



STATEMENT

OF

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NATIONAL CREDIT UNION ADMINISTRATION

ON

“FINANCIAL LITERACY AND EDUCATION: THE EFFECTIVENESS OF  
GOVERNMENTAL AND PRIVATE SECTOR INITIATIVES”

BEFORE THE

HOUSE FINANCIAL SERVICES COMMITTEE

April 15, 2008

## Introduction

The National Credit Union Administration's (NCUA) primary missions are to ensure both safety and soundness and compliance with applicable federal regulations for federally insured credit unions. It performs these important public functions by examining all federal credit unions (FCU), participating in the supervision of federally insured state-chartered credit unions in coordination with state regulators, and insuring credit union member accounts. In its statutory role as the administrator for the National Credit Union Share Insurance Fund (NCUSIF), NCUA provides oversight and supervision to 8,101 federally insured credit unions (as of 12/31/07), representing 98 percent of all credit unions and approximately 87 million members.<sup>1</sup>

NCUA regulates and insures all FCUs and insures most state-chartered credit unions. Under this framework, NCUA is responsible for enforcing regulations in FCUs and for evaluating safety and soundness in all federally insured credit unions. NCUA is responsible for monitoring and enforcing compliance with most federal consumer laws and regulations in FCUs. In state-chartered credit unions, the appropriate state supervisory authority has regulatory oversight and enforces state consumer laws and regulations.

NCUA appreciates this opportunity to outline the important role it and the credit union community are playing in our nation's financial literacy efforts. NCUA's testimony

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<sup>1</sup> Approximately 167 state-chartered credit unions are privately insured and are not subject to NCUA oversight.

will address its financial literacy initiatives and programs, examples of the credit union community's best practices pertaining to financial literacy programs, the role of NCUA's service as a member agency on the U.S. Financial Literacy and Education Commission (Commission), and NCUA Chairman JoAnn Johnson's role as chair of the Commission's My.Money.Gov website subcommittee.

### **NCUA's Efforts to Promote Financial Literacy**

NCUA has a long history of providing financial education programs for use by credit unions. For example, in the 1960s NCUA's predecessor agency the Bureau of Federal Credit Unions, in concert with the U.S. Office of Economic Opportunity, chartered over 700 federal credit unions aimed specifically at providing financial services to low-income consumers. The Bureau of Federal Credit Unions also provided consumer education programs such as Project Moneywise, to support these new credit unions.<sup>2</sup> Current NCUA efforts are focused in three main areas – training, assistance, and partnership programs.

#### **Training**

NCUA hosts a variety of training workshops and conferences to help equip the credit union industry with best practices to improve the financial literacy of credit union members, particularly those of underserved communities. NCUA's Office of Small Credit Union Initiatives conducts numerous credit union workshops across the country, tailored specifically to credit unions with assets of \$50 million or less. The free training

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<sup>2</sup> Member Service Assessment Pilot Program (MSAP), page 17.

provides credit unions with information designed to bring underserved consumers into the financial mainstream and enhance their financial literacy. Since institution of these workshops, approximately 1,900 credit union representatives from 1,060 credit unions have attended.

“Access Across America” is a financial education initiative created and implemented by NCUA that features periodic regional conferences highlighting public and private-sector “best practices” initiatives and solution-based efforts for consumers in lower income strata. These conferences have focused on issues such as sustaining homeownership; saving for education and retirement; building assets through the IRS Volunteer Income Tax Assistance Program (VITA); improving use of credit; and meeting the special financial needs of military communities.

Additionally, NCUA promotes financial literacy through a “Financial Literacy Library” located on its website, [www.ncua.gov](http://www.ncua.gov). The library provides consumers access to a clearinghouse of printable brochures and resources addressing important financial management topics, including identity theft prevention, credit card debt management, and detailed information about NCUSIF-insured accounts. The library also includes links to resources provided by Federal agencies and the private sector, including FDIC Consumer News and Money Smart, U.S. Department of Treasury’s Office of Financial Education, and Jump\$tart.

