Phil Martin: I'm Phil Martin at the Office of the Under Secretary at the US Department of Education. It's great to see so many of you here and great for our colleagues from other federal agencies to have a great audience for what they're going to share. We hope this is an interactive session. We'll spend the first half or so on presentations and would hope the second half would be dialogue. There's a single microphone in the middle, so as you're thinking about questions and comments, we're open to both questions about what you hear as well as things you'd like to share with us based on what you see, what you're doing on your campuses. As you think of those questions and comments, just get ready to jump on the mic at the second half of the session.

So we won't take questions after each presentation, but after they've all finished. And so I'll just introduce our guest. We have first Josh Wright, who is the acting director of the Office of Financial Education and Financial Access at the US Department of the Treasury. Luke Reynolds. Luke is the chief of outreach and program development at the FDIC, Federal Deposit Insurance Corporation, and Rohit Chopra is here with the new Consumer Financial Protection Bureau, where he is the private education loan Ombudsman. So I think we'll get started with the presentations.

Your presence here indicates you think it's as important as we do to help prepare students to make appropriate financial decisions in the context of their higher education. You heard the secretary when he provided his remarks talk about the importance of financial decision-making before students enroll, referencing our partnership with the CFPB around the Know Before You Owe campaign, as well as on the back end, after they've made the investment in higher education, making sure they're managing their finances appropriately.

So that's certainly the context for this. Josh is going to talk about the administration's conception of financial capability broadly to kind of give you a context for how we think about this. And Luke and Rohit will follow with some specific work that their agencies are doing. So I'll turn it over to Josh.

Josh Wright: Thank you, Phil. Hello. Good morning. It's a pleasure to be here with you from the US Treasury Department. I'm Josh Wright. I'm the acting director of the Office of Financial Education and Financial Access. So what I thought I'd do today is just talk through with you kind of our policy perspective. That'll be the majority of what we spend time on, and we can think a little bit about how that's applicable to your engagement and touch point with students. Then we'll talk a little bit about treasury specific elements. I'll go through those relatively quickly. I think there's some things that – takeaways that can be learned from that, but it would be helpful to you also.

So first, what do we mean when we say financial capability? It's about financial education, yes. But that's not enough. It's more than financial education. It's really includes knowledge, but focuses more on outcomes, and we really think about this – going the wrong way. Here, there we go. In three elements. So there's financial educations. People need to have the skills and knowledge to make correct decisions. But again, that's not enough. They also need to have financial access. So access to appropriate products to help them make the decisions.

And we go a little bit further than just saying they need to be able to walk into a bank and sign up for a bank account, but actually, we need to think about what the structure of those products are, and how they support and help people make good decisions, and also, don't have attributes that maybe cause them to make poor decisions. And then lastly, consumer protection. So that does two things. One is it limits the kinds of tricks and traps that products might have, but it also creates a level playing field so that good actors in the market are more – are able to compete profitably and aren't out competed by negative players. And these three things interact. They're inter-connected.

And why is it so important? Why do we care about this idea of financial capability so much? First, it has to do with financial stability. Good decisions by individuals and families are the bedrock and the basis for good overall economic stability. The second is investment for the future and growth, and this is a big part of what you all are engaged in. Right? When people can make good decisions, when they can build savings, when they can use credit wisely to invest in their future and their own human capital in asset purchases. That helps us grow in the future. And then lastly, it also helps people to weather financial mishaps and mistakes. This is particularly true for low and moderate-income people where they're often one car repair away from being late or not making to their job or to school, missing classes. Something you all probably know quite well.

Now we realize that achieving behavior change is not easy. Knowledge is not enough. It's only part of the picture, and we know that even when people know what they're supposed to do, they often don't make the decisions that are best in their long-term interest. I think it's helpful to look at a few examples just to think about this, and these are – similar behaviors are exhibited in financial matters. So first, if you said to the average American, "Do you think you should eat more carrots and less hamburgers," they'd say yes. So they know that they're supposed to do this, and they often do this and this. And that's not to say that humans are bad. It's just reality. We're imperfect. We're not the rationalizing utility optimizers over time that many economists would have us believe. And that also, the market plays into this. Right?

So McDonalds has now made steps. They're including apples in their Happy Meals as opposed to French Fries, but when you used to walk into a McDonalds and the first question was, "Do you want to super size this," clearly the market and the products being developed have an impact. Second thing to think about is sleeping. We know we're supposed to do this. If I asked most of you how much sleep you're supposed to get, you'd probably say seven to nine hours, but we often end up in these situations. And again, the market has lots of products to help us wake up in the morning.

You know, alarm clocks that roll off the table. A friend of mine was telling me about an alarm clock in Korea that's actually a little helicopter that takes off, and you have to chase it around the room to get it to go off. But fewer things to help us go to sleep early. There is now an iPhone app that reminds you to go to sleep, but driving, we know we're supposed to do this, but we often do this and this. And again, think about the products. Not that we should have cars that only go 55 miles an hour, but cars can go orders of magnitude faster than that. It'd be interesting if you had to push a button on the dashboard that says, "Now I'd like to speed," and it allowed you to –

So you had to make a conscious decision about that. And then lastly, there's money. So if you ask most Americans, "Do you need to save more, spend less," they would say yes. They know they need to budget and save, and they do this and this. And again, the products on the marketplace have an impact on that. So we need to think about the integration of access and education, structure programs focused on outcomes, and design products in the market that help people achieve those outcomes. Now there's more work to be done.

There's a lot of work in the research area that needs to be done around really what the outcomes – what delivers outcomes. There is some research that suggests the more you can make decisions, connect it to real products, deliver education connected to decisions and real products, the more likely you'll have success. So that puts you all in a very interesting position because you are engaging with people when they're making decisions around how to finance as well – their college as well as getting their checks, the remainder of the balance, which they can use for living expenses. And so what does that create around a teachable moment and connection to product?

