

Financial Capability

The goal of financial literacy education is to assist people in understanding their personal finances and how to manage them. A component of financial literacy education is “financial capability,” which, generally, is the combination of knowledge, skills, attitudes and, ultimately, behaviors that translate into sound financial decisions and appropriate use of financial services.

This fact sheet describes the benefits and opportunities afforded by financial capability activities, programs, and partnerships for national banks and federal savings associations (collectively, banks), as well as the potential of consideration for those activities under the Community Reinvestment Act (CRA).

Background

Financial capability programs incorporate financial literacy with exercises to enhance an individual’s ability to understand money and financial management and make informed financial decisions. Financial capability develops through learning by doing. Research suggests that delivering targeted financial capability messages at the time customers are making financial decisions helps to reinforce knowledge and skills. Ultimately, financially capable people can use this knowledge to build financial stability through savings, better money management, preparing for unexpected life

events, and planning for short- and long-term goals.

Today’s complex financial services market offers consumers a vast array of products and providers to meet their financial needs. The expansive, and even overwhelming, degree of choice in the marketplace requires a consumer to be equipped with the knowledge and skills to evaluate multiple options and identify those that best suit their individual needs and circumstances.

Financial capability learning also helps consumers to recognize transactions that may be fraudulent or financially destructive, so they may avoid them. Unscrupulous financial service providers often target certain at-risk populations who may be unfamiliar with personal financial management, such as unbanked and underbanked consumers, seniors, and persons with language barriers.

Benefits of Financial Capability Programs

Banks engage in financial capability programs for a variety of reasons. These programs often assist low- and moderate-income (LMI) individuals to build wealth and participate in the federal banking system. At the same time, 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 better-informed choices in the financial marketplace, banks can help these consumers increase their access to mainstream financial products and services.

Categories of Financial Capability Opportunities

Several broad categories of financial capability activities can help potential bank customers participate more fully in the federal banking system and help banks strengthen their communities, including the following:

- Basic financial services and asset-building programs can provide a working knowledge of financial products and financial planning, and an overview of the U.S. banking system.
- Financial empowerment initiatives incorporate public and private resources to help individuals and families address financial challenges, if any, and construct plans to become financially stable.
- Financial education and coaching programs guide and support behavior changes that may lead to better financial decision making.
- Credit management and responsible credit repair programs can enable individuals to correct and learn from previous financial mistakes.
- Homeownership counseling helps to prepare individuals for what is often the largest single investment in a lifetime and may also offer important information about maintaining a home over the long term.
- Education aimed at recognizing and avoiding fraudulent or abusive lending practices can help individuals identify and avoid the use of inappropriate or fraudulent loans, financial products, or services.
- Financial counseling can protect individuals at risk of losing their assets through foreclosure, repossession, or imprudent investments.
- Small business, startup, and microenterprise technical assistance can enhance entrepreneurs' practical business knowledge and management skills.

Bank Activities and Partnerships

Banks often work closely in partnership with local government agencies, community-based organizations, and community leaders to participate in financial literacy and education activities. The following are examples of a broad range of financial literacy programs and activities that banks may consider engaging in directly or supporting through their community partners.

School-Age Programs

- School savings programs and savings and investment clubs.
- School-based bank branches.
- Financial education programs that progress in complexity as students get older.
- Financial capability teacher training programs to better teach financial management to students.
- Class activities such as field trips to banks, guest speakers in the classroom, and stock market simulation games.
- Low-cost transaction accounts in connection with youth employment programs.

Adult Programs

- Financial management presentations to local community and religious organizations.
- Workplace financial literacy seminars conducted in partnership with employers.
- Educational outreach tailored to individuals with limited English proficiency, often provided in partnership with community-based organizations.
- Educational programs that provide financial education, entrepreneurship training, home-buyer education, and credit counseling to Native American communities.
- Wealth- and asset-building programs.
- Assistance at Volunteer Income Tax Assistance (VITA) sites for eligible low-income individuals and seniors, including applying for the federal earned income tax credit (EITC).
- Municipalities partnering with nonprofit organizations to provide financial coaching and integration with city services.
- Bank On¹ programs to help unbanked and underbanked individuals access basic banking accounts and participate in the financial mainstream.
- Age-friendly banking programs to help seniors avoid financial exploitation.
- Resources and programs to help active-duty and retired military personnel manage their finances.

