



February 8, 2023

Chairman Brian Feldman  
2 West  
Miller Senate Office Building  
Annapolis, Maryland 21401

**SB238 – Public High Schools – Financial Literacy – Curriculum, Graduation Requirement, and Professional Development**

**Testimony on Behalf of:** MD|DC Credit Union Association **Position:** Support

Chairman Feldman and Members of the Committee:

The MD|DC Credit Union Association, on behalf of the 70+ Credit Unions and their 1.9 million members that we represent in the State of Maryland, appreciates the opportunity to testify on this legislation. Credit Unions are member-owned, not-for-profit financial cooperatives that prioritize the financial well-being of its members. **We support this bill.**

Credit unions have historically focused on helping their members save, borrow, and receive affordable financial services. For most credit unions, that includes offering financial counseling services to members to help them effectively manage their hard earned money and improve their financial well-being.

### **Critical for Success**

While credit unions have a role to play, it has become increasingly clear that substantive financial education before high school graduation is critical to positioning students for future success.

In fact, the Maryland State Department of Education’s 2020-2021 Financial Literacy Report clearly states “Today, more than ever before, graduates must be financially literate in order to be prepared for college, careers and responsible living.” Yet, there is no statewide graduation requirement for financial education. Only Allegany, Calvert, Caroline, Carroll, Charles, Frederick and Garrett Counties have stand-alone financial literacy mandates, with Prince George’s County adding a requirement for the class of 2024.

### **What is Happening Nationally**

Eight states currently have state-wide requirements for a personal finance course: Alabama, Mississippi, Missouri, Iowa, North Carolina, Tennessee, Utah, and Virginia, with more states adding mandates that will take effect over the next few years. Currently, 36 financial literacy bills are being discussed by legislatures in eleven states, most of which aim to create a requirement like HB99.

Public sentiment supports personal financial education in schools. A 2022 poll by the National Endowment for Financial Education found that of the more than 1,000 U.S. adults surveyed:

- 88% said their state should require a semester- or year-long financial education course for high school graduation.
- 80% said they wish they were required to take a semester- or year-long financial education course during high school.
- 75% said that spending and budgeting is the most important financial education topic to teach.<sup>1</sup>

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<sup>1</sup> “Poll: Most Adults Support Financial Education Mandates.” NEFE. Accessed February 6, 2023. <https://www.nefe.org/news/2022/04/financial-education-mandates.aspx>.

## Why Financial Education Matters

Traditionally, people have gained knowledge about personal finances through experience, gradually making bigger and more significant financial decisions. The stakes are higher these days as it's now possible to accumulate hundreds of thousands of dollars of debt before graduating from college, while credit offers are just a click away on computers and phones.

A 2014 Federal Reserve Board study looked at the effects of financial education mandates on credit outcomes. What it found was that recent graduates in three states that required financial education had higher credit scores and lower loan default rates when compared to students in surrounding states without personal financial education mandates.

## What the Data Says

With Americans owing over \$12 trillion in credit card and car loan debt, \$1.6 trillion in student loan debt and \$11 trillion in home mortgages, personal financial education is essential for young people. (The Federal Reserve Bank of New York's [Household Debt and Credit Report](#) Q3 2022).<sup>2</sup>

The average Marylander carries \$72,670 in debt according to a 2019 Federal Reserve Report. That places Maryland second highest in the nation for average debt carried by residents.

It is clear, young adults need financial management training as early as possible prior to entering the workforce or continuing their education. Maryland consumers carry some of the highest average Student Loan, Credit Card, Mortgage Loan and Auto Loan debt in the country. Nationally Maryland ranked:

- 1<sup>st</sup> (tied with Georgia) in average student loan debt of \$42,861 (Education Data Initiative [Student Loan Debt by State](#), April 3, 2022).<sup>3</sup>
- 4<sup>th</sup> in average credit card debt of \$9,120 (CNBC [The 10 states with the highest average credit card debt-and they aren't New York or California](#), September 19, 2022).<sup>4</sup>
- 10<sup>th</sup> in average mortgage debt of \$283,683 (Credit Karma [Average Mortgage Debt in America in 2022](#), November 4, 2022).<sup>5</sup>
- 24<sup>th</sup> in average auto debt of \$19,677 (Experian [Top 10 States with the Highest Average Auto Loan Debt](#), August 12, 2019).<sup>6</sup>

The Credit Karma study cited above reinforces the need for financial education at a young age. It found that people born between 1997 – 2012 have an average mortgage debt of \$192,128, a significant financial responsibility for anyone, especially someone starting out. The need to understand how to manage your finances and the complex factors that affect your financial situation as you leave High School have never been more important.