So these are kind of the five things that we are really focused on. First, we need to make it more evidence based. So the more we can have rigorous research. Treasury needs to do and build on what it's already doing and what's working, focus where it's needed most, and Luke will talk more about this, just the stark contrast in both different demographics of people who are unbanked and don't have access to financial services, lower income people, people of color. Working partnership with federal agencies, state efforts and non-profits, and innovations required. If we continue to do the same thing, offer the same products, and expect a different outcome, then that's Einstein's definition of insanity.

So we have four main elements of what we do. First is the FLEC, which is the Financial Literacy and Education Commission. This is a 21 member federal body. Department of Ed is a member, and really, we're focused on developing a national strategy. We host http://www.MyMoney.gov, and we're really supposed to be coordinating the efforts across the federal government, so there's – we reduce duplication and increase effectiveness. This is just quickly the list of organizations. All of the people up here, their organizations are members of FLEC. So the national strategy really has – we've come out with recently – revamped, tried to make it more focused on outcomes. It's focused around increasing awareness is one, and access to financial education, determining and integrating five core competencies we think every American needs to have.

Earning, spending, saving, investing, borrowing, and protecting against risk. Those are five things everyone needs to know. They might different when you're a student versus when you're a retiree, but the concepts are the same. Improving the financial education infrastructure. How does the education get delivered to people? And again, identifying and enhancing best practices, figuring out what works through rigorous research. These are the five core competencies I talked about. I'm going to go through these relatively quickly, just – and then we're working on implementation plan, which has an element of FLEC doing things in aggregate, but each agency also developing specific goals and measurable outcomes.

The President's Advisory Council is an outside body. It's made up of individuals from the private sector companies, non-profits, academics, and really, they're focused on advising the president and the treasury secretary on how to improve the financial capability of all Americans, and they really focus now on three things. One is returning financial education to its rightful place in schools. The second is the workplace and retiree community, but in particular, I feel like the workplace is a real place where you're touching people. Incentives could be in line with employers and employees to get more financially capable.

And then lastly, there should be opportunities for people to learn about these concepts in their communities and families where their everyday life exists. The next effort is our biggest financial access effort. We call it the bank on effort. Overall, it has a couple different components, but this is really an effort where we're trying to get more people access to financial education and financial education in an integrated way. This effort started in San Francisco, not by the federal government, but by dedicated city officials where the city came together with non-profits and financial institutions offered products and connected financial education to them. There's been money in the federal budget and the president's proposed budget to expand this effort.

We've been doing some work in the short term with an infrastructure contract to improve the available resources through the web, give people a community assessment tool, exploring opportunities to use prize competitions to spur private sector innovation, and we have an interesting pilot demonstration going on with the city of New York in a work place training program. We're going to rigorously test through a control experiment really with people and give them both – some people randomly, some people education, some people access, and some people both and see what the measurable difference is.

This I think is an important one because what we're doing here, thinking about what the treasury department can do in its touch points also relates to you all thinking about what you all can do in your touch points. So the touch points are different, but I think there's some takeaways here. First is the Go Direct program. So all federal beneficiary recipients have to going forward receive their federal benefits electronically. They don't have a bank account. They get something called the direct express card. So the federal government went and negotiated a product for people that is in the best interest of the people. There's no payment back to the federal government. We negotiated a very simple, straightforward account that people can use, get their federal benefits on, save them, spend them. Tax time accounts. We send out close to 45 million paper checks, make over 120 million tax refunds a year. This is a huge opportunity to give people an option to select a bank account.

We conducted a pilot around that last year. And then, lastly, we've returned savings bond to the tax return, so people can easily decide to split their refund, check a box, and get a portion of their refund saved into a savings bond. So I point those things out just for you all to think about – you also have a touch point. How can you negotiate products that students can have access to that are in their best interest? They're lowest cost for them, and you guys get nothing back for it. So just some closing thoughts. Really focus on results and not activities. Realize that the stakes are really high, that doing – conducting education or assuming people having knowledge is going to be enough for them to make good decisions.

And that think about some of these ideas around default options, so you don't have to require someone to do it, but if you have an account that's really good for people and they have to opt out of it, it's still choice, but structured a little bit differently. And then again, I would harp again on this idea that you have particularly form our perspective around providing people with financial access, you are in a unique position to give them access to a really simple, straightforward account, and I'd be happy to talk to people afterwards about how the federal government negotiated with banks to get a good product, and what the nature of a good product – what we think the nature of a good product is.

And really, that should be designed in the best interest of the students. So that's – you know, my last thought is just that what you all do is critically important because it has an impact for students throughout their life. It's order of magnitude, the decision to go to school, stay in school, get their education properly financed, start to learn about good financial behaviors and have products that allow them to do that will be something that will last them in good stead through their life and have a huge impact. So I'll turn it over to Luke now.

Luke Reynolds. Good morning. Thank you, everyone, for coming, and thank you, Phil Martin and Elizabeth Coogan for all your tireless efforts to promote economic inclusion and financial capability at the

Department of Education. Just want to briefly go over a few things from FDIC's perspective just first so we're all on the same page. FDIC, as you probably know, is the federal agency responsible for insuring your deposits in insured banks up to at least $250,000.00. We don't insure banks. We insure your deposits in banks. And then we're also responsible for conducting examinations to make sure banks are operating in a safe and sound manner and following consumer protection laws.

In addition, as part of our efforts to promote public confidence in the nation's banking system, we work to promote economic inclusion. The senior leadership of FDIC believes that a financial system should allow people to achieve economic progress, and financial security through hard work and thrift. But an economic system that strips wealth from people promotes feelings of economic dis-inclusion. So economic inclusion and greater competition are high priorities for FDIC. Just a few quick statistics. We're all familiar with overdraft fees, the fees that may cost $30.00, $35.00. We conducted a survey a couple years ago and found that young people, those up to age 25, were the most likely group, population group to incur significant overdraft fees.

That means they're basically not managing their deposit, their checking account appropriately. In fact, in young adult accounts, nearly half incurred overdraft activity compared to 12 percent of older people, and often, that's because of debit card transactions. We're also aware from survey data from ACT that financial troubles and financial mismanagement are among the top reasons why students report leaving college. We conducted a survey through the US Census Bureau in 2009. It found that one in four people in the US are either unbanked, meaning they don't have a checking account or savings account at a bank or a credit union, or they're under banked, meaning they do have an account, deposit account, but they still repeatedly turn to high costs, those sources of transaction services, such as check cashers or alternative lending sources, like pay day lenders.

