Federal Financial Literacy Reform

Coordinating and Improving Financial Literacy Efforts

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Steven T. Mnuchin

Secretary

Jovita Carranza

Treasurer of the United States

Staff Acknowledgments

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Executive Summary

Introduction

The federal government spends an estimated $273 million annually on financial literacy[1] and education programs and activities across 23 federal agencies and entities. These programs are designed to educate Americans about a wide array of financial literacy and education topics. However, in 2012, the Government Accountability Office (GAO) issued a report (GAO Report) that found that federal financial literacy efforts lacked meaningful coordination with multiple programs with similar goals and activities.[2] Furthermore, very few federal agencies appear to monitor the effectiveness of their programs and only a handful of these programs have been formally assessed or evaluated for impact.

Many non-federal organizations also provide financial literacy services and resources, including nonprofit organizations, consumer advocacy organizations, financial services companies, employers, educational institutions, and state and local governments. In 2013, the Consumer Financial Protection Bureau (CFPB) estimated that the public and private sector spends approximately $670 million on financial education, with non-federal government entities accounting for almost two-thirds of that amount.[3]

To coordinate the federal government's financial literacy efforts, the Financial Literacy and Education Commission (FLEC) was established by law in 2003. The FLEC is made up of the heads of 22 federal agencies and the White House Domestic Policy Council. Chaired by the Secretary of the Treasury, the FLEC is tasked with improving "the financial literacy and education of persons in the United States through the development of a national strategy" that promotes participation by the public and private sectors.[4] However, the FLEC has historically acted as an information-sharing body among federal agencies with limited success advancing a national strategy to promote access to quality financial education for all Americans.

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1. Financial literacy, as used in this report, describes the skills, knowledge and tools that equip people to make individual financial decisions and actions to attain their goals; this may also be known as financial capability, especially when paired with access to financial products and services. Financial education is the process by which people gain this information, skills, confidence and motivation to act, through various means, including classroom education, but also one-on-one, technology-based interventions, and self–study.
2. U.S. Government Accountability Office, "Financial Literacy: Overlap of Programs Suggests There May Be Opportunities for Consolidation", Report to Congressional Committees, GAO-12-588, July 2012, available at *https://www.gao.gov/assets/600/592849.pdf*. A 2014 GAO testimony said: "Because of the crosscutting nature of financial literacy, it would be difficult, if not impossible, for one agency alone to address the issue, but coordination among agencies is clearly essential." Cackley, Alicia Puente, "Financial Literacy: Overview of Federal Activities, Programs, and Challenges", Testimony Before the Subcommittee on Financial Institutions and Consumer Credit, House Committee on Financial Services, U.S. Government Accountability Office, April, 2014, GAO-14-556T, available at: *https://www.gao.gov/assets/670/662833.pdf*.
3. Consumer Financial Protection Bureau, *"Navigating the Market: A comparison of spending on financial education and financial marketing*," November 18, 2013, available at: *https://files.consumerfinance.gov/f/201311_cfpb_navigating-the-market-final.pdf*.
4. 20 U.S.C. § 9702(b).

The Department of the Treasury (Treasury) prepared this report, in part in response to the June 2018 plan by the Office of Management and Budget (OMB) to reform and reorganize the executive branch entitled "Delivering Government Solutions in the 21st Century" (OMB report).[5] The OMB report included a proposal requesting that Treasury develop recommendations for consolidating and streamlining federal financial literacy and education activities (OMB Proposal). The OMB Proposal was part of a comprehensive plan for reorganizing the executive branch set forth by President Donald J. Trump in Executive Order 13781 on March 13, 2017.[6] The President's Executive Order outlined his vision for improving the "efficiency, effectiveness, and accountability of the executive branch" by directing the Director of the OMB to "propose a plan to reorganize governmental functions and eliminate unnecessary agencies… components of agencies, and agency programs." The recommendations in this report are also in response to the GAO Report, which recommended that Treasury identify options to consolidate federal financial literacy efforts and address an appropriate allocation of resources among programs and agencies.[7]

Concurrently with the OMB report, Secretary Mnuchin asked the Treasurer of the United States to review the work of the FLEC, and make recommendations for aligning its mission and activities with the core principles set forth by the President in Executive Order 13772, including to "empower Americans to make independent financial decisions and informed choices in the marketplace, save for retirement, and build individual wealth" (First Core Principle).[8] This report provides Treasury's proposed recommendations to better align the FLEC's work with the President's core principles while streamlining and strengthening the federal investments in this area.

This report does not contain recommendations for statutory changes or other Congressional action. Accordingly, the recommendations contained herein should not be understood to modify or constrain the statutory authorities or responsibilities of FLEC members or other government agencies.[9] Administrative action alone, however, will not be sufficient to completely reduce overlapping and unnecessary activities. Congress may need to address these issues through appropriations, revising agency requirements, and considering existing agency functions as it considers new financial education tasks.

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5. Office of Management and Budget, "Delivering Government Solutions in the 21st Century: Reform Plan and Reorganization Recommendations," June 2018, available at: *https://www.whitehouse.gov/wp-content/uploads/2018/06/Government-Reform-and-Reorg-Plan.pdf.*

6. "Comprehensive Plan for Reorganizing the Executive Branch" Executive Order 13781, March 13, 2017, available at: *https://www.federalregister.gov/documents/2017/03/16/2017-05399/comprehensive-plan-for-reorganizing-the-executive-branch*.

7. GAO, July 2012.

8. "Presidential Executive Order on Core Principles for Regulating the United States Financial System", Executive Order 13772, February 3, 2017, available at: *https://www.whitehouse.gov/presidential-actions/presidential-executive-order-core-principles-regulating-united-states-financial-system/*.

9. For example, the Consumer Financial Protection Bureau (CFPB), is required to establish Offices of Financial Education, Community Affairs, Service Member Affairs, and Older Americans, and is directed by Congress to develop strategies, establish metrics, conduct research, issue reports, provide guidance and technical assistance, and carry out other activities relating to financial education and literacy, both in general and with respect to specific identified populations.

The Scope of This Report

The scope of this report addresses the issues, requirements, recommendations, and other items raised in the OMB proposal, the GAO Report, and the First Core Principle.

Review of the Process for This Report

For this report on financial literacy and education, Treasury consulted extensively with a wide range of stakeholders, including academics, nonprofit financial education providers, private sector financial services firms, state and local governments, and others with relevant knowledge. Treasury also reviewed a wide range of data, research, and published material from both public and private sector sources. Additionally, Treasury, with the assistance of OMB, collected information on current and proposed activities and performance measures from FLEC member agencies, and asked member agencies to self-assess their activities based on factors including the degree of targeting and responsiveness to its audience, evidence of effectiveness, sustainability and innovation. Member agencies also answered questions and provided insights into their activities.

Treasury incorporated the widest possible range of perspectives in evaluating approaches to financial literacy and education. A list of organizations and individuals who provided input to Treasury in connection with the preparation of this report is set forth as **Exhibit A** and is followed by a summary of the report's recommendations in **Exhibit B**.

Summary of Issues and Recommendations

Treasury's recommendations in this report can be summarized in the following four categories:

- A governance structure, as permitted by the FLEC's enabling statute, for federal financial literacy efforts that articulates the proper role of government, and where possible, avoids duplicative activities, and leverages the work of nonprofit organizations, the private sector and state and local government.
- Coordination of existing federal financial literacy and education programs and policy proposals for basic financial capability (including access to financial services, saving and credit), retirement savings and investor education, housing counseling, postsecondary education, and military and their families.
- Identification of best practices and potential metrics for evidence-based, effective financial education programs that will allow responsible agencies to consider elimination or modification of programs that do not lead to greater financial capability and changes in financial behavior.
- Identification of the future challenges and opportunities associated with technology and financial education.

Governance of Federal Financial Literacy and Education Efforts

To coordinate the federal government's financial literacy efforts, the FLEC was established by law in 2003 and is made up of the heads of 22 federal agencies and the White House Domestic Policy Council. However, the FLEC lacks a clear vision of the role of the federal government in financial literacy and education and an effective organizational structure to facilitate goal-setting and decision-making. In addition, although a majority of financial literacy and education is provided by entities outside of the federal government, the FLEC has not formally collaborated and communicated with non-federal entities and intermediaries who provide financial education.

Treasury recommends that the primary federal role for financial literacy and education should be to empower financial education providers as opposed to trying to directly reach every American household. This federal role could include developing and implementing policy, encouraging research, and other activities, including conducting financial education programs, and developing educational resources as needed to advance best practices and standards to equip Americans with the skills, knowledge, and tools to confidently make informed financial decisions and improve their financial well-being. The federal government should also consider the impact of the lack of financial literacy on households and the risk to the economy from negative externalities and market failures.

In order to advance the federal role in financial literacy and education, Treasury also recommends that the FLEC establish bylaws to set clear expectations for FLEC decision-making and roles, including establishing a six-member Executive Committee and working groups focused on basic financial capability, retirement savings and investor education, housing counseling, postsecondary education, and the military community. The Executive Committee will be responsible for crafting, with input from other FLEC members, a shared agenda for action and priorities, and be accountable to report on achieving that agenda.

Coordination of Programs and Proposals for High Impact

Treasury is proposing a number of coordination recommendations related to the key areas of financial activity and decision-making, including:

Basic Financial Capability

The FLEC and member agencies have activities that address basic financial capability activities on a range of topics, including access to financial services, saving and credit. In some cases these activities are duplicative or could be better coordinated. Although the Dodd-Frank Act established the onsumer Financial Protection Bureau (CFPB) Office of Financial Education, the law does not address the consolidation of existing programs and the authority of the various agencies engaged in this area. However, the Dodd-Frank Act does require the CFPB Office of Financial Education to "develop and implement a strategy to improve the financial literacy of consumers that includes measurable goals and objectives, in consultation with the Financial Literacy and Education Commission, consistent with the National Strategy for Financial Literacy."[10]

Treasury recommends that the CFPB serve as the primary federal agency responsible for programs and initiatives related to basic financial capability. The CFPB in its lead role would have the responsibility for coordinating the FLEC's activities related to basic financial capability as well as adopting metrics to measure the impact of these efforts.

Treasury recommends that FLEC designate the Money Smart curriculum and the Your Money, Your Goals program as the core resources for use by federal agencies with initiatives targeted to civilians, and that the CFPB and Federal Deposit Insurance Corporation (FDIC) collaborate to align recommended uses of the Your Money, Your Goals Toolkit and the Money Smart curriculum to create a comprehensive set of materials to be considered the core federal financial education product for adults, especially low-income adults.

Access to Financial Services

An inclusive banking system is important to expanding access for American households to safe, secure, and affordable financial services. However, a significant percentage of Americans conduct some or all of their financial transactions outside of the mainstream banking system. In 2017, 6.5 percent of U.S. households (8.4 million) were "unbanked," meaning no one in the household had a checking or savings account, while 18.7 percent of U.S. households (24.2 million) were "underbanked" because they relied on products from a nonbank alternative financial services provider in the past 12 months.[11]

Some of the reasons cited by households for being unbanked, including lack of trust and concerns with privacy, may have a connection to a lack of financial literacy and education. However, unbanked consumers sometimes are unable to access banking services because of negative information in bank account screening consumer reporting agencies ("account screening CRAs"). Some state and local governments have established public-private partnerships to work with banks and credit unions to offer low-cost "second chance accounts" for consumers who have been rejected due to a negative history with an account screening CRA.

Treasury recommends that financial institutions and educators incorporate into their curricula and programs information about account screening CRAs. The curricula and programs should discuss how account screening CRAs are a potential barrier to accessing the banking system, ways to avoid negative information on bank account screening reports, and the dispute process to resolve incorrect information. Treasury

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10. Dodd-Frank Act §1013(d)(2); 20 U.S.C. §§ 9702(c)(1)(C).

11. Federal Deposit Insurance Corporation (FDIC), "FDIC National Survey of Unbanked and Underbanked Households", 2017, available at: *https://www.fdic.gov/householdsurvey/2017/2017report.pdf.*

also recommends that the FLEC collaborate with public-private partnerships to develop best practices for building financial capability by connecting consumers to suitable financial products and education.

Saving and Credit

Consumers save for a wide variety of short-and long-term needs, including starting a business, paying for higher education for themselves or their children, and for large expenses such as the purchase, lease or repair of an automobile or home. Unfortunately, forty percent (40 percent) of American families do not have $400 in available savings to pay for unplanned or emergency expenses without borrowing or selling a possession.[12] In order to strengthen savings, Treasury recommends employers pilot employer-based emergency savings programs that would be funded from automatic withdrawals from an employee's paycheck.

