

# Session # 54

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

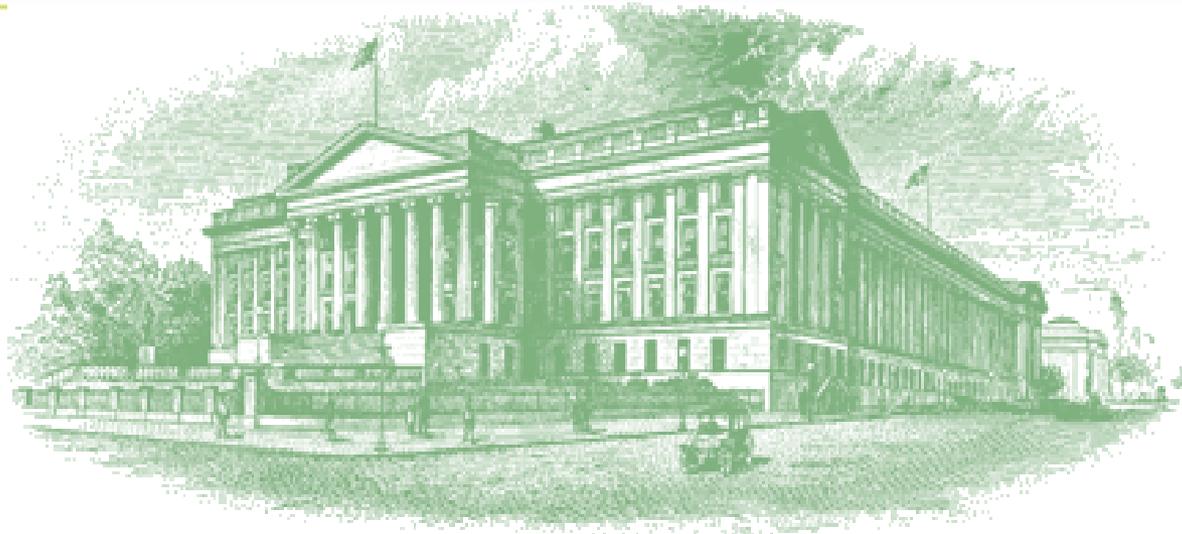
U.S. Treasury Department

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

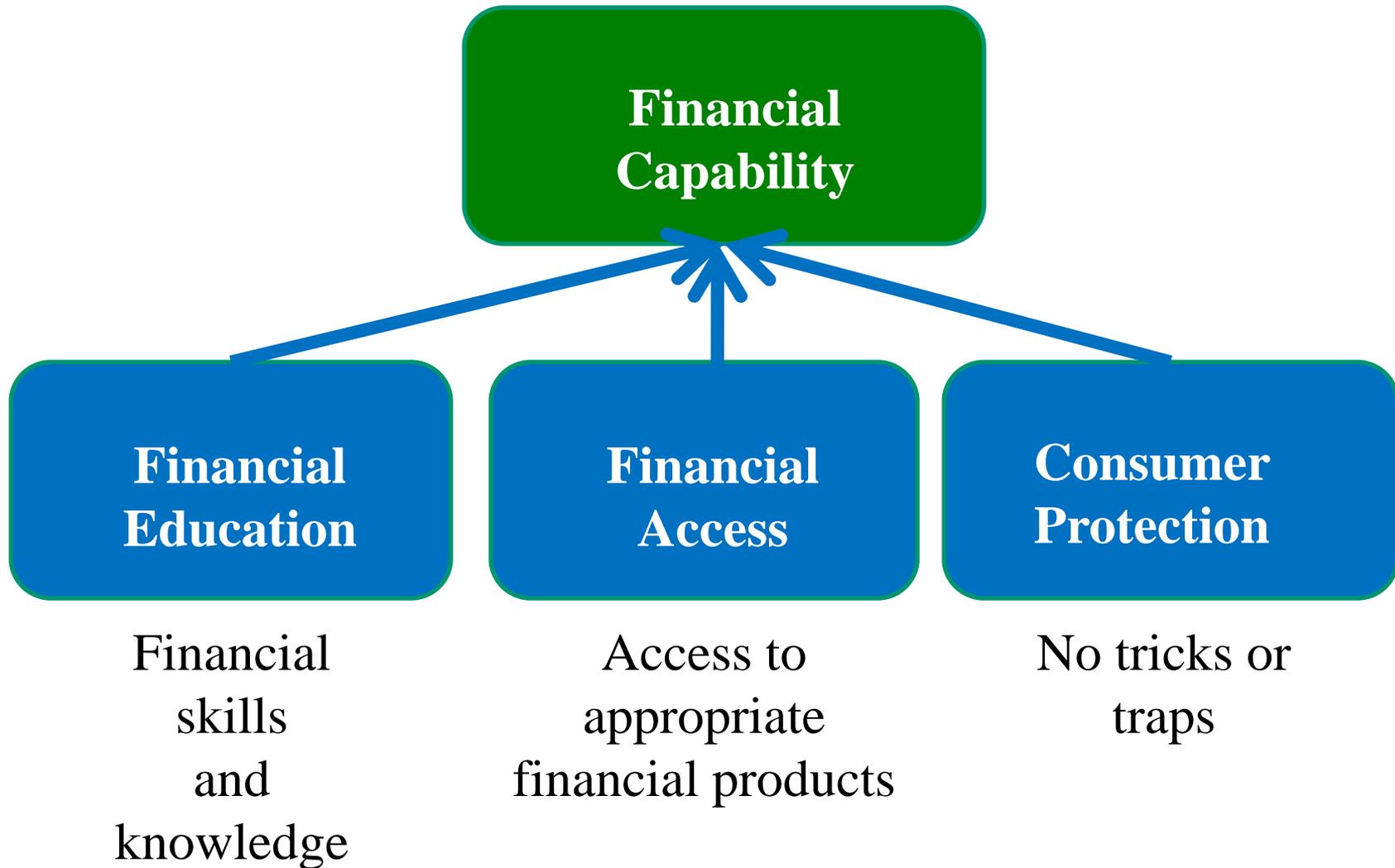


# What is Financial Capability?

## 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



# 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

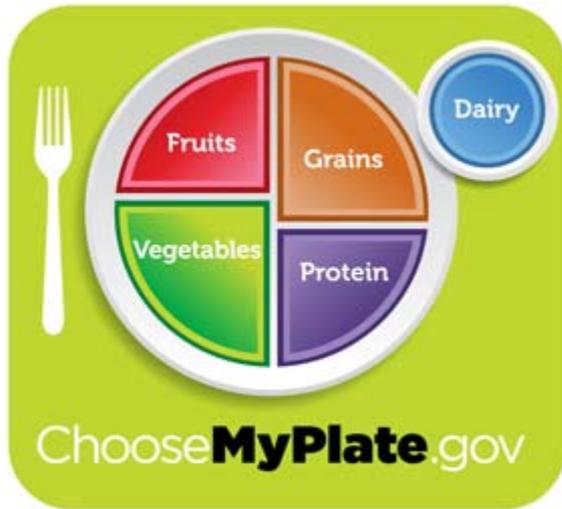
- Financial Capability also helps individuals to avoid detrimental financial products and services and overcome economic challenges, such as changes in income and asset values, a car breaking down, or a medical expense.