One in four people in the US. But the un-bank rate is not equally dispersed across the population. So for first, the unbanked, those who don't have a checking account or savings account, certain minority groups, African-Americans and Hispanics in particular, are much more likely to be unbanked as well as under banked in the population at large. Households that are headed by a single parent are more likely to be unbanked and under banked. Households headed by a Spanish speaking person are more likely to be unbanked or under banked. And then significantly, the younger you are, the more likely you are to both be unbanked and under banked. I'll share with you how to get this data and learn more about this data at the very end.

So we see the solutions as being two parts. First, we see a solution on the supply side to work of the industry and encourage banks to offer appropriately structured, appropriately priced accounts, transaction, and credit accounts that meet the needs of under served communities. And then, as many banks will say, it's not sufficient to stop at – stop there. We also need to ensure consumers have the knowledge and skills to use those accounts effectively. They need the financial education. So there are a couple ways we're addressing this, and I'll share with you as I go out how the supplies to you – how it's useful for you.

I'm going to talk on the supply side first about our safe account pilot. This is a pilot we're conducting this year. Nine banks around the country are offering deposit accounts, checking accounts, transactional accounts, and savings accounts that are designed specifically for the needs of under served consumers. They're – I know this template is difficult for everyone in the room to read, but I'll just talk about a couple things, a few things on it. First, these are card based electronic accounts. That means it's a deposit account. It may not necessarily offer the ability to write paper checks. After all, how often do we see people writing paper checks in front of us in the grocery store any more. It's a card based electronic account that is – that is pretty much fully electronic. It reduces the chance of incurring overdrafts, and it allows an institution to offer it – there's less cost for an institution to offer it.

Know then that these are not stored value. These are not generally purpose reloadable cards. We see general purpose reloadable card, pre-paid cards, stored value cards, whatever you want to call them as weak substitutes for traditional, full scope, banking relationship. If you just have a stored value card, a pre-paid card, you're not able to access other banking services, like savings programs or savings accounts. You may not benefit from the full spectrum of consumer protection regulation, such as in the event that you have an error or unauthorized transaction on your account. These accounts are subject to the full – all the consumer protection regulations. They are – they don't require a whole lot of money to open up the account or to maintain the account.

Overdraft is turned off. The customers can't overdraw their account, or at least it's much more difficult to overdraw their account because they're fully electronic, and they may – and we encourage banks to make funds available from the account more quickly for deposit and check than required to under law. So there's basically not an extend in whole time. This is important to you because as you're working with banks and credit unions to offer accounts through your university or school, this might be a good checklist, something to think about as you're talking with the bank. Does their account – how does their account structure compare against this template? How much, for example, is needed to open up the account? We're going to have more data on lessons learned from this pilot at some time early next year.

The pilot is running all calendar year, so I encourage you to stay tuned to learn a little bit more about that. And then our Alliance for Economic Inclusion is an initiative focused in about 14 markets around the country where we're working hands on with banks, schools, non-profit organizations and others – and other governmental agencies to promote economic inclusion. That may entail increasing access to deposit accounts. It may include addressing – helping meet the needs of small businesses. These are locally focused initiatives focused on providing local solutions. Some of the lessons learned from the Alliance for Economic Inclusion Initiative, which I think are more broadly applicable outside AEI that may be useful.

We found that strong partnerships are key. It's really important for banks, and then the groups that are working with consumers, non-profit groups, schools, and whatnot to be in the same room, to be engaged in a dialogue to address issues. Financial service needs may differ from the population as a whole. It's really important to assess the needs, financial needs of your audience and understand from them what they may need. And financial education is key. It's important to capitalize on teachable moments, capitalize on times when people need to make a financial decision and give them education they can use to make the decision more effectively, building into financial decision points.

And we need to ensure that we see the importance of ensuring that those who are providing financial education themselves have a good foundation in personal finance. Financial education definitely isn't the end all, be all. It's really the building block. It's the foundation that when combined with access to appropriate products and services can lead to people eventually being able to build wealth, whatever that may mean for them, whether it be starting a business, saving for retirement, or buying a home. There are many great financial education curriculums out there. I'm just going to talk briefly about the FDIC's Money Smart. Money Smart is – consists of – it's free. It's not protected by a copyright, which means you can use pieces of Money Smart in addition to another financial education curriculum or program that you may be offering.

There are instructor led versions for you or your staff to teach others. There are self paced versions for people to complete on their own, through the web, or an MP3 format, podcast format to supplement other instruction for people to listen to online. It's kept updated, and when people do business or when rules change, we update the curriculum. In fact, we'll be releasing a brand new self paced computer based version of Money Smart in the couple coming months. What we do for Money Smart is we provide you the curriculum, and then you, and hopefully in partnership with a local bank or credit union, deliver or implement the curriculum.

We also have a Money Smart alliance program where we recognize certain organizations, including schools that use Money Smart and commit to using Money Smart. And we're able to provide technical assistance and strategies on how to use – how to implement Money Smart. There are many financial education curriculums I referenced, but not all of them – we don't know if all of them are effective. We do know Money Smart is effective.

When we conducted a survey or Gallop – the Gallop Corporation conducted a study for us of the Money Smart curriculum's impact on behavior change, how people manage their finances, we found as opposed to other surveys that they just stopped after the class, we tested – we went back to people a year later, up to a year later, and found out whether intentions transact – whether transact – whether intentions transform themselves into actions. We found that Money Smart was effective in changing consumers' behavior, and that those changes were sustainable in the months following the training.

For example, from those who didn't have a bank account before the training, those who were unbanked. When we contacted them a year later, there were statistically significant improvements in those who had opened an account. There were statistically significant improvements in people who were paying their bills on time who were using a budget, who were saving, who were comparison shopping for financial services. Basically, doing all the right things. This was of adult – using the adult curriculum. As I mentioned, we also have a young adult curriculum of Money Smart for those ages 12 to 20. We're currently recruiting sites that may be willing to help us evaluate the young adult curriculum. So if you're teaching high school students or you know someone who is teaching high school students, please see us afterwards.