Savings are also a critical component of disaster preparedness. In 2017, Hurricanes Harvey, Irma, and Maria caused a combined $265 billion in damage, with at least three-quarters of the residential flood damage uninsured.[13] According to the Federal Emergency Management Agency (FEMA), of the estimated $55 billion in losses expected annually due to natural disasters, more than half will be uninsured.[14] When individuals, households and communities are not financially prepared for emergencies, the burden of response falls on society.

Treasury recommends that the CFPB lead on disaster financial preparedness education content and effective delivery, especially regarding emergency savings, working closely with FEMA and other agencies on other related issues such as insurance. Treasury also recommends that federal, state and local disaster planning should include household financial preparedness and recovery as part of mitigation strategies.

Retirement Savings and Investor Education

For more than 80 years, Social Security, employer-sponsored pensions or retirement plans, and individual savings have represented the three main pillars of our retirement system. However, over the last 40 years, employers have shifted towards offering defined contribution plans, like 401(k)s, and away from defined benefit plans. This shift has placed more personal responsibility on individuals to plan for their retirement and increased the need for quality financial literacy and education.

The primary agency responsible for educating workers and employers about workplace retirement plans (both pensions and defined contribution plans) is the Department

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12. Federal Reserve Board of Governors, "Report on the Economic Well-Being of U.S. Households in 2017", May 22, 2018, available at: *https://www.federalreserve.gov/publications/files/2017-report-economic-well-being-us-households-201805.pdf.*

13. Federal Emergency Management Agency, "2017 Hurricane Season FEMA After-Action Report", July 12, 2018, available at: *https://www.fema.gov/media-library-data/1531743865541-d16794d43d3082544435e1471da07880/2017FEMAHurricaneAAR.pdf*

14. Kanewski, Daniel, Federal Emergency Management Administration, at the Public Meeting of the Financial Literacy and Education Commission, October 4, 2018, available at: *http://treas.yorkcast.com/webcast/Play/18005c91af8546dfb0dc071afa8bdb2b1d?autostart=true.*

of Labor's Employee Benefits Security Administration (DOL/EBSA). As required by federal law, DOL/EBSA provides information, outreach, and answers questions from employers and employees about all aspects of workplace retirement savings plans. The Department of Health and Human Services (HHS) also has a retirement program that serves primarily lower-income seniors, especially women, through a grant to the National Education and Resource Center on Women and Retirement. The HHS grant provides education, skills building and retirement planning tools particularly to low-income women to enhance their financial security in retirement. "The mission of the Center is to provide women with access to a one-stop gateway that integrates financial information and retirement planning, health, and long-term care resources through Older Americans Act (OAA) supported programs."[15] The impact of the program has not been widely measured.

Treasury recommends that HHS and DOL/EBSA continue to collaborate on ensuring their resources are consumer-friendly and effective in reaching their target populations and enhance the resources of the National Education and Resource Center on Women and Retirement with the retirement plan resources developed by DOL/EBSA.

Helping Americans understand Social Security is also an important piece of the federal effort around retirement planning. The Social Security Administration (SSA) promotes a number of initiatives to make sure Americans understand how Social Security works. To ensure that Americans view Social Security as only one of the pillars of the retirement system, it is important that agencies coordinate with SSA to capitalize on opportunities to inform Americans about the other two legs of the stool—especially the importance of their own retirement savings.

The U.S. government comprises one of the country's largest workforces, with approximately 2 million civilian employees dispersed across the U.S. and around the world.[16] Federal employees participate in the Thrift Savings Plan (TSP), a defined contribution plan for civil service employees, retirees and some military service members. The Department of Defense (DoD) also provides retirement education for military service members under the Blended Retirement System (BRS). Currently, there are more than 500,000 service members enrolled in the BRS.[17]

Treasury recommends DOL serve as the lead agency responsible for programs and initiatives related to basic retirement saving. The DOL in its lead role would have the responsibility for coordinating the FLEC's activities related to retirement saving and

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15. U.S. Department of Health and Human Services, Administration for Community Living, "National Education and Resource Center on Women and Retirement Planning", webpage, available at: *https://www.acl.gov/programs/retirement-planning-support/national-education-and-resource-center-women-and-retirement-0.*
16. Office of Personnel Management, "Historical Federal Workforce Tables: Executive Branch Civilian Employment Since 1940, Data, Analysis & Documentation," website, available at: *https://www.opm.gov/policy-data-*
17. U.S. Department of Defense, "Defense Department Successfully Closes Blended Retirement System Opt-In Window", January 14, 2019, available at: *https://dod.defense.gov/News/News-Releases/News-Release-View/Article/1731168/defense-department-successfully-closes-blended-retirement-system-opt-in-window/.*

planning and investor education as well as adopting metrics to measure the impact of these efforts. Treasury also recommends that the Office of Personnel Management (OPM) and DoD coordinate with DOL to improve the quality of financial education on retirement savings and related topics provided to federal employees and military service members.

Housing Counseling

Housing counselors play a key role in helping consumers make sound decisions about sustainable home buying and contribute to foreclosure prevention. The Department of Housing and Urban Development (HUD) is the leading federal agency supporting the availability of housing counseling. Through its Housing Counseling Program (HCP), HUD provides grants that support a nationwide network of HUD-approved Housing Counseling Agencies (HCAs) and HUD-certified counselors. HUD and others have conducted research that shows the benefits of pre-purchase and post-purchase housing counseling.

Treasury recommends that HUD serve as the primary federal agency responsible for programs and initiatives related to housing counseling. HUD in its lead role would have the responsibility for coordinating the FLEC's activities related to housing issues as well as adopting metrics to measure the impact of these efforts. Treasury supports the use of online counseling, telephone hotlines, applications and other technologies to "meet consumers where they are" and to provide quality assistance to more people, in addition to face-to-face counseling.

Resources can be better leveraged to expand the reach of housing counseling beyond HUD's funding. Treasury encourages the private sector to support housing counseling for homebuyers. Treasury also recommends that HUD and affordable rental housing providers continue to integrate financial education into the services provided to their residents, either directly or through partnerships, as feasible.

Postsecondary Education

There are at least six agencies with programs or resources geared to youth and students, including Department of Education (ED) and CFPB. However, ED is the primary agency with responsibility for postsecondary education and student loan issues under the Higher Education Act. ED tracks information on its activities, including using website analytics such as user surveys, social media followers and the percentage of high school seniors who file a Free Application for Federal Student Aid (FAFSA) form (both the first time, and in subsequent years). On the other end of the borrowing process, ED tracks higher education institutions' cohort default rates (measuring the success of students in loan repayment).

While ED and CFPB have resources available, helping students and their families avoid the pitfalls associated with financing higher education should also be a priority for institutions of higher education. The cost of higher education can be difficult to understand due to the lack of consistency and transparency and the inherent challenge to comprehend long-term implications of borrowing. The difficulty may be compounded due to lack of relevant, transparent, and timely information. Notably, financial aid offer letters (sometimes known as award letters) and annual debt notification letters (debt letters) are effective tools in communicating an individual's cost of college and financing options, so that students and families are empowered to make comprehensive and informed decisions.

Treasury recommends that ED serve as the primary federal agency responsible for programs and initiatives related to higher education. ED in its lead role would have the responsibility for coordinating the FLEC's activities related to postsecondary education as well as adopting metrics for measuring impact of these activities.

Treasury also recommends that institutions of higher education adopt best practices to ensure that their financial aid offer letters are clear, timely, and customized, and provide students with a clear sense of their investment and borrowing obligations. Further, institutions of higher education should provide students with annual debt letters, to ensure that students have a clear sense of their total borrowing obligations. State lawmakers should consider broader adoption of debt letters to improve students' comprehension of their future financial debt burden.

The FLEC has released additional recommendations and best practices for institutions of higher education in a report required by Title VI, section 603, of the Economic Growth, Regulatory Relief, and Consumer Protection Act.[18]

Military

Both DoD and Department of Veterans Affairs (VA) provide customized education and assistance at key times and places for their audience, and focus on delivering service through trusted providers who are trained and familiar to their audience. Each of the military services have developed, or are currently developing, financial literacy curricula for training their members. Further, they collaborate with other federal departments and agencies on a number of financial literacy efforts. For example, the Transition Assistance Program ensures a transition for the estimated 200,000 people a year who transition from military to civilian life. In addition to DoD and VA programs, a number of other agencies also report activities to serve the military community.

Treasury recommends DoD lead the financial education activities focused on Service members and their families. Other agencies should increase their coordination with DoD with an intent to find opportunities for improvement through integrating through DoD's Financial Readiness Network or other appropriate channels. Treasury also recommends that DoD consider how to reduce, consolidate or eliminate seemingly duplicative financial education activities among the military services, including

18. Economic Growth, Regulatory Relief, and Consumer Protection Act of 2018, Pub. L. No. 115-174, 132 Stat. 1296 (2018), section 603 as codified at 20 U.S.C. § 9703(a)(3) available at: *http://uscode.house.gov/view.xhtml?req=(title:20%20section:9703%20 edition:prelim.*

duplicative curricula. The Transition Assistance Program includes close coordination between DoD and VA and other relevant agencies on a range of topics, including financial knowledge. This coordination should continue, and draw on other members of the FLEC for subject matter expertise as needed, such as the Securities and Exchange Commission (SEC) and CFPB.

Websites and Outreach

Currently federal agencies have more than 40 public-facing websites on financial education topics, resulting in a fragmented and confusing system for providing information to the public. Agencies also promote their financial education activities through public events, social media, and in partnership with organizations, state and local governments and others. While serving different audiences with similar content, or providing overlapping audiences with agency-specific content and information may sometimes be necessary with outreach, the FLEC does not have an outreach agenda to ensure a shared approach that is efficient and consistent with its national strategy.

Treasury recommends that the FLEC members collaborate to share their best educational materials for use on websites already maintained by federal agencies. The FLEC should also enhance its website to be a highly interactive website that includes the best, most consumer-friendly resources from member agencies on key topics. Treasury also recommends that the FLEC develop a shared outreach agenda and strategy so that agencies can work together to inform the public about available financial education.

Research Agenda

A number of agencies conduct or support research to inform their programs or policies, or otherwise address national interests. Treasury recommends the FLEC develop and promote a shared research agenda that identifies priorities for all federally-supported research on financial literacy and education. To ensure coordination among FLEC agencies, Treasury recommends that each agency align their financial literacy research plans with FLEC's shared agenda. Such an agenda would promote research supported by agencies that is responsive to, and informs, the FLEC's priorities and is more efficient, by avoiding duplication of effort.

Budget and Allocation of Resources

Treasury recommends that appropriated FLEC agencies recommend the allocation of resources to support the high impact areas in financial literacy, consistent with the Administration's priorities.

Best Practices for Delivery of Financial Literacy and Education

Treasury recommends the adoption by financial education providers of the CFPB's "Five Principles of Effective Financial Education," which include:

- **Know the Individuals and Families to be Served.** Financial education, information and delivery methods must be tailored to the circumstances and needs of the user.
- **Provide Actionable, Relevant, and Timely Information.** Financial information that is delivered in an actionable, relevant, and timely manner results in greater likelihood of retention and action.
- **Improve Key Financial Skills.** Financial literacy and education can be more effective when they help develop skills, rather than transmitting knowledge of particular facts about financial products and services.
- **Build on Motivation.** Effective financial literacy and education programs capitalize on people's motivations.
- **Make It Easy to Make Good Decisions and Follow Through.** The environment or context can make it easier for people to carry out their intentions. For example, changing the options presented, removing hassles and barriers, and adding supports can help people bridge the gap between intentions and actions.

Treasury also recommends the adoption by financial education providers of three additional best practices based on Treasury's outreach to stakeholders.

- **Develop Standards for Professional Educators.** Financial literacy and education providers should demonstrate a high level of quality, including knowledge of the content and how to deliver it effectively.
- **Provide Ongoing Support.** Financial literacy and education should provide ongoing support, including one-on-one financial coaching.
- **Evaluate for Impact.** Financial literacy and education providers should evaluate their programs for impact and develop a culture of continuous improvement by establishing methodologies, procedures, reporting and metrics for measuring program effectiveness.

Section 1:

Governance of Federal Financial Literacy and Education Efforts

Introduction

The FLEC was established in 2003 pursuant to the Financial Literacy and Education Improvement Act[19] (FLEC statute) to improve the financial literacy and education of persons in the United States by coordinating numerous federal programs that already existed as well as leveraging the resources of non-federal government entities. The statute named the Secretary of the Treasury as Chair of the FLEC, and named 19 other agencies as members.[20] Over the last decade, one member agency was absorbed into another (the Office of Thrift Supervision into the Office of the Comptroller of the Currency), and three additional members were added by the President, as permitted by the FLEC statute.[21] The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act),[22] which created the CFPB, also added the CFPB to the FLEC and named its Director as FLEC Vice Chair.[23] However, neither the original FLEC statute nor the Dodd-Frank Act provided clear roles for FLEC leadership and its members.

