands as a policy leader in the field of financial education in the U.S. and around the world. The office has five key functions.

1) Outreach
   First, the office promotes and delivers financial education across the country through its ambitious outreach efforts. The Office has traveled to 42 states and held 304 financial education sessions reaching over 24,000 people and generating 470 media stories. Many of the people reached are educators, counselors, journalists, community leaders, or service providers who themselves engage in financial literacy outreach to many more Americans. This creates a multiplier effect which only increases the office's total impact.

   The office has performed its work wherever needed, ranging from classrooms to corporate boardrooms to military bases, and even to the Gulf Coast region to counsel Katrina victims. The office has reached out to students of all ages, teachers, lenders, credit counselors, accountants, attorneys, community activists, the media and the public at large. The message to each group varied according to its specific needs but the theme has been the same, that financial knowledge is an empowering force that helps people improve their lives and realize their dreams.

2) Setting Standards for Quality Programs
The office's second function is to set standards for quality financial education. It does this through the development and dissemination of the "Eight Elements for Successful Financial Education" programs. Financial educators across the country have been using these qualitative standards to evaluate and enhance financial education programs.

3) Technical Assistance
Third, the office operates a Technical Assistance Center in English and Spanish for those seeking advice on establishing or improving financial education programs in their communities.

4) Brokering Partnerships
Fourth, the office uses its unique position within the financial education community to broker partnerships between the supply side and demand side of financial education. Some organizations have financial education resources to offer, while other organizations are in need of such resources. The office works with groups nationwide to help the right people get connected with the right resources to advance financial education.

5) Federal Government Coordination
The fifth and final role of the office is to coordinate financial education efforts across the federal government. Treasury's office of Financial Education performs this task by coordinating the activities of the Financial Literacy and Education Commission. The details of this function are described below

The Financial Literacy and Education Commission
The Fair and Accurate Credit Transactions (FACT) Act of 2003 established a twenty agency group called the Financial Literacy and Education Commission. The FACT Act named the Secretary of the Treasury as chair of the Commission and gave the Commission and Treasury four mandates: a Web site, a hotline, a multimedia campaign and a national strategy.

I will describe progress on each of these projects.

1) Web Site
In October 2004, the Commission launched MyMoney.gov, a Web site designed to be a one-stop shop for federal financial education information which is available in English and Spanish. Operated by the General Services Administration (GSA), the Web site is organized intuitively, the way Americans live their lives instead of the way their government is structured—organized by topic rather than agency. Topics include Paying for Education, Saving and Investing, Home Ownership and Privacy, and Frauds and Scams. MyMoney.gov also provides links to financial education grants offered by different Commission agencies. The site has 399 links and has had 1,717,247 visitors, 1,053,004 in 2006 alone. On the site, visitors can also access an interactive, instructional quiz on financial literacy, view a public service announcement promoting MyMoney.gov and get information on the activities of the Commission.

2) Toll Free Hotline
In October 2004, the Commission also launched a toll free hotline called 1-888-MyMoney. Operated by the GSA, the hotline is available in English and Spanish and permits callers to order a free MyMoney toolkit. The English language toolkit contains eight federal publications covering topics from savings to investing to understanding the Social Security system. The Spanish language toolkit has six publications. To date, the MyMoney Hotline has received 18,781 calls, 15,508 calls in 2006 alone.

3) Multimedia Campaign

The Treasury is working with the Ad Council on the production of a campaign that will address the topic of credit literacy, emphasizing the impact of one's credit score. The project has progressed through the research and focus group stages and is now in the creative stage where advertising professionals are working to develop creative concepts to communicate the campaign message. The campaign is scheduled to launch in the fall of 2007.

4) National Strategy
The FACT Act also required the Commission to develop a national strategy for financial literacy. In April of 2006, the Commission released *Taking Ownership of the Future - the National Strategy for Financial Literacy*. The *Strategy* is a comprehensive blueprint for improving financial literacy in America, covering 13 areas of financial education in 13 chapters. At the end of each chapter are specific, numbered calls to action. Most of the actions are assigned to the federal government, but some of the activities are recommendations to the private sector or to individuals.

Since the launch of the Strategy just over a year ago, the Commission has been busy executing these "calls to action." These calls to action are milestones for the Commission which allows us to measure its performance and could not have been accomplished without the cooperation of all 20 member agencies. Below is a summary of progress on the Strategy's calls to action.

Chapter 1: General Saving

1-1 In April of 2007, Treasury and the American Savings Education Council launched a public service announcement on the importance of saving. The PSA promotes the website, MyMoney.gov and toll-free hotline, 1-888-MyMoney.

Chapter 2: Homeownership

2-1 In July of 2006, the Department of Housing and Urban Development (HUD) and Treasury co-hosted a roundtable which highlighted successful partnerships that have advanced homeownership. During the meeting, the complexity of identifying partners to advance homeownership was discussed at length. Participants cited best practices which have helped with foreclosure prevention, non-traditional mortgage products, and the identification of a variety of hidden costs.

Chapter 3: Retirement Saving

3-2 In April of 2006, the Small Business Administration (SBA) linked its online retirement training tools for small businesses to MyMoney.gov. In addition, the Department of Labor (DOL) and IRS developed and released a new publication, *Payroll Deduction IRAs,* to complement a series on retirement plan options for small employers. DOL conducted six fiduciary education seminars in coordination with IRS, the American Institute of Certified Public Accountants and the Society of Human Resources Management.

Chapter 4: Credit

4-1 In 2005, Treasury entered into an agreement with the Ad Council to develop and execute a multimedia public service announcement campaign on credit literacy for young adults. The campaign is scheduled to launch in the fall of 2007. It will also be available in Spanish.

Chapter 5: Consumer Protection

5-2 In April of 2006, Treasury released the DVD "Identity Theft: Outsmarting the Crooks," and made it available to the public through MyMoney.gov and 1-888-My Money. To date, 60,750 copies have been distributed.

Chapter 6: Taxpayer Rights

6-2 In the first full year of the "Go Direct" campaign, which ended in June of 2006, Treasury and the Federal Reserve Banks converted 600,000 paper check recipients to direct deposit enrollees. An additional 160,000 people were enrolled as of December of 2006. The success of the program would not be possible without the cooperation and support of financial institutions across the country. The program will continue through 2007.

6-3 As a result of the Department of Health and Human Services' (HHS) public awareness campaign on the new Medicare drug benefit that encourages seniors and people with disabilities to take a look at their prescription drug coverage options, over 90 percent of those with Medicare have some form of drug coverage. Of those, almost 24 million have prescription drug coverage through the new Medicare Part D benefit. HHS worked with 40,000 partners and conducted more than 12,000 events to educate taxpayers and beneficiaries on enrolling in the Part D program. As of late January 2007, more than 1.4 million beneficiaries have enrolled in Medicare's Part D program since June of 2006, bringing the total number of people with Medicare receiving comprehensive prescription drug coverage to more than 39 million.

Chapter 8: The Unbanked

8-1 To date, three regional conferences have been held on how to reach the unbanked. The conferences were held in Chicago, IL in May 2006; Edinburg, TX in December 2006; and Seattle, WA in March 2007. The conferences have touched on topics such as building partnerships and identifying solutions, serving immigrant communities, reaching young customers, and providing financial education to help new and potential bank customers. The conferences were accomplished by the Federal Deposit Insurance Corporation (FDIC), National Credit Union Administration (NCUA), OCC, OTS, Treasury, the Federal Reserve Banks of Chicago, Dallas, and San Francisco, along with assistance from HUD, partnering to bring a wide range of attendees together on the topic of the unbanked population. After the final regional conference is completed in the fall of 2007, a white paper will be released which will summarize the conferences findings and make recommendations based on them.

Chapter 9: Multilingual / Multicultural Populations

9-1 In March of 2007, the first roundtable took place at Treasury and was focused on the Native populations. The roundtable touched on the needs and wants of Native populations and how financial education can help. Other topics included public and private partnerships, access to financial institutions and services, and public awareness events on reservations.

Chapter 10: Kindergarten – Postsecondary Financial Education

10-1 In February of 2007, the Department of Education (ED) and Treasury co-hosted a two-day summit on kindergarten through postsecondary financial education. The summit brought together teachers, students, program providers and researchers from across the country to discuss the role of financial education at school, non-school venues and college level programs to assist others who are starting or enhancing programs. The summit findings will be made available to the public in the summer of 2007.

Chapter 12: Coordination

12-1 The Commission continues to enhance MyMoney.gov. In 2006, the "Money 20" interactive quiz was added to the Web site, where visitors can test their knowledge with a 20-question online quiz which covers a variety of personal finance issues. Currently, all Commission members have links to MyMoney.gov from their agencies' Web sites.

12-2 In August of 2006, GSA and Treasury completed the first survey of Federal financial education programs and resources. Findings have shown very little overlap or duplication among Federal financial education efforts. The overlap noted was found to be minor and necessary to the completeness of a particular resource or topic.

12-5 In April of 2007, Treasury and Office of Personnel Management (OPM) hosted the inaugural meeting of the "National Financial Education Network" of federal, state and local governments. The network will meet regularly by phone to discuss topics related to financial education.

Efficiency

Since part of the focus of this Subcommittee is government management, I wanted to comment briefly on the manner in which this Commission has been managed. During its work, the Commission has sought to carry out the purpose of the FACT Act by coordinating the federal effort and helping the 20 agencies to work together more efficiently on the issue of financial education. Many of the mandates of the FACT Act can be met through such cooperation. The consequence of this is that, in many cases, the Commission has been able to add value without needing to add resources. As good stewards of federal funds, the Commission is obligated to seek the least costly way to meet its obligations under the law. With a number of accomplishments and few expenditures, the Commission has been successful thus far in achieving good value for Congress, the Administration and the American taxpayer.

Government Accountability Office Review of the Commission

In December of 2006, the Government Accountability Office (GAO) issued a report on the Commission. We on the Commission welcomed the insights of GAO on how we could better accomplish our important mission on behalf of the American people. The Commission chose to consider the GAO recommendations as part of the Commission's annual review of the Strategy which is required by the FACT Act. During that review the Commission incorporated many of the GAO recommendations into its 2007 revisions to the *Strategy*. For instance, GAO recommended that definitions to "financial education" and "financial literacy" be added to the *Strategy*; in response the Commission defined and incorporated both terms. Also consistent with GAO's recommendations, the Commission plans to conduct usability testing of and measure customer satisfaction with MyMoney.gov by 2009.

Additionally, GAO suggested an independent review of the federal financial education programs and resources. Although the FACT Act does not require an independent review of such programs and resources, the Commission decided to pursue such a review, with the first series of assessments to be completed in 2009. Lastly, GAO recommended that the Commission work closely with private entities and state and local governments to improve financial literacy. In response, on April 17, 2007 Treasury and OPM co-hosted the Commission's inaugural meeting of the "National Financial Education Network" of federal, state and local governments at Treasury. This network will facilitate precisely the type of cooperation called for in the GAO report.

Next Steps

The *Strategy* outlines clear steps for the Commission to implement in the next few years.

In the remainder of 2007, the Commission will continue working on issues pertaining to credit literacy, general savings, retirement planning, homeownership preservation and youth financial education while performing special outreach to minority communities. To succeed, we will convene those leading efforts in the private and public sectors through regional conferences, national roundtables and an international summit. The Commission will issue policy papers and meeting findings to further national efforts on financial education. In addition, Treasury plans to launch a multimedia campaign. Lastly, the Commission will continue performing regular enhancements to MyMoney.gov and 1-888-MyMoney.

In 2008, the Commission will host a roundtable discussion on insurance issues as well as an academic research symposium on financial education.

Later in 2009, the Commission intends to conduct a usability testing and customer satisfaction survey of MyMoney.gov as well as complete the first series of independent assessments of federal financial education programs and resources.

Conclusion
I hope this discussion has given an insightful overview of Treasury's and the Commission's work on financial literacy.

While it is valuable to look at this issue from a high level as a policy matter, it is also helpful to view it in terms of the individual and the difference it can make to his or her future. Put simply, there are two paths before each person we are all trying to help. The first is a rocky path that leads to a place where the complexity of the marketplace appears overwhelming, where people are easy prey for fraud and where bad choices lead to bad outcomes that can last a lifetime.

The other path travels through financial literacy and it takes people to a place where understanding replaces apprehension, where people make the most of their abundant options and where they have a tangible, enduring stake in their futures – it is a place some of us refer to as the Ownership Society. It comes from the idea that a true community is based more on shared aspirations than shared geography. Each of us wants to provide for our families, have a comfortable retirement and achieve financial security. These goals become more obtainable when we are financially literate, and that is why financial education is a priority for Secretary Paulson and for this Administration. We hope that through our emphasis on increased financial literacy people gain the skills to make better decisions and live better lives.

Now, I will be happy to answer any questions from the Subcommittee concerning financial literacy.

-30-

STATEMENT OF
ROBERT F. DANBECK
ASSOCIATE DIRECTOR
HUMAN RESOURCES PRODUCTS & SERVICES
OFFICE OF PERSONNEL MANAGEMENT

before the

SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT MANAGEMENT, THE FEDERAL WORKFORCE, AND THE DISTRICT OF COLUMBIA
COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

on

The Federal Government's Role in Empowering Americans to Make Informed Financial Decisions

April 30, 2007

Mr. Chairman and Members of the Subcommittee:

It is my pleasure to be here today to outline the important work the Office of Personnel Management (OPM) is doing to ensure Federal employees are ready for retirement.

OPM is committed to educating Federal employees about the need for retirement savings and investments and providing information on how to plan for retirement, including how to calculate the retirement savings and investments needed to meet their retirement goals. As part of that commitment, we were pleased to participate in Financial

Literacy Day on Capitol Hill last week, where we provided information about the various benefits programs available to Federal employees and had experts available to answer attendees' questions. We also invited representatives from the Thrift Savings Plan to join us, thereby providing attendees with additional resources to discuss this important facet of their retirement benefits.

As you know, the Thrift Savings Plan (TSP) is a Federal Government-sponsored retirement savings and investment plan open to Federal civilian employees and to members of the uniformed services. The TSP offers savings and tax benefits comparable to what many private corporations offer their employees under tax-deferred 401(k) plans. It is one of the Nation's largest retirement plans and one we strongly encourage all eligible Federal employees to take advantage of as a means of preparing for their future. Due to your leadership, Congress took steps to help make Federal employees more aware of the opportunities available to them through the TSP when it passed the Thrift Savings Plan Open Elections Act of 2004. The Act directed the Board that manages the TSP, the Federal Retirement Thrift Investment Board, to evaluate and improve the existing TSP education program and to annually report to Congress on these efforts. OPM was directed to develop a strategy (in consultation with the Board) to "provide employees information on how to plan for retirement and how to calculate the retirement investment needed to meet their retirement goals." OPM is doing that through a strategy based on an education model we call *Retirement Readiness NOW*. The term focuses on the outcome of our retirement financial education programs—to provide employees information on how to plan for retirement and how to calculate the retirement investment needed to meet their retirement goals.