So where do I begin? I talked a little bit about what to think about for products that are offered through our university. I talked a little bit about education, but where do you begin? As I mentioned, the first thing to do is to assess audience needs. The economic conclusion survey data may be helpful. You can drill down to a state level, an MSA level, and see for example what percent of people in your state or your MSA, large MSA, are unbanked and under banked, and maybe even learn a little bit more about what types of accounts are they using.

If you're a school or university, reach out to federally insured financial institutions, whether they be banks or credit unions, and make them aware of the needs of your community and engage them in a dialogue about how to help your students, help your stakeholders gain access to that bank services or banking services in general, and how the bank may be able to help. Maybe the bank can help deliver financial education. Maybe they can help you think through ways to promote access to deposit accounts. Maybe there's a way to open up an ATM, for example, on campus. Identify related initiatives. Don't work alone. AEI, the Alliance for Economic Inclusion, is one. There are others such as the National Bank on Initiative.

We have a resource table outside. So if you want to help start the dialogue of thinking through solutions for your audience, come talk to us or learn about how to meet some of these financial needs. I mentioned http://www.EconomicInclusion.Gov. This is where you can go to gain access to the unbanked survey information. Unbanked, under banked survey information. You can learn more about initiatives from FDIC. You can learn about the Money Smart program. You can learn about our other research. Economic Inclusion is really the go-to place to get access to this information from FDIC. And then in closing, we encourage you – if you have a question, you want to talk further, you want to learn more about Money Smart, come see us at your resource table straight outside as you exit. Thank you, everyone.

Rohit Chopra: Good morning. I think it's very fitting that we're here in Las Vegas because I think, of course, there is a lot to celebrate and enjoy over the past year that all of you have accomplished, but there is also another piece of the story that we must all remember. The stories of Las Vegas and other cities around America also are ones that we don’t have to celebrate. We hear of stories of people making tough decisions about their own financial lives. And in fact, we hear stories every day from people in Las Vegas and all over the country who are making those tough decisions. I recently heard of one person who was in their mid-20s, making the decision of whether to pay rent, their student loan, or their auto loan.

And they said, “I can only pick one, so I’m going to choose my car payment because at least I can live in my car and get to work.” So there’s a lot of work to do, and it’s now been three years, over three years, since the collapse of Lehman Brothers and the resulting financial crisis, and we have begun to start plugging the holes in the ship that was sinking. I think a financial crisis like this touches all of us, even if we do have jobs or don’t face foreclosure because we know people, our neighbors, our family, who are struggling. And for all of you in the higher education world, you know that the declining tax revenues and lackluster endowment growth are putting upward pressure for many of your institutions to collect more money from students.

And home equity for so many families is gone, and unemployment has eliminated a lot of emergency savings for families, and all of this leads to more and more people needing to rely on credit just to get by. Whether it’s a credit card or a student loan or something perhaps a little bit more pernicious, they need it to get by. And I think historians and economists will write about Las Vegas and the entire US economy and what happened. They will write about it for decades, but we have already begun our work, both at the federal government level, the Department of Education, to try and fix things going forward. Four months ago, the Consumer Financial Protection Bureau opened for business.

The CFPB was created by the Wall Street Reform and Consumer Protection Act of 2010, commonly known as Dodd Frank. Before Dodd Frank, an alphabet soup of federal agencies was tasked with making sure that consumers got a fair shake in the market, whether it was HUD or the OCC or the FRB, consumer protection was scattered, and it was a secondary or tertiary responsibility. But on July 21st of this year, that changed. Rule making, supervision, enforcement for consumer protection laws for the vast majority of financial products transferred to the CFPB, and my colleagues on this panel work for institutions that are household names, and I want to tell you about what I hope to be a new household name. The CFPB.

First, we are tasked with making sure that the nation's financial institutions are following the laws, whether it's the Truth in Lending Act or the credit card act, we will be supervising the largest banks. And for the first time in federal history, we will be supervising the non banks to make sure that they are following the laws on the books. This will put them on an even playing field with community banks and credit unions and other honest lenders who have long been subject to this type of oversight. And of course, if the law is not being followed, we will make sure that the law is being enforced.

Second, we are tasked with updating and writing rules on mortgages, on private student loans, and credit cards as well as other financial products. And if the current rules aren't working, we will scrap them and update them. For those of you who have recently purchased a home, you know that the stacks and stacks of paper at closing, there is no possible way for reasonable person to read through the layers of fine print and understand everything. So we are looking to streamline and make things similar both for financial institutions and for consumers.

And third, we're going to work with our colleagues and engage American consumers on how to make better financial decisions. Congress created an office of financial education at the CFPB, and we will also have dedicated offices to protect specific populations, including service members, both active duty and veterans, older Americans, and students, the office which I lead, will also be intaking and helping consumers resolve their complaints on all sorts of financial products, and conducting research to make sure that we're creating innovations in the marketplace that work both for consumers and for industry.

To sum it up, our vision is to make prices and risks clear upfront and make sure that no financial service provider can win in the marketplace by using unfair or deceptive practices and create a better functioning market so people know what they're getting into before they sign on the dotted line. I want to spend a little bit of time covering the state of the consumer financial services marketplace for students and young consumers. Because I think there are two tensions that are going on right now. So first, we live in a world that has undoubtedly never been more important to pursued advanced training or higher education. Never. We can name – all of us can go through this exercise, whether it's globalization or information or services. We know that we need to prepare people to think and compete.

But at the same time, strained public budgets and strained family budgets mean that more and more students will have to rely on debt to go to college. So since we're in Las Vegas, how many of you are willing to admit that you have played blackjack on this trip? So right there. Sorry to pick on you, but do you want to stand up? Okay. So if I deal you a six and a five, and I'm the dealer, and I have a five, so what are you going to do? You are doing to double down because – because the truth is – by the way, congratulations. I hope you're a winner.

