

Session # 54

**Financial Access, Education, &
Consumer Protection for Students**

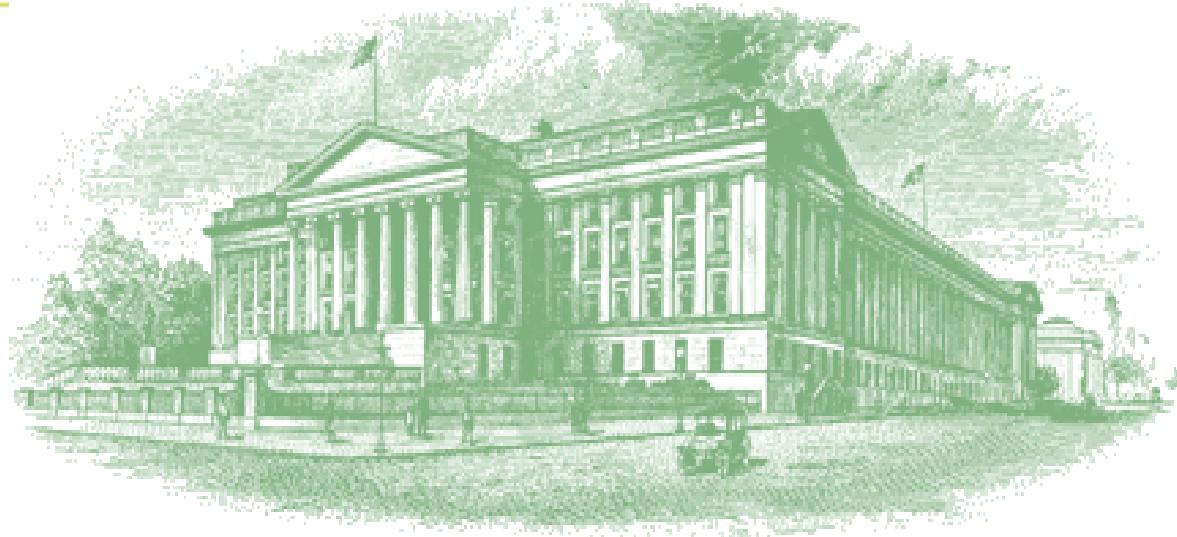
U.S. Treasury Department

Federal Deposit Insurance Corporation

Consumer Financial Protection Bureau



START HERE 
GO FURTHER
FEDERAL STUDENT AID



Financial Capability US Treasury Policy and Programs

Josh Wright
Acting Director, Financial Education and Financial Access
US Department of the Treasury



START HERE 
GO FURTHER®
FEDERAL STUDENT AID

Treasury's Perspective and Efforts on Financial Capability

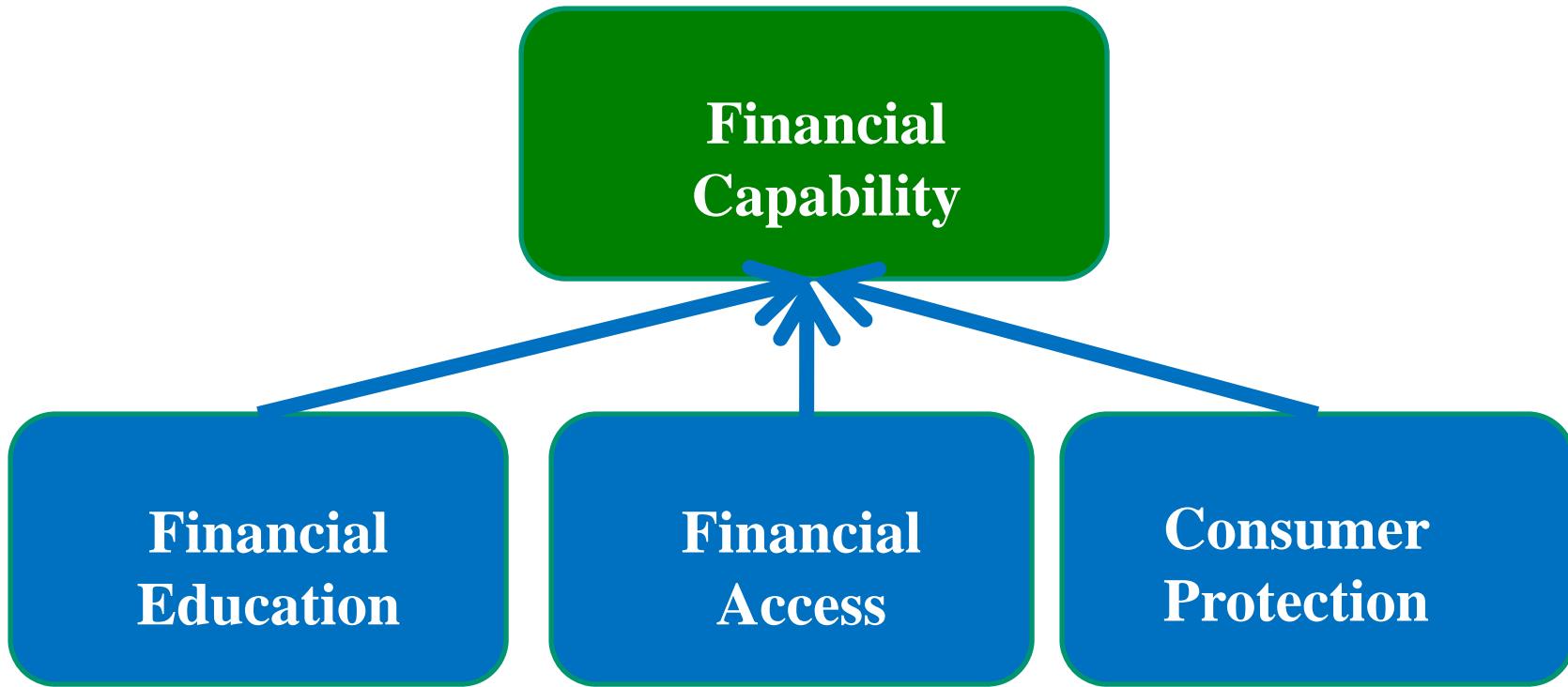
- Treasury's perspective on Financial Literacy and Capability
 - What is Financial Capability vs. Literacy
 - Why is Financial Capability Important
- Treasury's programmatic elements
 - FLEC
 - PACFC
 - “Bank On”
 - Government Touch Points