## **Assistance**

To further the Agency's outreach to underserved communities, NCUA administers the Community Development Revolving Loan Fund (CDRLF) program. CDRLF is funded through congressional appropriations, providing financial assistance for low-income designated credit unions – credit unions consisting of 50 percent or more low-income members. This financial assistance may be in the form of a loan or a technical assistance grant (TAG). The financial assistance programs are broadly structured so that low-income designated credit unions may create outreach programs that meet individual community needs. Since 2004, NCUA has awarded \$500,341 in TAGs to credit unions for financial education and related purposes. Examples of successful implementation of these resources by NCUA include:

- Consolidated member outreach grants into the *Enhancing Member Services TAG Initiative*. Credit unions were able to receive funding for financial education, homeownership, and other member outreach programs.
- Offered grants to low-income credit unions specifically for the implementation of a *Financial Education TAG Initiative*. This initiative funded basic credit counseling and savings programs that help consumers avoid or prevent foreclosure.
- Promoted the *Volunteer Income Tax Assistance TAG Initiative*, including a financial education portion.
- Developed the *Outreach and Partnering TAG Initiative* which embodied the *Enhancing Member Services TAG Initiative*, and added an opportunity for

credit unions to establish a partner relationship with a government agency, community group, school, or non-profit, for the purpose of providing financial education, homeownership, or savings programs to their communities. Using the strengths of the partner organization, the credit union could provide services to the community.

Notable success stories of the TAG Initiative benefiting credit unions include:

- Syracuse Cooperative Federal Credit Union in Syracuse, New York, offers bilingual financial education workshops addressing homeownership, qualifying for a mortgage, and building credit. The credit union also deploys financial advisors who help members avoid foreclosure by providing housing counseling and access to mortgage lenders, realtors, or legal advisors. The credit union used the funds to revise a financial education workbook for teaching disabled high school students.
- North Side Community Federal Credit Union in Chicago, Illinois, serves recent immigrants by linking its financial education program to a citizenship readiness program, providing counseling to immigrants regarding saving and money management.

In addition to offering financial assistance, NCUA staff provides technical assistance and expertise to credit unions serving low-income populations. For example:

- NCUA staff worked to enhance delivery of financial education resources to Native American populations served by Bear Paw Credit Union in Havre, Montana, enhancing delivery of financial education resources to the Native American population residing on the nearby Fort Belknap Indian Reservation.
- NCUA's Economic Development Specialists (EDS) are trained to provide individualized assistance to credit unions. EDS facilitates strategic planning sessions and provides insight so credit unions may include financial literacy programs in their strategic plan.

### **Partnerships**

Through current and past initiatives such as the “Partnering and Leadership Successes” program, NCUA promotes the formation of partnerships among and between credit unions, community based organizations, government agencies, and other entities to increase financial education initiatives available to credit union members and their communities. NCUA fosters these partnerships by communicating available opportunities during training events, conducting on-site contacts at credit unions, and providing collaboration tools on the Agency’s website. In addition to implementing partnership initiatives, NCUA reviews and enhances existing programs on a continuing basis.<sup>3</sup>

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<sup>3</sup> In 2007, the agency formed an Outreach Task Force (OTF) as part of NCUA’s continuing efforts to improve and support the industry’s outreach to consumers, especially those of low to moderate income. The OTF’s report to the NCUA Board was delivered on February 26, 2008. The report outlines the agency’s historical outreach efforts along with recommendations to continue to expand efforts to enable and encourage a broader spectrum of credit unions serving or having the ability to serve low to moderate income consumers. These recommendations are currently under review.

*Another partnership that NCUA has facilitated involves Biz Kid\$, a national television series aimed at young people that promotes financial education. Produced for PBS by the Emmy-Award winning creators of *Bill Nye the Science Guy*, *Biz Kid\$, the series, currently airing in 47 states, focuses on financial literacy and entrepreneurship. The series encourages elementary and middle school students to learn basic concepts about money and business, and apply those concepts to real-life situations. NCUA recognizes the value of this type of programming and, in an effort to raise the profile and underscore the importance of disseminating information about financial literacy in as broad and practical way as possible, Chairman Johnson taped a video introduction targeted at credit unions in 2007.**

### **Industry Best Practices Pertaining to Financial Literacy Programs**

The Federal Credit Union Act defines the term “[Federal] credit union as a cooperative association organized for the purpose of promoting thrift among its members and creating a source of credit for provident or productive purposes.”<sup>4</sup> Credit unions are committed to helping their members achieve financial self sufficiency, and thus consider financial literacy as an important responsibility to their members. A recent NCUA study based on a survey of 472 randomly selected FCUs found that 42 percent of credit unions provide financial literacy programs (including programs focused on students), and 60 percent offer financial counseling that incorporates financial

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<sup>4</sup> FCU Act §1752.

education.<sup>5</sup> Several examples of successful financial literacy programs within the credit union industry are included below:

- Hawthorne Credit Union in Naperville, Illinois, employs bilingual staff in every member contact area, facilitates communication with members in more than seven languages, and reaches immigrant populations who would otherwise turn to predatory lending alternatives. Hawthorne Federal Credit Union now offers financial education for their multilingual and low-income members.
- Bull's Eye Credit Union in Wisconsin Rapids, Wisconsin, conducts financial literacy programs in the local schools. Topics discussed with students include: the importance of traditional financial institutions; accurately completing loan applications; and avoiding payday lenders. In a classroom setting, the credit union's president reviews the loan application process and a sample credit report.
- Navy Federal Credit Union in Merrifield, Virginia, features a step-by-step process on their website to assist members with determining how much they can afford to borrow while meeting the unique financial challenges present within the military community.
- Central Minnesota Federal Credit Union in Melrose, Minnesota, conducts an annual home buying seminar, educating members to become responsible consumers by preparing them for the entire home buying experience, such as

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<sup>5</sup> NCUA, *Member Service Assessment Pilot Program: A Study of Federal Credit Union Service* (2006), page 37. Available at [www.ncua.gov/reportsandplans/msap/msap-pilot.pdf](http://www.ncua.gov/reportsandplans/msap/msap-pilot.pdf).

making an offer on a home; budgeting for household experiences; and anticipating closing costs.

- Security Service Federal Credit Union in San Antonio, Texas, provides financial education to different age groups within its membership. For example, “Senior Smart Seminars” discuss age-related issues, like “Planning for Long-Term Care,” to senior citizens.
- Alternatives Federal Credit Union in Ithaca, New York, designed a model describing where people are situated in various points along a continuum between poverty and self-sufficiency, what financial services are needed, and how to move along the “Alternatives Credit Path®” to financial independence. The credit union also offers “Money Wise,” a practical guide that provides consumers with tools to address financial issues.
- Police and Fire Federal Credit Union in Philadelphia, Pennsylvania, partners with the Consumer Credit Counseling Service of Delaware Valley to provide members with access to free confidential credit counseling and debt management planning.
- Through the New York City Financial Network Action Consortium, Lower East Side Federal Credit Union, Lower East Side People’s Federal Credit Union, Union Settlement Federal Credit Union, and Brooklyn Cooperative Federal Credit Union process Individual Taxpayer Identification Number applications and offer Individual Development Accounts (IDAs) in conjunction with financial literacy training. Lower East Side Federal Credit Union also offers home and association financing options for low-income residents, including

rehabilitation financing in partnership with the Housing Development Finance Corporation.

- The Dover Federal Credit Union in Dover, Delaware, offers financial education for youth, called the “Money Matters for Kids” program and the “What in the World” program. Since its beginnings in 2001, the Award Winning DFCU Kids Making Cents Club has focused on educating parents and kids about the importance of starting good savings habits early in life. The credit union encourages young members to save by rewarding them with a token for each deposit which can be redeemed for a variety of prizes. Open to children age 17 and under, the club has more than 2,800 little savers enrolled. The credit union offers a link on its website to the "Googolplex™" site<sup>6</sup> filled with more fun for the children. Additionally, the credit union partnered with the Dover Air Force Base Services Squadron in 2006, providing “Money Matters for Kids” seminars to children of their military members. This monthly series of seminars combined education in basic financial matters with other life skills training and was hosted at the Dover Air Force Base Youth Center.
- HarborOne Credit Union in Brockton, Massachusetts, partners with several community organizations and businesses to hold an annual “Credit for Life Fair.” The credit union partners with several community organizations and businesses to host the fair, gathering over 250 high school seniors in the community to learn how to budget and plan for their financial future. The

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<sup>6</sup> Googolplex™ is an online youth magazine, largely written by youth, for credit union youth of all ages. The fun games, stories, and activities deal with the money matters and life issues each age group faces.

students select an occupation that is of interest to them and at the fair they figure out how they will live plan a budget based on the salary of the selected occupation. Volunteers from the community participate in the effort. During the fair the students are given different problems to solve designed to motivate the students to think about the unexpected financial challenges they may face as they become adults. Since their inception, the success of these financial education fairs have been well noticed, as many visitors from other areas of New England have attended and reproduced the event in their own communities.

Another way credit unions are able to offer financial literacy programs is to partner with government entities that provide assistance. Some credit unions are certified by the U.S. Department of the Treasury's Community Development Financial Institutions Fund (CDFI) and are recipients of awards.<sup>7</sup> These awards assist in defraying the costs of serving disadvantaged communities. For example, Latino Community Credit Union in Durham, North Carolina was awarded funds to defray the costs of offerings bilingual financial services and financial literacy. Financial education classes are provided twice each week in each of the five branches with one-on-one member financial counseling. In addition, free credit counseling is provided over the telephone.