Retirement readiness combines basic information about the benefits provided by the Government, as an employer, and the broader financial education needs of employees. Rather than being a "near retirement" event, the retirement readiness model considers retirement financial literacy and education as a career-long process. The model incorporates the broad range of information employees need to help them make informed retirement planning decisions. It also recognizes that these needs change as a person moves through his or her career.

Our *Retirement Readiness NOW* model takes a total balanced approach to planning that covers:

- Networking & Engagement – finding enjoyable challenges, connecting with other people in meaningful activities such as volunteer work, or even exploring a new career;
- Overall Health – staying as healthy as you can for however long you live; understanding the aging process and how best to approach healthcare such as preventative and disease treatment; and
- Wealth– preparing financially to have sufficient income to support your own standard of living in retirement.

Retirement readiness is also dynamic. It changes over time. The activities and planning employees need to do, such as awareness they may need to alter their choice of stock funds during their careers, preventative health care measures, and planning what they will do and where they will live in retirement – are all changes made as one moves through life stages.

OPM has three key roles in retirement planning: Capacity, Coordination, and Catalyst. Building capacity means providing training and tools to agency benefits officers so that they can help their employees understand their benefits and identify their financial education needs.

OPM's Retirement System Modernization (RSM) will provide employees with tools that for the first time ever will allow them to model their future retirement benefits based on a complete set of their actual Federal employment information. RSM modeling tools will include a web-based application that will contain personalized content and decision support, enabling employee self-service access 24 hours a day, 7 days a week, by telephone or via a web interface. The RSM tools will allow a one-stop experience for employees to initiate changes to their retirement benefits. These capabilities will be available beginning February 2008.

In addition to providing information on Federal annuity retirement contributions, it will also link to an employee's Social Security benefit and current Thrift Savings Plan account balance. This complete picture of earned Federal Government benefits will provide the Federal employee a more accurate view of their retirement financial forecast. In addition, RSM will make the full annuity payment at the very beginning of an employee's retirement. RSM will do this by replacing the current system of receiving interim payment while employment history is verified with a process of placing verified employee data in advance of making the retirement application. We are also in the early stages of creating additional educational tools to complement the RSM capability.

Another important step we have taken is the development of a partnership with the American Savings Education Council (ASEC) of the Employee Benefits Research Institute. Through this partnership, we have developed the Federal Ballpark Estimate—a savings goal worksheet—based on the widely-used American Savings Education Council Ballpark Estimate. The Federal Ballpark Estimate makes it possible to automatically calculate estimates of future Civil Service Retirement System (CSRS) or Federal Employees' Retirement System (FERS) retirement benefits and TSP account balances, as well as inform the user of how well he or she is doing in meeting their savings goal. We plan to post the Federal Ballpark Estimate on our web site by the end of May. As an example of our coordination with the Federal Retirement Thrift Investment Board, it will replace its current link to the ASEC's Ballpark Estimate with the one to the tailored Federal Ballpark Estimate.

We are also nearing completion of the Retirement Readiness Profile—an interactive assessment tool that will tell employees how well they are doing on the 3 dimensions of *Retirement Readiness NOW*, networking and engagement, overall health, and wealth, based on their career stages. It will then recommend next steps the employees can take to increase their retirement readiness.

Evaluation measures are critical to ensuring our efforts are effective. Our strategy requires agencies to report to OPM on their retirement readiness programs. These plans will help ensure agencies institute sustainable programs and evaluate their effectiveness.

We have developed a method of measuring employee benefits knowledge and will collect a Government-wide baseline later this year. The level of employee benefits knowledge is one measure of the effectiveness of our education program.

In addition, we have produced a retirement video to provide employees with an overview of critical information they need to know as they begin planning for their retirement. The video is available on the OPM web site at: http://www.opm.gov/Video_Library/Retirement/index.asp

We also delivered a series of pre-retirement seminars to staff of the U.S. House of Representatives this past November. We were pleased that over 200 Congressional staff took part in the series.

Coincidently, OPM's Center for Human Capital Management Services held a briefing on the TSP for our employees just 10 days ago in our Washington headquarters. Attendees were very enthusiastic about the briefing and requested additional retirement planning workshops. This further demonstrates employees are eager for information about financial planning.

Next month we will conduct our second benefits officers Retirement Financial Education Symposium. The symposium will provide training for agency benefits officers on a wide variety of benefits administration topics, as well as updates on our retirement readiness initiatives. Last week, we published a Benefits Administration Letter (BAL 07-102) providing guidance to agencies on developing retirement financial education plans for their employees. Agencies' plans must discuss four key elements: the content of their retirement readiness programs, how they will deliver the information to their employees, the evaluation metrics that will be used, and the steps being taken to insure the long-term sustainability of the programs. The plans must be submitted to OPM annually.

We are also developing a series of Workshops in a Box. These workshops are designed as a complete kit for benefits officers to use to train their employees on benefit topics. Topics in the series include: Overviews of CSRS and FERS; Flexible Spending Accounts, and Benefits for new employees.

Based on a series of Financial Education Fairs we conducted, we issued a how-to handbook for agencies to use to conduct their own retirement readiness fairs. The handbook provides step-by-step instructions, planning worksheets, and sample promotional materials. We also published a list of contacts in Government agencies who are available to participate in these events.

Another key role of OPM is coordination of financial education resources. There is a wealth of financial education materials and programs—course materials, web site, brochures, newsletters, etc., that have been developed by Federal agencies such as the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Department of Agriculture Cooperative Extension Service, and the Thrift Savings Plan. In addition, numerous non-profit organizations such as the American Savings Education Council, InCharge Educational Foundation, and the National Endowment for Financial Education have also developed excellent resources that are available at little or no cost.

OPM's role is to identify those resources and create partnerships to leverage the use of those materials by agencies for their employees. An example of a partnership is our work with the Employee Benefits Research Institute to create the Federal Ballpark Estimate.

OPM also serves as a catalyst for retirement readiness programs. Recently we distributed the first edition of our retirement readiness eLetter to benefits officers. The bi-monthly newsletter provides information about retirement readiness education they can use and can pass on to others. Additionally, OPM speakers participate in a variety of conferences involving Federal employees to spread the word on the need for retirement readiness and our education programs.

Agencies play a key role in OPM's retirement readiness programs. They have the primary responsibility of identifying employee needs using the tools we develop, of providing training, information and access to resources to their employees, and of giving us feedback so we can continue to improve agencies' retirement education capacity.

However, OPM and agencies can't improve employees' retirement readiness without the direct involvement of the employees themselves. Employees must take advantage of opportunities provided and must assume responsibility for taking steps to meet their retirement goals. Our responsibility, and one we work on daily, is to provide as many tools and as much information as is needed to understand the importance and value of retirement saving and investments in preparation for retirement.

OPM also is proud of the active role it has taken as a member of the Financial Literacy and Education Commission. We were on the national strategy working group and earlier this month co-hosted with the Department of Treasury the first meeting of the National Financial Education Network. The network is creating a clearinghouse of State and local government financial education programs to serve as a place to share best practices and resources. This clearinghouse will not only serve as a valuable resource to State and local governments, it will identify a rich array of resources agency benefits officers can use to explain their retirement readiness education program for Federal employees.

I appreciate this opportunity to testify before the Subcommittee on this very important issue. I will be glad to answer any questions you may have.

United States Government Accountability Office

GAO

Testimony

Before the Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, Committee on Homeland Security & Governmental Affairs, U.S. Senate

For Release on Delivery
Expected at 2:30 p.m. EDT
Monday, April 30, 2007

FINANCIAL LITERACY AND EDUCATION COMMISSION

Further Progress Needed to Ensure an Effective National Strategy

Statement of Yvonne D. Jones, Director
Financial Markets and Community Investment

GAO
Accountability * Integrity * Reliability

GAO-07-777T

April 30, 2007

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Highlights

Highlights of GAO-07-777T, a testimony before the Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, Committee on Homeland Security & Governmental Affairs, U.S. Senate

Why GAO Did This Study

The Financial Literacy and Education Improvement Act created, in December 2003, the Financial Literacy and Education Commission. This statement is based on a report issued in December 2006, which responded to the act's mandate that GAO assess the Commission's progress in (1) developing a national strategy; (2) developing a Web site and hotline; and (3) coordinating federal efforts and promoting partnerships among the federal, state, local, nonprofit, and private sectors. To address these objectives, GAO analyzed Commission documents, interviewed its member agencies and private financial literacy organizations, and benchmarked the national strategy against GAO's criteria for such strategies.

What GAO Recommends

In its report, GAO recommended that the Commission (1) incorporate additional elements into the national strategy to help measure results and ensure accountability, (2) conduct usability tests of and measure customer satisfaction with its Web site, (3) provide for an independent reviewer to evaluate duplication and effectiveness of federal activities, and (4) expand upon current efforts to cultivate sustainable partnerships with nonprofit and private entities. The Commission has taken steps to address some of these recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-07-777T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Yvonne D. Jones, (202) 512-8678 or jonesy@gao.gov.

FINANCIAL LITERACY AND EDUCATION COMMISSION

Further Progress Needed to Ensure an Effective National Strategy

What GAO Found

The National Strategy for Financial Literacy serves as a useful first step in focusing attention on financial literacy, but it is largely descriptive rather than strategic and lacks certain key characteristics that are desirable in a national strategy. The strategy provides a clear purpose, scope, and methodology and comprehensively identifies issues and challenges. However, it does not serve as a plan of action designed to achieve specific goals, and its recommendations are presented as "calls to action" that generally describe existing initiatives and do not include plans for implementation. The strategy also does not fully address some of the desirable characteristics of an effective national strategy that GAO has previously identified. For example, it does not set clear and specific goals and performance measures or milestones, address the resources needed to accomplish these goals, or fully discuss appropriate roles and responsibilities. As a result of these factors, most organizations that GAO spoke with said the strategy was unlikely to have a significant impact on their financial literacy efforts.

The Commission has developed a Web site and telephone hotline that offer financial education information provided by numerous federal agencies. The Web site generally serves as an effective portal to existing federal financial literacy sites. Use of the site has grown, and it averaged about 69,000 visits per month from October 2006 through March 2007. The volume of calls to the hotline—which serves as an order line for a free tool kit of federal publications—has been limited. The Commission has not tested the Web site for usability or measured customer satisfaction with it; these are recommended best practices for federal public Web sites. As a result, the Commission does not know if visitors are able to find the information they are looking for efficiently and effectively.

The Commission has taken steps to coordinate the financial literacy efforts of federal agencies and has served as a useful focal point for federal activities. However, coordinating federal efforts has been challenging, in part because the Commission must achieve consensus among 20 federal agencies, each with its own viewpoints, programs, and constituencies, and because of the Commission's limited resources. A survey of overlap and duplication and a review of the effectiveness of federal activities relied largely on agencies' self-assessments rather than the independent review of a disinterested party. The Commission has taken steps to promote partnerships with the nonprofit and private sectors through various public meetings, outreach events, and other activities. The involvement of state, local, nonprofit, and private organizations is important in supporting and expanding Commission efforts to increase financial literacy, and our report found that the Commission could benefit from further developing mutually beneficial and lasting partnerships with these entities that will be sustainable over the long term.

Mr. Chairman and Members of the Committee:

I appreciate the opportunity to be here today to discuss the federal government's role in financial literacy. Ensuring that Americans have the knowledge and skills to manage their money wisely is a key element in improving the economic health of our nation in current and future generations. Financial literacy has become increasingly important in recent years due to the convergence of a number of economic, policy, and demographic trends. For example, workers today are increasingly responsible for managing their own retirement savings—yet at the same time, the nation's personal saving rate has fallen dramatically over the past few decades, and household debt hovers at record high levels. In recent years, we have issued several products on the federal government's role in improving financial literacy.[1] My statement today focuses on the Financial Literacy and Education Commission, which is comprised of 20 federal agencies and was created in 2003 by the Financial Literacy and Education Improvement Act.[2]

Today I will discuss the Commission's progress in (1) developing an effective national strategy to promote financial literacy and education; (2) implementing its Web site, hotline, and multimedia campaign; and (3) coordinating federal financial literacy efforts and promoting partnerships among government, nonprofit, and commercial organizations. This statement is based primarily on our December 2006 report that assessed the Commission's effectiveness.[3] In preparing that report, we reviewed the Financial Literacy Act and analyzed relevant Commission documents, including the National Strategy for Financial Literacy. We assessed the national strategy, in part, by benchmarking it against general

[1]For example, see GAO, *Increasing Financial Literacy in America*, GAO-07-284CG (Washington, D.C.: Dec. 11, 2006); GAO, *Credit Reporting Literacy: Consumers Understood the Basics but Could Benefit from Targeted Educational Efforts*, GAO-05-223 (Washington, D.C.: Mar. 16, 2005); GAO, *Highlights of a GAO Forum: The Federal Government's Role in Improving Financial Literacy*, GAO-05-93SP (Washington, D.C.: Nov. 15, 2004).

[2]Title V of the Fair and Accurate Credit Transactions Act of 2003, Pub. L. No. 108-159, Title V, 117 Stat. 2003 (Dec. 4, 2003) (*codified at* 20 U.S.C. §§ 9701–08). Hereafter, this statement refers to the Financial Literacy and Education Improvement Act as the "Financial Literacy Act." The act also mandated that we assess the Commission's effectiveness in promoting financial literacy and education. Our December 2006 report fulfilled that mandate.

[3]GAO, *Financial Literacy and Education Commission: Further Progress Needed to Ensure an Effective National Strategy*, GAO-07-100 (Washington, D.C.: Dec. 4, 2006).

characteristics of an effective national strategy we have identified in prior work. We interviewed representatives of all 20 federal agencies that are members of the Commission as well as representatives of nonfederal organizations that address issues of financial literacy. We also gathered and analyzed data on the content and usage of the Commission's Web site, telephone hotline, and publication tool kit. We conducted our work from January 2006 through November 2006 in accordance with generally accepted government auditing standards.

In summary:

- The National Strategy for Financial Literacy serves as a useful first step in focusing attention on financial literacy, but it is largely descriptive rather than strategic and lacks certain key characteristics that are desirable in a national strategy. While the strategy comprehensively identifies issues and challenges related to financial literacy, its recommendations are presented as "calls to action" that generally describe existing initiatives and do not include plans for implementation. Further, the strategy only partially addresses some of the characteristics we previously have identified as desirable for any effective national strategy. For example, although it provides a clear purpose, scope, and methodology, it does not go far enough to establish specific goals and performance measures or milestones; discuss the resources that would be needed to implement the strategy; or discuss, assign, or recommend roles and responsibilities for achieving its mission. As a result, most federal and nonfederal agencies we interviewed said that the national strategy was unlikely to have a significant impact on their financial literacy and education efforts. Our report recommended that the Commission incorporate additional elements into the national strategy to help measure results and ensure accountability. In commenting on our report, the Department of the Treasury (Treasury), in its capacity as chair of the Commission, noted that the national strategy was the nation's first such effort and said its calls to action were appropriately substantive and concrete.