What is Financial Capability? It is Financial Literacy and More

- Financial Literacy and Financial Education are often focused on people having the correct knowledge and information.
- Knowledge and information are important, but they only get us part of the way there.
- Financial Capability includes knowledge, but focuses more on outcomes ...

Financial Capability: 3 Parts



Financial
skills
and
knowledge

Access to
appropriate
financial products

Consumer
Protection

No tricks or
traps



Why is Financial Capability So Important? It contributes to financial stability ...

- Good financial decisions and management of financial resources are the basis for individual and family financial stability – which, in turn, contributes to the financial stability of the whole economy. The future prosperity of our citizens and nation depends, in part, on the ability of Americans to make informed financial decisions.



...helps people make investments for the future and for growth ...

- Financial Capability enables individuals and families to invest in their future by helping them build retirement savings, save for an education, or save to buy a house. Ability to invest in the future is a pragmatic imperative for American families and economic growth.



... and helps people to weather financial mishaps and mistakes

- Financial Capability also helps individuals to avoid detrimental financial products and services and overcome economic challenges, such as changes in income and asset values, a car breaking down, or a medical expense.



We realize achieving behavior change is not easy

- People often, but not always, have knowledge or know what they should do in many parts of their life
- But knowing does not always translate into doing, sometimes people make decisions that are different from what their knowledge suggests they should do.
- Let's look at few examples
 - Eating
 - Sleeping
 - Risky Behavior
 - Money



What we know vs. what we do sometimes - Eating



Morgan Spurlock



START HERE
GO FURTHER 
FEDERAL STUDENT AID®

What We Know vs. What We Do Sometimes - Sleeping



What we know vs. what we do sometimes - Driving



START HERE
GO FURTHER 
FEDERAL STUDENT AID®

What we know vs. what we do sometimes - Money

Budget and Spend



Save more in the long term



START HERE
GO FURTHER®
FEDERAL STUDENT AID

It is important to factor this behavior into policy decisions & program design

- Think about integration of access and education, in the context of consumer protection regulations
- Structure programs focused on outcomes
- The specific design of financial products that get to the markets matter and have an impact on outcomes



There is more work to be done to figure out what works best in terms of outcomes

- Preliminary evidence shows that relevant, timely, and connected to a real product(s) to make decisions helps with positive outcomes.
 - Suggests that general financial knowledge curricula alone may not drive outcomes.
 - Youth education may be the exception to this because some research evidence shows connection between math capability and financial decision making.
- More rigorous outcome based research is needed of various methods to further evaluate effectiveness
 - Classroom education
 - Coaching
 - Counseling
 - Product design
 - Mobile application and other technology
 - Choice architecture (defaults, framing, starting point, etc.)