The truth is that doubling down on an 11 versus a 5, in the long run, you're going to kick the you know what out of the casino. You're going to lose some, but when you win, you're going to win big. You're increasing your odds. And I think there's something similar that is happening when students borrow more and more for school. Of course, it's a good investment to go to college. But when you graduate in 2009 and there's no jobs for you, all of a sudden, taking that extra debt didn't feel so good. And particularly, I'm talking about this private student loan debt, which is the debt beyond what hopefully they're using their federal loans first.

And so it makes you wonder why did they make the decision to take on that much amount of debt. Probably it was a good decision, but for some people, they might have taken products that were much more expensive or had terms that might not have been clear to them when they signed up for them. So being able to bring transparency to the market and help students make better decisions so that they know what they're getting into before they double down is important. And in fact, we want them to double down. We want them to finish school, but at the same time, we've got to have people understand exactly the type of products they're using. And it's not just student loans.

It's credit cards and all other sort of products that they're using while they're in college. When we actually hear about students using credit cards, there is imagery of people throwing away money on pizza and beer, and the statistics do not tell that story at all. The data tells us that people are using credit cards to buy books or for living expenses, and that can be a very expensive way to finance their educations. So the stakes are high, and in a difficult economy, there really is not an unlimited number of hands to play. So let's talk a little bit more about some of these risks facing student consumers. So of course, I talked a little bit about private student loans. And for many of you, you know that there have been some new private student loan disclosures in the last few years. The definition of private student loan is anything that's not a Title IV loan. So even if it's a state government loan, it counts as a private loan. It's a little bit tricky. So figuring out ways that we can get better information on this market will I think help us keep increasing transparency and getting people to choose their – especially their subsidized federal loans first. We have to move in that direction. For private student loans, the CFPB will be the primary regulator. We will also take complaints from students before you had a – when you had a private student loan, you had to literally look up the bank charter type of the lender to determine who you have to complain to, but we're putting an end to that, and people will be able to come to the CFPB.

Credit cards. We will – as many of you are familiar with the card act, which places some new restrictions on issuers who market on campus, and we will be enforcing that. And debit and pre-paid cards. Many of you know that many of your institutions have special arrangements with banks and other institutions who are very eager to give your students checking accounts and cards, and I just want to echo what Luke was saying is that there are resources that you can check to make sure the products that are being offered to your students meet some basic standards on what is good for them in the long run, that they're not laden with hidden fees or other things that might trip them up.

And then of course, many of you also arrange with third parties to put together tuition payment plans, and I think it's important for you to closely review the structure of those tuition payment plans and seek us out if you're wondering is this really good for your students or not. And I think many of you are being pushed to come up with being able to do more with less. And often, that means using third party financial services providers. But we have to remember that some things do come at a cost, and often, they come at the cost to students in the form of fees.

And then of course, debt collectors. Many students are facing whether from credit cards or from student loans or from their auto loans debt collectors who we sometimes hear allege that they have the same types of powers as a federal loan collector, and a private student loan collector does not have all those authorities. So educating students on their rights is going to be very important for a well-functioning market. We just started a few months ago but wanted to invite you to participate – see a few things we have. We are very eager for people to participate in our Tell Your Story function where already, many people in the higher education community have told us about stories they hear from students and what they'd like us to do to help repair some of these problems in the marketplace.

You can right now complain about your credit card issuer through an online interface, and we also released along with many of our partnerships with the Department of Education, other government agencies, an online tool to help students figure out the best way to repay their private and federal loan debt. Many of you have heard about our efforts to increase transparency in the marketplace. One of our first efforts is shrinking some of those mortgage forms down to a few pages, and we invite you to go to our website and tell us what you like or don't like about some of the forms that we've designed. And of course, with the Department of Education, we've been working with many of our colleagues in the room about how to increase a student's awareness about all of the costs and loans.

And you can participate in this process on our website, http://www.ConsumerFinance.gov. So please, I just want to enlist all of your help that we all have a part to play in helping students get on a strong financial footing, and please keep talking to us, and let's create a generation of very savvy consumers so we do not have to live through this ever again. Thank you.

Phil Martin: Thank you so much Josh, Luke, and Rohit. I want to ask folks who have questions stirring, who have things they want to share to please make your way to the microphone. There's just the single microphone here. And we've got about a half an hour, so we want to have a good discussion. Please.

Audience: I'm Gale Damota. I'm with Education Finance Council where the association for not-for-profit and state based student loan finance organizations, and talk about transparency for the students in the supplemental loan market. As you stated, it is a reality for kids. I would love for you guys to really think about opening up the dialogue on the preferred lender lists again. Those rules are so restrictive that a lot of these financial aid officers can't even advise kids that maybe they're not making the best decision when it comes to their supplemental loan product.

The penalties are really severe for them. I think it would be great if we could get a more – something a little bit more reasonable where it still allows the schools to help students look at some other options or consider some other options. Because right now, I think a lot of kids are just going for name brand, name recognition. So they're not necessarily picking the best product. Rather, the organization that's got the best advertising dollars.

Phil Martin: Thank you, Gale. I want to mention – I forgot to at the start that we've got some colleagues from the Department of Education who are with us, and if there are things that are best for them to address, then we'll call upon them to do that, or they can let us know. Please.

Audience: I'm Debra Tallison. I'm the director of financial aid at the University of North Carolina in Greensboro. But I'm also a grandparent, and I'm speaking to the treasury department. For years, I have purchased, and actually, my mother before me. We've always purchased savings bonds for the kids in our family to help pay for college. We've done that through payroll deduction, which is no longer an option, and we're encouraged to set up a treasury direct account. Have you ever done that? I did finally succeed in setting that account up. It is byzantine. I have to have a little card with a matrix on it. I have to have all these different numbers, and I did finally get one account set up for one grandchild.

It's really difficult to set these accounts up to where you can purchase savings bonds a regular basis for children to help save for college or buying a house or whatever they need in the future. Thank you.

Josh Wright: So you are just – you're speaking to the converted on that issue, the treasury direct as far from an exemplary example of useful consumer – or helpful consumer processing online. So the BBD is working on improving that. So they realize when they took away the options of buying a paper bond at a bank or through payroll deductions, they've done away with the grid card now, and they're working on improving –

Audience: They did away with that card?