# 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



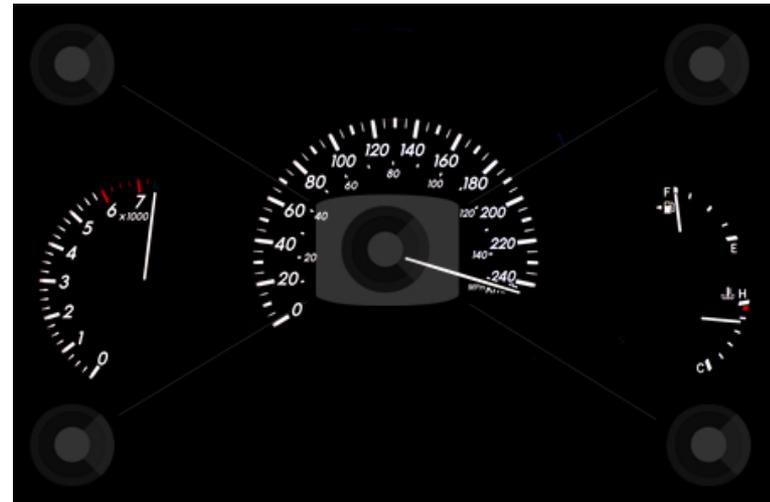
Morgan Spurlock



# What We Know vs. What We Do Sometimes - Sleeping



# What we know vs. what we do sometimes - Driving



# 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

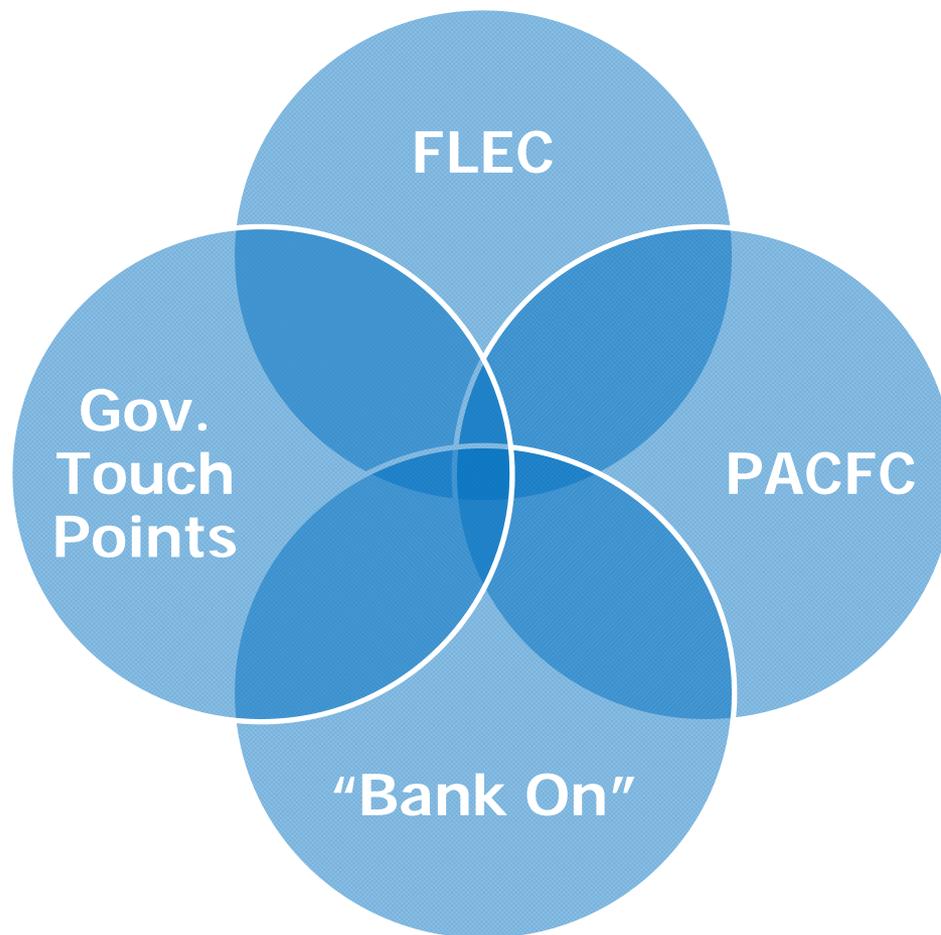
- Preliminary evidence shows that relevant, timely, and connected to a real product(s) to make decisions helps with positive outcomes.
  - Suggests that general financial knowledge curricula alone may not drive outcomes.
  - Youth education may be the exception to this because some research evidence 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
<b>Earning</b>	<ul style="list-style-type: none"> <li>• Gross versus net pay</li> <li>• Benefits and taxes</li> <li>• Education is important</li> </ul>	<ul style="list-style-type: none"> <li>• Understand your paycheck</li> <li>• Learn about potential benefits and taxes</li> <li>• Invest in your future</li> </ul>
<b>Spending</b>	<ul style="list-style-type: none"> <li>• The difference between needs and wants</li> </ul>	<ul style="list-style-type: none"> <li>• Develop a spending plan</li> <li>• Track spending habits</li> <li>• Live within your means</li> <li>• Understand the social and environmental impacts of your spending decisions</li> </ul>
<b>Saving/Investing</b>	<ul style="list-style-type: none"> <li>• Saved money grows</li> <li>• Know about transaction &amp; liquid accounts</li> <li>• Know about financial assets (checking and saving accounts, bonds, stocks, mutual funds)</li> <li>• How to meet long-term goals and grow your wealth</li> </ul>	<ul style="list-style-type: none"> <li>• Start saving early; Pay yourself first</li> <li>• Understand and establish a relationship with the financial system</li> <li>• Comparison shop; Balance risk and return</li> <li>• Save for retirement, child's education, and other needs; Plan for long-term goals; Track savings and monitor what you own</li> </ul>
<b>Borrowing</b>	<ul style="list-style-type: none"> <li>• If you borrow now, you pay back more later</li> <li>• The cost of borrowing is based on how risky the lender thinks you are (credit score)</li> </ul>	<ul style="list-style-type: none"> <li>• Avoid high cost borrowing; Plan, understand, and shop around</li> <li>• Understand how information in your credit score affects borrowing</li> <li>• Plan and meet your payment obligations</li> <li>• Track borrowing habits</li> <li>• Analyze renting versus owning a home</li> </ul>
<b>Protecting</b>	<ul style="list-style-type: none"> <li>• Act now to protect yourself from potential catastrophe later</li> <li>• Identify theft/fraud/scams</li> </ul>	<ul style="list-style-type: none"> <li>• Choose appropriate insurance</li> <li>• Build up an emergency fund</li> <li>• Shop around</li> <li>• Protect your identity</li> <li>• Avoid fraud and scams</li> <li>• Review your credit report</li> </ul>