- The Commission has developed a Web site and telephone hotline that offers financial education information from numerous federal agencies. The site serves as a portal to other federal financial education sites, and representatives of financial literacy organizations generally told us that the site served its purpose effectively. Use of the site has been growing, and it averaged about 69,000 visits monthly from October 2006 through March 2007. The volume of calls to the hotline—which acts as an order line for free publications—has been limited. For example, it received 526 calls in March 2007. The Commission has not yet implemented some best practices recommended for federal public Web sites, such as testing its site for usability and measuring customer satisfaction. As a result, the Commission does not know if visitors can readily find the information for which they are looking. Our report recommended that the Commission conduct usability tests of and measure customer satisfaction with its Web site, which the Commission said it will do by the second quarter of 2009. To fulfill a Financial Literacy Act requirement that the Treasury Department develop a pilot national public service campaign for financial literacy and education, the department has contracted with the Advertising Council to create a campaign designed to improve credit literacy among young people. The campaign, which is scheduled to be distributed to media outlets in the third quarter of 2007, will also promote the Commission's Web site and telephone hotline.

- The Commission has played a role in coordinating federal agencies' financial literacy efforts and promoting public-private partnerships but has faced several challenges in these areas. The Commission serves as a single focal point for federal agencies to come together on the issue of financial literacy, and several calls to action in the Commission's national strategy involve interagency efforts. However, coordinating federal efforts has been challenging, in part because the Commission must achieve consensus among 20 federal agencies, each with its own viewpoints, programs, and constituencies, and because of the Commission's limited resources. Further, the Commission's survey of overlap and duplication and its review of the effectiveness of federal activities relied largely on agencies' self-assessments rather than the independent review of a disinterested party. The Commission has taken some steps to promote partnerships with the nonprofit and private sectors through various public meetings, outreach events, and other activities, but the impact of these steps is unclear. Our report recommended that the Commission expand its current efforts to cultivate sustainable partnerships with nonprofit and private entities. We also recommended that the Commission provide for an independent third party to review for duplication in federal programs and evaluate the effectiveness of federal activities. Since our report was issued, the Commission has identified several steps it is taking or plans to take to address these recommendations, including plans for independent third-party assessments.

Background

According to the Financial Literacy Act, the purpose of the Financial Literacy and Education Commission is to improve financial literacy and education through the development of a national strategy to promote them. The act defines the composition of the Commission—the Secretary of the Treasury and the heads of 19 other federal departments and agencies—and allows the President to appoint up to five additional members.[4] The Commission must hold one public meeting at least every 4 months. It held its first meeting in January 2004 and nine subsequent meetings, most recently in January 2007.

The act requires the Commission to undertake certain activities, including (1) developing a national strategy to promote financial literacy and education for all Americans; (2) establishing a financial education Web site to provide information about federal financial literacy education programs and grants; (3) establishing a toll-free hotline; (4) identifying areas of overlap and duplication among federal activities and coordinating federal efforts to implement the national strategy; (5) assessing the availability, utilization, and impact of federal financial literacy and education materials; and (6) promoting partnerships among federal, state, and local governments, nonprofit organizations, and private enterprises. The act requires that the national strategy be reviewed and modified as deemed necessary at least once a year. It also requires the Secretary of the Treasury to develop, implement, and conduct a pilot national public service multimedia campaign to enhance the state of financial literacy and education in the United States.

The Treasury Department's Office of Financial Education provides primary support to the Commission and coordinates its efforts. As of April 2007, the office had assigned the equivalent of about 3 full-time professional staff to handle work related to the Commission and in the past also has received assistance from staff detailed from other federal agencies. The Commission has no independent budget. The act authorized appropriations to the Commission of amounts necessary to carry out its work, and for fiscal year 2005 Congress specified that $1 million should be used for the development and implementation of the national strategy.

[4]Under the act, the agencies represented on the Commission are the Departments of Agriculture, Defense, Education, Health and Human Services, Housing and Urban Development, Labor, Treasury, and Veterans Affairs; the Board of Governors of the Federal Reserve System; the Office of the Comptroller of the Currency; the Office of Thrift Supervision; the Federal Deposit Insurance Corporation; the National Credit Union Administration; the Securities and Exchange Commission; the Federal Trade Commission; the General Services Administration; the Small Business Administration; the Social Security Administration; the Commodity Futures Trading Commission; and the Office of Personnel Management. As of April 2007, the President had not appointed any additional members.

The National Strategy Is Descriptive Rather Than Strategic, Limiting Its Value in Guiding the Nation's Financial Literacy Efforts

To develop the National Strategy for Financial Literacy, the Commission formed a national strategy working group of 13 member agencies, issued a call for public comment in the Federal Register, and held six public meetings—five organized around the commercial, government, nonprofit, education, and banking sectors and one for individual consumers.[5] Although the Financial Literacy Act required the Commission to adopt the strategy within 18 months of enactment, or June 2005, the strategy was not publicly released until April 2006.[6] The Commission sought unanimous consent on the national strategy, and Commission members told us that the Treasury Department faced a significant challenge in trying to get 20 federal agencies—each with its own mission and point of view—to unanimously agree to a strategy. A particular source of disagreement involved whether nonfederal entities should be cited by name as illustrative examples in the strategy. The Commission ultimately agreed that it would not name these organizations in the national strategy, but cite them in a separate document issued by Treasury, called the Quick Reference Guide to the strategy."[7]

The content of the National Strategy for Financial Literacy largely consists of a comprehensive overview of issues related to financial literacy and examples of ongoing initiatives. It describes many major problems and challenges that relate to financial literacy in the United States, identifies key subject matter areas and target populations, and describes what it believes to be illustrations of potentially effective practices in financial education across a broad spectrum of subjects and sectors. As such, the strategy represents a useful first step in laying out key issues and highlighting the need for improved financial literacy. At the same time, as some representatives of the Commission told us, the strategy is fundamentally descriptive rather than strategic. It provides information on

[5]Financial Literacy and Education Commission, *Taking Ownership of the Future: The National Strategy for Financial Literacy* (Washington, D.C.: April 2006).

[6]The Financial Literacy Act required the National Strategy for Financial Literacy to be provided to Congress as part of a report issued by the Commission called the "Strategy for Assuring Financial Empowerment." U.S. Department of the Treasury, *Strategy for Assuring Financial Empowerment* (Washington, D.C.: Apr. 3, 2006). That report also contained other elements required by the act, including a survey and assessment of certain federal financial education materials and information on the activities and future plans of the Commission. 20 U.S.C. § 9703 (h)(2).

[7]U.S. Department of the Treasury, *Quick Reference Guide to the National Strategy for Financial Literacy* (Washington, D.C.: Apr. 4, 2006).

disparate issues and initiatives but is limited in presenting a long-term plan of action for achieving its goal.

Most notably, the strategy's recommendations are presented as "calls to action," defined as concrete steps that should be taken for improving financial literacy and education. Sixteen of these 26 calls to action are addressed to federal entities, 5 to private or nonprofit organizations, and 5 to the public. However, many of these calls to action are very general and do not discuss an implementation strategy, and others describe initiatives that already exist. For example, one call to action states, "Investors should take advantage of the wealth of high quality, neutral, and unbiased information offered free of charge," but does not lay out a plan for helping ensure that investors will do so.

We have previously identified a set of desirable characteristics for any effective national strategy.[8] While national strategies are not required to contain a single, consistent set of attributes, we found six characteristics that can offer policymakers and implementing agencies a management tool to help ensure accountability and more effective results. As shown in the table below, we found that the National Strategy for Financial Literacy generally addresses the first of these characteristics and partially addresses the other five.

Table 1: Extent the National Strategy for Financial Literacy Addresses GAO's Desirable Characteristics of an Effective National Strategy

Desirable characteristic	Generally addresses	Partially addresses	Does not address
Clear purpose, scope, and methodology	X		
Detailed discussion of problems and risks		X	
Desired goals, objectives, activities, and performance measures		X	
Description of future costs and resources needed		X	
Organizational roles, responsibilities, and coordination		X	
Description of integration with other entities		X	

Source: GAO analysis of the National Strategy for Financial Literacy.

[8]GAO, *Combating Terrorism: Evaluation of Selected Characteristics in National Strategies Related to Terrorism*, GAO-04-408T (Washington, D.C.: Feb. 3, 2004).

The six characteristics we considered follow:

- *Clear Purpose, Scope, and Methodology.* An effective strategy describes why the strategy was produced, the scope of its coverage, and how it was developed. The National Strategy for Financial Literacy generally addresses this characteristic. For example, it cites the legislative mandate that required the strategy, the overall purpose, and subsidiary goals such as making it easier for consumers to access financial education materials. At the time of our review, the strategy did not specifically define "financial literacy" or "financial education" and we noted that doing so could provide additional benefit in helping define the scope of the Commission's work. In its April 2007 report to Congress, the Commission provided definitions of these terms that it said would guide its work.[9]

- *Detailed Discussion of Problems and Risks.* A strategy with this characteristic provides a detailed discussion or definition of the problems the strategy intends to address, their causes, and the risks of not addressing them. Based on our review, the National Strategy for Financial Literacy partially addresses this characteristic. It identifies specific problems that indicate a need for improved financial literacy and often discusses the causes of these problems. However, it might benefit further from a fuller discussion of the long-term risks—to the well-being of individuals, families, and the broader national economy—that may be associated with poor financial literacy. As we have reported in the past, a clear understanding of our nation's overall financial condition and fiscal outlook is an indispensable part of true financial literacy.[10] Due to current demographic trends, rising health care costs, and other factors, the nation faces the possibility of decades of mounting debt, which left unchecked will threaten our economic security and adversely affect the quality of life available to future generations.[11] One element of financial literacy is ensuring that Americans are aware of these potential developments in planning for their own financial futures since, for example, we can no longer assume that current federal entitlement programs will continue indefinitely in their present form.

[9]U.S. Department of the Treasury, *Strategy for Assuring Financial Empowerment* (Washington, D.C.: April 2007).

[10]GAO-05-93SP, pp. 2-3.

[11]For example, see GAO, *The Nation's Long-Term Fiscal Outlook: September 2006 Update,* GAO-06-1077R (Washington, D.C.: Sept. 15, 2006).

- *Desired Goals, Objectives, Activities and Performance Measures.* The National Strategy for Financial Literacy partially addresses this characteristic, which deals not only with developing goals and strategies to achieve them, but also the milestones and outcome measures needed to gauge results. The strategy does identify key strategic areas and includes 26 calls to action that, although often lacking detail, provide a picture of the types of activities the strategy recommends. However, in general, the strategy neither sets clear and specific goals and objectives, nor does it set priorities or performance measures for assessing progress. Several stakeholders in the financial literacy community that we spoke with noted that the strategy would have been more useful if it had set specific performance measures. The Commission might also have set measurable goals for changing consumer behavior, such as seeking to reduce the number of Americans without bank accounts or increase the number saving for their retirement to a specified figure in the next 5 or 10 years. Without performance measures or other evaluation mechanisms, the strategy lacks the means to measure progress and hold relevant players accountable.

- *Description of Future Costs and Resources Needed.* Effective national strategies should include discussions of cost, the sources and types of resources needed, and where those resources should be targeted. The National Strategy for Financial Literacy discusses, in general terms, the resources that are available from different sectors and its Quick Reference Guide provides a list of specific organizations. However, the strategy does not address fundamental questions about the level and type of resources that are needed to implement the national strategy. The strategy does little to acknowledge or discuss how funding limitations could be a challenge to improving financial literacy and offers little detail on how existing resources could best be leveraged. Neither does it provide cost estimates nor does it discuss specifically where resources should be targeted. For example, it does not identify the sectors or populations most in need of additional resources. The strategy also might have included more discussion of how various "tools of government" such as regulation, standards, and tax incentives might be used to stimulate nonfederal organizations to use their unique resources to implement the strategy. Without a clear description of resource needs, policymakers lack information helpful in allocating resources and directing the strategy's implementation.

- *Organizational Roles, Responsibilities, and Coordination.* Effective national strategies delineate which organizations will implement the strategy and describe their roles and responsibilities, as well as mechanisms for coordinating their efforts. The National Strategy for

Financial Literacy partially addresses these issues. For example, it discusses the involvement of various governmental and nongovernmental sectors in financial education and identifies in its calls to action which agencies will or should undertake certain tasks or initiatives. However, the strategy is not specific about roles and responsibilities and does not recommend changes in the roles of individual federal agencies. Addressing these issues more fully is important given our prior work that discussed the appropriate federal role in financial literacy in relation to other entities and the potential need to streamline federal efforts in this area.[12] In addition, the strategy is limited in identifying or promoting specific processes for coordination and collaboration between sectors and organizations.

- *Description of Integration with Other Entities.* This characteristic addresses how a national strategy relates to other federal strategies' goals, objectives, and activities. The National Strategy for Financial Literacy does identify and describe a few plans and initiatives of entities in the federal and private sectors, and it includes a chapter describing approaches within other nations and international efforts to improve financial education. However, the strategy is limited in identifying linkages with these initiatives, and it does not address how it might integrate with the overarching plans and strategies of these state, local, and private-sector entities.

Because the National Strategy for Financial Literacy is more of a description of the current state of affairs than an action plan for the future, its effect on public and private entities that conduct financial education may be limited. We asked several major financial literacy organizations how the national strategy would affect their own plans and activities, and the majority said it would have no impact at all. Similarly, few federal agencies with which we spoke could identify ways in which the national strategy was guiding their work on financial literacy. Most characterized the strategy as a description of their existing efforts.

Our report recommended that the Secretary of the Treasury, in concert with other agency representatives of the Financial Literacy and Education Commission, incorporate into the national strategy (1) a concrete definition for financial literacy and education to help define the scope of the Commission's work; (2) clear and specific goals and performance measures that would serve as indicators of the nation's progress in

[12]GAO-05-93SP, pp. 5-8.

improving financial literacy and benchmarks for the Commission; (3) actions needed to accomplish these goals, so that the strategy serves as a true implementation plan; (4) a description of the resources required to help policymakers allocate resources and direct implementation of the strategy; and (5) a discussion of appropriate roles and responsibilities for federal agencies and others, to help promote a coordinated and efficient effort. In commenting on our report, Treasury, in its capacity as chair of the Commission, noted that the National Strategy for Financial Literacy was the nation's first such effort and, as such, was designed to be a blueprint that provides general direction while allowing diverse entities the flexibility to participate in enhancing financial education. The department said that the strategy's calls to action are appropriately substantive and concrete—setting out specific issues for discussion, conferences to be convened, key constituencies, and which Commission members should be responsible for each task. As noted earlier, in its April 2007 report to Congress, the Commission provided definitions for "financial literacy" and "financial education" to help guide its work. We acknowledge that the national strategy represents the nation's first such effort, but continue to believe that future iterations of the strategy would benefit from inclusion of the characteristics cited in our report.