Josh Wright: Yeah, they just announced that they –

Audience: How do I get rid of mine? *[Laughs]*

Josh Wright: Yeah, two or three weeks ago. But they're also working on actually improving the site and making it easier for people to sign up.

Audience: Yeah, they just need to click here to set an account up for a child.

Josh Wright: Absolutely. So they're working on it. We'll make progress on it. We hear you loud and clear. Thank you.

Audience: Because it's really hard to buy savings bonds right now.

Josh Wright: I totally agree.

Audience: My name is Darcie Webster, and I'm with Kansas City Art Institute, and I wish that when I certified private loans that it would tell me what the interest rate is that the student has. We've started having our students fill out a separate form just for us where they write that in, but there's no way for me to verify if they've just picked a number. And then I can't – for the ones that are honest and tell me they're getting a 12 or 13 percent rate loan, then I can call them and talk to them about it. But for the ones who write three or four, I don't know if they just heard an advertisement on the radio for home loans that are four percent or if that's really their rate.

Rohit Chopra: So can I ask what year did you mostly see this happening in?

Audience: We just started collecting interest rates this year, and they vary anything from like 2 percent to I think our highest was 14 percent on the forms. But also, with the two percent, I don't know if that's two percent plus LIBOR or – I have no idea. I just trust what the student writes down.

Rohit Chopra: Yeah, so there is perhaps a bigger problem might be that the students actually don't know what the interest rate is.

Audience: Oh, they don't. And many of them leave it blank, and I call, and I'm like, "I won't certify this until you call your lender and find out what your interest rate is and let me know."

Rohit Chopra: Yeah. So we have – the CFPB and the Department of Education will be – we have just launched a study on private education loans. And actually, on the CFPB's website, there is actually a place where we want you to participate in a formal process. There's this very – I don't know if you – you probably don't care about this. There's something called a federal register, and we put – there's like thousands of pages every day.

Phil Martin: They care about it. Yeah.

Rohit Chopra: So we put it in the federal register, but we also put it in a blog on our website in like language that you don't need two law degrees to read. So we actually would love you to tell those sorts of stories to us because I think it helps us set up a roadmap for where we want to prioritize in terms of improving disclosures and consumer information. Because to me, it's very hard to think about how you can counsel a student without really knowing information about the price that they are going to pay on that loan. So I hear you.

Audience: Thank you.

Audience: My name is Russell Siedelman, University of Portland. I have two questions. First, when you were showing that model checking account, model savings account, I noticed that the maintenance fee was minimum zero to $3.00. I'm wondering if the culture of a free student checking account is gone, and if there's no such thing any longer and there never will be the opportunity for students to have a free checking account.

Luke Reynolds: Yes, there is still an opportunity to do so. That's where dialogue with local financial institutions comes in. There is definitely still institutions offering free savings accounts still.

Audience: Excellent. My second question is more along a program type of issue. In Oregon, we've got a very unique program. It's a match college savings program, so qualified students from low income families, students of color, they have the opportunity to save on a monthly basis, and that match by composition of federal, state, and private money. And we think that that's a wonderfully fantastic idea and wondering if there's any thoughts of that from the federal level that kind of match savings program.

Luke Reynolds: It sounds like what you're referring to is an individual development account program, IDA program. The US Department of Health and Human Services manages that. Their AFI office. So my understanding, they issue grants on a regular basis, and those interested can contact HHS' AFI group to find out opportunities to participate – to get grants. Yes, that's a national program.

Audience: Thank you.

Phil Martin: Josh had a thought as well, and I might add something, too.

Josh Wright: I just wanted to add something to that, the first thing about the free checking, student free checking. In most cases, the idea that the checking was free is actually a misnomer. So it was free. There was no fee upfront. But many of those accounts had overdraft, and as the FDIC's study on overdraft showed, younger people often paid overdraft at a higher rate, and I think one of the great things about the FDIC's safe accounts pilot is they're saying, "In this case, let's not have overdraft. Let's say there's some – let's be very clear about what people are going to pay, and they're going to pay that in a monthly fee. You're not going to get surprised by overdraft later." So the free checking is a little bit of a misnomer. I think this is actually the approach they're taking is a better way, a more transparent way to go.

Phil Martin: Just a quick follow up on the matched savings question. We – for the first time in one of our programs, the Department of Education encouraged applicants to one of our grant programs to develop matched savings programs as part of their approach. This was in the GEAR UP program, Gaining Early Awareness and Readiness for Undergraduate Programs. The secretary of education joined not quite a year ago. The former chairman of the FDIC and the chairman of the National Credit Union Administration talking about this and commenting at that time that we would add this priority. We did that, and we got great response. Over 40 of the 60 or so grantees in the GEAR UP program said that they are going to be developing matched savings programs as part of their college access efforts for middle school and high school students.

So we think that's a tremendous approach that has some research based out of the Center for Social Development at Washington University in St. Louis, which is what motivated us to do that, showing that students with savings accounts are much more likely to enroll in college, even controlling for things like parent income and academic background. So we're excited to see the results from that program.

Audience: Good morning. My name is Laurel Halstead. I'm from the Medical College of Wisconsin, and I've been in financial aid about 100 years. The one thing that I have noticed in the course of those years is when I first started in financial aid, it was stressed over and over again that the primary responsibility for financing is students' education light in the family. And I understand, and I hear over and over again, and I know it's the reality that there are a lot of families hurting in the current economy, but I still see families over and over and over and over again who do have the resources, and they instead are taking the vacation. They have no problem buying their kid a brand new car when they're 16, but then they let them take out loans for them to pay for food while they're in college.

And I think they're – we need to go back to reminding families that that's still their ultimate responsibility rather than the mindset that there will always be another loan out there to pay for my child's education. We really don't stress that with them anymore.

[Audience applause]

Phil Martin: Josh, I didn't know if you wanted to say anything about the President's Advisory Council and how they're thinking about those sort of three venues for helping Americans make better financial decisions and families among them.