# 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<sup>®</sup> and Direct Express<sup>®</sup>

- 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

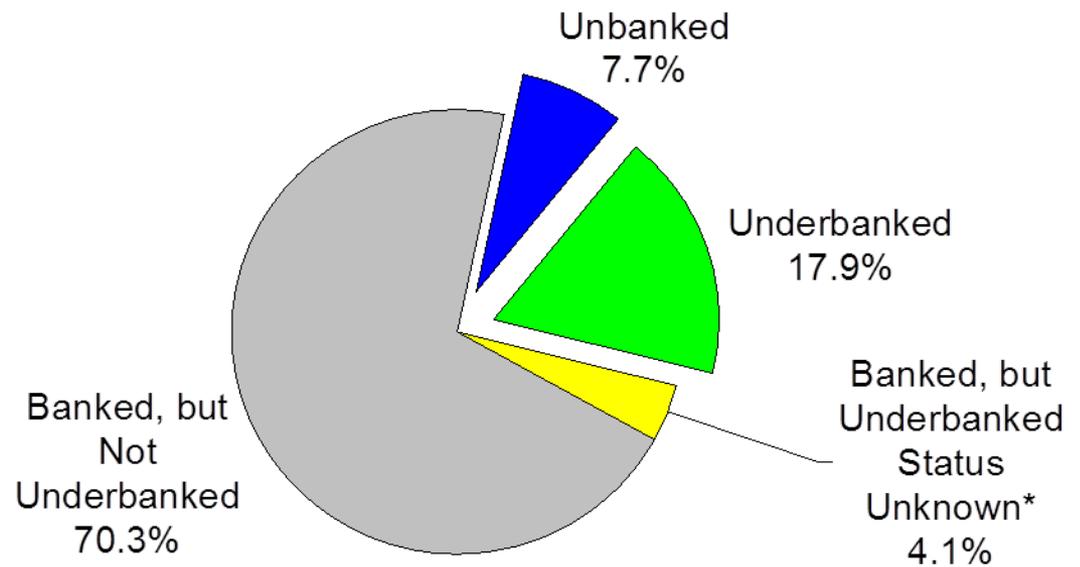
- An independent federal agency
- Major functions:
  - Insuring deposits
  - Bank supervision
  - Failed bank resolution
  - Economic inclusion and access to mainstream banking services