¹ The Cities for Financial Empowerment Fund administers the national [Bank On](#) program that support local coalition and financial institution efforts to connect consumers to safe, affordable bank accounts.

Credit Management and Repair Programs

- Assisting organizations that offer consumer credit education and responsible credit repair programs.
- Providing staff and materials for financial education training, including direct-to-consumer and train-the-trainer programs.

Homeownership Counseling

- Providing financial assistance to support homeownership counseling programs or provide staff to lead classes, such as
 - offering targeted homeownership counseling classes with realtors, private mortgage insurers, and employers.
 - providing counseling or informational materials to homeowners to help them apply for loan modification or to avoid mortgage modification and foreclosure rescue scams.
- Recognizing and avoiding fraudulent and abusive lending practices by
 - supporting financial education campaigns aimed at warning borrowers about fraudulent or abusive practices.
 - providing financial support to organizations that help individuals identify and avoid financial products and services that may pose a threat to their financial well-being.
- Providing technical assistance for small businesses, start-ups, and microenterprises by
 - seminars on topics such as developing a business plan.
 - financial education and technical assistance to business development centers and small business incubators.

CRA Consideration

Financial literacy education can play an important role in helping LMI individuals understand bank products and services and make more informed financial decisions. Financial capability programs also can help to enhance a bank's visibility and credibility in the communities it serves.

Financial literacy programs targeted to LMI individuals may be deemed responsive to community needs and may receive CRA consideration as a community development service. Providing credit counseling, home-buyer and home maintenance counseling, financial planning, or other financial education to promote community development also may be considered a community development service.²

Examples of bank support for financial literacy that may receive CRA consideration include, but are not limited to,

- loans to organizations for financial literacy programs targeted to LMI individuals.³
- investments in, or contributions to, a program, activity, or organization that provides financial services education programs targeted to LMI individuals.⁴
- providing bank staff members as representatives of the bank to serve as educators in financial literacy programs targeted to LMI individuals.⁵

² "Interagency Questions and Answers Regarding Community Reinvestment (CRA Q&A)." 81 Fed. Reg. 48506 and 48530, section __.12(i)—3.

³ CRA Q&A, 81 Fed. Reg. 48506 and 48528, section __.12(h)—1.

⁴ CRA Q&A, 81 Fed. Reg. 48506 and 48532, section __.12(t)—4.

⁵ CRA Q&A, 81 Fed. Reg. 48506 and 48530, section __.12(i)—3 and section __.12(i)—2.

- school-based bank savings programs to help students learn the importance of saving and other money management topics.⁶

Furthermore, financial literacy initiatives may improve the success and effectiveness of a bank's lending program, such as a small-dollar loan program, and thus be considered as innovative or flexible practices that augment the success and effectiveness of the related loan program.⁷

A large bank's participation in, or support for, financial literacy programs may receive consideration under the lending, investment, and service tests of the CRA regulations. Intermediate small banks may receive CRA consideration under the lending test and the community development test. Small banks may receive CRA consideration for lending to financial literacy providers and may augment a satisfactory rating by, in addition to meeting other CRA lending criteria, providing community development loans, services, or qualified investments.⁸

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 in which banks have participated. The advisory also outlines how these

⁶ CRA Q&A, 81 Fed. Reg. 48506 and 48530, section __.12(i)—3.

⁷ CRA Q&A, 81 Fed. Reg. 48506 and 48538, section __.22(b)(5).

⁸ CRA Q&A, 81 Fed. Reg. 48506 and 48546, section __.26(d).

activities may qualify for favorable consideration under the CRA.

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

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

The following publications assist 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 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 Financial Literacy and Education Commission, representing 21 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:

- [Money Smart](#) financial literacy curriculum 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](#). The 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](#). The center provides resources for bankers on implementing youth savings programs.
- The [Teacher Online Resource Center](#). The center offers teachers resources from the FDIC and the Consumer Financial Protection Bureau (CFPB) to help teach children under 20 about money or other financial topics.

The CFPB's Office of Financial Education offers a variety of practitioner resources and research on the populations it serves including [financial education for adults, economically vulnerable consumers, older adults and their families, service members and veterans, students and student loan borrowers, and youth financial education.](#)

Disclaimer

Community Developments Fact Sheets are designed to share information about programs and initiatives of interest to 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 as of January 2019, but the use of this information does not constitute an endorsement of its accuracy by the OCC.