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TESTIMONY OF
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OFFICE OF THE COMPTROLLER OF THE CURRENCY
BEFORE THE
COMMITTEE ON FINANCIAL SERVICES
OF THE
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The views expressed herein are those of the Office of the Comptroller of the Currency and do not necessarily represent the views of the President.

Chairman Frank, Ranking Member Bachus, and members of the Committee, I am Barry Wides, Deputy Comptroller for Community Affairs, at the Office of the Comptroller of the Currency. I am pleased to appear before you today to discuss the OCC's involvement in and perspectives on governmental and private sector financial literacy and education initiatives.

Financial literacy is a key component of ensuring that all Americans have fair and equal access to credit and banking services. In my testimony today, I will discuss the needs and importance of financial literacy, the role that the OCC plays in promoting financial literacy and education throughout the national banking system and the local communities served by national banks, and the challenges that lie ahead.

The Need for Financial Education in America

A number of recent surveys have found that large majorities of adults in the United States consider their financial knowledge and ability inadequate. Many young adults leave school lacking basic personal financial skills that would help them navigate our financial system and maximize their long-term financial well-being. In addition, many senior citizens report an increased need for help in investing, retirement planning, and taxes.

The Jump\$tart Coalition has conducted biennial financial literacy surveys over the past decade. In results just released for the 2008 Jump\$tart study, high school seniors answered, on average, about half of the questions about personal finance and economics, and college students fared only slightly better. Yet, fewer than 30 percent of high school students are offered instruction in money management and personal finance.

Title V of the Fair and Accurate Transactions (FACT) Act of 2003 recognized the need to improve financial literacy and to deliver financial education across the country. The Act's passage led to the formation of the Financial Literacy Education Commission, which is made up of 20 federal agencies.¹ The Commission developed a framework for a national strategy to make it easier for people to take advantage of existing financial education resources. The resulting strategy is detailed in *Taking Ownership of the Future: The National Strategy for Financial Literacy 2006*, which covers 13 areas of financial education and contains 26 specific calls to action.

The OCC is one of the agencies represented on the Commission. In that role, we have been active in helping to carry out the Commission's mandate to identify best practices, leverage the activities of the public, private, and nonprofit sectors, and coordinate the federal government's financial literacy and education efforts. In addition to assisting with the Commission's National Strategy, the OCC makes many other direct contributions toward promoting financial literacy.

The OCC's Involvement in Financial Literacy

My testimony next describes our recent activities in key areas identified in the National Strategy: building public awareness, developing dissemination strategies, and tapping into public-private partnerships.

Building Public Awareness of Available Resources

In his many speeches and visits around the county, Comptroller of the Currency John Dugan has stressed the need to help national bank customers become more aware of the resources available to them, and the OCC has taken steps to address that need.

Last summer, the OCC launched *HelpWithMyBank.gov*, a clearinghouse that provides information for customers of national banks and answers questions that are commonly asked of the OCC's customer assistance specialists. Since the OCC launched the new Web site, *HelpWithMyBank.gov* has received approximately 5,000 visits per week.

HelpWithMyBank.gov includes links and references to financial information and resources. It is updated regularly and currently provides answers to more than 250 common questions, under such broad topics as credit cards, bank accounts, mortgages, consumer loans, insurance, identify theft, leasing, and safe deposit boxes.

Developing Strategies for Disseminating Tailored, Targeted Materials

Public Service Campaigns and Advisories

The OCC supports a number of public service campaigns to provide educational messages to local print and radio outlets in English and Spanish nationwide. Topics include what consumers need to know about gift cards, debt elimination scams, and foreclosure prevention. These public service announcements have run over 7,600 times in 41 states over the past 15 months with a cumulative potential audience of more than 900 million people.

Over the past three years, the OCC has issued several consumer advisories that help consumers use bank products and services more effectively. We issue new advisories as we become aware of evolving challenges for consumers in the financial marketplace. The OCC's consumer advisories are available in print and through the OCC's consumer protection news Web page at www.occ.gov/consumernews.htm.

The OCC's Resources and Publications

The OCC's Community Affairs Department also helps national banks become leaders in providing retail services to underserved communities and consumers. For example, we post a Financial Literacy Web Resource Directory on our Web site (www.occ.treas.gov/cdd/finlitresdir.htm) that provides information about new financial literacy programs and consumer protection initiatives. The directory includes descriptions and contact information for a sampling of public and private organizations that have undertaken financial literacy initiatives as a primary mission. These activities are organized under seven broad categories:

- Financial Literacy and Education Commission activities and initiatives
- Basic financial services and asset-building programs
- Credit management and repair
- Homeownership counseling
- Recognizing and avoiding abusive lending practices
- Small business and microenterprise technical assistance
- Financial literacy for limited English proficiency populations

The OCC publishes electronic and print publications related to financial literacy, consumer protection, and community development best practices. Recent reports have featured articles on such topics as asset-building products for lower-income consumers and reaching minority markets.