# 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**



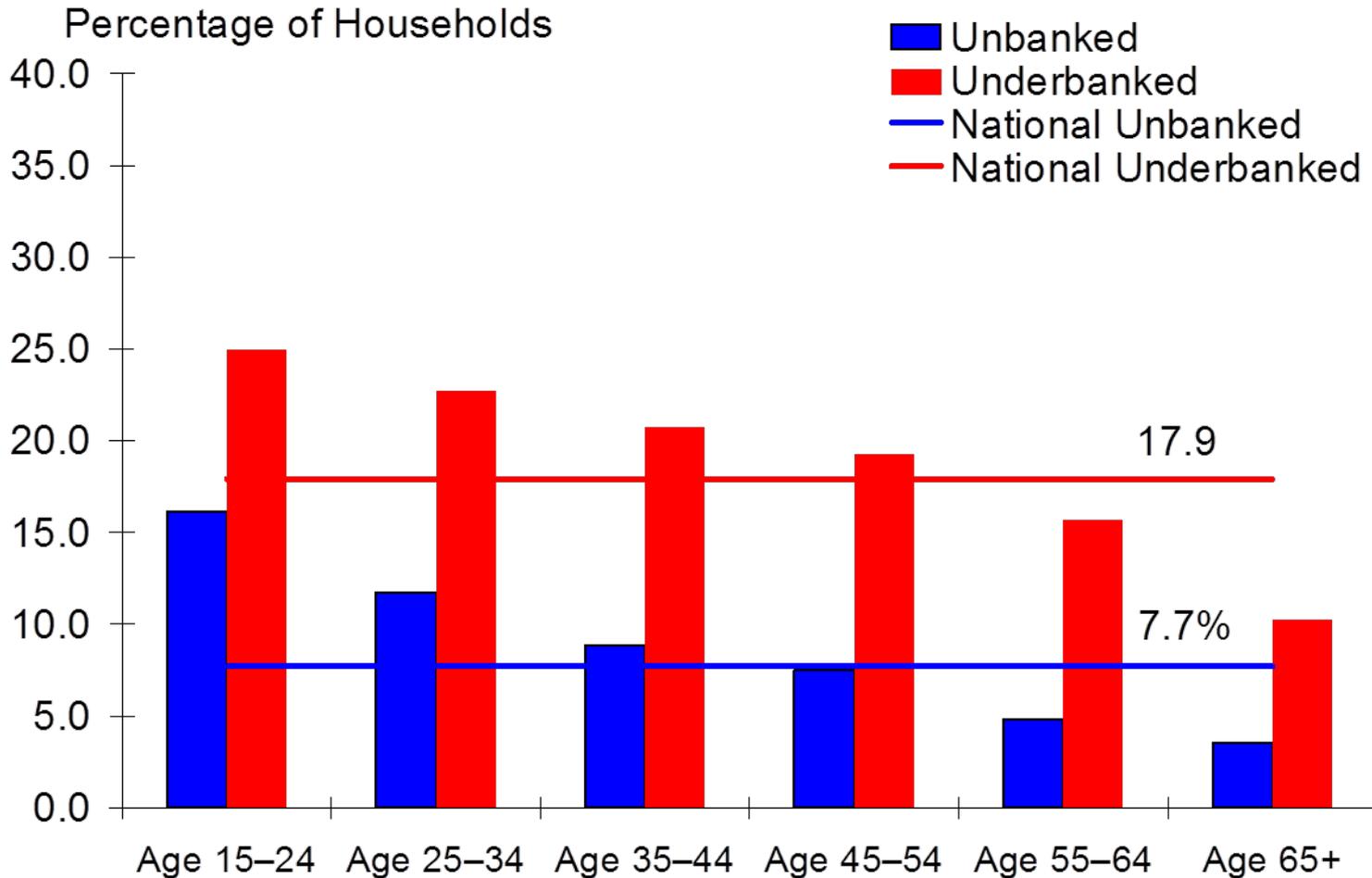
Notes: Percentages are based on 118.6 million U.S. households. Percentages do not always sum to 100 because of the rounding of household weights to represent the population totals.  
\* These households are banked, but there is not enough information to determine if they are underbanked.



