

# Community Developments

## FACT SHEET

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### Financial Capability

*Community Developments Fact Sheets* are designed to share information about programs and initiatives of bankers and community development practitioners. These fact sheets differ from OCC bulletins and regulations in that they do not reflect agency policy and should not be considered regulatory or supervisory guidance. Some of the information used in the preparation of this fact sheet was obtained from publicly available sources. These sources are considered reliable and current as of March 2024, but the use of this information does not constitute an endorsement of its accuracy by the OCC.

This *Community Developments Fact Sheet* explains how financial capability programs can help people make informed financial decisions and actions. Financial capability, financial literacy, and financial education are terms that are often used interchangeably. Throughout this document we use the following definitions:

- **Financial capability** is consumers' ability to understand and manage their personal finances by using appropriate financial services and making sound financial decisions to reach their goals.
- **Financial literacy** describes the skills, knowledge, and tools that equip people to make individual financial decisions and take actions to reach their goals.<sup>1</sup>
- **Financial education** is the process by which people gain financial information, skills, confidence, and motivation to act, through various means.<sup>2</sup>

This fact sheet describes the benefits and opportunities afforded by financial capability activities, including programs and

partnerships, for national banks and federal savings associations (collectively, banks).

#### Background

Financial capability activities provide information, education, and practical opportunities to enhance an individual's ability to understand money management, make informed financial decisions, and take action toward reaching their goals. Research suggests that delivering targeted financial capability messages at the time consumers make financial decisions helps reinforce knowledge and skills. Financially capable people can build financial stability through savings, better money management, preparing for unexpected life events, and planning for short- and long-term goals.

#### Benefits of Financial Capability Programs

Banks engage in financial capability activities for a variety of reasons. These activities often help low- and moderate-income (LMI) individuals participate in the

<sup>1</sup> Financial Literacy and Education Commission, [U.S. National Strategy for Financial Literacy 2020](#).

<sup>2</sup> Financial Literacy and Education Commission, [U.S. National Strategy for Financial Literacy 2020](#).

federal banking system. Activities may help children and youth gain fundamental skills and practices for navigating financial choices. By providing or supporting financial capability activities, banks can grow their customer bases and extend the reach of their products and services to LMI individuals and to unbanked and underbanked consumers.

Additionally, by educating consumers about available products and services and helping consumers make more informed choices, banks can help consumers access mainstream financial products and services and recognize and avoid fraudulent or financially destructive offers. Through these means, banks can contribute to the financial health of consumers.

### **Best Practices for Delivering Financial Literacy and Education**

The interagency Financial Literacy and Education Commission<sup>3</sup> has defined best practices for delivering financial literacy and education. These best practices are useful guides to developing financial capability programs. They include the following:

- Know the individuals being served and build on their needs and motivations.
- Provide actionable, relevant, and timely information.
- Improve key financial skills rather than merely transmit knowledge.
- Make it easy for consumers to make good decisions and provide them with ongoing support, such as access to coaching and counseling.
- Evaluate programs' impact.<sup>4</sup>

<sup>3</sup> The Financial Literacy and Education Commission was established by the Financial Literacy and Education Improvement Act, Title V of the Fair and Accurate Credit Transactions Act of 2003 (P.L. 108–159).

### **Types of Financial Capability Activities**

Banks often work with tribal, state, and local government, community-based organizations, schools, and community leaders to deliver financial capability, financial literacy, and financial education activities. The following are examples of activities that banks may engage in directly or support through their community partners. Such activities can help consumers participate more fully in the federal banking system and help banks strengthen their communities.