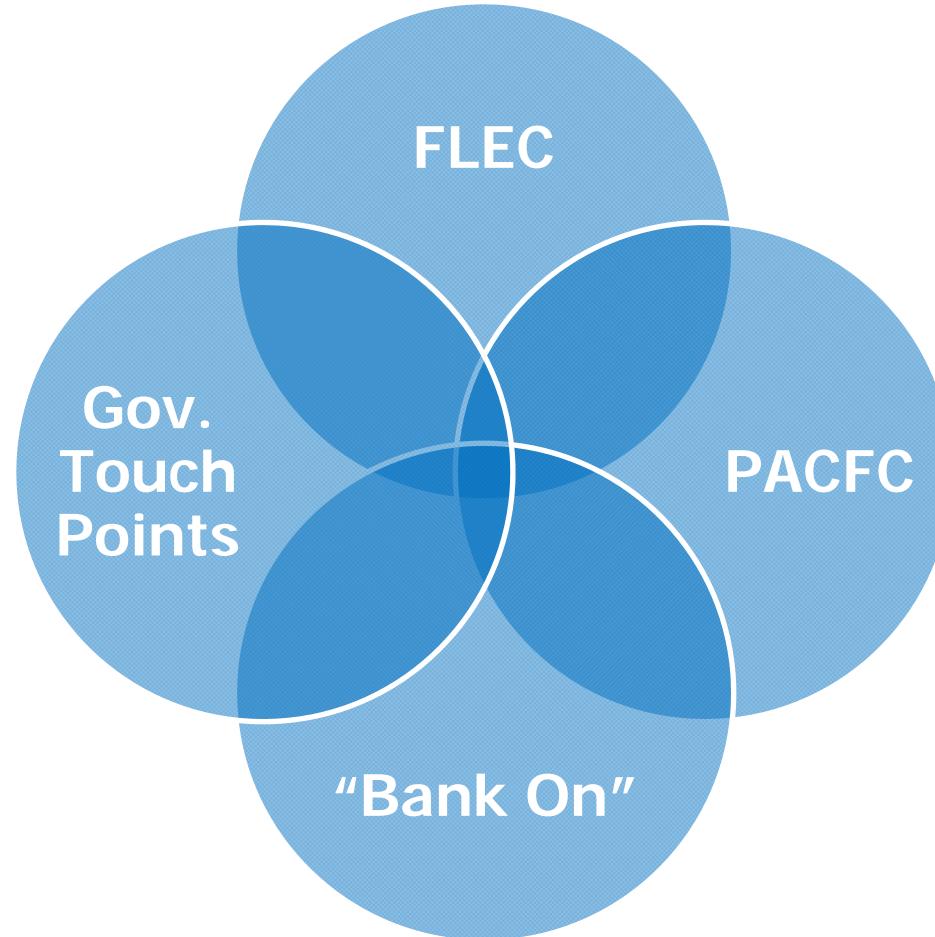


Treasury's Priorities and Approach

- Make it evidence-based
- Leverage Treasury's strengths and build on what is already working
- Focus where it's needed most
- Work in partnership with other Federal Entities, state and local governments, and private and non-profit sectors
- Innovation is required



Four Main Treasury Programmatic Elements



FLEC coordinates Federal financial literacy and education efforts

- Fair and Accurate Credit Transaction (FACT) Act of 2003.
- 21 Federal entities and is chaired by the Treasury Department, and the Consumer Financial Protection Bureau will be the Vice Chair.
- Develops a National Strategy to promote financial literacy and education.
- Hosts MyMoney.gov
- Holds public meetings three times a year and has four working groups that meet on a regular basis.



FLEC Members

U.S. Department of the Treasury (Chair)

- Board of Governors of the Federal Reserve
- Commodity Futures Trading Commission
- Consumer Financial Protection Bureau
- Department of Agriculture
- Department of Defense
- Department of Education
- Department of Health and Human Services
- Department of Housing and Urban Development
- Department of Labor
- Department of Veterans Affairs
- Federal Deposit Insurance Corporation
- Federal Trade Commission
- General Services Administration
- National Credit Union Administration
- Office of the Comptroller of the Currency
- Office of Personnel Management
- Small Business Administration
- Social Security Administration
- Securities and Exchange Commission
- White House



FLEC's National Strategy

Vision

Sustained Financial Well-Being for U.S. Individuals and Families

Mission

Set strategic direction for policy, education, practice, research, and coordination so that U.S. individuals and families make informed financial decisions