We distribute these materials at our training and educational meetings held throughout the year and send our publications and news updates electronically to over 15,000 individuals on a regular basis. All of the OCC's financial literacy publications and Web links are available on

the Financial Literacy and Education Commission's Web site, *MyMoney.gov*, which enables users to access financial education materials from federal agencies.

OCC's Community Affairs Officers stationed around the country use these materials when they consult with national banks about financial literacy outreach initiatives they might undertake as part of their Community Reinvestment Act (CRA) programs. The OCC sponsors numerous other conferences, summits, and roundtables with federal regulatory partners to hear from practitioners and researchers in the field of financial literacy. Many of these forums are summarized on the OCC's Web site.

Over the past two years, the OCC has devoted resources to help address specific challenges to providing financial education. The OCC, the Department of Treasury, and other federal agencies that serve on the Financial Literacy and Education Commission recently hosted a series of conferences around the country to share strategies and best practices. At these conferences, we distributed several OCC publications, including copies of our *Community Developments* newsletters.

Another important OCC dissemination strategy involves participation in annual events on financial literacy and consumer education, such as National Consumer Protection Week and Financial Literacy Day. These opportunities help remind consumers that the best way to protect themselves against unfair, deceptive, and fraudulent practices is to stay informed. We support those events by sharing information, resources, and providing staff to answer questions on topics that include gift cards, cashiers checks, nontraditional mortgages, and how to obtain assistance through OCC's Customer Assistance Group.

Tapping into Public-Private Partnerships

The OCC maintains a number of liaisons and relationships with national and regional community groups promoting financial literacy, as well as assisting national banks in such undertakings. For example, the OCC is one of four federal agencies to have a formal partnership with the National Academy Foundation, a nonprofit organization dedicated to preparing youth for challenging careers.

The National Academy Foundation sponsors the Academy of Finance, a school-to-career curriculum operating in 41 states and the District of Columbia. The OCC collaborates with schools and school districts in locations across the country to support these Academies of Finance. Bank and OCC staffs serve as advisory board members to local affiliates and employ hundreds of high school students every summer through the Academy's internship program.

The OCC supports other banking programs in schools, which are an excellent tool for educating students about the financial system and encouraging savings and sound money management skills. To facilitate the ability of national banks to establish such programs in schools, we issued a regulation in 2001² that clarifies how national banks can undertake in-school banking programs without having to go through a formal branching application process.

Many national banks have undertaken school-based banking programs. In February of this year, Comptroller Dugan accompanied representatives from our five largest banks on a visit to a school banking program in New York, and we are developing a report to guide banks considering similar in-school programs.

As one of the agencies serving on the Board of Directors of NeighborWorks America, the OCC has been a staunch supporter of its community development and financial literacy

activities. NeighborWorks offers a financial fitness education program that was first begun to encourage homeownership. Many of NeighborWorks' 235 local affiliates deliver financial fitness programs, which are structured to include formal classes, individual counseling and peer-support for continued sharing and learning. Over 8,000 persons have graduated from this program and have gained knowledge and skills that will help them successfully access and use financial products and services.

The OCC offers its expertise to further NeighborWorks' activities in supporting community-revitalization efforts. National banks play an important role in serving on the boards of directors of local NeighborWorks organizations and offering special first-time homebuyer mortgage products in conjunction with these organizations' counseling programs. The OCC's Community Affairs Officers consult with national banks about opportunities for partnerships with NeighborWorks network members. These contacts facilitate bank transactions that involve borrower education and counseling, loan packaging and subsidies.

The OCC also provides staff support and expertise to the Department of Treasury's Community Financial Access Pilot, whose purpose is to increase access to financial services and financial education for low- and moderate-income people in eight cities across the county. The project, scheduled to launch this year and be completed by the end of 2009, will provide technical assistance and coordination to selected communities to develop sustainable projects and strategies to bring more low- and moderate-income unbanked people into the financial mainstream.

Each pilot site will receive assistance from community consultants in assessing community needs, facilitating partnerships, and working with local organizations to develop appropriate financial products and educational services. The Department of Treasury will use

best practices learned from its First Accounts Program and the Financial Literacy and Education Commission's regional conferences on reaching the unbanked as part of this technical assistance.

A growing number of banks are participating in financial initiatives to enhance consumer financial skills and extend their bank products to underserved markets. By one count, as many as 90 percent of banks surveyed by the Consumer Bankers Association offer or support financial literacy programs for homeownership.³ Such efforts have helped banks extend their markets, while reducing the risk of serving these new, educated customers.

Because of such efforts, some banks have received positive consideration under the CRA for their participation in financial literacy programs and activities such as credit counseling, home-buyer and home-maintenance counseling, financial planning or other financial services education that promote community development and affordable housing for low- and moderate-income individuals.