Web Site and Telephone Hotline Offer Financial Education Information from Federal Agencies

The Financial Literacy Act required the Commission to establish and maintain a Web site to serve as a clearinghouse and provide a coordinated point of entry for information about federal financial literacy and education programs, grants, and materials. With minor exceptions, the Commission did not create original content for its Web site, which it called My Money. Instead, the site serves as a portal that consists largely of links to financial literacy and education Web sites maintained by Commission member agencies. According to Treasury representatives, the English-language version of the My Money site had more than 290 links as of April 2007, organized around 12 topics.[13] A section on federal financial education grants was added to the site in October 2006, which includes links to four

[13]The topic areas are Budgeting and Taxes; Credit; Financial Planning; Home Ownership; Kids; Paying for Education; Privacy, Fraud and Scams; Responding to Life Events; Retirement Planning; Saving and Investing; Starting a Small Business; and Financial Education Grants.

grant programs.[14] Many representatives of private and nonprofit financial literacy initiatives and organizations with whom we spoke were generally satisfied with the Web site, saying that it provided a clear and useful portal for consumers to federal financial education materials.

From its inception in October 2004 through March 2007, the My Money Web site received approximately 1,454,000 visits.[15] The site received an average of 35,000 visits per month during the first 6 months after its introduction in October 2004. Use of the site has increased since that time and reached 78,000 visits in April 2006, when the Commission and the Web site received publicity associated with the release of the national strategy. From October 2006 through March 2007, the site averaged about 69,000 visits per month. The number of visits to the My Money Web site has been roughly comparable to some recently launched private Web sites that provide financial education.[16] Some representatives of financial literacy organizations with whom we spoke said the Commission should do more to promote public awareness of the Web site. Commission representatives, however, noted to us several steps that have been taken to promote the site, including, for example, a promotional effort in April 2006 that printed the My Money Web address on envelopes containing federal benefits and tax refunds.

[14]The Financial Literacy Act required that the Web site offer information on all federal grants to promote financial literacy and education, and on how to target, apply for, and receive such grants. 20 U.S.C. § 9703(b)(2)(C). The four federal grant programs cited on the Web site as of April 2007 were the Department of Education's Excellence in Economic Education program, Department of Health and Human Services' Assets for Independence program, Department of Housing and Urban Development's Housing Counseling program, and National Credit Union Administration's Community Development Revolving Loan Fund program.

[15]A "visit" is defined as all the activity of one visitor to a Web site within a specified period, usually 30 minutes. Because federal government Web sites are generally prohibited from using "cookies" (small files stored on a visitor's computer that can contain identifying information about the visitor), the number of unique visitors to the My Money Web site cannot be counted. Thus, data on total number of visits do not represent the number of users who have visited the Web site because some users may visit the site multiple times. According to a GSA official, because unique visitors cannot be counted, the best measure of the Web site's usage is number of visits.

[16]For example, in fiscal year 2006, the My Money Web site received approximately 628,000 visits. During that same time period, the Employee Benefit Research Institute's "Choose to Save" Web site, the American Institute of Certified Public Accountants' "360 Degrees of Financial Literacy" Web site, and the National Endowment for Financial Education's "Smart about Money" Web site received, respectively, 1,538,000, 437,000, and 229,000 visits.

However, the Commission has not yet conducted usability tests or measured customer satisfaction for the My Money Web site. The federal government's Web Managers Advisory Council provides guidance to help federal Web managers implement recommendations and best practices for their federal sites.[17] The council recommends testing usability and measuring customer satisfaction to help identify improvements and ensure that consumers can navigate the sites efficiently and effectively. Representatives of the General Services Administration (GSA), which operates the site, acknowledged that these steps are standard best practices that would be useful in improving the site. They said they had not yet done so due to competing priorities and a lack of funding.[18] Without usability testing or measures of customer satisfaction, the Commission does not know whether the Web site's content is organized in a manner that makes sense to the public, or whether the site's visitors can readily find the information for which they are looking.

Our report recommended that the Commission (1) conduct usability testing to measure the quality of visitors' experience with the site; and (2) measure customer satisfaction with the site, using whatever tools deemed appropriate, such as online surveys, focus groups, or e-mail feedback. In its April 2007 report to Congress, the Commission said it would conduct usability testing of, and measure customer satisfaction with, its Web site by the second quarter of 2009.

In addition to a Web site, the Financial Literacy Act also required that the Commission establish a toll-free telephone number for members of the public seeking information related to financial literacy.[19] The Commission launched the telephone hotline, 1-888-My Money, simultaneously with the My Money Web site in October 2004. The hotline supports both English-

[17]The Web Managers Advisory Council is an interagency group of about 40 senior Web managers from every cabinet-level agency, several independent agencies, and the judicial and legislative branches. In 2004, the council recommended policies and guidelines for all federal public Web sites. See: Interagency Committee on Government Information, *Recommended Policies and Guidelines for Federal Public Websites*, submitted to the Office of Management and Budget (Washington, D.C.: June 9, 2004).

[18]According to a usability specialist from GSA, it might cost roughly $10,000 to $15,000 for a basic usability study with eight participants and recommendations for redesign of the site. Representatives of the Department of Health and Human Services told us it might be able to offer the Commission use of its Web testing lab at no charge, which would reduce the cost of usability testing.

[19]20 U.S.C. § 9703(c).

and Spanish-speaking callers. A private contractor operates the hotline's call center and GSA's Federal Citizen Information Center oversees the operation and covers its cost. According to GSA, the cost of providing telephone service for the hotline was about $28,000 in fiscal year 2006. The hotline serves as an order line for obtaining a free financial literacy "tool kit"—pamphlets and booklets from various federal agencies on topics such as saving and investing, deposit insurance, and Social Security. The tool kit is available in English and Spanish versions, and consumers can also order it via the My Money Web site. The volume of calls to the My Money telephone hotline has been limited—526 calls in March 2007 and an average of about 200 calls per month between February 2005 and February 2006.

As part of the national strategy, the Financial Literacy Act required the Secretary of the Treasury to develop, implement, and conduct a pilot national public service multimedia campaign to enhance the state of financial literacy in the United States.[20] The department chose to focus the multimedia campaign on credit literacy among young adults. It contracted with the Advertising Council to develop and implement the multimedia campaign, which is expected to be advertised—using donated air time and print space—on television and radio, in print, and online.[21] According to the Commission's April 2007 report to Congress, the launch of the campaign is scheduled for the third quarter of 2007.

The Commission Has Taken Steps to Coordinate Federal Agencies' Efforts and Promote Partnerships but Faces Challenges

The Financial Literacy Act required that the Commission develop a plan to improve coordination of federal financial literacy and education activities and identify areas of overlap and duplication in these activities. The Commission created a single focal point for federal agencies to come together on the issue of financial literacy and education. Some Commission members told us that its meetings—including formal public, working group, and subcommittee meetings—have helped foster interagency communication and information sharing that had previously been lacking. In addition, the Commission's Web site, hotline, and tool kit have helped centralize federal financial education resources for consumers. Further, the national strategy includes a chapter on federal

[20] 20 U.S.C. § 9707.

[21] The Advertising Council (commonly known as the Ad Council) is a private, nonprofit organization that produces, distributes, and promotes public service campaigns on behalf of nonprofit organizations and government agencies.

interagency coordination and several of the strategy's calls to action involve interagency efforts, including joint conferences and other initiatives.

However, the Commission has faced several challenges in coordinating the efforts of the 20 federal agencies that form the Commission. Each of the Commission's participating federal agencies has different missions and responsibilities and thus different perspectives and points of view on issues of financial literacy. The agencies also differ in their levels of responsibility for and expertise on financial literacy and education. Further, because agencies tend to be protective of their resources, it might be very difficult to recommend eliminating individual agencies' programs. Moreover, the Commission's ability to coordinate such major structural change, if it chose to do so, would be constrained by its limited resources in terms of staff and funding. In addition, the Commission has no legal authority to compel an agency to take any action, but instead must work through collaboration and consensus. Given these various constraints, a Treasury official told us that the Commission saw its role as improving interagency communication and coordination rather than consolidating federal financial education programs or fundamentally changing the existing federal structure.

To meet a requirement of the Financial Literacy Act that the Commission identify and propose means of eliminating areas of overlap and duplication, the Commission asked federal agencies to provide information about their financial literacy activities. After reviewing these resources, the Commission said it found minimal overlap and duplication among federal financial literacy programs and did not propose the elimination of any federal activities. Similarly, to meet a requirement of the act that it assess the availability, utilization, and impact of federal financial literacy materials, the Commission asked each agency to evaluate the effectiveness of its own materials and programs—and reported that each agency deemed its programs and resources to be effective and worthy of continuance.

In both cases, we believe that the process lacked the benefit of independent assessment by a disinterested party. Our report recommended that the Secretary of the Treasury, in conjunction with the Commission, provide for an independent third party to carry out the review of duplication and overlap among federal financial literacy activities as well as the review of the availability, utilization, and impact of federal financial literacy materials. In response to these recommendations, the Commission reported in its April 2007 report to Congress that it would identify an independent party to conduct assessments on both of these matters, with the first series of independent assessments to be completed in 2009.

The Financial Literacy Act also charged the Commission with promoting partnerships between federal agencies and state and local governments, nonprofit organizations, and private enterprises. Partnerships between federal agencies and private sector organizations are widely seen as essential to making the most efficient use of scarce resources, facilitating the sharing of best practices among different organizations, and helping the federal government reach targeted populations via community-based organizations.[22] Treasury officials have cited several steps the Commission has taken to promote such partnerships. These have included calls to action in the Commission's national strategy that encouraged partnerships; community outreach and events coordinated by Treasury and other agencies; and public meetings designed to gather input on the national strategy from various stakeholders. In general, the private and nonprofit financial literacy organizations with which we spoke said that these steps had been useful, but that their relationships with federal agencies and other entities have changed little overall as a result of the Commission. Several private and nonprofit national organizations have extensive networks that they have developed at the community level across the country, and some of these organizations suggested the Commission could do more to mobilize these resources as part of a national effort. Some stakeholders told us they also felt the Commission could do more to involve state and local governments. Greater collaboration by the Commission with state and local governments may be particularly important given the critical role that school districts can play in improving financial literacy. The Commission might consider how the federal government can influence or incentivize states or school districts to include financial education in school curriculums, which many experts believe is key to improving the nation's financial literacy.

Given the wide array of state, local, nonprofit, and private organizations providing financial literacy programs, the involvement of the nonfederal sectors is important in supporting and expanding Commission efforts to increase financial literacy. Thus far, the Commission has taken some

[22]For example, see GAO-05-93SP, pp. 6-8. By "partnerships," we refer to shared, or joint, responsibilities between organizations from the public and private sectors where there is otherwise no clear or established hierarchy of lead and support functions.

helpful steps to promote partnerships, consisting mainly of outreach and publicity. As the Commission continues to implement its strategy, we believe it could benefit from further developing mutually beneficial and lasting partnerships with nonprofit and private entities that will be sustainable over the long term. Our report recommended that the Commission consider ways to expand upon current efforts to cultivate sustainable partnerships with nonprofit and private entities. As part of these efforts, we recommended that the Commission consider additional ways that federal agencies could coordinate their efforts with those of private organizations that have wide networks of resources at the community level, as well as explore additional ways that the federal government might encourage and facilitate the efforts of state and local governments to improve financial literacy. In commenting on our report, Treasury noted that it had a long history of partnerships with nonfederal entities and would consult with the Commission about how to work more closely with the types of organizations described in our report. On April 17, 2007, the Commission held the inaugural meeting of the National Financial Education Network, which it said was intended to create an open dialogue and advance financial education at the state and local level.

In conclusion, in the relatively short period since its creation, the Commission has played a helpful role by serving as a focal point for federal efforts and making financial literacy a more prominent issue among the media, policymakers, and consumers. We recognize the significant challenges confronting the Commission—most notably, the inherent difficulty of coordinating the efforts of 20 federal agencies. Given the small number of staff devoted to operating the Commission and the limited funding it was provided to conduct any new initiatives, we believe early efforts undertaken by the Commission represent some positive first steps. At the same time, more progress is needed if we expect the Commission to have a meaningful impact on improving the nation's financial literacy.

Mr. Chairman, this concludes my prepared statement. I would be happy to answer any questions at this time.

Contacts and Acknowledgments

For further information on this testimony, please contact Yvonne D. Jones at (202) 512-8678, or jonesy@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. Individuals making key contributions to this testimony include Jason Bromberg, Assistant Director; Nima Patel Edwards; Eric E. Petersen; William R. Chatlos; Emily R. Chalmers; and Linda Rego.

National Council on Economic Education

Testimony of Dr. Robert F. Duvall
President and Chief Executive Officer
National Council on Economic Education
before the
Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia
Senate Committee on Homeland Security &Governmental Affairs

April 30, 2007

Chairman Akaka, Ranking Member Voinovich and Members of the Subcommittee:

Thank you for inviting me to testify today on the timely, critical, and vital issue of the federal government's role in empowering Americans to make informed financial decisions.

Who We Are and What We Do

The National Council on Economic Education (NCEE) is a unique nonprofit, nonpartisan organization directed by a governing board of volunteer leaders from education and business, with the clear and compelling purpose of helping young people learn to think and choose responsibly and successfully.

For 60 years NCEE has been leading the charge to improve economic and financial literacy through education in the nation's schools. Today, both the need for what the NCEE does best, and the opportunities to effect change, are greater than ever.

We at the NCEE believe our young people deserve to know about the economic system they will be laboring in, contributing to, benefiting from, and ultimately, inheriting. Since our founding, we have learned that economic and financial literacy, taught early, often, and well, is a key factor in our nation's continued success in the global economy. Our charge is to ensure that all our young people are empowered with an "economic way of thinking", a critical skill set that will help them make good decisions about managing their resources—as members of families and communities, in the workforce, and as citizens—all their lives.

The NCEE is differentiated by our mission. We believe that financial literacy comes through effective education, that the education must be part of the core learning experience that our young people get while they are in school, K-12, and that they will best learn the basics of practical, applied economics and personal financial decision-making through well-trained teachers, who are equipped with excellent standards-based teaching materials.

NCEE delivers its program both directly and through a unique nationwide network of affiliated State Councils and university-based Centers for Economic Education. Through these channels we reach 150,000 K-12 teachers and over 15 million students in more than 70,000 schools each year.

NCEE is the premier source of teacher training and teaching materials used to instill an understanding of basic economic principles for students in kindergarten through 12th grade. NCEE's materials are the state-of-the-art and the standards-setter in the drive to improve economic and financial literacy.

NCEE also conducts an international teacher-training program, which carries our free market principles to the world. Congress has provided funding for the NCEE's Economics*International* through the *Cooperative Education Exchange Program* (CEEP). This program has been a tremendous success story in international outreach and education, serving 31 foreign countries and reaching more than 13.2 million students since 1995. NCEE is grateful for Congress' continuing support for this important program.