Goals

Increase awareness of & access to effective financial education

Determine and integrate core financial competencies

Improve financial education infrastructure

Identify and enhance effective practices

Earning, Spending, Saving/Investing, Borrowing, and Protecting Against Risk



Core Competencies

Core Competency	Knowledge	Action/Behavior
Earning	<ul style="list-style-type: none"> Gross versus net pay Benefits and taxes Education is important 	<ul style="list-style-type: none"> Understand your paycheck Learn about potential benefits and taxes Invest in your future
Spending	<ul style="list-style-type: none"> The difference between needs and wants 	<ul style="list-style-type: none"> Develop a spending plan Track spending habits Live within your means Understand the social and environmental impacts of your spending decisions
Saving/Investing	<ul style="list-style-type: none"> Saved money grows Know about transaction & liquid accounts Know about financial assets (checking and saving accounts, bonds, stocks, mutual funds) How to meet long-term goals and grow your wealth 	<ul style="list-style-type: none"> Start saving early; Pay yourself first Understand and establish a relationship with the financial system Comparison shop; Balance risk and return Save for retirement, child's education, and other needs; Plan for long-term goals; Track savings and monitor what you own
Borrowing	<ul style="list-style-type: none"> If you borrow now, you pay back more later The cost of borrowing is based on how risky the lender thinks you are (credit score) 	<ul style="list-style-type: none"> Avoid high cost borrowing; Plan, understand, and shop around Understand how information in your credit score affects borrowing Plan and meet your payment obligations Track borrowing habits Analyze renting versus owning a home
Protecting	<ul style="list-style-type: none"> Act now to protect yourself from potential catastrophe later Identify theft/fraud/scams 	<ul style="list-style-type: none"> Choose appropriate insurance Build up an emergency fund Shop around Protect your identity Avoid fraud and scams Review your credit report



National Strategy implementation plans

- FLEC as a whole implementing the strategy
 - Federal Research Clearing House
 - Refine Core Competency, create materials, and map out a campaign
- FLEC member entities create implementation plan with measurable goals
 - Focus on serving the specific constituencies of the agencies and the specific programs
- Engagement with outside partners

President's Advisory Council for Financial Capability is making progress

- PACFC created by Executive Order 13530 on January 29, 2010, to assist the American people in understanding financial matters and making informed financial decisions, and thereby contribute to financial stability.
- PACFC is focusing on three themes
 - Financial education should take its rightful place in American schools.
 - We should build a financially capable workforce and retiree community, which is necessary for a stable and globally competitive economy.
 - Americans should also learn the core concepts of personal finance at the heart of their lives— in their families and in their communities.



Treasury's “Bank On” efforts



Using existing government touch points

Go Direct® and Direct Express®

- Streamline Federal Benefit payments and reduce costs
- Promotes access and provides accounts

Tax Time Accounts

- Piloted a tax time account
- Investigating future options

Bonds, Tax Time, and Treasury Direct

- Easy to purchase a savings bond at tax time
- Exploring additional channels and products to make savings through government bonds easier



Closing thoughts

- Determine success by results, not activities.
- When the stakes are high, we can't rely on information, education, and awareness alone.
- Strategies that make it easier to make the right decision are critical.
 - Optimizing default options (utilizing opt out).
 - Presentation of product and decision at the right time.
 - Structured tools to reduce number of relevant choices.



Closing thoughts related to students

- The design and fees of the transaction products (bank accounts, prepaid cards, etc.) that are provided as part of student loan “refund” can cause the products to help or hurt students. Just providing information on the product is not enough.
 - Powerful default aspect
 - Design should be in best interest of the student
- Where to go to school and how to finance it can have significant longer term impacts on students lives.



Session # 54

**Financial Access, Education, &
Consumer Protection for Students**

**Luke W. Reynolds
Federal Deposit Insurance Corporation**



START HERE 
GO FURTHER
FEDERAL STUDENT AID®

About FDIC

- An independent federal agency
- Major functions:
 - Insuring deposits
 - Bank supervision
 - Failed bank resolution
 - Economic inclusion and access to mainstream banking services