#### ***Basic Financial Education and Financial Services***

Basic financial education and financial services provide an entry to the banking system to manage money and plan for the future. These activities include the following:

- Support for delivery of evidence-based, age-appropriate financial education as part of primary and secondary curriculum.
- Funding and contributing expertise for teacher training programs to enhance delivery of financial education.
- Elementary and secondary school-based bank branches, in-school banking services, or accounts in nearby branches. Account features may include low or no minimum deposit; low minimum balance requirements; low or no maintenance fees; matched savings for initial deposits; and rewards.
- Hosting financial education programs that help students build skills through

<sup>4</sup> Refer to the Financial Literacy and Education Commission's [\*U.S. National Strategy for Financial Literacy 2020\*](#), pp.7–8 and appendix 2.

hands-on activities provided by banks, educational entities, or other financial education providers, including reality fairs,<sup>5</sup> classroom economy programs, or stock market simulation games.

- Low-cost transaction accounts connected with youth employment programs.
- Bank On<sup>6</sup> programs to help unbanked and underbanked individuals access safe, affordable basic transaction accounts.
- Programs to help seniors avoid fraud, scams, and financial exploitation and manage their money.

### ***One-on-One Help***

One-on-one activities provide coaching to individuals and families that addresses financial challenges and finds resources. These activities include the following:

- Assistance at Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly sites for eligible low-income individuals and seniors.
- Financial education and counseling services to meet the needs of specific populations, including individuals with limited English proficiency.
- Aid in rental housing counseling and eviction prevention by
  - providing information on tenant rights and fair housing, counseling on household budgeting, and connecting with community resources.
  - helping find emergency shelter and affordable rental housing.

<sup>5</sup> “A Reality Fair is a simulation of an adult’s financial life that provides youth with an interactive experience for making real world financial decisions and managing money,” according to the Federal Deposit Insurance Corporation (FDIC). “Participants experience what it is like to have an account at a financial institution, decide how to use their money,

- making referrals to local agencies providing funding for rent and utility costs.

### ***Credit Management and Responsible Credit Repair Programs***

Credit management and responsible credit repair programs enable individuals to correct and learn from previous financial setbacks. These programs include the following:

- Providing funding to and collaborating with organizations that offer consumer credit education and responsible credit repair programs.
- Offering responsible credit building products along with financial counseling.
- Providing staff and expertise for financial education training, including direct-to-consumer and train-the-trainer programs.

### ***Homeownership Counseling***

Homeownership counseling prepares individuals for what is often the largest single investment in a lifetime and offering important information about maintaining a home. These activities include the following:

- Providing financial support to homeownership counseling programs or providing staff to lead classes, such as
  - targeted homeownership classes.

obtain a loan, manage debt, and more” (see FDIC, “[Money Smart: Organizing Reality Fairs](#)”).

<sup>6</sup> The Cities for Financial Empowerment Fund administers the national [Bank On](#) program that supports local coalition and financial institution efforts to connect consumers to safe, affordable bank accounts.

- counseling or information to help homeowners apply for loan modifications or to avoid mortgage modification and foreclosure rescue scams.
- Providing support for educational activities designed to help homeowners better understand costs and benefits of renovations or modifications to make their homes more climate-resilient or recover from natural disasters and the availability of government assistance or other resources to assist with such costs.
- Providing education for first-time landlords on their responsibilities and requirements.

### ***Financial Education to Avoid Fraud and Scams and to Promote Informed Decisions***

Financial education to avoid fraud and scams and to promote informed decisions is aimed at informing people about these issues as well as navigating new and emerging financial issues. Activities include the following:

- Supporting evidence-based financial education campaigns aimed at warning consumers about specific scams and fraudulent or abusive practices.
- Providing financial support to organizations that help consumers identify and avoid financial products and services that are unsuitable for them.
- Providing tools and guidance that help consumers prepare their documents and finances in case of a disruption caused by natural disasters or other emergencies.
- Helping consumers navigate financial recovery from a natural disaster or other disruption.
- Providing information and guidance to help consumers understand financial

technology, including mobile banking, cryptocurrency, and digital assets.