The FLEC statute requires the FLEC to create a national strategy for financial literacy and education, and the FLEC produced national strategies in 2006 and 2011[24] (updated in 2016).[25] The FLEC has historically been primarily an information-sharing body among federal agencies and a forum to facilitate informal interagency collaboration. To date, many FLEC agencies have separately developed programs and activities based on agency mandates, Congressional requirements, or their own agency interpretations of their functions. Thus, many of the existing federal activities lack meaningful coordination and sometimes may be overlapping or duplicative.

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19. 20 U.S.C. § 9702(a).
20. 20 U.S.C. § 9702(c).
21. 20 U.S.C § 9702 (c)(1)(D) states that the FLEC shall also include, "at the discretion of the President, not more than 5 individuals appointed by the President from among the administrative heads of any other Federal agencies, departments, or other Federal Government entities, whom the President determines to be engaged in a serious effort to improve financial literacy and education."
22. Pub. L. No. 111-203, 124 Stat. 1376-2223 (2010).
23. Dodd-Frank Act §1013(d)(5),(6); 20 U.S.C. §§ 9702(c)(1)(C),(d).
24. Financial Literacy and Education Commission (FLEC), "National Strategy for Financial Literacy: Taking Ownership of the Future", 2006, available at: h*ttps://www.treasury.gov/about/organizational-structure/offices/Domestic-Finance/Documents/Strategyeng.pdf*; Financial Literacy and Education Commission, "Promoting Financial Success in the United States: National Strategy for Financial Literacy 2011", available at: *https://www.treasury.gov/resource-center/financial-education/Documents/NationalStrategyBook_12310%20(2).pdf*;
25. Financial Literacy and Education Commission, "Promoting Financial Success in the United States: National Strategy for Financial Literacy 2016 Update," available at: *https://www.treasury.gov/resource-center/financial-education/Documents/National%20Strategy%202016%20Update.pdf*.

Furthermore, the impact and effectiveness of these activities have generally not been measured, since very few agencies monitor the impact of their programs on changes in financial decision-making.

Federal agencies are just one part of the larger ecosystem interested in promoting financial education for Americans. Many private sector entities, including financial service providers and employers, state, tribal and local leaders, community and faith-based organizations, and educators at all levels are focused on improving Americans' financial outcomes. Similar to the federal government, financial education programs in the nonprofit and private sector are fragmented with highly variable quality and lack of assessment of outcomes.

In some cases, different federal agencies interact closely with specific players in the ecosystem. A number of agencies provide funding to state and local governments and nonprofit organizations, which can be used, in part, to support local financial education initiatives. These collaborations are critical for achieving outcomes in our large and diverse nation. The GAO noted in 2014 that "given the wide array of state, local, nonprofit, and private organizations providing financial literacy programs, it is essential to leverage private-sector resources and coordinate federal activities with resources at the community level."[26] To date, the FLEC has not formally coordinated with entities outside of the federal government.

Federal Role in Financial Literacy and Education

A lack of information is sometimes the cause of poor financial decisions. When one party has more information than the other party, economists describe this imbalance as "asymmetric information." In the market for financial services, where the provider often knows more about the product, there is a potential risk to the consumer and the economy. Financial education is a tool for helping individuals manage and mitigate risk. Individuals who are better financially prepared can avoid unexpected expenses, steer away from frauds and scams, and avoid taking on risks that they do not understand or cannot afford to bear. By improving financial literacy and education, the federal government can play an important role in facilitating a vibrant and efficient marketplace, which in turn empowers individuals to make informed financial decisions.

In supporting financial literacy and education, the government can create positive spillovers (or positive externalities) from a more financially literate population. A more informed population tends to be more productive and thus boosts economic activity. A stronger economy can result in more jobs and higher wages for others.

Financial education can also help avoid negative spillovers (or negative externalities) from a less financially literate population. A negative externality is an economic

26. GAO, April 2014.

activity that imposes a cost or negative impact on an unrelated third party. These negative externalities cause inefficiencies in the market.[27] For example, when a borrower with low financial literacy defaults on an ill-advised loan, the lender will bear some of these costs. On the other hand, friends and family members, the government and others may also bear the cost of that decision. Family members may directly help pay off a loan, or cosign on future loans, increasing their own debt-to-income ratios. Thus, the original two parties to the loan do not bear the entire cost of the transaction.

The financial crisis of 2007-2008 demonstrated how individuals and families with limited financial literacy can be among those most dramatically affected by downturns in the economy. Since Treasury's mission includes a mandate to maintain a strong economy "by promoting the conditions that enable economic growth and stability at home and abroad,"[28] it is important to keep in mind the role that individual financial capability has in the prosperity and financial health of the nation.

The federal government cannot, and should not, bear the sole responsibility for ensuring the financial capability of individuals and households. Since the creation of the FLEC, it has been clear that federal agencies are not solely, or even predominantly, responsible for providing financial education to Americans. State and local governments, nonprofits and the private sector rightly have interests in promoting better financial decision-making. For example, some employers view financial health similar to physical health and include this as part of their benefits package because of its impact on their bottom line. These non-government entities are able to respond to needs more quickly, develop customized strategies to deliver financial education, and remain engaged and follow up with those served over time.

Given the substantial accomplishments and opportunities for improved financial education provided by various stakeholders outside of the federal government, it is appropriate to consider the suitable federal role. Treasury's outreach to stakeholders has revealed the desire for the federal government to play an overarching leadership and guidance role, rather than trying to directly reach all Americans with financial education lessons. By embracing this role, the federal government can improve the quality and reach of financial education activities by promoting best practices, sharing evidence, creating specific resources where appropriate, and deploying policy solutions to support the U.S. financial education infrastructure. The federal government, then, can be a partner, a source of trusted information and tools, and a leader to the many financial education providers striving to improve financial literacy and capability of their nation.

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27. See, for example: Hastings, Justine S., Madrian, Brigitte C. and Skimmyhorn,William L. "Financial Literacy, Financial Education and Economic Outcomes," Annu Rev Econom. 2013 May 1; 5: 347–373, 2013, available at: *https://dx.doi.org/10.1146%2Fannurev-economics-082312-125807*; Lusardi, Annamaria and Mitchell, Olivia S. "The Economic Importance of Financial Literacy: Theory and Evidence", Journal of Economic Literature 2014, 52(1), 5-44, 2014, available at: *https://www.aeaweb.org/articles?id=10.1257/jel.52.1.5*.

28. U.S. Department of the Treasury, "Role of the Treasury", webpage, available at: *https://home.treasury.gov/about/general-information/role-of-the-treasury*.

Recommendation

Treasury recommends that the primary federal role for financial literacy and education should be to empower financial education providers as opposed to trying to directly reach every American household. This federal role could include developing and implementing policy, encouraging research, and other activities, including conducting financial education programs, and developing educational resources as needed to advance best practices and standards to equip Americans with the skills, knowledge, and tools to confidently make informed financial decisions and improve their financial well-being. The federal government should also consider the impact of the lack of financial literacy on households and the risk to the economy from negative externalities and market failures. Financial literacy and education should be seen as a vehicle to guard against market failures and foster competitive markets.

Leadership and Accountability for Federal Financial Literacy and Education

The FLEC's structure and operations have been informal, with the Treasury providing staff support and management, including organizing public meetings, scheduling informal briefings, and managing reports to Congress and the public. While it is clear that there is an important federal role in financial education, the structure of financial education across the federal government has not been conducive to both attaining measurable outcomes and coordinating activities in order to maximize the government's return on investment. As noted by the OMB Report and the GAO report, financial education activities exist in many different agencies, often without a requirement that they use or build on programs or resources already paid for by taxpayers. Congress created the FLEC with a purpose to coordinate these activities, yet the authorities of the FLEC, as well as its structure, do not provide it with the ability to hold members accountable for coordination, efficiency or outcomes. As GAO noted, "We acknowledge that the governance structure of the Commission presents challenges in addressing resource issues: it relies on the consensus of multiple agencies, has no independent budget, and no legal authority to compel members to act."[29] The FLEC's lack of clear decision-making processes and defined roles and responsibilities has impeded its ability to effectively carry out its national strategy for financial literacy, and its statutory mandates of both improving financial education, and streamlining and improving federal financial education activities. As a result, the FLEC lacks an effective organizational structure to facilitate goal-setting and decision-making and accountability for outcomes. A more clear and focused leadership structure is needed to guide the work of the FLEC.

In addition to structural impediments to coordination, performance and outcome data have not been used systematically to assess the effectiveness of federal activities

29. GAO, April 2014.

and provide a basis to streamline, augment or improve them. Outcomes should reflect the ability of Americans to attain improved financial decision-making as opposed to being activity driven. The GAO has noted that "financial literacy program evaluations are most reliable and effective when they measure the programs' impact on consumers' behavior."[30] By adopting measures that member agencies directly impact (performance measures), and indirectly affect (outcome measures), the FLEC will be able to better assess the effectiveness of financial education activities and thus make improvements in the future.

Recommendations

Treasury recommends the FLEC establish bylaws to set clear expectations for its decision-making and roles, including establishing a six-member Executive Committee comprised of Treasury (chair), CFPB (vice chair), and ED, HUD, DOL and DoD. The Executive Committee will be responsible for crafting, with input from other FLEC members, a shared agenda for action and priorities, and be accountable to report on achievement of that agenda. The agenda would be voted on and approved by a majority of the members.

To ensure the FLEC is accountable for the agenda and improving Americans' financial decision-making, Treasury recommends the Executive Committee develop and implement outcome measures for federal financial education activities. These measures, and the actions toward attaining them, would be reported in the FLEC's report to Congress[31] and used to recommend future actions. **Exhibit C** includes potential outcome measures recommended by Treasury.

Finally, Treasury recommends all other FLEC members would provide information and input to the FLEC Executive Committee and serve on one or more working groups (below) based on their areas of expertise.

Treasury also recommends that the FLEC form the following five working groups, with the member of the Executive Committee identified below leading each working group by taking responsibility for developing an agenda for programs, research and outreach:

- Basic Financial Capability (CFPB)
- Retirement Savings and Investor Education (DOL)
- Housing Counseling (HUD)
- Postsecondary Education (ED)
- Military (DoD)

30. GAO, July 2012.
31. 20 U.S.C. §9703(h).

Coordination of FLEC Efforts

The majority of financial literacy and education is provided by entities outside of the federal government. As a result, the FLEC statute requires the Commission to "take such steps as are necessary to coordinate and promote financial literacy and education efforts at the State and local level, including promoting partnerships among Federal, State, and local governments, nonprofit organizations, and private enterprises."[32] However, the FLEC has not had a formal mechanism for collaboration and communication with entities and intermediaries who provide financial education. This type of collaboration and communication is necessary to leverage these non-government resources.

Recommendations

Treasury recommends that the FLEC should determine a structure to liaise in a more consistent and ongoing way with intermediaries or populations that are critical to financial education, such as:

- State, tribal and local governments
- Nonprofit organizations
- Employers
- Financial institutions and financial services industry
- Federal Reserve Banks and Federal Home Loan Banks and Government Sponsored Enterprises (GSEs)
- Youth and families and state and local education agencies
- Older Americans
- People with disabilities
- Low and moderate-income individuals
- Minority populations

32. 20 U.S.C. § 9703(e).

Section 2:

Coordination of Programs and Policy Proposals for High Impact

Introduction

Treasury is proposing a number of coordination recommendations related to the key areas of financial activity and decision-making that we have identified. Basic Financial Capability addresses basic money management and planning skills, as well as access to financial services, saving and credit. Housing, Retirement Savings, and Postsecondary Education address the primary household balance sheet items. Because of the importance and distinctiveness of their issues, we separately address recommendations regarding the Military community.

In these recommendations, we define coordination activities as those recommendations that seek to improve efficiency and outcomes, by avoiding overlapping activities or sharing expertise or abilities. The coordination recommendations all propose a lead agency for the activity, with the understanding that other agencies (as well as external experts), will often be needed to provide specialized expertise, networks or other assistance. It is also noted that these broad categories are not intended to eliminate the necessary interaction across subject matters. We expect that the FLEC Executive Committee will be mindful of these interactions including circumstances where some programmatic overlap may be appropriate, and consider them in their working group strategies.