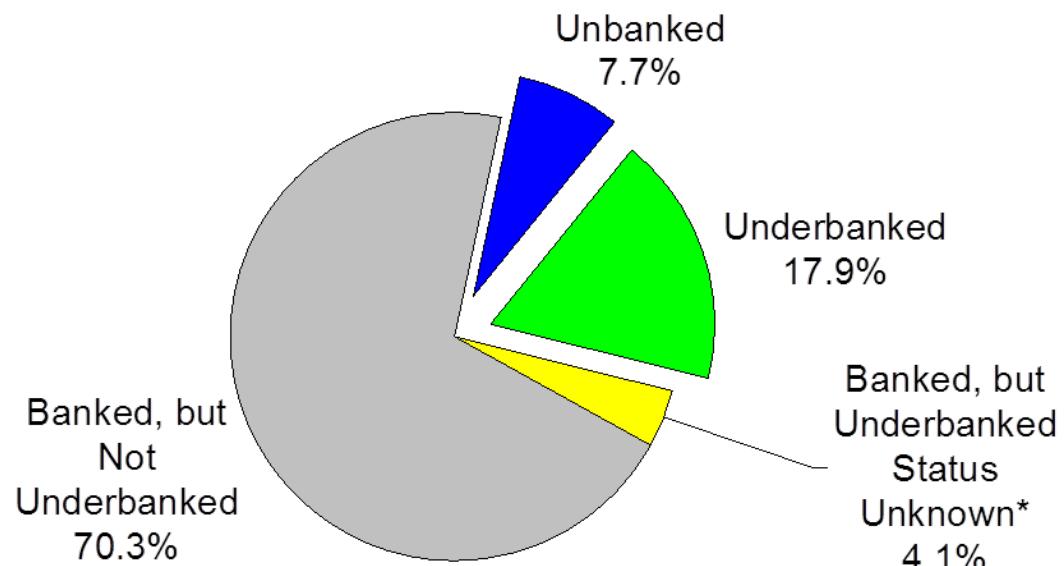
Some Quick Statistics

- Young adults most likely to incur substantial (and costly) automated overdraft fees
- Universities lose more college students to financial debt than to academic failure
- Young adults more likely to be unbanked/underbanked



Banking Status of Households

- **7.7%** of households (at least 17 mm adults) are **unbanked**
- **17.9%** of households (about 43 mm adults) are **underbanked**
- Combined, at least **25.6%** of households (about 60 mm adults) are **unbanked or underbanked**



Notes: Percentages are based on 118.6 million U.S. households. Percentages do not always sum to 100 because of the rounding of household weights to represent the population totals.
* These households are banked, but there is not enough information to determine if they are underbanked.