Josh Wright: Sure. I mean I think that is very true. The last point, and there's a lot of research that show this, actually, that the more kids get talked about, financial matters get talked about with the kids by parents, the more likely the kids are to make better financial decisions as they get older. And so there is an element there that we need to focus on raising awareness and getting parents in better situations to give better advice and better – have better conversations with their children.

And it's kind of a two-way street, actually, because often, when you encourage parents to talk about that and realize the behaviors, then that they need to be talking about with their kids, it can often have them change their own behavior.

Audience: I have another fun story. As I became the parent of a college student – college students, I became aware of what comes into our house, the mailings they get. And this last summer, I had a lot of fun with the major bank that my son banks at. He's now a senior in college, and this past summer, he was getting – he would have to pay a major, major penalty if his savings account got below $300.00. But in the course of one month, we saved a stack of 20 solicitations he got from that bank encouraging him for their new credit card product, their new whatever product they had.

And I took it in, and I talked to them, and I said, "Could you take what you paid your marketing department to do this and the postage and put that into his savings account so that he's got a little flexibility there instead of charging him this major fee?" Because it probably came to about the same amount. So I had a little fun with them that way, having been around for such a long time.

Josh Wright: Thank you.

Rohit Chopra: Sorry, just to react to that, over the past I would say 20 to 30 years of Wall Street history, consumer lending has been enormously profitable. So while I think I hear you that I too would love to tell all the credit card issuers soliciting me to – it pains me that I have to spend the time making sure I'm recycling all of it. But the truth is they make money, and I think we – and to your earlier point about some parents having the money, I would also – well, I know that it's absolutely true. I would also caution everyone to think a little bit about Americans – there's varying degrees of comfort with credit, and I wouldn't be surprised if that vacation and the car at age 16 was a sub-prime auto loan or a home equity loan.

So the strange part about credit is that credit really should be about improving lives, and there's actually no better example than a student loan, to be perfectly honest. And some people see credit as improving their lives in that way, and you and I can disagree with that parent's decision, but I think what we think is giving people better and more transparent information about what is that loan that they're signing up for. Because that parent vacationing and going, buying new cars may actually be in bankruptcy right now.

So it's important to think about that. Sometimes cash is actually like in Las Vegas, a mirage.

Luke Reynolds: Just one final comment on the first point. I think it's important to also watch child savings accounts programs, like the model in San Francisco and Maine and see how those progress and what opportunities there may be more nationally for those.

Audience: Hi, I'm Nancy Coolidge from the University of California's system office in Oakland, California. I'm here because we were unsuccessful on a political front trying to ensure that when our students take out private loans in addition to whatever they may have taken out – often, it's in addition, to federal loans, that we wind up knowing what they actually got. We are responsible under the current rules for filling out a document about them. We ask and fail to get the certification hat without it, the lender couldn't count that as an education loan for all the benefits it gets. We were unsuccessful. We also want to know what did the student actually take, or what did that family actually take as a result of our certification of what the cost of attendance was less other aid.

So we have to provide this information, but there's no feedback loop. And we're being asked for that information on some of the new requirements from the federal government, including this gainful employment where they want to know, "Well, how much in addition to federal loans," which they know about, "How much did this student, to your knowledge, take out in private loans?" And in fact, we don't know with any certainty what they got. We don't have a way of knowing that. There's no feedback loop. And the lenders have been very successful at not having to disclose that to the institution that's certified.

Many do and are willing to, but not all, and we really don't know, so we're just guessing when we say, "Well, we certified this student for such and such an amount. Maybe they took it. Maybe they took part of it," and did the family take out any of this?" We don't actually know the facts. And yet, we're being asked on gainful employment disclosure and reporting to let people know about it. We need better information.

Phil Martin: Did Gale or anybody want to react to that from the office of post-secondary education?

Audience: Yeah, well, I think Nancy makes a very good point. There is no requirement that the lender let the school know exactly what the borrower has borrowed. Some lenders do. Many lenders do, but not all. Then you have direct to consumer loans. That's a whole other issue. Schools may be totally unaware of loans, direct to consumer private loans. So I do agree with Nancy that this is an area that could use some legislation perhaps or at least some thought and investigation, conversation.

Audience: If we're going to be required to know it and to give some thought to what we say, we really should be privy to the information.

Rohit Chopra: Yeah, so to give you history on – not history. To give you steps forward on how this is actually being regulated, before the Federal Reserve Board of Governors wrote these rules and that self-certification disclosure. And actually, we have now inherited that. So part of what we're trying to figure out is is that working. Sounds by the angry faces, no. And so now that we've inherited that, we're actually going through the process of assessing all of these regulations and really seeing what's working and what's not.

Audience: We should stay in touch. We have a lot of ideas.

Rohit Chopra: So first of all, anyone who has feedback like this, you can always e-mail us at students@CFPB.gov, but also, I want to reiterate that getting that comment into public record is very important. And so contributing to the federal register process that is on our blog on our website, even if you just have to submit a paragraph or a story, it's very important.

Audience: We did do that when they regulated the –

Rohit Chopra: Well, we need you to do it again because if all of you need to know that change happens when you participate in these processes because it allows us to tell the story of what's really happening so that we can make better rules and that we can tell Congress what's broken.

Audience: ____________. *[Not speaking into microphone]*

Rohit Chopra: Seriously, I'm with you.

Audience: My name is Andrea Oden. I'll be very brief. I'm the mother of three college age students. I was a financial aid officer for approximately ten years, and now I work as a consultant to families and students going to college. And I find it really interesting to talk about private loans because first of all, nowadays, we have to usually marry our debt with our child's in order to get one. I think that's a huge decision, and I think parents at this point are really sacrificing their retirements in many cases when they're doing this because of the outcome that happens with many students.

I really wonder whatever happened to the, "We can't afford that," school. My – what I talk to parents about is making a rational decision because too many people make emotional decisions, and it's because their friend went here, the student – "Oh, I have to go there, or I'm going to die." We have good schools everywhere, and there's a shopping list of schools from community to the most selective elite schools, and there's college for everyone. And I think we have to remember some people just cannot afford certain schools.