Basic Financial Capability

The FLEC statute requires the Commission to emphasize "basic personal income and household money management and planning skills," which include, for example, saving and using credit wisely, understanding credit scores and credit reports, and accessing and using financial products and services.[33] Similarly, the Dodd-Frank Act established the CFPB Office of Financial Education and required it "to develop and implement a strategy to improve the financial literacy of consumers that includes measurable goals and objectives, in consultation with the Financial Literacy and Education Commission, [and] consistent with the National Strategy for Financial Literacy" through a range of activities.[34]

33. 20 U.S.C. § 9703(a)(2).

34. These activities include access to financial counseling; information to assist in the evaluation of credit products and credit histories and scores; savings, borrowing, and other services found at mainstream financial institutions; activities intended to prepare the consumer for educational expenses, reducing debt, and improving the consumer's financial situation; assistance with long-term savings strategies; and wealth building and financial services to claim earned income tax credits. 12 U.S.C. § 5493(d)(2)(A)-(F).

In addition to the CFPB, several other federal agencies are engaged in basic financial capability, including the FDIC, HUD and the Federal Trade Commission (FTC). For example, the FDIC and the CFPB manage two separate resources on general financial literacy and education topics including savings and credit, particularly geared to lower-income individuals with less formal financial education. The FDIC's Money Smart Financial Education Program ("Money Smart") is a comprehensive multi-part curriculum to use in group settings that covers core topics including personal money management and using financial services effectively. Money Smart was designed to be used by financial institutions and other organizations interested in sponsoring financial education workshops.[35] The FDIC offers several versions of the Money Smart curriculum with modules modified to address the particular needs of different populations, including adults, young people, older consumers, consumers with disabilities, and small businesses.[36] The general purpose version of the curriculum is also available online and via podcast. There is some evidence to suggest that completing the Money Smart curriculum increases a participant's likelihood of planning to open a new account.[37]

The CFPB's Your Money, Your Goals program is a toolkit with action booklets to use by social services providers in a one-on-one setting with the people who they serve. It includes a train-the-trainer program element (including materials and guides) designed to help social workers and other practitioners learn to integrate basic financial literacy concepts into social service programs such as Head Start, workforce development programs, and others.[38] In addition, HUD's Housing Counseling Program establishes standards for HUD HCP grantees that provide consumers with rental and homeownership counseling on housing issues, which often includes content on basic financial literacy and education topics.[39]

Issues and Recommendations

Metrics and Accountability for Basic Financial Capability

The FLEC and member agencies have activities that address basic financial capability. In some cases these activities are duplicative or could be better coordinated. Although the Dodd-Frank Act established the CFPB Office of Financial Education, the law does not address the consolidation of existing programs and the authority of the various agencies engaged in this area. However, the Dodd-Frank Act does require the

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35. Federal Deposit Insurance Corporation, (FDIC) "Money Smart – A Financial Education Program, "webpage, available at: *https://www.fdic.gov/consumers/consumer/moneysmart/*.

36. Id.

37. Lyons, Angela and Scherph, Erik, "Moving from Unbanked to Banked: Evidence from the Money Smart Program", Financial Services Review, 2004, available at: *https://pdfs.semanticscholar.org/e05c/0394bd36d5ad19eb0ad1ad6ecc6bfed575c6.pdf*.

38. Consumer Financial Protection Bureau, "Your Money, Your Goals", webpage, available at: *https://www.consumerfinance.gov/practitioner-resources/your-money-your-goals./*

39. U.S. Department of Housing and Urban Development, "Housing Counseling Program Description" webpage, available at: *https://www.hudexchange.info/programs/housing-counseling/program-description/*.

CFPB Office of Financial Education to "develop and implement a strategy to improve the financial literacy of consumers that includes measurable goals and objectives, in consultation with the Financial Literacy and Education Commission, consistent with the National Strategy for Financial Literacy."

Recommendation

The CFPB in its role on the FLEC Executive Committee and leading the Basic Financial Capability Working Group should have the responsibility for coordinating the FLEC's activities related to basic financial capability and have accountability for reporting on those activities. Treasury also recommends that the outcome measures such as those in Exhibit C be considered for adoption to measure the impact of financial literacy and education efforts on basic financial capability.

Basic Financial Capability Curriculum

Both CFPB and FDIC provide resources to organizations wishing to deliver basic financial capability education and counseling, especially geared toward lower-education and lower income individuals.

Recommendation

Treasury recommends that FLEC designate the Money Smart curriculum and the Your Money Your Goals program as the core resources for use by federal agencies with initiatives targeted to civilians, and that the CFPB and FDIC collaborate to align the recommended uses of the Your Money, Your Goals Toolkit and the Money Smart curriculum to create a comprehensive set of materials to be considered the core federal financial education product for adults, especially low-income adults.

Access to Financial Services

An inclusive banking system is important to expanding access for American households to safe, secure, and affordable financial services. However, a significant percentage of Americans conduct some or all of their financial transactions outside of the mainstream banking system. Public and private financial education programs that focus on financial inclusion are designed to develop a foundation that provides opportunities for Americans to deposit funds, make payments, access credit and accumulate savings. Access to these banking services is one of the first steps in the journey toward financial stability. Although financial education is not the only hurdle to households entering the financial mainstream, it is still a critical component of financial inclusion programs.

Since 2009, the FDIC has conducted, on a biennial basis, the National Survey of Unbanked and Underbanked Households ("FDIC Survey").[40] The FDIC Survey tracks the estimated percentage of U.S. households without an account at an insured

40. Id. at 11.

financial institution, and the percentage that have an account but also relied on financial services and products outside of the mainstream banking system. According to the 2017 FDIC Survey, 6.5 percent of U.S. households (8.4 million), comprised of 14.1 million adults and 6.4 million children, were "unbanked," meaning no one in the household had a checking or savings account.[41]

Since the first FDIC Survey in 2009, the demographic characteristics of the unbanked have remained consistent. The FDIC Survey notes that the unbanked have been, and continue to be, lower-income, less educated, not born in the United States, younger and disproportionately minority. Specifically, the 2017 FDIC report shows that 16.9 percent of Black and 14 percent of Hispanic households are unbanked while 25 percent of households earning less than $15,000 are unbanked.[42] In addition, the survey shows persons with disabilities, those who do not own a home, and unmarried female-headed households are also more likely to be unbanked.[43]

The Federal Reserve Bank of Boston noted that there are direct and indirect costs of being unbanked that may, in total, be more expensive compared with having a bank account.[44] Examples of direct costs include fees related to check cashing and money orders, while examples of indirect costs include lack of interest accrued from savings accounts. In terms of indirect costs, the FDIC has determined that one in five unbanked households save for unexpected emergencies, but typically outside of an insured financial institution. If these unbanked households were brought into the banking system it could allow the formation of "relationships that help them safeguard funds, enhance access to credit, and increase financial security."[45]

In the FDIC Survey, the top four reasons cited by U.S. households for not having a bank account include: inadequate funds to keep an account; lack of trust in banks; concerns with privacy; and high account fees.[46] Some of the reasons cited by households for being unbanked, including lack of trust and concerns with privacy, may have a connection to a lack of financial literacy and education. For example in the 2015 FDIC survey, 55.8 percent of unbanked households indicated that banks are "not at all" interested in serving households like theirs, which may be another education opportunity for bankers and consumers.[47]

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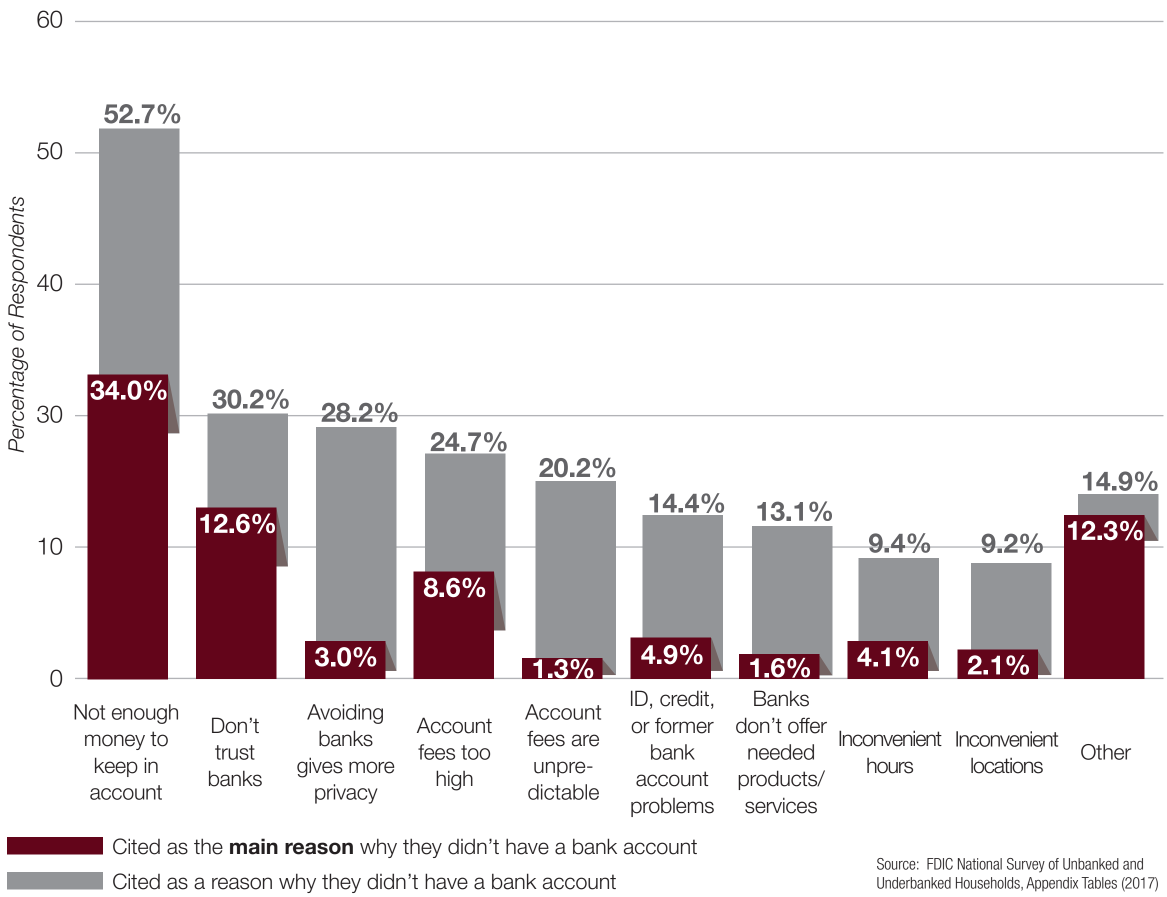
41. Federal Deposit Insurance Corporation, "FDIC National Survey of Unbanked and Underbanked Households: Appendix Tables", 2017, available at: *https://www.fdic.gov/householdsurvey/2017/2017appendix.pdf.*
42. Id.
43. Id.
44. Federal Reserve Bank of Boston, "Estimating the Cost of Being Unbanked", 2007, available at: *https://www.bostonfed.org/~/media/Documents/cb/PDF/article9.pdf.*
45. Federal Deposit Insurance Corporation, "FDIC National Survey of Unbanked and Underbanked Households" (2015 Report), 2016, available at: *https://www.economicinclusion.gov/surveys/2015household/documents/2015_FDIC_Unbanked_HH_Survey_Report.pdf.*
46. Id at 11.
47. Id at 45.