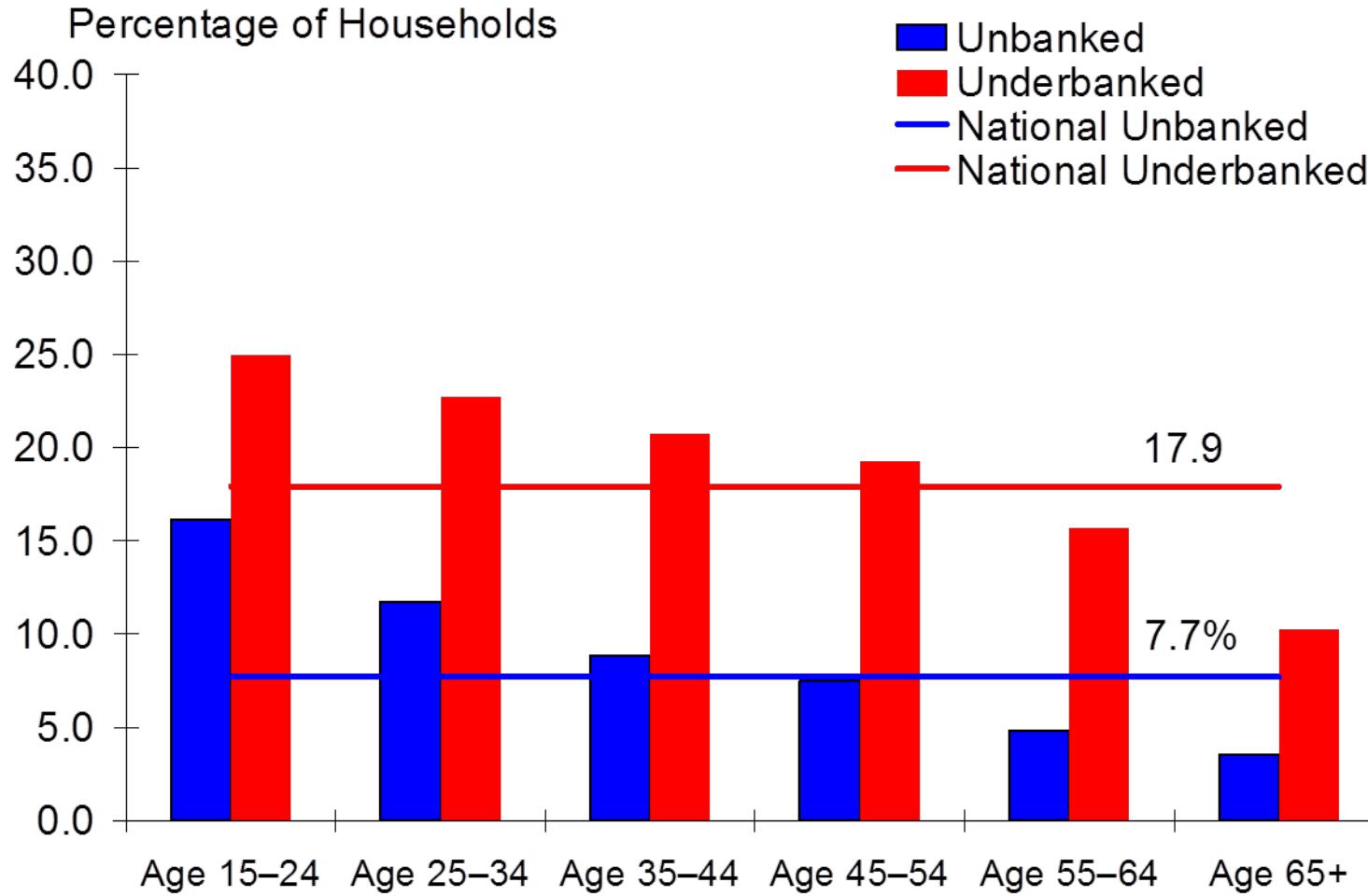


Unbanked Adults by Population

Unbanked Adults	
<i>Overall – US adult population</i>	7.7%
African-American	32%
Hispanic	24%
Native American/Alaska Native	29%
Single female parent household	20%
Single male parent household	15%
Household income less than \$30,000	20%
Less than a high school diploma	25%



Un/Underbanked Households by Age



Solutions

- Supply of appropriate banking products
 - FDIC Model Safe Accounts Pilot
 - Alliance for Economic Inclusion
- Demand for these products
 - Financial Education



Safe Account Templates

- Template for safe, low-cost accounts
- Product features designed to meet the needs of underserved consumers
- Nine banks selected to pilot templates



Elements of the FDIC Model Safe Accounts

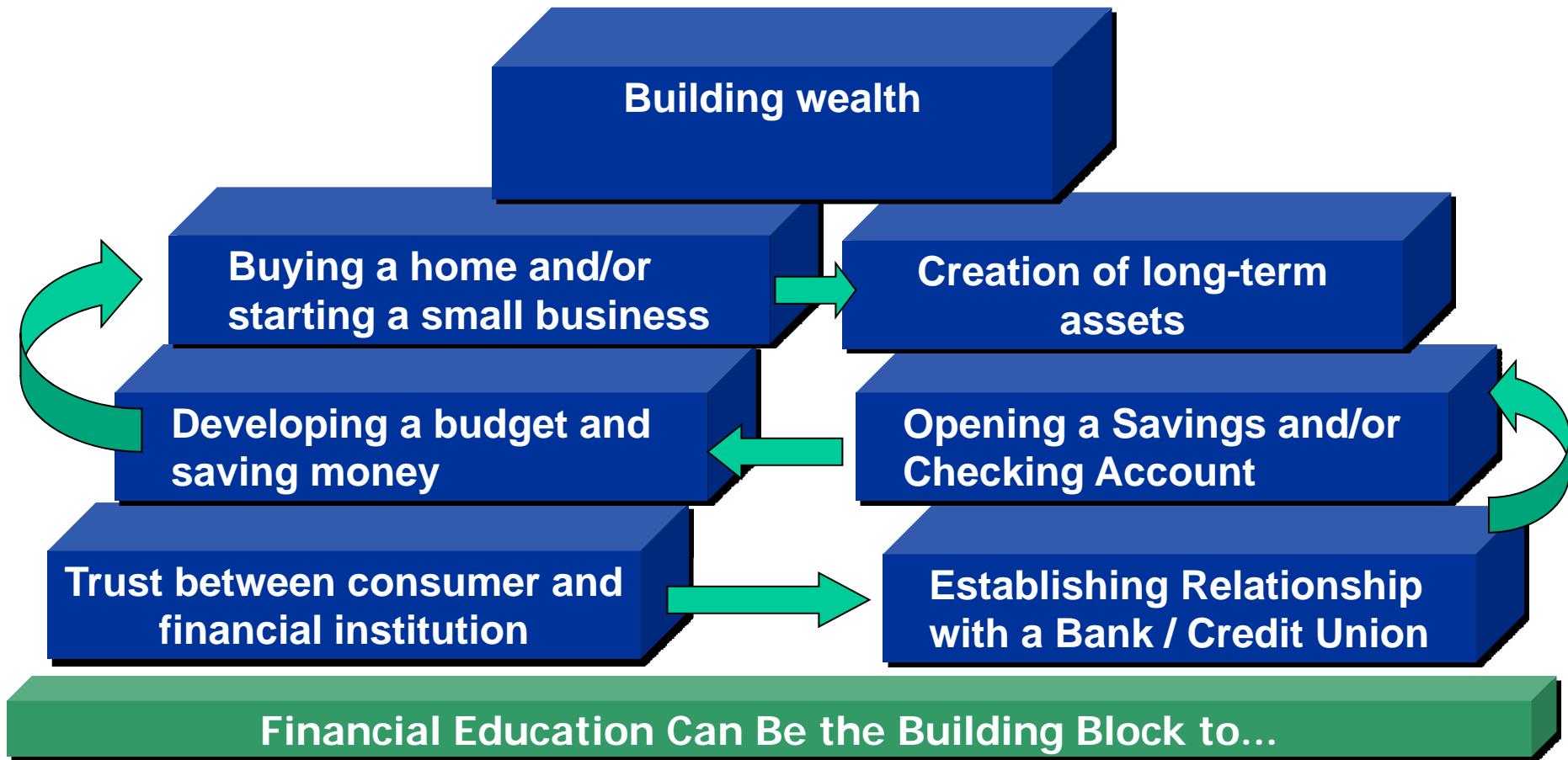
	Transactional Account	Basic Savings Account
Core Features and Fees		
Card-based electronic account	√	√
No overdraft or NSF fees	√	--
Interest bearing	--	√
Direct deposit	Free	Free
Automatic saving	Free	Free
Online and mobile banking/ bill pay	Free	Free
Electronic statements (with consumer's consent)	Free	Free
Opening balance	\$10 - \$25	\$5
Monthly minimum balance	\$1	\$5
Monthly maintenance fee	Up to \$3	None, if minimum balance is met
Money orders/e-checks	2 free per month, additional for a fee that is reasonable and proportional to the cost	--
Check cashing	Drawn on insured institution: Free Not drawn on insured institution: Fee that is reasonable and proportional to cost	Drawn on insured institution: Free Not drawn on insured institution: Fee that is reasonable and proportional to cost
General funds availability (subject to appropriate exceptions, e.g. large deposits)	Same day or next day from an established customer	Same day or next day from an established customer