# Unbanked Adults by Population

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

# 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

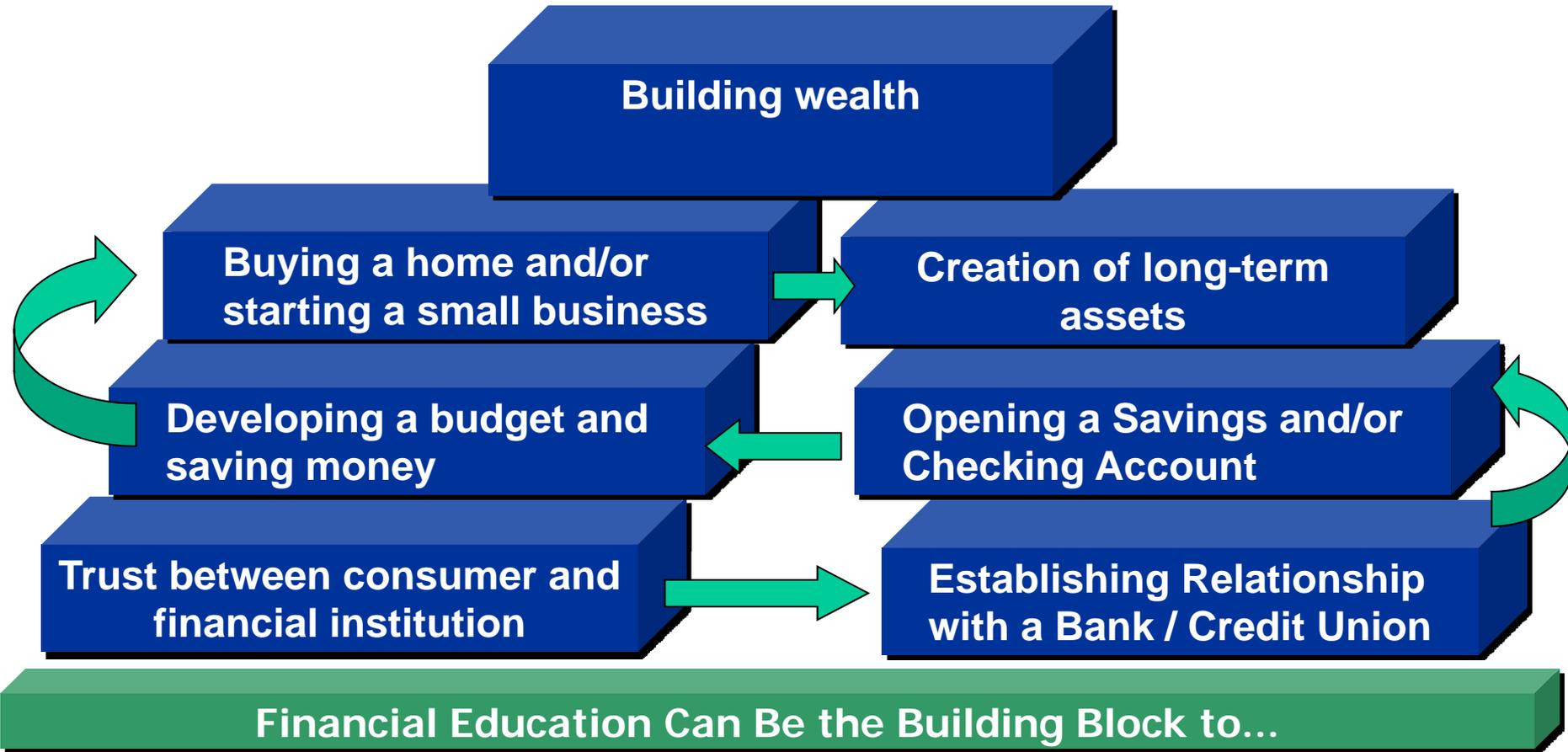
	Transactional Account	Basic Savings Account
<b>Core Features and Fees</b>		
Card-based electronic account	√	√
No overdraft or NSF fees	√	--
Interest bearing	--	√
Direct deposit	Free	Free
Automatic saving	Free	Free
Online and mobile banking/ bill pay	Free	Free
Electronic statements (with consumer's consent)	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:



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](mailto:lureynolds@fdic.gov)
- Phone: (703) 254-1045



Consumer Financial  
Protection Bureau

[www.ConsumerFinance.gov](http://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;*

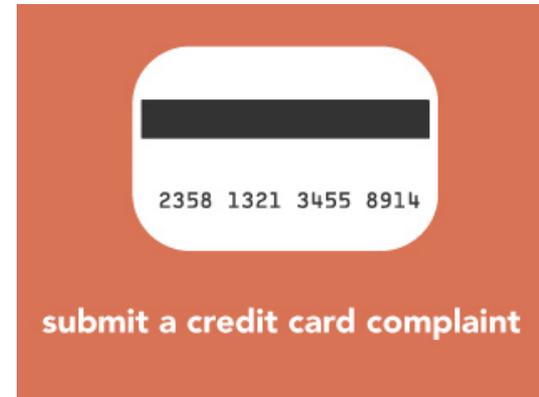
*in which **no one** can build a business model around unfair, deceptive, or abusive practices;*

*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

4321 Random Boulevard • Somersby, NM 84321

DATE ISSUED 10/17/2011      LOAN ID # 1330172008  
 Your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on 10/21/2011 at 3:00 p.m. 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 <i>See Projected Payments Below for Your Total Monthly Payment</i>	\$761.79	NO
Does the loan have these features?		
Prepayment Penalty		NO
Balloon Payment		NO

Projected Payments	Years 1-7	Years 8-30
Payment Calculation		
Principal & Interest	\$761.79	\$761.79
Mortgage Insurance	+ 82	—
Estimated Taxes & Insurance <i>Amount Can Increase Over Time</i>	+ 206	+ 206
Estimated Total Monthly Payment	\$1,050	\$968
Enroll Information for Estimated Taxes & Insurance	\$206 a month	<input checked="" type="checkbox"/> Enroll Your monthly payment includes your taxes and insurance. No enroll. You must pay your taxes and insurance separately from your loan payments.



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

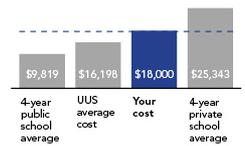
Example only, fictional data

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

### How much will it cost each year?

<b>TOTAL COST FOR FULL TIME ATTENDANCE</b>		\$ 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	
<b>TOTAL GRANTS AND SCHOLARSHIPS</b>		\$ 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	
<b>What you will pay for one year</b>		\$ 18,000 / yr

### How does your cost compare?



### What are your loan and work study options?

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

### After graduation, how much will you owe?

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

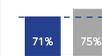
### UUS student loan default rate

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



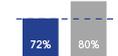
### UUS graduation rates

The percentage of students who graduate within 6 years



### UUS retention rates

The percentage of non-graduating students who re-enroll the following year



### University of the United States (UUS)

Financial Aid Office  
 123 Main Street  
 Anytown, ST 12345  
 (123) 456-7890  
 financialaid@uus.edu



START HERE  
 GO FURTHER  
 FEDERAL STUDENT AID

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](http://www.MyMoney.gov)

[www.EconomicInclusion.gov](http://www.EconomicInclusion.gov)

[www.ConsumerFinance.gov](http://www.ConsumerFinance.gov)



START HERE  
GO FURTHER  
FEDERAL STUDENT AID®