Reasons for Not Having a Bank Account (Percent, 2017)



Source: FDIC National Survey of Unbanked and Underbanked Households, Appendix Tables (2017)

In addition to the unbanked population, the 2017 FDIC Survey noted that 18.7 percent of U.S. households (24.2 million) are "underbanked" because they have a checking or savings account but also used products or services from a nonbank alternative financial services provider in the past 12 months. Products from alternative financial service providers that identify a household as "underbanked" in this model include money orders, check cashing, international remittances, payday loans, refund anticipation loans, rent-to-own services, pawn shop loans or auto title loans.[48]

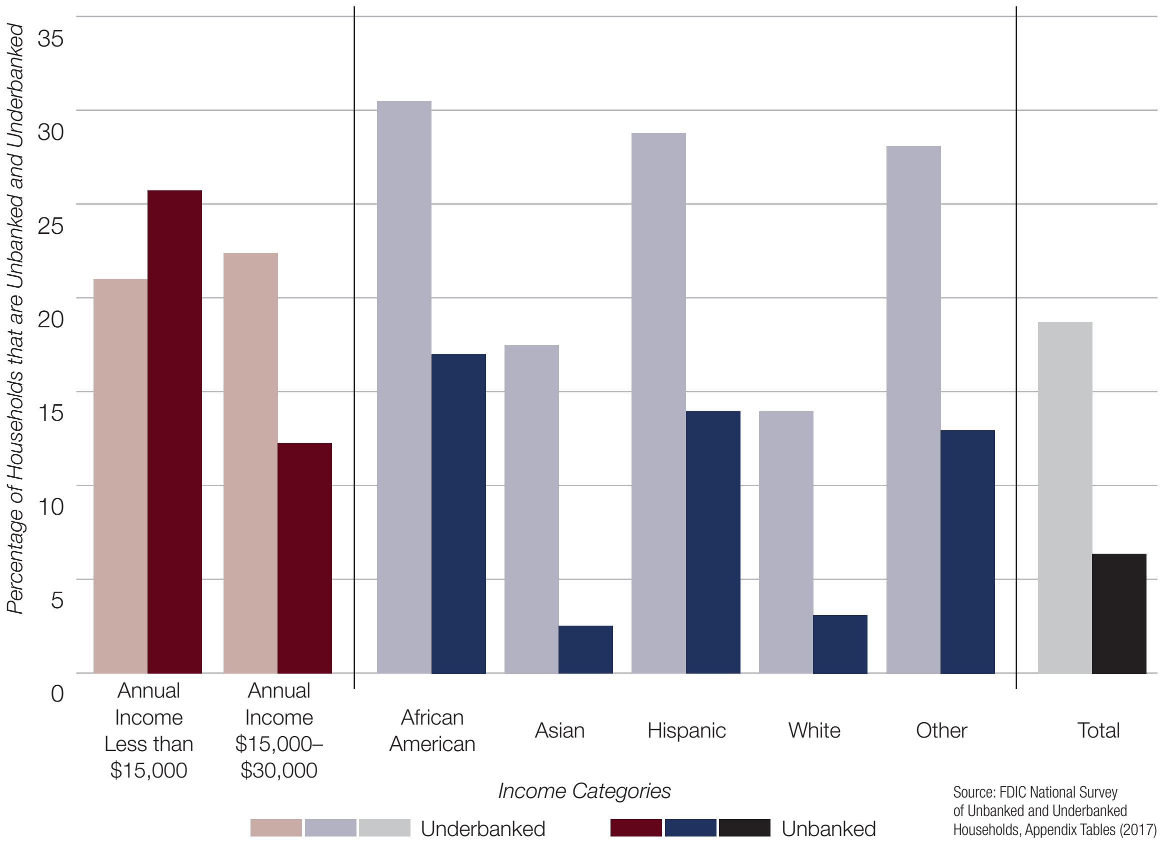
The FDIC definition of underbanked is linked to a household's relationship to nonbank financial institutions. Underbanked does not mean that a person's access to the banking system is impaired. The FDIC's rationale for adopting this definition was "to highlight the opportunities for banks to keep consumers inside the banking system."[49]

According to the FDIC survey, the primary reason stated for consumers not having an account is that they lack sufficient funds for a bank account.[50] Many of these consumers are concerned that fees associated with an account are too high for consumers

48. Id. at 11.
49. Wack, Kevin, "Ditch the Word 'Underbanked,' It's Confusing and Misleading", American Banker, 2013, available at: *https://www.americanbanker.com/opinion/ditch-the-word-underbanked-its-confusing-and-misleading*.
50. Id. at 11.

Unbanked & Underbanked Households

(Percent by Income, Race, and Language Spoken, 2017)



Source: FDIC National Survey of Unbanked and Underbanked Households, Appendix Tables (2017)

who maintain low balances. There is a need for low cost accounts that will allow consumers to avoid fees and overdrafts. In the past the CFPB sent letters to the 25 largest retail banks encouraging them to make available and widely market lower-risk deposit accounts.[51]

Although the federal government is focused on bringing more Americans into the financial mainstream, a significant amount of this work is being done by state and local governments. Many of these governments are engaging in public-private partnerships with financial institutions and community organizations to open accounts for the unbanked and improve their financial stability. One of the more successful programs is the Bank On program that was originally started by the city of San Francisco in 2006.[52] Bank On has since been adopted by more than 74 regional coalitions across the country, representing more than 20,000 bank branches offering safe

51. Consumer Financial Protection Bureau, "CFPB Takes Steps to Improve Checking Account Access," blog post, February 3, 2016, available at: *https://www.consumerfinance.gov/about-us/newsroom/cfpb-takes-steps-to-improve-checking-account-access/*.

52. San Francisco Office of Financial Empowerment, website, available at: *https://sfgov.org/ofe/history-innovation*; see also National League of Cities Institute for Youth, Education and Families, "Banking on Opportunity: A Scan of the Evolving Field of Bank On Initiatives," U.S. Department of the Treasury, 2011, available at: *https://www.treasury.gov/resource-center/financial-education/Documents/Banking%20On%20Opportunity%20Nov%2011.pdf.*

and affordable accounts.[53] The goal of the Bank On program is to ensure that everyone has access to a safe and affordable bank account by working with financial institutions to provide low-cost or no-cost accounts combined with financial education. These programs address both access and suitability of accounts and allow financial institutions to reach new customers.

Issues and Recommendations

Bank Account Screening Credit Reporting Agencies

Unbanked consumers sometimes are unable to access banking services because of negative information in bank account screening consumer reporting agencies ("account screening CRAs"). Account screening CRAs, used by the vast majority of U.S.-based banks and some credit unions, are a means for financial institutions to warn and be warned by industry colleagues about fraudulent bank clients. Over 80 percent of banks use reports produced by an account screening CRA to decide whether to allow a consumer to open a checking or savings account."[54] In some cases, these account screening CRAs can be a substantial barrier to mainstream banking access.

Recommendations

Treasury recommends that financial institutions and educators incorporate into their curriculum and programs information about account screening CRAs. The curriculum and programs should discuss how account screening CRAs are a potential barrier to accessing the banking system, ways to avoid negative information on bank account screening reports, and the error resolution process to resolve incorrect information.

Low Cost and Second Chance Bank Accounts

Many local and state governments have established public-private partnerships to work with banks and credit unions, nonprofits and other organizations to expose more people to the banking system. One example of public private partnerships is the Bank On initiative. Bank On customers, for example, get a safe and affordable account that is insured, banks and credit unions receive additional deposits, and state and local governments may benefit in both operational efficiency and improved community financial health.[55] Many banks and credit unions also offer low cost "second chance accounts" for consumers who have been rejected due to a negative history with an account screening CRA. Second chance checking accounts have many of the same

53. Join Bank On.org, website, available at: *http://joinbankon.org/coalitionmap/*.

54. Wu, Chi Chi and Plat, Katie, "Account Screening Consumer Reporting Agencies: a Banking Access Perspective", National Consumer Law Center and Cities for Financial Empowerment Fund, available at: *http://cfefund.org/wp-content/uploads/2016/08/Account-Screening-CRA-Agencies-Banking-Access-report.pdf*.

55. See, for example, Cities for Financial Empowerment Fund, "Bank on Coalition Playbook: Equipping Bank On coalitions for local banking access success," January, 2019, available at: *https://issuu.com/cfefund/docs/bank_on_playbook_jan_2017*. For background, see: Wiedrich, Kasey et al., "Financial Counseling & Access for the Financially Vulnerable: Findings from the Assessing Financial Capability Outcomes Adult Pilot," Corporation for Enterprise Development, April 2014, available at: *https://www.treasury.gov/resource-center/financial-education/Documents/Financial%20Counseling%20and%20Access%20for%20the%20Financially%20Vulnerable%20-%20Findings%20from%20the%20Assessing%20Financial%20Capability%20Outcomes%20%E2%80%A6.pdf*.

features as Bank On accounts but carry more requirements than standard checking accounts, including setting up direct deposit or completing financial education.[56]

Recommendations

Treasury recommends that the FLEC collaborate with public-private partnerships between state and local governments and financial institutions to develop best practices for building financial capability by connecting consumers to suitable financial products and education.

Saving and Credit

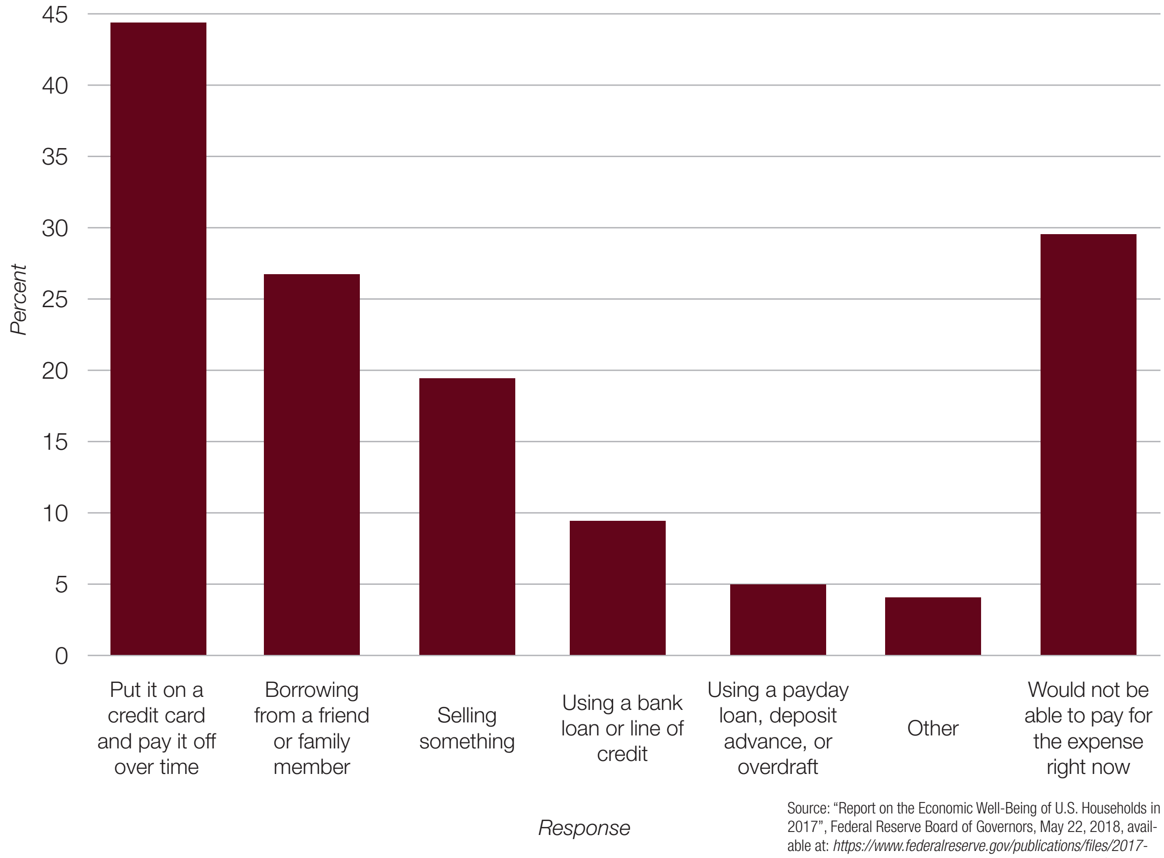
In addition to access to financial services, saving and credit are also fundamental components of basic financial capability. Consumers save for a wide variety of needs, including short term and everyday issues such as groceries, day care services, transportation, utilities and rent or mortgage payments. Consumers also plan, budget and save to pay for more expensive mid-term needs such as health care prevention and treatment and big-ticket purchases such as appliances. Consumers save for long-term goals as well, including starting a business, paying for higher education for themselves or their children, and for large expenses such as the purchase, lease or repair of an automobile or home. Saving is also a key ingredient of planning for retirement.

Despite the clear needs and benefits of saving, American households have difficulty with saving. Research has found that many households of all income levels are not saving enough.[57] A recent national survey found that more than 80 percent of American consumers believe they lack enough savings, and a full one-third (33 percent) of respondents have no savings whatsoever.[58] Recent surveys also show that a large percentage of consumers have insufficient available funds to cover unplanned expenses. Experts estimate that families in the U.S. typically experience financial shocks of at least $2,000 annually.[59] Unfortunately, forty percent (40 percent) of American families do not have $400 in available savings to pay for unplanned or emergency expenses without borrowing or selling a possession.[60] The CFPB's Start Small, Save Up initiative, announced in 2019, offers tips, tools, and information to help consumers build a basic savings cushion of at least $400, develop a savings habit as a foundation for securing their financial futures and be better prepared to meet a financial shock or emergency.