Alliance for Economic Inclusion

- FDIC-led coalitions in 14 communities
- Key lessons learned:
 - Strong local partnerships
 - Diverse financial services
 - Access and Flexibility
 - Financial Education



Financial Education: the Foundation



FDIC Money Smart

- Money Smart Financial Education Curriculum
 - Instructor-led version
 - Adults
 - Young adults
 - Mp3 (podcast) format
 - Self-paced online



Money Smart Changes Behavior

- Statistically significant improvements 6-12 months after Money Smart in:
 - Unbanked participants opening account
 - Banked consumers selecting a new account (comparison-shopping)
 - Using spending plans (budgets)
 - Paying bills on-time



Where Do I Begin?

- Assess audience needs
- Talk to banks/credit unions
 - Product offerings
 - Financial Education
- Identify related initiatives



For more information:

The screenshot shows the homepage of ECONOMICINCLUSION.GOV. The top right features the FDIC logo. Below the logo are three navigation links: INITIATIVES, HOUSEHOLD SURVEY, and PRESS ROOM. A large map of the United States serves as the background for the main content area. To the right of the map, the text "NATIONAL HOUSEHOLD SURVEY" is displayed in large white letters. Below this, a subtitle reads "Results from the 2009 FDIC National Survey of Unbanked and Underbanked Households." It also encourages users to "Read the [full report](#) and [Executive Summary](#)". At the bottom right are four buttons labeled NATION, REGION, STATE, and MSA.

ECONOMICINCLUSION.GOV

FDIC

> INITIATIVES > HOUSEHOLD SURVEY > PRESS ROOM

NATIONAL
HOUSEHOLD
SURVEY

Results from the 2009 FDIC National Survey of
Unbanked and Underbanked Households.
Read the [full report](#) and [Executive Summary](#).

NATION REGION STATE MSA



START HERE
GO FURTHER®
FEDERAL STUDENT AID

Contact Information

We appreciate your feedback & comments.

- E-mail: lureynolds@fdic.gov
- Phone: (703) 254-1045



START HERE
GO FURTHER®
FEDERAL STUDENT AID



Consumer Financial
Protection Bureau

www.ConsumerFinance.gov



START HERE GO FURTHER®
FEDERAL STUDENT AID

The CFPB's vision

A consumer finance marketplace...