Economic and Financial Literacy

The need to strengthen, expand and enhance education in economics and personal finance in our nation's schools remains urgent. We must prepare our students with the basics of economic and financial literacy so that they can succeed in life. There is widespread agreement for these propositions among policymakers, business leaders and educators. The questions now before us, I believe, are:

- How to improve and expand economic and financial literacy?
- How can we measure results and outcomes, to be sure we are making a difference?
- What role can the federal government play in this effort?

What Can Be Done?

In order to address the economic and financial literacy gap, our elementary and secondary schools must integrate standards-based economic education into their core curriculum. The NCEE, through its Economics*America* program, along with other partners, is striving to accomplish this goal. The federal government is now playing a critical role in providing resources for these efforts through the *Excellence in Economic Education* (EEE) program.

Let me now focus on the importance of the EEE.

Thanks in no small part to your efforts, Mr. Chairman, Congress authorized the EEE program as part of the No Child Left Behind Act "to promote economic and financial literacy of all students in kindergarten through grade 12." Congress specified that the Department of Education awards EEE funding through a competitive grant to a primary grant recipient. This organization then uses the funds to: strengthen relationships with state and local economic education and financial literacy entities; support K-12 teacher training; support research and assessment of economic and personal finance education; and develop and distribute economic and personal finance educational materials. The primary grant recipient must also distribute 75% of the funds to state and local education organizations.

In 2004, at the inauguration of the EEE Program, in a competitive application process, the US Department of Education selected NCEE as the "designated hitter" that is, the administration for implementing this important initiative. Since that time we have been proud to play this important role, distributing over 300 subgrants to state and local educational organizations and conducting several important activities directly that are advancing the field. We are grateful for our continuing, productive work with the Department of Education in ensuring and maximizing the effective, efficient use of these funds and magnifying the impact of a relatively small dollar amount.

The EEE directly supports the most important actions educators can take to improve economic education in our elementary and secondary schools:

- Professional development for teachers;
- Distributing high quality, standards-based and standards-setting educational materials to teachers and classrooms;
- Fostering active learning for students; and
- Evaluating and assessing economic and financial education outcomes and promoting "best practices"

Teaching the Teachers

Well-prepared teachers instill in children a sense that they are themselves future stakeholders, decision-makers and movers of the American economy. Through innovative lessons, simulations and other active-learning techniques, they help students see that to grasp the basics of economics is to grasp the reins of lifelong empowerment – for themselves, their families, their communities and our country. Ensuring teachers are well trained in economics is especially critical because more often than not, the teacher assigned to this class specializes in another subject.

EEE has provided meaningful resources for teacher training. In the first year of the EEE, 36 subgrants were awarded to establish and conduct teacher training programs, including for those teachers who specialize in another discipline.

Infusion of personal finance and economics into other classes can be an effective way to assure these subjects a place in the curriculum. NCEE has developed extensive experience in addressing the challenge of infusion. Among the NCEE's materials keyed to curricular integration is "Mathematics and Economics: Connections for Life" (www.mathandecon.ncee.net), which we developed in partnership with the National Council of Teachers of Mathematics.

But integration of economics into other subjects requires effective training. Several EEE subgrants have been directed toward training programs for curricular infusion, including:

- Training on Integrating Economics into the Classroom for Grades 6-12 Social Studies Teachers;
- Elementary and Middle School Integration of Economics with Literature, Math, Social Studies and Practical Living;
- Integrating Economics into High School History Courses in New Mexico;
- K-6 Teacher Training on Integrating Economics with Other Subjects through Ohio Academic Content Standards;
- Integrating Environmental Economics into Secondary Science and Social Studies Curriculum; and
- Training on Integrating Economics and Geography for Middle School Teachers using an innovative set of lesson plans entitled "Middle School World Geography: Focus on Economics".

Distributing Curricular Materials

Well-trained teachers still need classroom-tested materials to educate students. NCEE has developed a wide range award-winning materials, which are constantly revised and updated.

This year, EEE funding allowed the NCEE to distribute 14,000 Virtual Economics CD-ROMS to every school district in the country. Virtual Economics is a comprehensive lesson planning and professional development resource for K-12 teachers, which includes a database of over 1,200 lessons keyed to grade level, concept, Voluntary National Content Standard in Economics and each state's economics standards. The CD-ROM also includes a glossary of 500 economics terms and definitions and 51 multimedia demonstrations of key microeconomics, macroeconomics, international economics and personal finance concepts. Virtual Economics provides "one-stop-shopping" for any educator who wants to bring economics and financial literacy into the classroom. Thanks to EEE, this program is now available in every school district in the U.S.

Evaluation and Assessment

Perhaps one of the most important ways we can improve economic and financial education, and ensure results, is through rigorous evaluation and assessment. There is no shortage of economic and financial education materials. It is essential for educators to know which of these materials are validated through effective evaluation and review. Assessing effectiveness is a top priority for the NCEE in everything we do.

Let me share a glowing example of how the NCEE has used federal funds provided by the EEE to make a real difference.

"Financial Fitness for Life," developed by NCEE, is an award-winning, highly-acclaimed comprehensive K-12 program, which helps students apply economic and decision-making skills to the real world of earning and spending an income, savings, using credit, investing, and managing money—that is, a fitness program, getting in shape financially. The NCEE awarded a grant of EEE funds, in accordance with the terms of the guidelines of the EEE program, to economic education researchers Cynthia L. Harter and John F.R. Harter of Eastern Kentucky University, who tested the effectiveness of "Financial Fitness for Life" in an economically underprivileged region of Kentucky. The study found that the use of "Financial Fitness for Life" significantly increases "student performance on a post-test assessment when compared with a pre-test of those same students." The study also found that "Financial Fitness for Life" increases financial literacy, and that "for 7th-, 8th-, and 10th grade students, this increase is higher than what results from whatever other curriculum, if any, the teachers were previously using to teach financial concepts." This is powerful.

Obviously we were encouraged by the results of this assessment of "Financial Fitness for Life", but this study is only one example of the need to continually review and evaluate the wide range of financial education materials that are being produced and distributed.

Evaluation and assessment is the culminating, but very necessary step in financial and economic education. The first step is developing the materials. The second is training teachers. The third is delivering the materials through these teachers into the classroom, and into the heads and hands of young people so they can use this education in life, in the "real world". But only through evaluation and assessment will we know whether we are effectively delivering economic education and whether this education makes a meaningful difference in students' financial and economic literacy.

What Can Congress Do?

We are encouraged by Congress' increased focus on economic and financial education issues over the last several years. A focus, Mr. Chairman, that owes much to your dedication and hard work in this vital area. Thank you!

In 2003, Congress created the Financial Literacy and Education Commission. The NCEE has worked closely with the Commission, including by providing comments on the National Strategy that the Commission was charged with developing. We commend the Commission for holding its recent summit on K-postsecondary financial education, in which we participated, and in which NCEE-trained school teachers and teacher trainers were featured panelists. Regular Commission meetings and events like the Summit provide valuable opportunities for organizations to learn what others are doing and identify potential partnerships and other cooperative initiatives. This reduces duplication and can magnify educational efforts when two or more organizations find a way to productively work together.

Through your efforts Mr. Chairman, Congress has also provided needed resources through the EEE program. As I have illustrated, the Excellence in Economic Education Program (the EEE) allows the federal government to strengthen, expand and leverage effective economic and financial literacy education at the local level in our nation's primary and secondary schools, for relatively few dollars. The EEE maximizes the impact of each federal dollar by requiring matches for subgrants and leveraging ongoing private sector efforts. Finally, the EEE addresses the key pieces of the economic education and financial literacy puzzle: teacher training; development and delivery of curricular materials; and evaluation and assessment.

I encourage Congress to maintain, and if possible increase, funding for this needed program.

Conclusion

I am very gratified that this Subcommittee is focusing on economic education and financial literacy. Teaching sound economics and personal finance, and making it stick, is not only vital to an individual's success and well-being, but will ultimately contribute to ensuring a strong national economy and a more prosperous future for our country.

Thank you again for inviting me to testify today, and I will be happy to answer any questions.

CFA Consumer Federation of America
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Testimony of

Stephen Brobeck, Executive Director
Consumer Federation of America

Before

The United States Senate
Committee on Homeland Security and Governmental Affairs
Subcommittee on Oversight of Government Management, the
Federal Workforce, and the District of Columbia

On

The Federal Government's Role in Empowering Americans to
Make Informed Financial Decisions

April 30, 2007

I am Stephen Brobeck, executive director of the Consumer Federation of America. For nearly four decades, CFA has sought to empower Americans to make informed financial decisions. In February 2002, in testimony before the Senate Banking Committee, we urged Congress to create a federal Office of Financial Education that would work with other federal agencies to "develop a national strategy to advance financial literacy." So, we thank you Mr. Chairman for organizing this hearing and for providing us the opportunity to comment on federal financial literacy programs and the activities of the Financial Literacy and Education Commission (FLEC).

Federal Agencies Have Played an Important Role in Increasing Financial Literacy

For decades the federal government has played an important role in informing and educating consumers about personal financial challenges and opportunities. These efforts, which have involved dozens of federal agencies, are far too extensive to summarize here. However, I can illustrate how useful these efforts have been by briefly describing the work of federal agencies with my own organization and others on one financial literacy initiative -- 66 Ways to Save Money.

In the early 1990s, after helping organize several tests of the nation's consumer knowledge, which uncovered many deficiencies, we worked with several federal agencies to organize two White House dialogues on consumer literacy. In the second, the head of the Federal Reserve Board's Division of Consumer and Community Affairs, Griff Garwood, proposed consideration of a consumer literacy initiative that might reach some of the tens of millions of financially challenged Americans who will never read a detailed brochure or attend a workshop -- think like a marketer and develop a series of short, powerful, and attractive money-saving messages that could be communicated, by many organizations and educators using many vehicles, to millions of Americans.

That suggestion seized the imagination of many dialogue participants, and for several months thereafter, a half-dozen of us met at the Federal Reserve Board to discuss a practical way to implement Griff's idea. Our conclusion was a decision to create a Consumer Literacy Consortium that would research and seek consensus on the most useful money-saving tips that we would collectively disseminate. This Consortium -- which we limited to 25 organizations to facilitate discussion and consensus-building -- included several federal agencies, such as the Federal Reserve, the Federal Consumer Information Center (now the Federal Citizen Information Center), the Federal Trade Commission, and the Department of Agriculture's Cooperative Research and Extension Services.

For two years, Consortium members used research on consumer information needs and demand as a basis for developing 66 key money-saving tips in 26 product areas. We agreed with the suggestion of the FCIC's Mary Levy that we call these tips, "66 Ways to Save Money," and also agreed to disseminate these tips individually and collectively. From 1995 until last year, the group did just this through a wide variety of strategies that featured coverage in mass media and promotion by nationwide networks such as Cooperative Extensive and consumer credit counseling.

In this decade, we received requests for nearly two million copies of the brochure -- the most popular FCIC publication for a fee during the period -- disseminated many more copies through member and non-member websites, and received extensive press coverage, including several articles in Parade Magazine. We would be surprised if more than 10 million Americans had not heard about and read at least some of the 66 tips.

In brief, the contributions of federal agencies to this relatively low-cost and high-impact program included -- initial conceptualization, expertise needed to develop consumer messages, consensus-building skills on the messages, expertise on message communication, and effective delivery of the messages -- and were invaluable. Each federal agency participant in this program was enthusiastic, exercised good judgment, and worked well with the group as well as assisting message development and delivery. We are aware of similar contributions they have made to many other financial consumer and financial literacy initiatives.

FLEC Has Made Progress in Advancing Financial Literacy

We agree with the thoroughly researched and well-reasoned GAO assessment of FLEC during its first three years of operation. We think FLEC, and its coordinating agency, Treasury's Office of Financial Education, deserves credit for making progress in advancing financial literacy while meeting its congressional mandates.

- Federal agencies are working more closely together than ever before on financial literacy initiatives. One example is the recent release of an excellent consumer guide to interest-only mortgage payments and payment-option ARMs that was developed by the Federal Reserve Board in consultation with four other federal agencies, as well as national non-profit organizations including my own.

- The Office of Financial Education has initiated many new useful partnerships with other FLEC members and with other organizations. Some of the most useful have been conferences, summits, and roundtables that brought together diverse groups to stimulate and publicize financial literacy efforts.

- The number of visits to FLEC's My Money website suggests that it had added value to that of other federal agency websites containing similar materials. As the GAO notes, consumer demand for this website has already reached levels similar to those experienced by other important consumer finance websites. In the future, as FLEC evaluates website use, we will be interested to learn if it is serving those with the greatest financial literacy needs.

- FLEC's *Taking Ownership of the Future* document represents a unique and useful source of information about financial literacy programs and strategies. It represents a milestone in the development of the field of financial education.

We also agree with the GAO's conclusion that the *Taking Ownership* document "is largely descriptive rather than strategic and lacks certain key characteristics that are desirable in a national strategy." As identified by the GAO, these characteristics are:

- a detailed discussion of problems and risks;
- specific goals, performance measures, and milestones;
- resources needed to implement the strategy; and
- recommended roles and responsibilities for achieving its mission.

FLEC faces several significant constraints in developing such a national strategy, including:

- **Inadequate funding of FLEC:** The 2006 budget of the Office of Financial Education, for example, was far less than that of all other significant financial education programs. And, Congress understandably but unwisely required that more than two-thirds of the 2005 appropriation of $1 million be used for a national multi-media campaign. Those funds, in our view, could have been used more productively, for example, to undertake research and evaluation to determine truly cost-effective programs meeting the nation's most pressing financial literacy needs.

- **Inadequate participation by federal agencies:** Congress identified 20 agencies that it required to participate in FLEC. But it did not provide additional resources for them to do so, nor did it give the Office of Financial Education authority to require significant participation. Nevertheless, a number of these agencies did commit resources, especially staff time, which allowed more effective inter-agency cooperation, new partnerships, creation of the website, and completion of the *Taking Ownership* document.

- **Inadequate understanding of effective financial education:** Most of the programs profiled in the *Taking Ownership* document have not been well enough evaluated so that we know which are the most cost-effective in meeting the nation's financial literacy needs. Outside of the area of retirement savings, there is little authoritative research on the effectiveness of specific financial literacy interventions. Moreover, the most useful research has identified interventions that produce statistically significant, but not necessarily socially significant, results. For instance, increasing understanding of interest-only mortgages from 10 to 15 percent among a large group of consumers is statistically significant, but far from adequate from a societal point of view.

- **Inadequate recognition of the limits of financial education:** The nation's financial services marketplace is too complex and dynamic, and much of the nation's population too poorly educated, for any financial literacy efforts to succeed on their own without effective regulation. Even well-educated, financially sophisticated Americans have difficulty understanding and evaluating complex mortgage, investment, and life insurance products. Given the financial stakes for consumers, government must ensure that financial services products meet certain minimum standards and that consumers have important information about these products.