Consumer savings is a complex issue that involves individual situations and particular decision-making skills and circumstances. As noted in the 2006 National Strategy for Financial Literacy, some consumers require assistance with careful planning to begin

56. "Second Chance Checking Accounts Across the U.S.", Nerdwallet, available at: *https://www.nerdwallet.com/blog/banking/second-chance-checking/*.
57. Currier, Erin and Elmi,Sheida "The State of American Family Finances", The Pew Charitable Trusts, January 7, 2016, available at: *http://www.pewtrusts.org/en/research-and-analysis/articles/2016/01/07/the-state-of-american-family-finances*.
58. Id.
59. Id.
60. Id at 12.

Other Ways Individuals Would Cover a $400 Emergency Expense (Percent, 2017)



Source: "Report on the Economic Well-Being of U.S. Households in 2017", Federal Reserve Board of Governors, May 22, 2018, available at: *https://www.federalreserve.gov/publications/files/2017-report-economic-well-being-us-households-201805.pdf*

to save, while others simply need a light touch nudge in the direction toward saving, along with information and access to products and services that can help them save to meet their needs and goals.[61]

One proposed means to strengthen emergency savings is to enable workers to save for unplanned needs via workplace savings programs, similar to proposals that would add a short-term savings option to workplace retirement savings plans, such as 401(k)s. Another proposed option would involve employers providing their workers access to stand-alone emergency savings accounts, such as with a bank or credit union, which would be funded by paycheck allocations. While workplace savings programs may hold promise, very few have been implemented in the U.S., and there are many unanswered questions on implementation, including questions about tax implications and the impact on retirement savings.[62]

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61. Id. at 24 (FLEC, 2006).

62. Mitchell, David S. and Lynne, Gracie, "Driving Retirement Innovation: Can Sidecar Accounts Meet Consumers' Short- and Long-Term Financial Needs", Aspen Institute, June 2017, available at: *https://assets.aspeninstitute.org/content/uploads/2017/06/FSP-Sidecar-Accounts-Brief.pdf*; Beshears, John, et. al., "Building Emergency Savings Through Employer-Sponsored Rainy Day Savings Accounts", Working Paper, Harvard University, October 2017, available at: *https://scholar.harvard.edu/files/laibson/files/2017-10-25_rainy_day_paper_final_2.pdf* .

Savings are also a critical component of disaster preparedness. When individuals, households and communities are not financially prepared for emergencies, the burden of response falls on society. In 2017, Hurricanes Harvey, Irma, and Maria caused a combined $265 billion in damage,[63] with at least three-quarters of the residential flood damage uninsured.[64] According to the Federal Emergency Management Agency (FEMA), of the estimated $55 billion in losses expected annually due to natural disasters, more than half will be uninsured.[65] Consumers having adequate and appropriate forms of insurance is an important component of disaster preparedness, yet many consumers may not understand insurance products and coverage, and may underestimate their risk.[66]

When last surveyed in 2017, Americans showed a significant lack of preparedness for natural disasters. Having adequate insurance, emergency savings, retaining financial records, knowing how to manage finances after an emergency and avoiding fraud and scams are critical financial preparedness activities. Just over one-third of respondents reported having stored financial, insurance, medical or other records and only 35 percent of homeowners in a flood region reported purchasing flood insurance.[67] As noted earlier, over 40 percent of Americans could not find $400 in the case of an emergency. And, while renters are three times more likely to need assistance evacuating than homeowners, 39 percent of the 44 million Americans who rent do not have $2,000 to cover evacuation expenses.[68]

Communities do not often include household financial preparedness as part of their disaster planning. For example, the National Mitigation Investment Strategy (NMIS),[69] which guides federal, state and local preparation in order to mitigate disaster risks and reduce reliance on federal funding, does not specifically address household financial preparedness, even though these actions are likely to improve resilience.[70] In order to reduce this gap, FEMA, in its 2018-22 Strategic Plan includes a goal of "build(ing) a culture of preparedness." This includes closing the insurance gap and

63. Id at 13.

64. Jeffrey, Tom, "CoreLogic Identifies Flood and Wildfire as the Two Most Destructive Natural Hazards in 2017", CoreLogic Insights, February 2018, available at: *https://www.corelogic.com/blog/2018/02/corelogic-identifies-flood-and-wildfire-as-the-two-most-destructive-natural-hazards-in-2017.aspx* .

65. Id at 14.

66. Kunreuther, Howard, McMorrow, Stacy, and Pauly, Mark, "Insurance and Behavioral Economics: Improving Decisions in the Most Misunderstood Industry", Risk Management and Decision Process Center, The Wharton School, University of Pennsylvania, August 2012, available at: *http://www.naic.org/documents/cipr_events_2012_cipr_summit_presentations.pdf*.

67. Federal Emergency Management Agency, "2017 National Household Survey Results: Preparedness in America", available at: *https://community.fema.gov/AP_Survey_Story_PDF*.

68. Id at 14.

69. The federal National Mitigation Investment Strategy (NMIS) provides a national approach to investments in mitigation activities and risk management across the United States for federal departments and agencies; state, territorial, tribal, and local governments and private and nonprofit sector entities such as businesses, philanthropies, universities, and other non-governmental organizations. It considers and recommends actions reflecting input and involvement from, and benefits for, all national stakeholders involved in disaster resilience, including federal, state, tribal, territorial, local and private organizations, and the public. Available at: *https://www.fema.gov/national-mitigation-framework* .

70. Edmiston, Kelly, "Financial Vulnerability and Personal Finance Outcomes of Natural Disasters", Federal Reserve Bank of Kansas City, September 2017, available at: *https://www.kansascityfed.org/~/media/files/publicat/reswkpap/pdf/rwp17-09.pdf?la=en*.

helping people financially prepare for disasters. As part of this goal, FEMA's Federal Insurance and Mitigation Administration has a goal of doubling the coverage under the National Flood Insurance Program by 2023.[71]

Basic financial capability also includes consumer debt. When used judiciously, debt is a convenient and helpful tool to help consumers manage their everyday financial lives. In the United States, consumers of all income levels borrow for both short-and long-term needs. Upwards of 77 percent of American families hold debt of some type,[72] with the national total consumer debt totaling more than $13 trillion.[73] Credit cards are a primary form of consumer borrowing in the United States.[74] As of the end of 2017, a full 83 percent of American adults (181 million consumers) had at least one credit card,[75] representing the highest number of account holders since 2005.[76] According to a recent report by Experian, the "average" U.S. consumer has 3.1 credit cards, with an average balance due of $6,354, representing an increase of 2.7 percent from the previous year.[77] Approximately 44 percent of households with credit cards carry debt on their cards – that is, they maintain a balance on their card account from month to month.[78] According to research by NerdWallet, the households that carry credit card balances in this way pay $904 in interest annually, on average.[79]

Credit scores and credit reports are an important factor with respect to a household's ability to access consumer credit. A low credit score could limit a consumer's access to credit or make credit more expensive. However, in our current economy credit scores have been climbing.[80] As of April 2018, the average FICO score was 704, with less than 20 percent of consumers with a score of less than 600.[81]

Efforts have been made to educate people about their credit reports and credit scores. For example, the Fair Credit Reporting Act (FCRA) requires each of the nation-wide credit reporting companies — Equifax, Experian, and TransUnion — to provide

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71. Federal Emergency Management Agency, "FEMA's Strategic Direction for the National Flood Insurance Program (NFIP) and National Mitigation Investment Strategy (NMIS)," February 2018, available at: *https://www.treasury.gov/initiatives/fio/Documents/FACIFebruary2018_FEMA.pdf.*

72. Board of Governors of the Federal Reserve System, "Changes in U.S. Family Finances from 2013 to 2016: Evidence from the Survey of Consumer Finances." Federal Reserve Bulletin, September 2017, Vol 103, p. 22.

73. Dowdy, Daniel, "Are Plummeting Savings and Rising Debt Red Flags for Household Finances?", Aspen Institute, May 4, 2018, available at: *https://www.aspeninstitute.org/blog-posts/plummeting-savings-rising-debt-red-flags-household-finances/*

74. Id. at 72.

75. Sullivan, Bob, "State of Credit: 2017," Experian, January 11, 2018, available at: *https://www.experian.com/blogs/ask-experian/state-of-credit/.*

76. Id.

77. Id.

78. American Bankers Association, "Credit Card Market Monitor" April 2018, available at: *https://www.aba.com/Press/Documents/2017Q4CreditCardMonitor.pdf.*

79. El Issa, Erin, "NerdWallet's 2017 American Household Credit Card Debt Study," NerdWallet, December 2017, *https://www.nerdwallet.com/blog/average-credit-card-debt-household/.*

80. FICO, "Average U.S. FICO Score Hits New High", September 24, 2018, available at: *https://www.fico.com/blogs/risk-compliance/average-u-s-fico-score-hits-new-high/.*

81. Id.

consumers with a free copy of their credit report, at their request, once every 12 months.[82] An increasing number of U.S. consumers are also receiving free access to their credit score from their bank or financial institution, thanks to a major initiative sponsored by the FICO organization and national financial services firms to provide FICO scores directly to their customers.[83] But even with these initiatives from the private sector, only 36 percent of American consumers obtained their credit report in 2018, and the percentage of consumers who say it is important to check these reports has declined in recent years.[84] The CFPB has also found that consumers are confused about credit scores and credit reports and many are not certain how to obtain their credit report.[85]

In addition, a large portion of the U.S. population cannot access consumer credit at all. CFPB estimates that about 20 percent of Americans (45 million adults) do not have access to credit because they do not have either a complete credit file or have no file at all. Upwards of 30 percent of residents of low-income neighborhoods have insufficient information in their credit file, with another 15 percent of these residents more having no credit score. The CFPB research also found that Black and Hispanic consumers are more likely to lack a thorough credit file and to have unscored credit records than are White or Asian consumers.[86]

To address credit invisibility, there are strategies that can help thin- and no-file consumers build a positive credit history. The CFPB has shared information with the public about strategies to address credit invisibility, such as secured credit cards, credit builder loans, and alternative data and modeling techniques that can help consumers, regulators, and industry expand access to credit. The federal government administers numerous programs that provide the public with basic financial literacy information and services related to saving and credit. Several agencies provide the public with information on these core topics via agency websites and public outreach; formal financial literacy curricula; and financial coaching for low-to-moderate income individuals. Two agencies, FTC and CFPB, administer web-based public awareness information specifically about the importance of credit scores and credit reports, as well as identity theft and protecting one's credit profile. Finally, numerous agencies, including CFPB, HUD and the Federal Reserve Board, administer research on trends in consumer savings and effective practices for encouraging savings. These federal

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82. "Fair and Accurate Credit Transactions Act of 2003, P.L. 108-159; 15 U.S.C. 1681j, available at: *https://www.congress.gov/108/plaws/publ159/PLAW-108publ159.pdf.*
83. Gaskin, Joanne, "How FICO Score Open Access Can Help Credit Counsellors," FICO, August 8, 2016, available at: *https://www.fico.com/blogs/?s=FICO+Score+Open+Access.*
84. Consumer Federation of America, "Survey Shows An Increasing Number of Consumers Have obtained Their Credit Scores and Know Much More About Credit Scores", 2018, available at: *https://consumerfed.org/press_release/survey-shows-an-increasing-number-of-consumers-have-obtained-their-credit-scores-and-know-much-more-about-credit-scores/.*
85. Consumer Financial Protection Bureau, "Consumer Voices on Credit Reports and Scores", February 2015, available at: *https://files.consumerfinance.gov/f/201502_cfpb_report_consumer-voices-on-credit-reports-and-scores.pdf.*
86. Consumer Financial Protection Bureau, "Data Point: Credit Invisibles", 2015, available at: *https://files.consumerfinance.gov/f/201505_cfpb_data-point-credit-invisibles.pdf.*

programs and initiatives on saving and credit do not appear to be coordinated across agencies, and the agencies do not appear to have shared goals or output or outcome metrics for these topics.

Issues and Recommendations

Emergency Savings

According to the Federal Reserve, 40 percent of Americans are not financially prepared for a $400 emergency expense. Some consumers require assistance with careful planning to begin to save, while others simply need a light touch nudge in the direction toward saving, along with information and access to products and services. The CFPB's Start Small, Save Up initiative, announced in 2019, offers tips, tools, and information to help consumers build a basic savings cushion of at least $400 and develop a savings habit as a foundation for securing their financial futures and be better prepared to meet a financial shock or emergency.

Recommendations

Treasury recommends that the CFPB and the FLEC work with employers to promote emergency savings.

Financial Disaster Preparedness

A lack of savings and insurance leaves many Americans more vulnerable during a natural disaster. When individuals, households and communities are not financially prepared for emergencies, the burden of response falls on society.