## Room for Improvement

Research shows that it's not enough to embed financial literacy education into courses required to graduate (i.e., social studies). According to a study published in the *International Review of Economics Education*, the key to the success of a financial literacy program is robust educator training and a well-designed curriculum.<sup>7</sup>

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<sup>2</sup> "Center for Microeconomic Data." Household Debt and Credit Report - FEDERAL RESERVE BANK of NEW YORK. Accessed February 6, 2023. <https://www.newyorkfed.org/microeconomics/hhdc.html>.

<sup>3</sup> Hanson, Melanie, and Fact Checked. "Student Loan Debt by State [2023]: Average + Total Debt." Education Data Initiative, April 3, 2022. <https://educationdata.org/student-loan-debt-by-state>.

<sup>4</sup> Ermey, Ryan. "The 10 States with the Highest Average Credit Card Debt-and They Aren't New York or California." CNBC. CNBC, September 19, 2022. <https://www.cnbc.com/2022/09/19/states-with-highest-average-credit-card-debt.html>.

<sup>5</sup> Depietro, Andrew. "Average Mortgage Debt in America 2022." Credit Karma, November 4, 2022. <https://www.creditkarma.com/insights/i/average-mortgage-debt>.

<sup>6</sup> Stefan.Iembo-Stolba. "Top 10 States with the Highest Average Auto Loan Debt." Experian. Experian, October 26, 2021. <https://www.experian.com/blogs/ask-experian/research/states-with-the-highest-average-auto-loan-debt/>.

<sup>7</sup> Asarta, Carlos J., Andrew T. Hill, and Bonnie T. Meszaros. "The Features and Effectiveness of the Keys to Financial Success Curriculum." *International Review of Economics Education* 16 (2014): 39–50. <https://doi.org/10.1016/j.iree.2014.07.002>.

The American Public Education Foundation gives Maryland a “C” for financial literacy instruction and identified how the state can improve: “Needs to require high school stand-alone personal finance course and implement grade-specific K-8 financial literacy standards.”<sup>8</sup>

Young people are required to take driver’s education, spend 60 hours practicing behind the wheel of an automobile and pass a test before they can get a driver’s license. Yet we allow young people to get student loans, credit cards and enter into complex financial arrangements without the proper education.

### **What Credit Unions are Doing**

The MD|DC Credit Union Association, along with its member credit unions are highly engaged in financial literacy programs in communities across Maryland.

**Financial Literacy Fairs** prepare high schoolers for financial success by learning first-hand how to live within their means. Students choose a career and must budget for essentials based on their salary. The in-person simulation includes the temptation to spend on non-essentials like electronics and spa treatments, along with the reality wheel which when spun can land on an unexpected expense or a windfall. Students review their final budgets with financial counselors.

**The Millionaire’s Club** teaches personal finance skills through entrepreneurial projects and a curriculum focused on lifelong money management. The clubs are based in high schools, colleges, and other community organizations.

**Operation HOPE** is offered by Baltimore County-headquartered Destinations Credit Union and offers no-cost financial counseling through the Credit and Money Management Program which teaches people the language of money, navigating credit, and managing the money they have.

To be able to make good financial decisions that will allow young people to build a solid foundation so they can provide for their families and save for the future, we must join our neighbors in Virginia and require a stand-alone financial literacy course as a prerequisite for high school graduation.

**We are pleased to support SB 238.**

Sincerely,



John Bratsakis  
President/CEO

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<sup>8</sup> “Report Card: Vision 2020.” Nation’s Report Card. Accessed January 26, 2023. <https://www.thenationsreportcard.org/maryland>.