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<sup>7</sup> The CDFI Fund provides financial and technical assistance awards in order to promote access to capital and local economic growth in urban and rural low-income communities across the nation. A CDFI is "a specialized financial institutions that works in market niches that are underserved by traditional financial institutions" and include regulated institutions such as community development banks and credit unions, and non-regulated institutions such as loan and venture capital funds.

Credit union trade associations also assist credit unions and communities with promoting financial literacy programs. For example, the industry awarded the Michigan Credit Union League for cosponsoring a Money Smart Week consisting of more than 30 educational seminars and partnering with Michigan State University Extension to provide free teacher training for NEFE programs.<sup>8</sup>

The credit union industry consistently gathers and applies current research to meet consumer demands. The Filene Research Institute, a nonprofit enterprise organized by the credit union industry, has developed specific financial literacy web based products,<sup>9</sup> including the following:

- “Lot\$a Mot\$a” – A computer lab where elementary and high school students can learn about prudent financial practices.
- “Virtualfinance” – Web based initiative using “virtual worlds” to attract and educate young adults.
- Savings Revolution – Web-based resource which encourages members to eliminate debt and build wealth through a “Savings Challenge” promotion between selected members. Members have the opportunity to exchange useful financial education information with each other online.
- Women: A Strategy for Success – A package of financial services to improve knowledge of budgeting and enhance financial independence.

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<sup>8</sup> Available at: [http://www.creditunionmagazine.com/story.php?doc\\_id=169](http://www.creditunionmagazine.com/story.php?doc_id=169).

<sup>9</sup> Available at: <http://filene.org/home/i3/join>.

## **NCUA's Role on Financial Literacy and Education Commission**

NCUA is a member of the U.S. Financial Literacy and Education Commission (Commission). The Commission, established in accordance with the Fair and Accurate Credit Transactions Act (FACT Act), consists of 20 federal agencies and is chaired by the Secretary of the Treasury. The purpose of the Commission is to improve the financial literacy and education of persons in the United States through the development of a national strategy to promote financial literacy and education.<sup>10</sup> In 2006, the Commission published *Taking Ownership of the Future: The National Strategy for Financial Literacy*. The Strategy serves as a blueprint for the Commission's efforts moving forward. Consisting of various "Calls to Action", the Strategy outlines specific goals for the Commission to achieve.

In October 2004, in accordance with FACT Act (Public Law 108-159 Section 514), the MyMoney.Gov website was established.<sup>11</sup> The MyMoney.Gov website serves as a clearinghouse of information about Federal financial literacy and education programs; provides a coordinated entry point for accessing information about all Federal publications, grants, and materials promoting enhanced financial literacy and education; offers information on all Federal grants to promote financial literacy and education, and on how to target, apply for, and receive a grant that is most appropriate under the circumstances; features website links to efforts that have no commercial content and that feature information about financial literacy and education programs,

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<sup>10</sup> 20 USC § 9702

<sup>11</sup> 20 USC § 9702

materials, or campaigns; and offers such other information as the Commission finds appropriate to share with the public in the fulfillment of its purpose.<sup>12</sup>

The website contains over 400 links to resources addressing important economic issues facing consumers, including:

- Budgeting and Taxes
- Credit
- Privacy, Fraud and Scams
- Starting a Small Business
- Savings and Investing
- Financial Planning
- Home Ownership
- Responding to Life Events
- Paying for Education
- Retirement Planning

On November 1, 2006, NCUA Chairman JoAnn Johnson was appointed Chairman of the MyMoney.Gov website subcommittee. The membership of the subcommittee includes representation among various Commission agencies. As chair of the website subcommittee, Chairman Johnson coordinates meetings on a quarterly basis to plan and implement enhancements to the site while providing the Commission with updates about the website during informal and formal meetings.

During Chairman Johnson's tenure as Chairman of the Website subcommittee, the website has undergone significant updates and enhancements. For example:

- Additional homeownership and foreclosure prevention resources for Americans has been added, including a section highlighting home buying, home equity, and

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<sup>12</sup> 20 USC § 9703

mortgage information. In addition, in the “What’s New” section on the main page of the website, the telephone number to the HOPE NOW hotline is listed. HOPE NOW is a cooperative effort of counselors, investors, and lenders that are working to maximize outreach efforts to homeowners in distress. The hotline, (1-888-995-HOPE), provides consumers access to HUD-approved credit counselors who provide resources to consumers to help avoid foreclosure.<sup>13</sup>