Recommendations

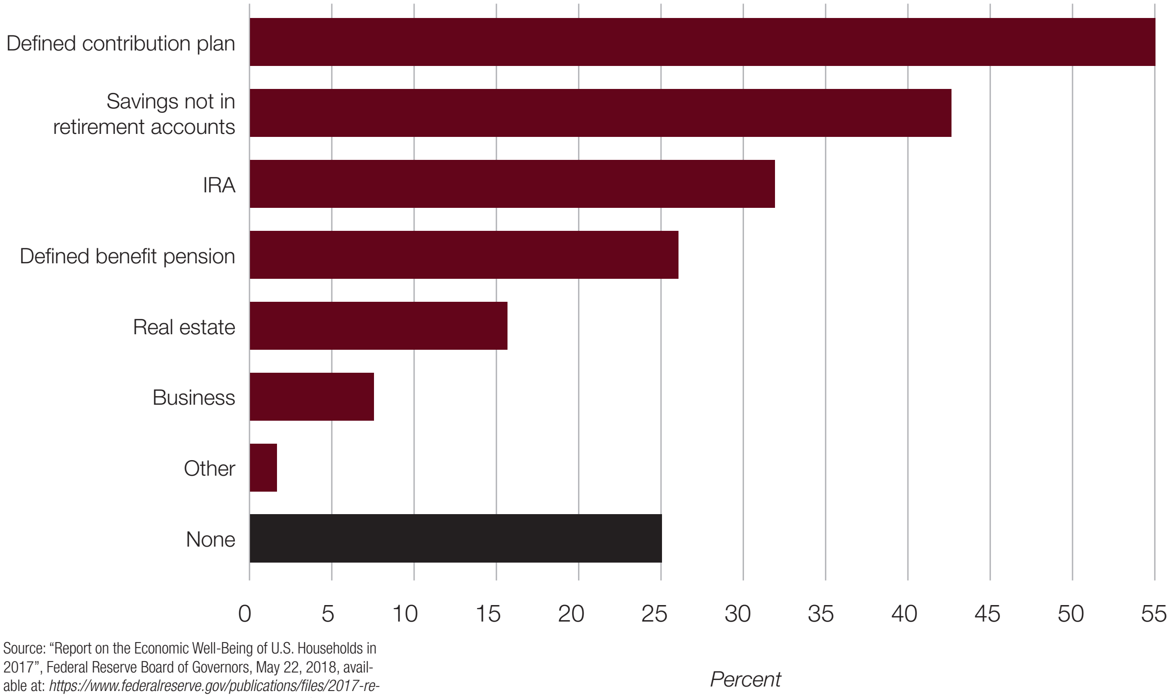
Treasury recommends that the CFPB lead on disaster financial preparedness education content and effective delivery, such as education about emergency savings and insurance, working closely with FEMA and other agencies. Metrics and methodology for evaluating and measuring impact should be established, building on the financial preparedness questions in FEMA's Annual Survey of Household Preparedness. Treasury also recommends the Federal National Mitigation Investment Strategy and state and local disaster planning should include household financial preparedness and recovery as part of their mitigation strategies.

Retirement Savings and Investor Education

For more than 80 years, Social Security, employer sponsored pensions or retirement plans, and individual savings have represented the three main pillars of our retirement system. This model, which enables financial security in later life, has guided the popular conception of retirement.[87] However, over the last 40 years, employers have shifted

87. U.S. Government Accountability Office, "The Nation's Retirement System: A Comprehensive Re-evaluation Is Needed to Better Promote Future Retirement Security GAO-18-111SP", 2018, available at: *https://www.gao.gov/assets/690/687797.pdf* .

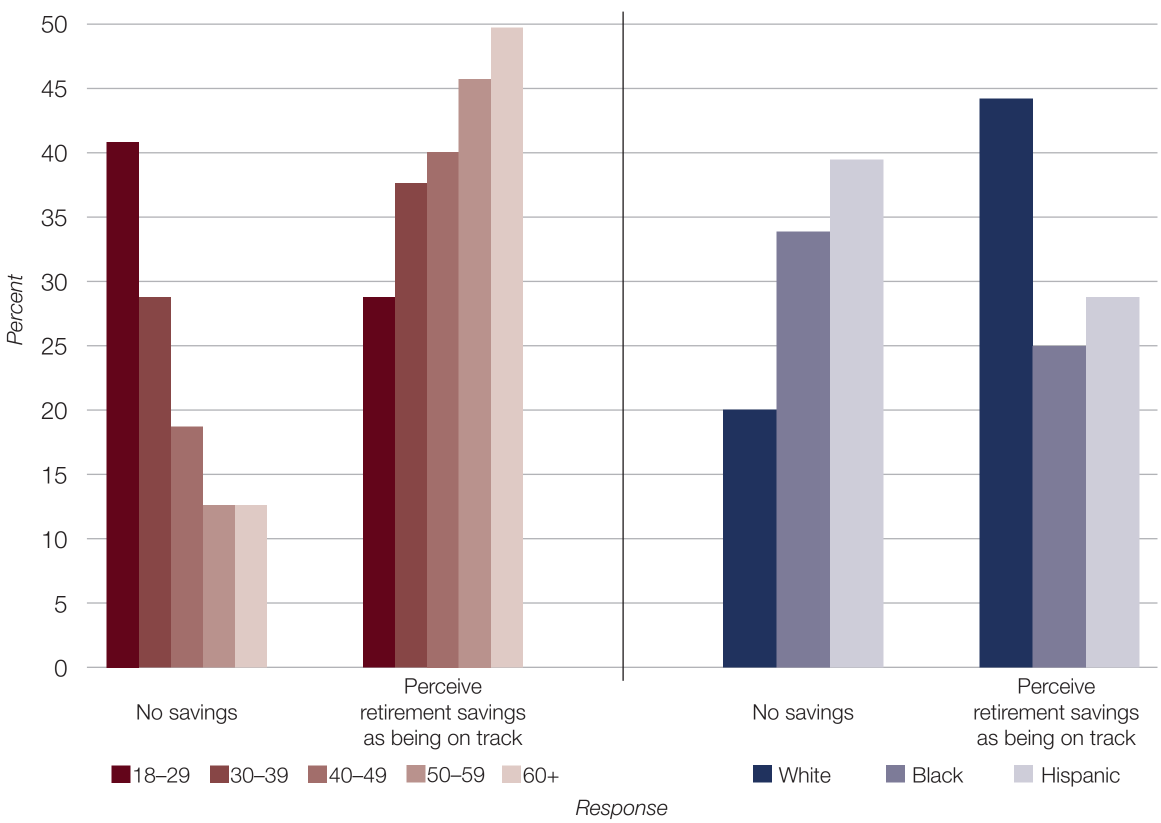
Forms of Retirement Savings Among Non-Retirees (2017)



Source: "Report on the Economic Well-Being of U.S. Households in 2017", Federal Reserve Board of Governors, May 22, 2018, available at: *https://www.federalreserve.gov/publications/files/2017-report-economic-well-being-us-households-201805.pdf*

Lack of Retirement Savings and Perception of Preparedness

(Percent by Age and Race/Ethnicity, 2017)



Source: "Report on the Economic Well-Being of U.S. Households in 2017", Federal Reserve Board of Governors, May 22, 2018, available at: *https://www.federalreserve.gov/publications/files/2017-report-economic-well-being-us-households-201805.pdf* towards offering defined contribution plans, like 401(k)s, and away from defined benefit plans. This shift has fundamentally changed one of the three main pillars, placing more personal responsibility on individuals to plan for their retirement and increasing the need for quality financial literacy and education.

Many Americans worry about retirement but according to the Federal Reserve, 25 percent of Americans have no retirement savings.[88] In addition, of those non-retired American adults, less than 40 percent believe their savings plan is on track for a secure retirement.[89] Factors such as health, disability and work skills relative to workforce demands are all likely to play a role in retirement preparedness, as well as financial choices, such as greater prevalence of household debt (including mortgages and student debt, as well as other forms of debt) during retirement.

The primary agency responsible for educating workers and employers about workplace retirement plans (both pensions and defined contribution plans) is the Department of Labor's Employee Benefits Security Administration (DOL/EBSA). As required by law, DOL/EBSA provides information and outreach, and answers questions from employers and employees about all aspects of workplace retirement savings plans.[90] DOL/EBSA reports hosting approximately 1,800 events per year and attracting 4 million visits to its website.[91]

DOL/EBSA's Consumer Assistance Benefit Advisors help consumers with workplace benefit issues through more than 100 Benefit Advisors located at DOL's 13 field offices, where they educate employees and employers about their rights and obligations under employee benefit laws. The Benefit Advisors also assist individuals in obtaining retirement and health benefits that have been improperly denied. In FY 2017, the Benefits Advisors recovered over $418.7 million in benefits for participants that had been improperly denied.[92] The Benefit Advisors also responded to more than 182,000 inquiries and complaints from employers, employees and others about workplace plans.[93]

The HHS also has a retirement program that serves primarily lower-income seniors, especially women, through a grant to the National Education and Resource Center on Women and Retirement.[94] The HHS grant provides education, skills building and retirement planning tools particularly to low-income women to enhance their financial security in retirement. "The mission of the Center is to provide women with access

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88. Id. at 12.

89. Id.

90. *Employee Retirement Income Security Act of 1974* (ERISA), Pub. L. No. 93–406, 88 Stat. 829, (1974), codified in part at 29 U.S.C. ch. 18; Savings Are Vital to Everyone's Retirement Act of 1997, Pub. L. No. 105-92, 111 Stat. 2139 (1997), 29 U.S.C. § 1131 et seq.

91. U.S. Department of Labor, Employee Benefits Security Administration, "FY 2019 Congressional Budget Justification", 2018, available at: *https://www.dol.gov/sites/dolgov/files/legacy-files/budget/2019/CBJ-2019-V2-01.pdf.*

92. Id.

93. Id. Inquiries and complaints includes both health and retirement topics.

94. Id. at 15.

to a one-stop gateway that integrates financial information and retirement planning, health, and long-term care resources through Older Americans Act (OAA) supported programs."[95] The impact of the program has not been widely measured.[96]

Helping Americans understand Social Security is also an important piece of the federal effort around retirement planning. The SSA promotes a number of initiatives to make sure Americans understand how Social Security works. These include outreach through in-person events with community organizations and interest groups, as well as websites and mass media. These include, for example, Benefits Planner[97] and Retirement Estimator.[98] SSA encourages Americans to open a my Social Security account[99] in which they can receive personalized benefit estimates, verify their earnings history and see their Social Security Statement. SSA's Social Security Statement provides workers with information on their estimated monthly benefits and what individuals can expect to receive if they claim benefits at full retirement age and earlier and later ages (currently 67, 62 and 70). The Statement also provides information on family and survivor benefits. Research has shown that the Statement can help people make informed decisions about retirement claiming,[100] and receipt of the Statement corresponds to claiming at later ages, as well as greater employment for those aged 62 through 70.[101]

The U.S. government comprises one of the country's largest workforces, with approximately 2 million civilian employees dispersed across the U.S. and around the world.[102] Federal employees participate in the Thrift Savings Plan (TSP), a defined contribution plan for civil service employees, retirees and some military service members.[103] The Thrift Savings Plan Open Elections Act of 2004[104] required that the OPM support retirement financial literacy and education for federal employees and that each federal agency submit to OPM an annual financial literacy and education strategy for its staff. The strategy is intended to educate federal employees on the need for retirement savings and investment, provide information on how to plan for retirement, and how to calculate the retirement investment needed to meet their retirement goals.

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95. Id.

96. Id.

97. Social Security Administration, "Benefits Planner: Retirement," website, available at: *https://www.ssa.gov/planners/retire/*.

98. Social Security Administration, "Retirement Estimator," website, available at: *https://www.ssa.gov/planners/retire/*.

99. See, for example; Borland, Jim, "my Social Security Saves You Time for the Important Things," blog, Social Security Matters, April 30, 2018, available at: *https://blog.ssa.gov/my-social-security-saves-you-time-for-the-important-things/*.

100. Smith, Barbara A. and Couch, Kenneth A. "How Effective Is the Social Security Statement? Informing Younger Workers about Social Security", Vol. 74, No. 4, Social Security Bulletin, 2014, available at: *https://www.ssa.gov/policy/docs/ssb/v74n4/v74n4p1.html*.

101. Smith, Barbara A and Couch, Kenneth A. "Can Informational Interventions Be Effective Policy Tools? The Example of the Social Security Statement Consumer Interests Annual" Vol. 64, 2018, available at: *https://www.consumerinterests.org/assets/docs/CIA/CIA2018/SmithCIA2018.pdf*.