Phil Martin: Thank you.

Audience: Hi, I'm James Hubener from – I'm from Texas, and I wanted to make a suggestion on the private lending. Every day, I can open up a newspaper in the business section. I can tell you what each bank is giving to me on mortgage rates, the origination fees. I can tell you what they pay on CDs, their savings accounts, but I can't tell you what each bank is paying or is charging their interest on a private loan. In fact, that type of research is sometimes difficult to figure out. For a financial aid administrator, because if we have preferred lender lists, which I do not. But if we had preferred lender lists, we must disclose part of that information, and that information may change daily. We become responsible for updating that information when I'm not sure that we are the best individuals to be able to gauge that. And I think if a student or their parents can look at that chart that is published daily, then they may be able to make more intelligent decisions rather than based on name brand or who has the best advertising or who gave me the last credit card offer or whatever it is – however it is they make their decision. And I appreciate it. Thank you.

Rohit Chopra: So it's a hard nut to crack because as many of you know, many – private student loans come in all shapes and sizes. Many of them are wonderful, and many of them are not so wonderful. And like the credit card offers you get in the mail, rates start at 2.99 percent, plus LIBOR or prime. And I won't ask you how many of you know what LIBOR is right now.

Audience: London International Bank.

Rohit Chopra: But the truth is that even with that type of information, there is still opportunities because at the end of the day, it's being underwritten on a credit score, which is often determined by a parent because of the co-signing issue. It's very hard to get that type of clear information. So I think a lot of it comes back to how you're actually choosing a college and financing it in the first place, and I think the Department of Education's initiative they've been leading on the model aid letter is going to help with that to get – and improving the private loan disclosures. So it's not just about that, although I hear you that that would be a huge improvement. But there will still be a way to play with the pricing.

Phil Martin: Josh.

Josh Wright: And that – you take mortgages. That's still played with now. Right? So the number quoted might be a 30-year fixed. They might have something in there about paying points or not paying points in the – you know, it's publicized in the paper, but then when you go in and have the conversation about what mortgage you get based on your credit score or you're getting offered a ten one arm or seven one arm also, some fancy balloon mortgage, it gets much harder to compare. So it is helpful to the degree that people are shopping for a relatively straightforward and simple product, but it gets more complex as you get down to what the individual decision is.

And I think this goes to giving people much clearer sense of what they're going to pay in advance at a point which they can make the decision. And also thinking about how technology can help us to provide that disclosure. Right? So why do we have to only disclose it in paper form? Why can't it be disclosed electronically so that people can use apps to compare across offers and products quickly with very low cost in terms of time to them?

Phil Martin: We've got about ten minutes left. It'd be great to use it if we can. One thought is Josh, Luke, and Rohit all talked about kind of banking and accounts and accounts versus cards. I don't know if people had reactions to that, want to share what's happening on your campus or questions on that topic. Or whatever you're thinking of.

Audience: If I may add a question, I'm Karen Van Meter with Fifth Third. The financial education part of the discussion today, I think all of us or most of us in the room, including you all, are working very hard, trying to get families and students to better understand this whole concept of financial education. Is there any current initiatives underway to make this part of the required curriculum in K through 12 so that students are understanding this all the way through?

Luke Reynolds: Yes, there are several states that do now mandate financial education on the K to 12 level. If you go to http://www.JumpStart.org, Jump Start National Financial Literacy Organization, you can see a state-by-state map, which states require it, which states incentivize it, and currently, it's – that's the best course.

Audience: Is that an initiative that you all are spearheading to try to make this a national mandate?

Luke Reynolds: From an FDIC standpoint, we don't get involved on the state level policy, but we do work with banks and others on a state-by-state level to help them address local financial education needs.

Josh Wright: So I'll say this for Phil. One of the things that comes as a shock to people, often, is that the federal government doesn't really mandate anything curriculum wise or have for all states. It's really a state-by-state decision, and we hear this a lot. People wish or would like us to make a set of requirements for state curriculums, and we simply don't actually have the statutory authority to do it. That being said, the President's Advisory Council, their first item is returning financial education to its rightful place in American schools. There are states that are doing this, but it is also all over the place in terms of the quality of what's being required, the scope of it, and we know that just simply requiring a course for one semester is not going to move the needle. It's not going to move the students as adults to make significantly better decisions.

If it was done in some continuous way over time, if it was connected to the real decisions around filling out your financial aid form, making your college choice decision, if it was coupled with a children's savings account where kids could learn to save, then you're starting to talk about making an impact. We think those are all worthy and very critical policy efforts, and we're trying to figure out the best way we can encourage and implement them, cause them to happen. But we don't have the statutory authority to kind of wave the magic wand at this point. I don't know if you want to add something, Phil.

Phil Martin: Yeah, that's right. We do, though, think it's extremely important. And so just the example that the secretary likes to share is that before he headed up the public schools in Chicago, he started a school in Chicago, a public school with the Aerial Community Education Foundation, the life blood of the curriculum for these elementary and middle school students was personal finance. They had money from a foundation they actually managed. And at the end, when there were returns on the investments that they managed, they split it.

Half of it was for themselves in a college savings account, and the other half was for a charitable purpose to improve the schools. He, the secretary, just recently visited with the President's Advisory Council for Financial Capability and said, "If we're not doing this as early as kindergarten, then we're doing it too late." So we're trying to create incentives in the programs that we do have to encourage it. So for example, in our blueprint for reauthorizing the elementary and secondary education act, no child left behind, we've included a program called Effective Teaching and Learning for Well Rounded Education. So meant to broaden the curriculum beyond just math and literacy.

And we've included personal finance and economics among the topics that we would expect to see funded. Congress hasn't acted on that yet. So we're doing what we can with existing programs. I mentioned with the GEAR UP program, including that encouragement around savings, and that's embedded in with financial and economic literacy activities that are being supported by those programs. So in the absence of a mandate, we're doing what we can to build public support for that, and to tweak our programs as we can to encourage it. Are there any other questions, comments? So just want to join me in thanking the group here, and I thank you for your participation.

[End of Audio]