- Information explaining the economic stimulus payments created by the Economic Stimulus Act of 2008 is now featured on the “What’s New” section of the main page of the website.<sup>14</sup>
- In recognition of the economic impact of hurricanes and other weather related emergencies to consumers, a link was added to the website, featuring helpful information for consumers to manage their finances in the event of such emergencies. This link was introduced in timely coordination with Hurricane Preparation Week last year.
- A direct link located on the main page has been added for consumers to order the My Money Toolkit. This toolkit, available in both English and Spanish, is comprised of financial education publications from several Commission member agencies.<sup>15</sup>
- As part of the implementation of Call to Action 12.4 of the *National Strategy*, calling for the Commission to highlight existing partnerships and encourage new partnerships among public, nonprofit and private organizations, a new section

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<sup>13</sup> [www.mymoney.gov](http://www.mymoney.gov) (April 4, 2008)

<sup>14</sup> <http://www.mymoney.gov/> (April 4, 2008)

<sup>15</sup> <http://www.mymoney.gov/> (April 4, 2008)

called the “Power of Partnerships” is featured on the main page of the website. Examples of these new partnerships include:<sup>16</sup>

- 1) The National Financial Education Network of State and Local Governments is a network of 60 state governments, local governments, and non-profit organizations that represent state and local governments.
- 2) FDIC’s Money Smart is a resource which helps adults outside the financial mainstream enhance their money skills and create positive banking relationships.
- 3) IRS/non-profit organization partnerships provide tax free counseling and basic income tax return preparation for senior citizens.
- 4) *MoneyMath: Lessons for Life* is a four-lesson curriculum supplement for middle-school math classes.
- 5) U.S. Department of Agriculture’s Cooperative State, Research, Education, and Extension Services are programs offered for youth, financially vulnerable populations, and consumers making financial decisions.
- 6) In addition, an email address: [FLECPartnershipIdeas@do.treas.gov](mailto:FLECPartnershipIdeas@do.treas.gov), is available to allow individuals to propose financial education partnerships that the Commission may highlight.<sup>17</sup>

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<sup>16</sup> *Taking Ownership of the Future: The National Strategy for Financial Literacy, April 2007*, [http://www.treas.gov/offices/domestic-finance/financial-institution/fin-education/support-docs/2007\\_StrategyRevisions.pdf](http://www.treas.gov/offices/domestic-finance/financial-institution/fin-education/support-docs/2007_StrategyRevisions.pdf) (April 4, 2008)

<sup>17</sup> <http://www.mymoney.gov/partnerships.shtml> (April 4, 2008)

- A web page was added featuring online calculators, which helps consumers save money for college and retirement, make responsible home purchasing decisions, and perform other complex financial transactions.<sup>18</sup>
- A video link to the “Choose to Save” Public Service Announcement” moved to the front page of the website. This PSA promotes the website as a helpful resource for saving and planning for retirement.

The MyMoney.Gov website remains an important financial literacy resource for American consumers as illustrated by statistics reflecting a period of time from the establishment of the website in October 2004 up to March 31, 2008:

- MyMoney.Gov has received a running total of more than 2,267,000 hits on its English-language site, and more than 64,000 hits on its Spanish-language site.
- More than 1,233,000 English-language publications and over 44,700 Spanish-language publications have been distributed to consumers through GSA’s Federal Citizen Information Center in Pueblo, Colorado.
- Over 296,000 English and over 11,000 Spanish toolkits have been distributed.<sup>19</sup>

## **Conclusion**

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<sup>18</sup> <http://www.mymoney.gov/calculators.shtml> (April 4, 2008)

<sup>19</sup> Statistics provided by General Services Administration (GSA), April 7, 2008

In recent years, President Bush and Congress have both taken tangible steps to place financial literacy at the forefront of overall efforts to protect and empower consumers. However, for credit unions, equipping members with the knowledge and information to make sound decisions has always been a priority. Credit unions have demonstrated that they view financial education as a natural outgrowth of their service-oriented philosophy. Increased financial literacy represents an ounce of prevention that can help all consumers avoid getting in over their heads, and actually enable them to use their money wisely and improve their financial health. The advertising slogan "an educated consumer is our best customer" is very apt when discussing the value of financial literacy.

Despite NCUA's advocacy for broader dissemination of financial education into the marketplace, we do not have any illusions about financial literacy being a panacea. While there are benefits to greater levels of financial awareness, NCUA does not view financial literacy as a substitute for strong and comprehensive consumer protections, both statutory and regulatory.

NCUA appreciates this opportunity to outline Agency and industry efforts regarding financial literacy. NCUA will continue to dedicate expertise and resources to assist credit unions in helping consumers make sound financial decisions throughout their lives. As the importance of financial literacy grows, so will NCUA's commitment to this vital effort.