### ***Small Business and Start-up Education and Technical Assistance***

Small business and start-up education and technical assistance increase entrepreneurs' practical business knowledge and management skills. These activities include the following:

- Providing support for small businesses, start-ups, and microenterprises by
  - offering or referring customers to seminars on such topics as developing a business plan.
  - supporting financial education programs and assistance provided by business development centers and small business incubators.
  - Referring entrepreneurs to governmental or other resources that could help their business.
- After-school or summer programs to encourage student and youth entrepreneurship.

### ***Savings Information and Guidance***

Savings information and guidance support building savings for emergencies or long-term goals, such as retirement. These activities include the following:

- Workplace financial literacy seminars that help workers understand basic financial issues and take action to achieve financial goals.
- Wealth- and asset-building programs, such as matched savings accounts and employer-assisted payroll deductions into savings, such as for retirement, home purchase, education, or emergencies.

- Savings programs to encourage consumers to start or increase savings through incentives and offerings such as automatic deposits and transfers into saving accounts from paycheck or checking accounts; round-up savings; and prize-linked savings programs.

### **Community Reinvestment Act Consideration**

Bank activities involving financial capability, financial literacy, and financial education may be eligible for positive consideration under the Community Reinvestment Act (CRA). For more information, visit the OCC's [Community Reinvestment Act](#) web page or contact your OCC supervisory office.

### **For More Information**

#### ***OCC Resources***

The OCC maintains a [Financial Literacy Resource Directory](#) that provides information about programs and initiatives. [OCC Advisory Letter 2001-1](#) provides information on the types of financial literacy activities that banks have participated in. The letter outlines how these activities may qualify for favorable consideration under the CRA.

The [Financial Literacy Update](#) is the OCC's quarterly publication of financial literacy events, initiatives, and resources. The publication is distributed to the OCC's email list service. Interested parties can subscribe to receive the newsletter via the [Community Affairs email list](#).

The OCC's [Small Business Resource Directory](#) has information on small business lending, investment, and technical assistance.

The following publications help banks seeking to establish school-based financial literacy programs:

- [Community Developments Insights, "School-Based Bank Savings Programs: Bringing Financial Education to Students."](#)
- ["Guidance to Encourage Financial Institutions' Youth Savings Programs and Address Related Frequently Asked Questions."](#) The publication discusses savings accounts and encourages financial institutions to implement programs to expand the financial capability of youth and to promote financial inclusion for more families.

#### ***Other Resources***

The OCC's [HelpWithMyBank.gov](#) provides answers to commonly asked banking questions and includes an online complaint form for bank customers wishing to register their concerns to the OCC.

The Financial Literacy and Education Commission, representing 24 federal entities, provides links to the financial literacy materials and programs of the participating agencies at [MyMoney.gov](#).

The Federal Deposit Insurance Corporation (FDIC) offers several resources on financial literacy and education:

- The [Money Smart](#) financial literacy program is for youth, adults, seniors, and small businesses. The curriculum includes trainer and student materials. The FDIC also conducts train-the-trainer sessions around the country.
- The [Youth Employment Resource Center](#) provides resources that support financial education and access to safe, affordable, insured accounts for youth

- participating in employment programs.
- The [Youth Banking Resource Center](#) provides resources for bankers on implementing youth savings programs.
  - The [Teacher Online Resource Center](#) offers teachers resources from the FDIC and the Consumer Financial Protection Bureau (CFPB) to help teach children about money or other financial topics.

The [CFPB](#) offers a variety of practitioner resources and research on the populations it serves including financial education for

- [adults.](#)
- [multilingual communities and newcomers.](#)
- [older adults and their families.](#)

- [service members, veterans, and military families.](#)
- [students and student loan borrowers.](#)
- [children and youth.](#)

The U.S. Department of Housing and Urban Development's (HUD) [Housing Counseling Program](#) supports housing counseling services to homebuyers, homeowners, low- to moderate-income renters, and the homeless. The primary objectives of the program and HUD's Office of Housing Counseling are to improve financial literacy, expand homeownership opportunities, improve access to affordable housing, and preserve homeownership.