In 2001, the OCC issued an Advisory Letter⁴ encouraging bank involvement in financial literacy activities that divided financial literacy activities into five broad categories:

- Basic financial services and asset-building, providing a working knowledge of financial products, financial planning, and an overview of the U.S. banking system.
- Credit management and repair, enabling individuals to correct and learn from their previous financial shortcomings.
- Homeownership counseling, preparing homebuyers to purchase and sustain their investment and ownership.
- Consumer education, aimed at recognizing and avoiding abusive lending practices and inappropriate loan products.
- Small business and microenterprise technical assistance, providing entrepreneurs and business owners with practical knowledge.

Working individually or with community organizations and governmental agencies, banks have found many ways to participate in local and national financial literacy efforts using this guidance to help potential bank customers and strengthen the bank's CRA rating.

Banks have helped develop financial literacy programs, provided employees to serve as educators and trainers, and participated in numerous school programs and special events. They also have supported financial literacy through volunteer staff assistance, loans, and contributions, and contributed resources to programs for the unbanked.

Our review of these financial literacy programs leads us to agree with the research findings that conclude that those financial literacy activities that link demand for financial knowledge with opportunities to make good financial decisions have been the most successful. For example, studies have shown that when financial education is offered in the workplace, participation in the employer's retirement savings plans, such as a 401(k), increases.

Such matches show promise in increasing the savings of families participating in the Temporary Assistance for Needy Families Program, as well as lower-income wage earners receiving tax refunds and Earned Income Tax Credits. The OCC's 2005 study of Individual Development Account programs⁵ found that these accounts can be an asset-building product for lower income consumers when financial education is provided and savings are matched for those who complete this education.

A further analysis shows that good financial behavior is more likely to be sustained when mainstream banking programs are involved. For over a decade, banks have made progress offering such services as checking accounts and remittances to the millions of Americans who are unbanked and underbanked. Bank involvement has the potential for tailoring and

standardizing these products, resulting in less operational burdens and stronger community partnerships.

A growing number of banks, nonprofits, and governmental entities are joining the search for more productive ways to deliver financial education programs in their efforts to create the right products, risk management policies, and marketing programs to attract customers to mainstream banks, and to retain them in a safe and sound manner. Banks are utilizing many of these best practices today, in partnership with many community stakeholders.

Challenges Ahead

The Committee asked that we discuss what additional regulatory or legislative changes, if any, would be needed to assist in the effort to improve financial literacy and education in the United States. Comptroller Dugan suggested recently that we consider, on a limited basis, providing positive CRA consideration for loans and investment activities that revitalize and stabilize middle-income areas impacted by foreclosures.⁶

The OCC is working with the other banking agencies to develop a proposed change to the CRA regulations that would revise the definition of “community development” to provide CRA credit for communities that are “declining” based on unprecedented levels of foreclosures and related economic factors.

Another thought to consider is whether CRA consideration is appropriate for financial literacy and education activities provided to homeowners in these same middle-income impacted areas. Presently banks may receive CRA consideration for supporting housing counseling and financial education targeted to low- or moderate-income individuals.

Given the rising need for financial counselors to assist borrowers who are having difficulty meeting their mortgage payments, additional CRA incentives may be helpful to encourage additional bank partnerships with nonprofit housing counseling organizations. These incentives can play a critical role in helping to develop workout plans for struggling borrowers, as well as helping these individuals develop financial management strategies to stabilize their situation going forward.

Housing counseling groups tell us that once a workout has been developed, borrowers can benefit from the on-going assistance of a trusted community-based organization to help them improve their financial management skills and stay on track financially. Lenders report seeing declines in the re-default rates on restructured loans when the borrower stays actively involved in a “financial fitness” program with a reputable credit counseling group.

Conclusion

Given the financial challenges presented today, the time is right to bolster financial literacy for students, for working people, and for those facing retirement. The federal government and the private and nonprofit sectors are putting significant efforts toward financial education, but there is more work to do. We look forward to working with you to promote financial literacy.

Mr. Chairman, and Members of the Committee, this concludes my prepared statement. I would be glad to answer any questions you or Members of the Committee may have.

References:

¹ To carry this important work forward, President Bush established on January 22, 2008, a White House Working Group on Financial Literacy under the Department of Treasury and the first President’s Advisory Council on Financial Literacy to focus on expanding access to financial services and increasing financial education for youth and adults. The President and the Secretary of the Treasury have tasked the Council to work with the Financial Literacy Education Commission and the public and private sectors to help increase financial education efforts for all Americans.

² 12 C.F.R. §7.1021 [66 FR 34791, July 2, 2001]

³ Consumers Bankers Association, *2004 Financial Literacy Survey Report*.

⁴ “Financial Literacy,” OCC Advisory Letter (AL 2001-1), January 16, 2001.

⁵ “Individual Development Accounts: An Asset Building Product for Lower-Income Consumers,” Community Developments *Insights*, February 2005.

⁶ “Comptroller Dugan Urges Action to Help Communities Suffering from Effects of Mortgage Foreclosure Crisis,” OCC News Release, NR 2008-14, February 12, 2008.