- **Inadequate appreciation of the complexity of developing a national strategy:** Beyond lack of understanding about cost-effective interventions, financial educators confront dozens of specific, but pressing, financial literacy challenges in the areas of budgeting, basic money management, financial product purchases, debt management, and asset accumulation. These diverse challenges affect different populations and require the participation of different groups of government and private agencies. In light of this complexity, developing an effective operational national strategy represents a monumental general challenge.

How FLEC Can Begin Developing an Effective National Financial Literacy Strategy

As an achievable way for FLEC to begin developing a broad national financial literacy strategy, as defined by GAO, Congress should consider asking the Commission to fully develop specific financial literacy strategies to achieve significant and measurable improvement in specific financial decisions made by most Americans. In our testimony on financial literacy before the Senate Banking Committee last May, we recommended consideration of a campaign to encourage all Americans to periodically estimate their net personal wealth. As financial educators as diverse as columnist Michelle Singletary and the Financial Planning Association have concluded, awareness of net personal assets is an important motivator for better money management, debt management, and savings accumulation. People who have a fairly accurate idea of their net wealth are more likely to spend money carefully, monitor their finances, live within their financial means, and patiently accumulate wealth through 401k contributions, amortizing mortgage payments, and other savings strategies. In other words, if Americans were more aware of their net personal wealth, they would be receptive to a broad array of financial education and information programs that helped them monitor, conserve, and accumulate financial resources.

But this **periodic wealth assessment** is by no means the only financial decision that FLEC could productively focus attention on. Others include:

- getting, or self-administering, an **annual financial checkup** that could involve the use of an on-line instrument, developed by FLEC, that drew freely from existing instruments and was widely promoted by all FLEC members, financial institutions, mass media, and interested nonprofits;

- the use of **automatic savings** opportunities, including workplace retirement accounts, child education accounts, and emergency savings through regular checking transfers supported by partnerships with financial institutions, employers, mass media, and interested nonprofits;

- the periodic **checking of credit records** and purchasing of credit scores, working in cooperation with lenders, credit agencies, mass media, interested nonprofits and others;

- **making loan payments on time** to reduce fees paid, lower interest rates charged, and ensure greater access to affordable credit.

Here is an example of the broad outlines of a national strategy to encourage more Americans to make loan payments on time, attempting to meet all the GAO criteria for an effective strategy.

- Problems and risks: Late loan payments have increasingly imposed an array of significant costs on many borrowers (and many creditors as well). Borrowers are assessed costly late payment fees, suffer lower credit scores, may be charged higher penalty interest rates, and in the future, would pay more for, and possibly be denied access to, credit.

- Specific goals and performance measures: Reduction in different delinquency rates (30, 60, and 90 days) on various types of credit by specified amounts. Individual lenders could set goals for reducing late payments.

- Roles and responsibilities: There are specific roles for most members of FLEC. Financial regulatory agencies could work with those they regulate to set and meet specific goals. All agencies could take some responsibility for reducing delinquency rates among agency employees. Mass media and nonprofits, especially those such as credit counseling agencies that encourage timely payment of debts, would be encouraged to join the campaign.

- Resources needed: That would depend on the ambition of the campaign but resources could be available not only within agencies but also from financial services providers--and not just lenders since other providers also depend at least indirectly on prompt loan payments.

Our greatest concern about the efforts of FLEC members is that they are not reaching those populations with the greatest financial literacy needs. Sharply focused campaigns that persuade and empower millions of Americans to improve key decisions in their financial lives would address this concern and also demonstrate to the country that financial education can be effective.

BACKGROUND
THE FEERAL GOVERNMENT'S ROLE IN EMPOWERING AMERICANS TO MAKE INFORMED FINANCIAL DECISIONS
April 30, 2007

BACKGROUND

Government and private studies, statistics, and national surveys indicate that far too many Americans of all ages lack the knowledge to make informed decisions regarding their personal finances. Lack of understanding and uncertainty about financial matters and decision-making leaves individuals vulnerable to negative consequences, which include excessive credit card and household debt, payment of excessive fees, and an inability to save for retirement, a first home, education, or other long-term goals. Financial decision-making has become so complicated that most individuals would benefit from further financial education. These statistics demonstrate the problem:

- Consumer debt exceeded a record $2.4 trillion in 2006 and household debt reached a record $12.8 trillion in 2006. [Federal Reserve Board, 3/2007]

- Americans' rate of personal savings as a percentage of disposable personal income declined from minus 0.4 percent in 2005 to minus 1.1 percent in 2006, making 2005 and 2006 the only years since the Great Depression years of 1932 and 1933 when this savings rate has been negative. [Bureau of Economic Analysis, 4/2007]

- In a 2006 survey, the Jump$tart Coalition for Personal Financial Literacy found that high school seniors scored an average of only 52.4 percent on an exam testing knowledge of basic personal finance.

- The 2004 Survey of the States complied by the National Council on Economic Education found that only 17 states require an economics course to be offered to high school students.

- The Retirement Confidence Survey conducted by the Employee Benefit Research Institute found that only 42 percent of workers or their spouses calculated how much they need to save for retirement, down from 53 percent in 2000.

- Over one million individuals in the United States filed for bankruptcy in FY 2006. [U.S. Bankruptcy Courts, 4/2007]

- During the third and fourth quarters of 2006, a record high of 14.53 percent of disposable personal income went to paying the interest on personal debt. [Federal Reserve Board, 4/2007]

- Nearly half of American adults are not aware that they can access their credit reports for free. [Consumer Action, 10/2007]

Federal Financial Literacy Efforts

A wide range of federal agencies, such as the Department of Education, the Department of the Treasury, the Department of Agriculture, the Federal Reserve, the Securities and Exchange Commission, and the Federal Trade Commission, engage in a variety activities designed to improve the economic and financial literacy of students, investors, and consumers. The Treasury Department has a partial listing of the Federal financial literacy efforts on its Web site, www.treasury.gov/offices/domestic-finance/financial-institution/fin-education/resources/index.html.

Financial Literacy and Education Commission

Title V of the *Fair and Accurate Transactions Act*, P.L. 108-159, signed into law on December 4, 2003, created the Financial Literacy and Education Commission. The Commission is tasked with reviewing financial literacy and education efforts throughout the federal government; identifying and eliminating duplicative financial literacy efforts; and coordinating the promotion of federal financial literacy efforts, including outreach partnerships between federal, state, and local governments, non-profit organizations, and enterprises. The Commission also established a Web site, www.mymoney.gov, and toll-free hotline, 1-888-MyMoney, to serve as a clearinghouse and provide a coordinated point of entry for information about federal financial literacy and education programs, grants, and other information the Commission finds appropriate. In addition, the Commission in 2006 published its first national strategy to promote financial literacy and education.

The Commission is composed of the Secretary of the Treasury and the heads of the Office of the Comptroller of the Currency; the Office of Thrift Supervision; the Federal Reserve; the Federal Deposit Insurance Corporation; the National Credit Union Administration; the Securities and Exchange Commission; the Departments of Education, Agriculture, Defense, Health and Human Services, Housing and Urban Development, Labor, and Veterans Affairs; the Federal Trade Commission; the General Services Administration; the Small Business Administration; the Social Security Administration; the Commodity Futures Trading Commission; and the Office of Personnel Management. The Department of the Treasury's Office of Financial Education has been designated by Congress to provide primary support to the Commission. The first meeting of the Commission took place on January 29, 2004. A copy of Title V of the Fair and Accurate Transactions Act has been included in the briefing book.

Office of Personnel Management's Retirement Financial Literacy and Education Strategy

The *Thrift Savings Plan Open Elections Act of 2004*, P.L. 108-469, signed into law on December 21, 2004, mandates that the Office of Personnel Management (OPM) develop and implement a retirement financial literacy and education strategy for Federal employees as part of the retirement training offered by OPM. The implementation of the strategy must educate Federal employees on the need for retirement savings and investment, must provide information on how to plan for retirement, and must provide information on calculating the retirement investment needed to meet retirement goals. OPM conducted a Retirement Readiness Survey of Federal employees in 2005. Key findings of that survey included the following: 1) nine out of ten participate in the Thrift Savings Plan; 2) less than half calculated how much they would need to save for a comfortable retirement; four out of ten employees who have calculated retirement have estimated or guessed the need; 3) eight out of ten would be very or extremely interested in their employer providing additional information about retirement planning; and 4) almost four in ten workers are not confident about their ability to make investment decisions, while less then two in ten believe they have a lot or great deal of knowledge about investing.

LEGISLATION

S. 1176, Credit Card Minimum Payment Warning Act of 2007, introduced by Senators Daniel Akaka (D-HI), Richard Durbin (D-IL), Patrick Leahy (D-VT), and Charles Schumer (D-NY), and referred to the Committee on Banking, Housing, and Urban Affairs. The bill would require credit card companies to include the total length of time and the additional fees it will take to pay off a consumer's balance if only the minimum payments are made. The bill also directs consumers to reputable credit counseling services.

S. 1133, Taxpayer Abuse Prevention Act, introduced by Senators Daniel Akaka (D-HI), Jeff Bingaman (D-NM), and Richard Durbin (D-IL), and referred to the Committee on Finance. The bill would protect taxpayers by prohibiting refund anticipation loans (RALs) that utilize earned income tax credit benefits. It would end the Debt Indicator program, which unnecessarily shares taxpayers' personal information with tax preparers. The bill would also prohibit mandatory arbitration clauses for RALs and require the Treasury Department to provide the opportunity for low and moderate income taxpayers to open a low-cost direct deposit account.

ADDITIONAL INFORMATION

GAO's December 2006 study on the Financial Literacy and Education Commission:
www.gao.gov/highlights/d07100high.pdf

The Department of the Treasury's Office of Financial Education Web Site:
www.treas.gov/offices/domestic-finance/financial-institution/fin-education/

The one stop shop for the Federal Government's financial education resources:
www.mymoney.gov/

Jump$tart Coalition Web Site: www.jumpstartcoalition.org/

Jump$tart is a national coalition of organizations dedicated to improving the financial literacy of kindergarten through college-age youth by providing advocacy, research, standards and educational resources. Jump$tart strives to prepare youth for life-long successful financial decision-making.

Robert Manning, Director of the Center for Consumer Financial Services, has a web site that focuses on the issue of credit card debts: www.creditcardnation.com/

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NASAA

WRITTEN STATEMENT OF THE
NORTH AMERICAN SECURITIES ADMINISTRATORS ASSOCIATION
U.S. Senate Committee on Homeland Security and Governmental Affairs
Subcommittee on
Oversight of Government Management, the Federal Workforce,
and the District of Columbia
"The Federal Government's Role in Empowering Americans to Make Informed Financial Decisions"
Monday, April 30, 2007

Introduction to NASAA:
The North American Securities Administrators Association (NASAA) is the oldest international organization devoted to investor protection. It was organized in 1919 and is a voluntary association with a membership consisting of 67 state, provincial and territorial securities regulators in the 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Canada, and Mexico.

These state administrators are responsible for the licensing of firms and investment professionals, registration of certain securities offerings, examination of broker-dealers and investment advisers, enforcement of state securities laws, and investor education.

Financial Education Role of State Securities Regulators:
The securities regulators that form the NASAA membership are firmly committed to promoting and supporting financial literacy, and are dedicated to delivering financial education. We believe we have an ongoing obligation to help our constituents develop the knowledge they need to make sound personal financial decisions. We believe that reaching our young citizens with financial education at a very early age can help them build a lifetime of good money management habits. And we believe that financial education is the first and best defense against financial fraud, abuse, and exploitation.

We recognize that the ability to make good financial decisions can make the difference in assuring that our citizens become and remain productive economic contributors. We also realize that the ability to make good financial decisions ultimately impacts the economic health of our families, our communities, our states, and this nation overall.

NASAA members have long served as advisers on education issues and are currently liaisons to the Securities Industry/Regulatory Council on Continuing Education.

NASAA Investor Education Section:
The NASAA Investor Education Section was created in 1997 by the NASAA Board of Directors to help support the financial education efforts of our members. The Investor Education Section, along with a network of professionals from across the NASAA membership, is responsible for developing, coordinating, delivering, and supporting financial education initiatives that can be utilized by state securities regulators in their ongoing endeavor to improve the level of financial literacy in their jurisdictions. Currently, the Section has five focus areas: Youth Outreach, Senior Outreach, Affinity and Ethnic Based Outreach, Coordination and Online Resources Awareness.

At the Grassroots Level:
Nearly all state and provincial securities regulators have established investor education departments or divisions within their agencies. The result is a unique network of dedicated professionals delivering financial education at the grassroots level throughout North America. Our financial education professionals can be found at work in such venues as the classroom, the workplace, senior centers, and at trade and professional organization events. They partner with teachers, employers, and peer-based volunteer groups to deliver financial education to our constituents of all ages.

Financial Literacy Education Commission:
Assessment
NASAA supported the creation of the Financial Literacy and Education Commission, and we were grateful to have the opportunity to make a presentation to the FLEC on May 20, 2004, and to participate in one of the FLEC's national strategy meetings on March 4, 2005. In addition, in our ongoing effort to remain engaged in FLEC policy making, NASAA sent a comment letter concerning the formulation of its national strategy.

NASAA applauds the efforts of the Financial Literacy Education Commission and agrees with the GAO's report (*Financial Literacy and Education Commission: Further Progress Needed to Ensure an Effective National Strategy, December 2006*) that the "inherent difficulty of coordinating the efforts of 20 federal agencies, small number of staff devoted to operating the Commission and the limited funding" do provide constraints to their effectiveness.

While the Commission, in the GAO's words, has taken "some positive first steps," there has been slow but deliberate progress in integrating the commission's national strategy for financial literacy. One challenge to be addressed is how to organize the existing financial literacy programs of the Commission's members and how best to reach a consensus on a harmonized message. Another challenge the commission faces is disseminating the programs/information to the public from a centralized location in Washington, DC. In this regard NASAA members stand ready to partner with the Commission to mobilize their respective grassroots networks to reach more people in need of financial education.

Coordination of Efforts and Partnerships
NASAA was honored to be invited as a panelist in the April 17, 2007 inaugural meeting of the

National Financial Education Network. The Commission stated this new network is intended to create an open dialogue and advance financial education at the state and local level. NASAA encourages the Commission to move forward in establishing effective ways of connecting all parties both electronically and through face to face meetings throughout the year. This dialogue and communication could be facilitated electronically through a list serve and web site and quarterly conference calls.

It is essential that this National Financial Education Network be fully integrated into the framework of how the Commission operates thus utilizing and mobilizing the vast resources of both state and private and nonprofit organizations and their extensive networks. Full integration of the National Financial Education Network would ensure that events held across the nation include all members of the financial literacy community that wish to participate.

One example of how this could work effectively is to coordinate joint events with both Treasury and state officials as participants. That way, we could leverage resources, and members of the audience have a local point of contact for future questions and requests for information.

NASAA agrees with the GAO's assessment that "greater collaboration by the Commission with state and local governments may be particularly important given the critical role that school districts can play in improving financial literacy." Further consideration should also be given to the GAO's recommendation that "the Commission consider how the federal government can influence or incentivize states or school districts to include financial education in school curriculum."