*where **customers** can see prices and risks up front and where they can easily make product comparisons;*

*in which **no one** can build a business model around unfair, deceptive, or abusive practices;*

*that **works for** American consumers, responsible providers and the economy as a whole.*

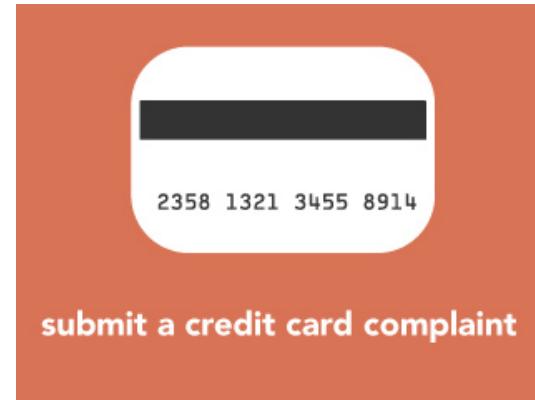


Risks facing student consumers

- Private student loans
- Credit, debit, and prepaid cards
- Student loan “refund” cards
- Tuition payment plans
- Deposit accounts
- Debt collection



Some of our offerings



**Student debt
repayment assistant**



START HERE 
GO FURTHER
FEDERAL STUDENT AID®

Know Before You Owe

PINYON BANK

4201 Random Boulevard • Somuch, NM 54321

DATE MADE: 10/17/2011

LOAN ID #: 1330172608

Your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on 10/31/2011 at 3:00 pm, MDT.

Loan Estimate

APPLICANTS James White and Jane Johnson
PROPERTY 456 Avenue A, Anytown, NM 12345

LOAN TERM 30 years
PURPOSE Purchase
PRODUCT Fixed Rate
LOAN TYPE Conventional FHA VA

Loan Terms		Can this amount increase after closing?
Loan Amount	\$162,000	NO
Interest Rate	3.875%	NO
Monthly Principal & Interest See Projected Payments Below for Your Total Monthly Payment	\$761.79	NO
Does the loan have these features?		
Prepayment Penalty	NO	
Balloon Payment	NO	

Projected Payments

Payment Calculation	Years 1-7	Years 8-30
Principal & Interest	\$761.79	\$761.79
Mortgage Insurance	+ 82	—
Estimated Taxes & Insurance Amount Can Increase Over Time	+ 206	+ 206
Estimated Total Monthly Payment	\$1,050	\$968
Escrow Information for Estimated Taxes & Insurance	\$206 a month	 Escrow: Your monthly payment includes your taxes and insurance.  No escrow: You must pay your taxes and insurance separately from your loan payments.



START HERE
GO FURTHER®
FEDERAL STUDENT AID



University of the United States (UUS)
Private 4-year

Example only,
fictional data

How to pay for college Prepared for Abigail Adams, first year student

How much will it cost each year?

TOTAL COST FOR FULL TIME ATTENDANCE		\$ 29,000 / yr
Tuition and Fees	.....	\$ 21,000
Housing and Meals	.....	\$ 5,000
Books and Supplies	.....	\$ 2,000
Transportation and other personal expenses	.....	\$ 1,000

TOTAL GRANTS AND SCHOLARSHIPS		\$ 11,000 / yr
Grants from your school	.....	\$ 5,000
Federal Pell Grant	.....	\$ 4,500
Grants from your state	.....	\$ 500
Other scholarships you can use	.....	\$ 1,000

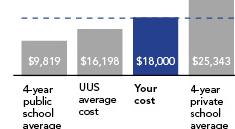
What you will pay for one year		\$ 18,000 / yr

What are your loan and work study options?

FEDERAL LOANS THAT YOU ARE ELIGIBLE FOR		\$ 8,000 / yr
Perkins Loan	.....	\$ 2,500
Subsidized Stafford Loan	.....	\$ 3,000
Unsubsidized Stafford Loan	.....	\$ 2,500
FEDERAL WORK STUDY		\$ 4,000 / yr
PRIVATE STUDENT LOANS		\$ 6,000 / yr

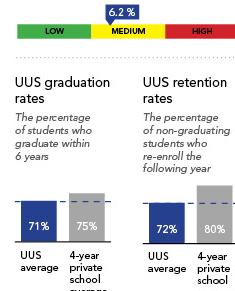


How does your cost compare?



UUS student loan default rate

The percentage of students from this school who defaulted on their Federal Stafford loans within the first 3 years of repayment.



After graduation, how much will you owe?

ESTIMATED MONTHLY PAYMENT FOR FEDERAL LOANS		\$ 411 / mth
Estimated total federal loan debt	.....	\$ 37,000
ESTIMATED MONTHLY PAYMENT FOR PRIVATE LOANS		\$ 297 / mth
Estimated total private loan debt	.....	\$ 26,000
YOUR TOTAL ESTIMATED DEBT		\$ 63,000
Your estimated monthly payment for all loans		\$ 708 / mth

University of the United States (UUS)
Financial Aid Office
123 Main Street
Anytown, ST 12345
(123) 456-7890
financialaid@uus.edu

For further explanation and next steps, visit <http://www.url.com/school/personalurl>

Session # 54

Financial Access, Education, & Consumer Protection for Students

www.MyMoney.gov

www.EconomicInclusion.gov

www.ConsumerFinance.gov



START HERE 
GO FURTHER®
FEDERAL STUDENT AID