Complete coordination with federal, state and local government and private organizations should not be considered just a step in the national strategy, but viewed as a crucial and integral part of the Commission's mandate. The existing grassroots network available to the commission provides the entire picture of financial literacy efforts that we believe Congress intended when creating the Financial Literacy Education Commission. The many participants in the financial education community and the considerable amount of resources that they provide are remarkable. The Commission has a unique opportunity to unite these groups, foster dialog, and promote cooperation. Nothing short of complete cooperation with these groups will fully constitute a fully integrated National Financial Literacy Strategy.

Specific Examples of Successful State and Provincial Programs:
To better frame the nature of our work in the area of financial education and why partnership in the newly created National Financial Education Network would prove mutually beneficial to the Financial Literacy Education Commission members, we share a few highlights of several of our member's financial education initiatives focusing on youth, senior and affinity and ethnic-based outreach.

Youth Outreach
Teaching youth the value of sound investing principles is the thrust of Oklahoma's InvestEd™ STARS program. STARS stands for Students Tracking and Researching the Stock Market. This is an online investment education program produced by the Oklahoma Securities Commission and the University of Oklahoma. High school teachers take a week long training by an

InvestEd™ STARS specialist who equips them with the knowledge they need to incorporate the program in their school. These teachers then take this interactive STARS curriculum to the classroom where they teach students how to research stocks, study market behavior, track long-term portfolio performance and as a capstone each student ends the course with written report on what they've discovered about the Stock Market.

Senior Outreach

In the area of Senior Outreach, our California member has developed a highly successful anti-fraud education program that utilizes peer-based volunteerism. The Seniors Against Investment Fraud program (SAIF) - provides seniors with a toll free call center to utilize before purchasing or investing in any type of "financial" product. The SAIF program takes a leadership role in alerting and educating Californians over the age of 50 about investment and telemarketing fraud and how to avoid being victimized. The state of Florida developed a similar grass roots program which uses a "train the trainer approach" and utilizes regional directors and trained Senior Sleuths to spot crime in their own communities and present fraud prevention seminars.

Affinity & Ethnic-Based Outreach

In times of heightened deployment, United States service members have become targets of financial scams. These scams can directly affect unit morale and readiness as well as military service members' credit history and military career. To combat this fraud head on, our Pennsylvania member developed Operation ASAP which stands for Armed Services Assets Protection Program. The program run by the Pennsylvania Securities Commission is an online resource to give military personnel and their family members the tools they need to invest wisely and avoid scams. Other NASAA members have created similar programs such as California's "Troops Against Predatory Scams," or TAPS.

One of our Canadian members in British Columbia decided to confront religious affinity fraud by creating their own God's Fraud Squad. The program developed by the British Columbia Securities Commission and supported through the BCSC Education Fund, raises awareness and protects religious congregations from affinity fraud. Two ordained chaplains, trained by the BCSC provide investor education to congregations of all denominations and caution them to guard against those looking to "fleece the flock." Our New Mexico member has a similar initiative called "Preying on those who Pray."

Partnering Relationships/Collaborations:

NASAA looks for opportunities to join forces with other members of the financial education community. NASAA believes it is essential to pool our resources and share our expertise on these joint ventures. Most recently NASAA partnered with the securities industry, in offering the "Understanding Your Brokerage Account Statement" brochure. This was significant because the brochure is also offered in Spanish which links investment education to the fast-growing, yet, underserved Spanish-speaking population in the United States.

NASAA members seek other avenues of educational outreach to specific groups like senior investors through events such as the Senior Olympics and the National Council on Aging Conference. On a regular basis, our members work with the American Savings Education

Council, the Councils for Economic Education, and are involved in state level Jump$tart coalitions.

State securities regulators meet annually with the financial education professionals from the Securities and Exchange Commission to engage in a dialogue about our respective programs and progress in the ongoing quest to improve financial literacy. This meeting gives us an opportunity to learn what's new or under development, helps us identify gaps in financial education, leverage resources of our financial education colleagues, and further hone best practices. NASAA and the SEC continue to build on joint partnership to protect senior investors. Last year NASAA and the SEC held the first ever Seniors Summit in July 2006. Plans are underway for a second Seniors Summit this fall where the results of "free lunch" examinations in which NASAA administrators and SEC enforcement have partnered will be released. The 2007 Seniors Summit will also provide the solutions and tools seniors need to combat fraud.

Resources:
The NASAA network of financial education professionals can be an excellent delivery vehicle for state/federal collaborative education programs.

NASAA offers a wide range of investor education resources on its website. Visitors to the site will find a wealth of information to help them build both financial knowledge and financial security. Among other educational experiences on the NASAA Web site, visitors can utilize the Senior Investor Resource Center and the NASAA Fraud Center, and locate state specific resources available through individual NASAA members.
These resources, along with brochures, investor alerts and other financial education materials are available in the Investor Education Section of the NASAA website, www.nasaa.org. In addition, NASAA developed and funds the Investing Online Resource Center, www.investingonline.org.

Conclusion:
State securities regulators have traditionally been a highly effective resource in the pursuit of greater financial literacy. They represent a nationwide network of highly trained, unbiased, non-commercial experts in financial services, products and fraud avoidance. They are on the front lines of financial education initiatives in every state, translating Wall Street to Main Street for small investors throughout the country. NASAA and its members welcome the opportunity to work more closely with both the
Financial Literacy Education Commission and Subcommittee members in their ongoing efforts to improve the level of financial literacy throughout the country.

Questions For the Record

Hearing: *"The Federal Government's Role in Empowering Americans to Make Informed Financial Decisions"*
Senator Tom Coburn, M.D.
Senate Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia

To: Dan Iannicola, Deputy Assistant Secretary for Financial Education, Department of Treasury

1. The United States national debt, the largest in the world, currently stands at $8.8 trillion. In the last fiscal year alone the federal deficit increased by $574 billion and $200 billion in waste, fraud, and abuse was discovered. The $200 billion is a low estimate as only 18 of 36 federal agencies have conducted complete risk assessments for improper payments (the number would undoubtedly rise if more federal agencies complied with the law). Moreover, GAO says that if the government were held to Sarbanes-Oxley accounting standards, all of Congress would end up in jail. In light of those facts what qualifies the Federal government to give advice to Americans about financial literacy? Do you believe it makes sense for members of Congress to receive financial literacy exams prior to service since one of their primary duties is managing the countries finances?

Treasury's Response:

To help raise Americans' level of financial literacy, the Treasury Department established the Office of Financial Education in 2002. The Office is dedicated to promoting access to the financial education tools that can help all Americans make wiser choices in all areas of personal financial management. Since the inception of the office, Treasury officials have traveled to 44 states and have held 307 financial education sessions with over 25,000 in attendance.

The Office also coordinates the 20-agency Financial Literacy and Education Commission (Commission) established by the Fair and Accurate Credit Transactions Act of 2003 and chaired by the Secretary of the Treasury. Some of the Commission's accomplishments include: the creation of the MyMoney.gov website and 1-888-MyMoney toll-free hotline where individuals can access free financial education materials in both English and Spanish; and the development and implementation of a national financial literacy strategy, *Taking Ownership of the Future*, which examines a variety of important personal finance topics and describes the challenges and the solutions toward improving the national level of financial literacy.

While financial responsibility starts at the individual level, the Treasury Department can play an important role in helping Americans improve their personal finance skills. This task can be accomplished with coordination across the Federal Government and in close collaboration with state and local governments, the private sector and individuals.

Consumer Federation of America
1620 I Street, N.W., Suite 200 * Washington, DC 20006

Hearing: *"The Federal Government's Role in Empowering Americans to Make Informed Financial Decisions"*

Senate Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia

Question for Stephen Brobeck
Executive Director, Consumer Federation of America

Q. Too many working families have their Earned Income Tax Credit benefits needlessly reduced by high-cost refund anticipation loans (RALs). What must be done to restrict these predatory loans and encourage alternatives to RALs?

A. Refund anticipation loans drained about $1 billion from the tax refunds of nearly 10 million taxpayers in 2005, the latest year for which IRS data is available. These loans are secured by or expected to be repaid from the consumer's tax refund and carry Annual Percentage Rates of 40 percent to over 500 percent, depending on the size of the loan. Congress should extend to all consumers the small loan rate cap of 36 percent annual interest established for Service members by the 2006 Military Lending Act which will apply to refund anticipation loans per proposed regulations issued by the Department of Defense. To restrict predatory refund anticipation loans, we recommend these additional consumer protections:

1. Ban RALs Made Against the Earned Income Tax Credit (EITC)

Tax preparers and their bank partners should be prohibited from making loans secured by or expected to be repaid from the EITC. The Earned Income Tax Credit is the nation's largest anti-poverty program and its benefits should go to its intended beneficiaries, not be skimmed off by large banks and multi-million dollar corporations.

EITC recipients are disproportionately represented in the ranks of those who get RALs. Over half of the nearly 10 million taxpayers who received RALs in 2005 were EITC recipients, yet EITC recipients make up just 17 percent of the taxpayer population. That year, RALs cost EITC recipients an estimated $649 million in loan fees plus additional application or document processing fees.

There is ample precedent for prohibiting loans to be made against federal benefits such as the EITC. Other government programs with similar prohibitions have existed for decades, such as the Social Security Act, 42 U.S.C. § 407(a), which prohibits lenders from seizing, garnishing, attaching, taking an assignment in, or securing a loan against

Social Security benefits. We support S. 1133, Senator Akaka's Taxpayer Abuse Prevention Act.

2. Regulate Tax Preparers

RAL reform must address the role of commercial tax preparers who promote these bank loans to their trusting tax return clients. Except for two states, there are no competency or certification requirements for commercial tax preparers. As a result, anyone can be a paid preparer, including used car dealers, payday lenders, and the occasional furniture store. Despite this lack of professional certification or licensing oversight, taxpayers rely heavily on paid preparers. The strong degree of trust in this relationship creates the potential for exploitation with respect to RALs and other products sold by preparers. This calls for tax preparer supervision and establishment of a fiduciary duty between the tax preparer and taxpayer.

3. Fund Free Tax Preparation Programs

A critical component to preventing abusive RALs is to provide better alternatives to the paid preparers who pitch RALs, including free tax-preparation programs such as the IRS Volunteer Income Tax Assistance (VITA) program and programs run by AARP, community organizations, churches, and local governments. In 2006, there were several million return filers with incomes below the poverty threshold, yet there was only enough volunteer or free help to prepare 698,000 returns. Federal funding for VITA programs and free tax preparation programs is one way to reduce the marketing of RALs to low income taxpayers.

4. Bring Unbanked Consumers into the Financial Mainstream

Bank accounts are critical to reducing high cost loans secured by an expected tax refund. In order to get quick refunds from the IRS, taxpayers need a bank account into which Treasury can direct deposit the refund. Tax refunds are delivered in 8 to 15 days if consumers file electronically and refunds are direct deposited. Unbanked taxpayers cannot take advantage of free fast refunds. One study found that consumers without bank accounts are twice as likely as banked consumers to get RALs. Congress should provide support for efforts to help the over 10 million U. S. households who lack a bank account. These 10 million households include a significant portion of EITC recipients, with one study showing that only about 40 percent of EITC recipients have a checking account.

Promotion of split refunds, with some funds directed to consumers' savings accounts would promote asset development and help taxpayers build up emergency savings. This option, launched in 2007 by the IRS, is only helpful to taxpayers who have a savings account.

5. Permit Taxpayers to File Electronically Directly with the IRS

Fast access to tax refunds without borrowing also requires that returns be filed electronically. Currently taxpayers must go through a commercial third party website or use a commercial tax preparer to file electronically, unless they are eligible to use the IRS-established Free File program. Free Internet filing would save taxpayers the fees charged by some commercial preparers for electronic filing, avoid the cross-marketing of high cost, high risk products sold by some preparers, as well as safeguard the privacy and security of tax return information filed directly from the taxpayer to the IRS without going through commercial hands. We support Senator Akaka's Free Internet Filing Act.

6. Terminate the IRS Debt Indicator program

The IRS shares taxpayers' personal financial information in order to make RALs more profitable for lenders. The IRS screens electronically filed tax returns for any claims against a taxpayer's refund. The Debt Indicator is an acknowledgement from the IRS telling tax preparers whether a taxpayer's tax refund will be paid versus intercepted for government debts. This free government credit screening boosts the volume and profits of RAL lending but does not result in lower loan fees to consumers.

IRS Debt Indicator program also raises significant privacy issues. It is unclear whether taxpayers realize they are allowing the IRS to provide sensitive personal information to tax preparers about debts owed to the federal government, such as child support and student loan debts. The consent form signed by RAL applicants does not adequately alert taxpayers to the information that will be shared.

The IRS Debt Indicator program does not benefit taxpayers and should be terminated.

7. Prohibit RAL cross lender debt collection pacts

RAL lenders include a provision in their RAL agreements allowing them to take a consumer's tax refund and use it to pay back any prior RAL debts for any RAL lenders. Thus, if a taxpayer owes money to one RAL lender from a prior year and applies for a RAL from a different lender, her RAL will be denied and her refund will be used to pay the prior debt. The National Taxpayer Advocate reported to Congress in 2005 that: "It is unclear if RAL customers fully understand the ramifications of these cross-collection provisions or if they would purchase the products if they knew these agreements exist...The banks have a grossly disproportionate bargaining power in relation to the taxpayer and the provision unilaterally benefits the bank. Moreover, a reasonable person may not expect a RAL agreement to provide that the contracting bank may act as the debt collector for a third party bank."

There has been some reform of cross lender debt collection tactics. The California Attorney General addressed cross lender debt collection practices in cases brought against H&R Block and Jackson-Hewitt. JPMorgan Chase has stated it will cease cross collection altogether in 2008. H&R Block initiated a new "debt alert" service in 2007 that informs clients about a possible past-due RAL debt, then provides access to a toll-free number to its RAL bank, HSBC, for more information.

However, Congress should simply ban the practice of banks collecting each others' debts by taking this year's tax refund to pay a prior year RAL whenever a borrower applies for a refund anticipation loan. This practice is abusive, unfair, and extremely harmful to working families that depend on their tax refunds, especially if it includes the EITC.

(e) FTC REGULATION OF CODING OF TRADE NAMES.—Section 621 of the Fair Credit Reporting Act (15 U.S.C. 1681s), as amended by this Act, is amended by adding at the end the following:

"(g) FTC REGULATION OF CODING OF TRADE NAMES.—If the Commission determines that a person described in paragraph (9) of section 623(a) has not met the requirements of such paragraph, the Commission shall take action to ensure the person's compliance with such paragraph, which may include issuing model guidance or prescribing reasonable policies and procedures, as necessary to ensure that such person complies with such paragraph.".

(f) TECHNICAL AND CONFORMING AMENDMENTS.—Section 604(g) of the Fair Credit Reporting Act (15 U.S.C. 1681b(g)), as amended by section 411 of this Act, is amended—

(1) in paragraph (1), by inserting "(other than medical contact information treated in the manner required under section 605(a)(6))" after "a consumer report that contains medical information"; and

(2) in paragraph (2), by inserting "(other than medical information treated in the manner required under section 605(a)(6))" after "a creditor shall not obtain or use medical information".

(g) EFFECTIVE DATE.—The amendments made by this section shall take effect at the end of the 15-month period beginning on the date of enactment of this Act.

TITLE V—FINANCIAL LITERACY AND EDUCATION IMPROVEMENT

Financial Literacy and Education Improvement Act. 20 USC 9701 note.

SEC. 511. SHORT TITLE.

This title may be cited as the "Financial Literacy and Education Improvement Act".

SEC. 512. DEFINITIONS. 20 USC 9701.

As used in this title—

(1) the term "Chairperson" means the Chairperson of the Financial Literacy and Education Commission; and

(2) the term "Commission" means the Financial Literacy and Education Commission established under section 513.

SEC. 513. ESTABLISHMENT OF FINANCIAL LITERACY AND EDUCATION COMMISSION. 20 USC 9702.

(a) IN GENERAL.—There is established a commission to be known as the "Financial Literacy and Education Commission".

(b) PURPOSE.—The Commission shall serve to improve the financial literacy and education of persons in the United States through development of a national strategy to promote financial literacy and education.

(c) MEMBERSHIP.—

(1) COMPOSITION.—The Commission shall be composed of—

(A) the Secretary of the Treasury;

(B) the respective head of each of the Federal banking agencies (as defined in section 3 of the Federal Deposit Insurance Act), the National Credit Union Administration, the Securities and Exchange Commission, each of the Departments of Education, Agriculture, Defense, Health and Human Services, Housing and Urban Development, Labor, and Veterans Affairs, the Federal Trade Commission, the General Services Administration, the Small Business Administration, the Social Security Administration, the Commodity Futures Trading Commission, and the Office of Personnel Management; and

President.

(C) at the discretion of the President, not more than 5 individuals appointed by the President from among the administrative heads of any other Federal agencies, departments, or other Federal Government entities, whom the President determines to be engaged in a serious effort to improve financial literacy and education.

(2) ALTERNATES.—Each member of the Commission may designate an alternate if the member is unable to attend a meeting of the Commission. Such alternate shall be an individual who exercises significant decisionmaking authority.

(d) CHAIRPERSON.—The Secretary of the Treasury shall serve as the Chairperson.

(e) MEETINGS.—The Commission shall hold, at the call of the Chairperson, at least 1 meeting every 4 months. All such meetings shall be open to the public. The Commission may hold, at the call of the Chairperson, such other meetings as the Chairperson sees fit to carry out this title.

(f) QUORUM.—A majority of the members of the Commission shall constitute a quorum, but a lesser number of members may hold hearings.

Deadline.

(g) INITIAL MEETING.—The Commission shall hold its first meeting not later than 60 days after the date of enactment of this Act.

20 USC 9703.

SEC. 514. DUTIES OF THE COMMISSION.

(a) DUTIES.—

(1) IN GENERAL.—The Commission, through the authority of the members referred to in section 513(c), shall take such actions as it deems necessary to streamline, improve, or augment the financial literacy and education programs, grants, and materials of the Federal Government, including curricula for all Americans.

(2) AREAS OF EMPHASIS.—To improve financial literacy and education, the Commission shall emphasize, among other elements, basic personal income and household money management and planning skills, including how to—

(A) create household budgets, initiate savings plans, and make strategic investment decisions for education, retirement, home ownership, wealth building, or other savings goals;

(B) manage spending, credit, and debt, including credit card debt, effectively;

(C) increase awareness of the availability and significance of credit reports and credit scores in obtaining credit, the importance of their accuracy (and how to correct inaccuracies), their effect on credit terms, and the effect common financial decisions may have on credit scores;

(D) ascertain fair and favorable credit terms;

(E) avoid abusive, predatory, or deceptive credit offers and financial products;

(F) understand, evaluate, and compare financial products, services, and opportunities;

(G) understand resources that ought to be easily accessible and affordable, and that inform and educate investors as to their rights and avenues of recourse when an investor believes his or her rights have been violated by unprofessional conduct of market intermediaries;

(H) increase awareness of the particular financial needs and financial transactions (such as the sending of remittances) of consumers who are targeted in multilingual financial literacy and education programs and improve the development and distribution of multilingual financial literacy and education materials;

(I) promote bringing individuals who lack basic banking services into the financial mainstream by opening and maintaining an account with a financial institution; and

(J) improve financial literacy and education through all other related skills, including personal finance and related economic education, with the primary goal of programs not simply to improve knowledge, but rather to improve consumers' financial choices and outcomes.

(b) WEBSITE.—

(1) IN GENERAL.—The Commission shall establish and maintain a website, such as the domain name "FinancialLiteracy.gov", or a similar domain name.

(2) PURPOSES.—The website established under paragraph (1) shall—

(A) serve as a clearinghouse of information about Federal financial literacy and education programs;

(B) provide a coordinated entry point for accessing information about all Federal publications, grants, and materials promoting enhanced financial literacy and education;

(C) offer information on all Federal grants to promote financial literacy and education, and on how to target, apply for, and receive a grant that is most appropriate under the circumstances;

(D) as the Commission considers appropriate, feature website links to efforts that have no commercial content and that feature information about financial literacy and education programs, materials, or campaigns; and

(E) offer such other information as the Commission finds appropriate to share with the public in the fulfillment of its purpose.

(c) TOLL-FREE HOTLINE.—The Commission shall establish a toll-free telephone number that shall be made available to members of the public seeking information about issues pertaining to financial literacy and education.

(d) DEVELOPMENT AND DISSEMINATION OF MATERIALS.—The Commission shall—

(1) develop materials to promote financial literacy and education; and

(2) disseminate such materials to the general public.

(e) COORDINATION OF EFFORTS.—The Commission shall take such steps as are necessary to coordinate and promote financial literacy and education efforts at the State and local level, including promoting partnerships among Federal, State, and local governments, nonprofit organizations, and private enterprises.

(f) NATIONAL STRATEGY.—

(1) IN GENERAL.—The Commission shall—

Deadline.

(A) not later than 18 months after the date of enactment of this Act, develop a national strategy to promote basic financial literacy and education among all American consumers; and

(B) coordinate Federal efforts to implement the strategy developed under subparagraph (A).

(2) STRATEGY.—The strategy to promote basic financial literacy and education required to be developed under paragraph (1) shall provide for—

(A) participation by State and local governments and private, nonprofit, and public institutions in the creation and implementation of such strategy;

(B) the development of methods—

(i) to increase the general financial education level of current and future consumers of financial services and products; and

(ii) to enhance the general understanding of financial services and products;

(C) review of Federal activities designed to promote financial literacy and education, and development of a plan to improve coordination of such activities; and

(D) the identification of areas of overlap and duplication among Federal financial literacy and education activities and proposed means of eliminating any such overlap and duplication.

(3) NATIONAL STRATEGY REVIEW.—The Commission shall, not less than annually, review the national strategy developed under this subsection and make such changes and recommendations as it deems necessary.

(g) CONSULTATION.—The Commission shall actively consult with a variety of representatives from private and nonprofit organizations and State and local agencies, as determined appropriate by the Commission.

(h) REPORTS.—

Deadline.

(1) IN GENERAL.—Not later than 18 months after the date of the first meeting of the Commission, and annually thereafter, the Commission shall issue a report, the Strategy for Assuring Financial Empowerment ("SAFE Strategy"), to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives on the progress of the Commission in carrying out this title.

(2) CONTENTS.—The report required under paragraph (1) shall include—

(A) the national strategy for financial literacy and education, as described under subsection (f);

(B) information concerning the implementation of the duties of the Commission under subsections (a) through (g);

(C) an assessment of the success of the Commission in implementing the national strategy developed under subsection (f);

(D) an assessment of the availability, utilization, and impact of Federal financial literacy and education materials;

(E) information concerning the content and public use of—

(i) the website established under subsection (b); and

(ii) the toll-free telephone number established under subsection (c);

(F) a brief survey of the financial literacy and education materials developed under subsection (d), and data regarding the dissemination and impact of such materials, as measured by improved financial decisionmaking;

(G) a brief summary of any hearings conducted by the Commission, including a list of witnesses who testified at such hearings;

(H) information about the activities of the Commission planned for the next fiscal year;

(I) a summary of all Federal financial literacy and education activities targeted to communities that have historically lacked access to financial literacy materials and education, and have been underserved by the mainstream financial systems; and

(J) such other materials relating to the duties of the Commission as the Commission deems appropriate.

(3) INITIAL REPORT.—The initial report under paragraph (1) shall include information regarding all Federal programs, materials, and grants which seek to improve financial literacy, and assess the effectiveness of such programs.

(i) TESTIMONY.—The Commission shall annually provide testimony by the Chairperson to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives.

SEC. 515. POWERS OF THE COMMISSION. 20 USC 9704.

(a) HEARINGS.—

(1) IN GENERAL.—The Commission shall hold such hearings, sit and act at such times and places, take such testimony, and receive such evidence as the Commission deems appropriate to carry out this title.

(2) PARTICIPATION.—In hearings held under this subsection, the Commission shall consider inviting witnesses from, among other groups—

(A) other Federal Government officials;

(B) State and local government officials;

(C) consumer and community groups;

(D) nonprofit financial literacy and education groups (such as those involved in personal finance and economic education); and

(E) the financial services industry.

(b) INFORMATION FROM FEDERAL AGENCIES.—The Commission may secure directly from any Federal department or agency such information as the Commission considers necessary to carry out this title. Upon request of the Chairperson, the head of such department or agency shall furnish such information to the Commission.

(c) PERIODIC STUDIES.—The Commission may conduct periodic studies regarding the state of financial literacy and education in the United States, as the Commission determines appropriate.

(d) MULTILINGUAL.—The Commission may take any action to develop and promote financial literacy and education materials in languages other than English, as the Commission deems appropriate, including for the website established under section 514(b), at the toll-free number established under section 514(c), and in the materials developed and disseminated under section 514(d).

20 USC 9705.

SEC. 516. COMMISSION PERSONNEL MATTERS.

(a) COMPENSATION OF MEMBERS.—Each member of the Commission shall serve without compensation in addition to that received for their service as an officer or employee of the United States.

(b) TRAVEL EXPENSES.—The members of the Commission shall be allowed travel expenses, including per diem in lieu of subsistence, at rates authorized for employees of agencies under subchapter I of chapter 57 of title 5, United States Code, while away from their homes or regular places of business in the performance of services for the Commission.

(c) ASSISTANCE.—

(1) IN GENERAL.—The Director of the Office of Financial Education of the Department of the Treasury shall provide assistance to the Commission, upon request of the Commission, without reimbursement.

(2) DETAIL OF GOVERNMENT EMPLOYEES.—Any Federal Government employee may be detailed to the Commission without reimbursement, and such detail shall be without interruption or loss of civil service status or privilege.

20 USC 9706.

SEC. 517. STUDIES BY THE COMPTROLLER GENERAL.

Deadline. Reports.

(a) EFFECTIVENESS STUDY.—Not later than 3 years after the date of enactment of this Act, the Comptroller General of the United States shall submit a report to Congress assessing the effectiveness of the Commission in promoting financial literacy and education.

(b) STUDY AND REPORT ON THE NEED AND MEANS FOR IMPROVING FINANCIAL LITERACY AMONG CONSUMERS.—

(1) STUDY REQUIRED.—The Comptroller General of the United States shall conduct a study to assess the extent of consumers' knowledge and awareness of credit reports, credit scores, and the dispute resolution process, and on methods for improving financial literacy among consumers.

(2) FACTORS TO BE INCLUDED.—The study required under paragraph (1) shall include the following issues:

(A) The number of consumers who view their credit reports.

(B) Under what conditions and for what purposes do consumers primarily obtain a copy of their consumer report (such as for the purpose of ensuring the completeness and accuracy of the contents, to protect against fraud, in response to an adverse action based on the report, or in response to suspected identity theft) and approximately what percentage of the total number of consumers who obtain a copy of their consumer report do so for each such primary purpose.

(C) The extent of consumers' knowledge of the data collection process.

(D) The extent to which consumers know how to get a copy of a consumer report.

(E) The extent to which consumers know and understand the factors that positively or negatively impact credit scores.

(3) REPORT REQUIRED.—Before the end of the 12-month period beginning on the date of enactment of this Act, the Comptroller General shall submit a report to Congress on the findings and conclusions of the Comptroller General pursuant to the study conducted under this subsection, together with such recommendations for legislative or administrative action as the Comptroller General may determine to be appropriate, including recommendations on methods for improving financial literacy among consumers. Deadline.

SEC. 518. THE NATIONAL PUBLIC SERVICE MULTIMEDIA CAMPAIGN TO ENHANCE THE STATE OF FINANCIAL LITERACY. 20 USC 9707.

(a) IN GENERAL.—The Secretary of the Treasury (in this section referred to as the "Secretary"), after review of the recommendations of the Commission, as part of the national strategy, shall develop, implement, and conduct a pilot national public service multimedia campaign to enhance the state of financial literacy and education in the United States.

(b) PROGRAM REQUIREMENTS.—

(1) PUBLIC SERVICE CAMPAIGN.—The Secretary, after review of the recommendations of the Commission, shall select and work with a nonprofit organization or organizations that are especially well-qualified in the distribution of public service campaigns, and have secured private sector funds to produce the pilot national public service multimedia campaign.

(2) DEVELOPMENT OF MULTIMEDIA CAMPAIGN.—The Secretary, after review of the recommendations of the Commission, shall develop, in consultation with nonprofit, public, or private organizations, especially those that are well qualified by virtue of their experience in the field of financial literacy and education, to develop the financial literacy national public service multimedia campaign.

(3) FOCUS OF CAMPAIGN.—The pilot national public service multimedia campaign shall be consistent with the national strategy, and shall promote the toll-free telephone number and the website developed under this title.

(c) MULTILINGUAL.—The Secretary may develop the multimedia campaign in languages other than English, as the Secretary deems appropriate.

(d) PERFORMANCE MEASURES.—The Secretary shall develop measures to evaluate the effectiveness of the pilot national public service multimedia campaign, as measured by improved financial decision making among individuals.

(e) REPORT.—For each fiscal year for which there are appropriations pursuant to the authorization in subsection (e), the Secretary shall submit a report to the Committee on Banking, Housing, and Urban Affairs and the Committee on Appropriations of the Senate and the Committee on Financial Services and the Committee on Appropriations of the House of Representatives, describing the status and implementation of the provisions of this section and the state of financial literacy and education in the United States.

(f) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to the Secretary, not to exceed $3,000,000 for fiscal years 2004, 2005, and 2006, for the development, production, and distribution of a pilot national public service multimedia campaign under this section.

SEC. 519. AUTHORIZATION OF APPROPRIATIONS. 20 USC 9708.

There are authorized to be appropriated to the Commission such sums as may be necessary to carry out this title, including administrative expenses of the Commission.

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