102. Id at 16.

103. Thrift Savings Plan, "What is the Thrift Savings Plan (TSP)?" website, available at: *https://www.tsp.gov/PlanParticipation/AboutTheTSP/index.html#whoAdministers*.

104. 5 U.S.C. § 8350.

The DoD provides retirement education for military service members, who historically have participated in a defined benefit plan. Recently, the National Defense Authorization Act for Fiscal Year 2016 created a new Blended Retirement System (BRS) for military service members that combines the traditional military defined benefit retirement pension plan with a defined contribution plan through the federal government's TSP.[105] In 2018, eligible service members were given the choice of opting into the BRS, while all service members joining the military on or after January 1, 2018, will automatically be enrolled in the BRS.[106] The DoD offered educational courses and a comparison calculator to service members eligible to opt-in to the BRS and continues to educate new service members on retirement. Currently, there are more than 500,000 service members enrolled in the BRS.[107]

While there is widespread agreement that many Americans are not adequately saving for retirement, there is not agreement in how to measure readiness. However, data indicates that many Americans have little or no money set aside for retirement.[108] To date, four agencies—DOL/EBSA, SSA, HHS, and OPM—have dedicated activities on retirement savings, which include informational and outreach resources, online tools, and some direct education. The most broad-reaching of these programs through DOL, while intended to increase retirement savings, planning and being prepared for retirement, currently only track usage and distribution of resources. One small program at HHS reports outcomes from pilots – namely increases in knowledge and confidence, and plans to take financial actions.[109] Without common measures for these activities, agencies cannot determine their true impact on their intended purpose and whether their strategies are effective and cost-effective.

Helping Americans prepare for retirement will also require a focus on investor education. In August 2012, the SEC completed a report required by the Dodd-Frank Act, which found that U.S. retail investors lack basic financial literacy ("SEC Study").[110] In the SEC Study, the lack of financial literacy among investors was even more pronounced among women, African-Americans, Hispanics, seniors and those with less formal education.[111] The FINRA Investor Education Foundation's 2016 study of investors in the United States also had similar findings where the average score of investors who took an investor literacy

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105. National Defense Authorization Act for Fiscal Year 2016, Pub. L. No. 114-92, 129 Stat. 726, sections 631-635; available at: U.S. Department of Defense, Uniformed Services Blended Retirement System website, available at: *https://militarypay.defense.gov/blendedretirement/*.

106. U.S. Department of Defense, Uniformed Services Blended Retirement System website, available at: *https://militarypay.defense.gov/blendedretirement/*.

107. Id at 17.

108. Brown, Jennifer Erin, Saad-Lessler, Joelle, and Oakley, Diane, "Retirement in America: Out of Reach for Working Americans?", National Institute on Retirement Security, September 2018, available at: *https://www.nirsonline.org/wp-content/uploads/2018/09/SavingsCrisis_Final.pdf*.

109. Id at 15.

110. U.S. Securities and Exchange Commission, "Study Regarding Financial Literacy Among Investors", e 2012, available at: *https://www.sec.gov/news/studies/2012/917-financial-literacy-study-part1.pdf*.

111. Id.

quiz could correctly answer only 4.4 out of 10 questions.[112] These findings highlight the need for investor education programs that address basic concepts, including interest and inflation, the difference between stocks and bonds, and diversification.

The SEC Study also looked at research indicating that investors have a "lack of critical knowledge of ways to avoid investment fraud." Financial losses associated with investment fraud topped $47 million dollars in losses in 2017, with over 15,000 complaints.[113] Thirty-five percent of fraud victims responding to a 2017 FINRA Investor Education Foundation study reported that it was "hard or somewhat hard" for them to meet their obligations as a result of the fraud.[114] The FINRA Study also found that only 14 percent of victims reported the incident to a federal, state or local authority. In fact, 39.3 percent of victims did not tell anyone about the fraud, with the most common reason stated being that they "didn't think it would do any good."[115] It should be noted that there are a considerable number of federal agencies performing intake of actual or suspected fraudulent activity, including the CFPB, FTC, Internal Revenue Service (IRS), SEC, FDIC, Office of the Comptroller of the Currency (OCC), Department of Justice (DOJ), DOL and the Commodity Futures Trading Commission (CFTC).

The SEC is the primary federal agency responsible for providing information on understanding investments and the operation of the securities markets and avoiding investment fraud. The SEC's Office of Investor Education and Advocacy produces educational materials, conducts seminars and other events, and partners with state and federal agencies, consumer groups and investor education providers. The CFTC's Office of Customer Education and Outreach administers the CFTC's education initiatives and focuses on fraud involving commodities, which include foreign exchange and digital assets, or other violations of the Commodity Exchange Act. The SEC and the CFTC each enable investors to check the background of an investment or financial professional and file complaints. Neither agency provides advice but can distribute information to empower investors to make informed decisions and avoid fraud.

Many Americans do not have confidence investing in financial markets, particularly after the Great Recession.[116] Investor education may help address these concerns by building knowledge about how to invest soundly. Researchers have found that major market events can impact people's perceptions and financial behaviors for years to come, especially for people who are young adults at the time. Thus, those who

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112. FINRA Investor Education Foundation, "Investors in the United States 2016", 2016, available at: *https://www.finrafoundation.org/sites/default/files/NFCS_2015_Inv_Survey_Full_Report_0_0_0.pdf*.

113. Federal Trade Commission, Consumer Sentinel Data Book 2017, available at: *https://www.ftc.gov/policy/reports/policy-reports/commission-staff-reports/consumer-sentinel-network-data-book-2017/main*.

114. DeLiema, Marguerite; Mottola, Gary, Deevy, Martha. "Findings from a Pilot Study to Measure Financial Fraud in the United States", Stanford Center on Longevity and the FINRA Investor Education Foundation, February 2017, available at: *http://162.144.124.243/~longevl0/wp-content/uploads/2017/02/SCL-Fraud-Report-Feb-2017_Draft2.pdf* .

115. Id.

116. Palmer, Kimberly, "Why Millennials are Scared to Invest," US News & World Report, October 31, 2014, available at: *https://money.usnews.com/money/blogs/alpha-consumer/2014/10/31/why-millennials-are-scared-to-invest*.

witness a stock market crash are more likely to avoid investing in the future. [117] This seems to be the case for the Great Recession of 2008. For example, a recent survey by BlackRock found that more than 30 percent of Americans who were not investing were "afraid of losing everything."[118] A 2014 survey found that one-third of Baby Boomers and 40 percent of Millennials did not think the stock market was the best place to invest for retirement.[119] Similarly, a 2018 survey of Millennials (born 1981-1996) found that only 17 percent were "optimistic about the financial markets."[120] Investor education can help more people understand the risks and advantages of investing, and how to take steps to invest in ways that are informed and appropriate.[121]

The SEC and CFTC both have outreach programs focused on reducing the amount of investment fraud. According to the self-assessment conducted by the SEC and CFTC of their programs they did not indicate any performance metrics used by their agencies to measure the impact of their investor education programs on changing investor behavior or reducing the amount of investment fraud.

Issues and Recommendations

Metrics and Accountability for Retirement Savings and Investor Education

The DOL, SEC, CFTC and a number of other agencies have activities that help Americans plan, save and invest for retirement, and also avoid frauds and scams with their investments. However, given its importance, better coordination could improve the outcomes for federal activities in this area.

Recommendation

Treasury recommends the DOL in its role on the FLEC Executive Committee and leading the Retirement Savings and Investor Education Working Group should have the responsibility for coordinating the FLEC's activities related to retirement planning, savings and investor education and have accountability for reporting on those activities. Treasury also recommends that the outcome measures such as those in Exhibit C be considered for adoption to measure the impact of financial literacy and education efforts on basic retirement savings and investor education.

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117. Malmendier, Ulrike and Nagel, Stefan , "Depression Babies: Do Macroeconomic Experiences Affect Risk Taking?", The Quarterly Journal of Economics, Vol. 126, No. 1, February 2011, pp. 373-416, available at: *https://www.jstor.org/stable/23015670?seq=1#metadata_info_tab_contents*; for a summary, see: LaPlante, Alice, "Stefan Nagel: How Personal Experience Affects Investment Behavior", Insights by Stanford Business, February 1, 2011, available at: *https://www.gsb.stanford.edu/insights/stefan-nagel-how-personal-experience-affects-investment-behavior.*

118. BlackRock, Inc., "BlackRock Global Investor Pulse: The World's Largest Study on the Relationship Between Wealth and Well-Being," website, 2019, *https://www.blackrock.com/corporate/insights/investor-pulse#barrier-losing-everything*).

119. Wells Fargo Bank N.A., "2014 Wells Fargo Millennial Study," 2014, available at: *https://www.myirionline.org/docs/default-source/research/click-here.pdf?sfvrsn=0*).

120. FINRA Investor Education Foundation, "Uncertain Futures: 7 Myths about Millennials and Investing", October 2018, available at: *https://www.finrafoundation.org/sites/default/files/Uncertain-Futures-Issue-Brief-7-Myths-about-Millennials-and-Investing_1_0.pdf.*

121. U.S. Securities and Exchange Commission, "Five Questions to Ask Before You Invest," available at: *https://www.investor.gov/research-before-you-invest/research/five-questions-ask-before-you-invest.*

Coordination among Agencies

A critical aspect of the federal government's work in preparing people for retirement is the SSA's Old Age Insurance Program,[122] and SSA should continue to encourage Americans to understand their benefits, ensure that reporting is accurate and engage with SSA through my Social Security[123] and the Social Security Statement.[124] To ensure that Americans view SSA as only one of the pillars of the retirement system,[125] it is important that agencies coordinate to capitalize on opportunities to inform Americans about the other two legs of the stool—especially the importance of their own retirement savings. Cross training of staff and shared materials and messages on my Social Security can help Americans have a more complete view of planning for retirement.[126]

OPM and DoD also support retirement education related to the TSP and the BRS, and HHS has a retirement program that serves primarily lower-income seniors, especially women, through a grant to the National Education and Resource Center on Women and Retirement. Coordination among agencies could enhance consistency, efficiency and effectiveness of their retirement savings programs, especially as they relate to the TSP.

Recommendations

Treasury recommends SSA coordinate with other agencies on retirement matters related to Social Security, with an emphasis on ways to capitalize on SSA's established networks with specific populations or intermediaries. Treasury also recommends that OPM and DoD coordinate with other agencies to improve the quality of financial education on retirement savings and related topics provided to federal employees and military service members. Finally, Treasury recommends that HHS and DOL/EBSA continue to collaborate on ensuring their resources are consumer-friendly and effective in reaching their target populations.

Housing Counseling

For most Americans, housing related financial decisions are among the most consequential and complex that they will make in their lives. These decisions include, but are not limited to: whether to rent or to buy, geographic location, and affordability. Buying a home consists of additional decisions, such as how to finance a purchase,

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122. Social Security Administration, "Social Insurance Programs", available at: *https://www.ssa.gov/policy/docs/progdesc/sspus/oasdi.pdf*.

123. Social Security Administration, "Create your personal my Social Security account today," available at: *https://www.ssa.gov/myaccount/?utm_source=offsite&utm_medium=referral&utm_campaign=ocomm-eservices-fy19&utm_content=eservice*.

124. Social Security Administration, Your Social Security Statement, available at: *https://www.ssa.gov/myaccount/assets/materials/SSA-7005-SM-SI%20Wanda%20Worker%20Near%20retirement.pdf*.

125. Traditionally, the three pillars are described Social Security, employer-sponsored plans, and individuals' savings and investments. See, for example Dodaro, Gene L. "The Nation's Retirement System: A Comprehensive Re-evaluation Needed to Better Promote Future Retirement Security,"Testimony Before the Special Committee on Aging, U.S. Senate, US Government Accountability Office, February 6, 2019, available at: *https://www.gao.gov/assets/700/696766.pdf*. Increasingly, continuing to work is seen as a "fourth pillar," see for example: Baily, Martin Neil and Harris, Benjamin H., "Working Longer Policies: Framing the Issues," Economic Studies and Brookings and Northwestern Kellogg School of Management, January 2019, available at: *https://www.brookings.edu/wp-content/uploads/2019/01/ES_20180124_Harris-Baily-Retirement-Proposals1.pdf*.

126. See for example: Consumer Financial Protection Bureau, "Planning for Social Security claiming tool, " webpage, available at: *https://www.consumerfinance.gov/consumer-tools/retirement*.

what down payment to provide, how to cover taxes and required insurance, and other insurance or resources needed to protect against future expenses. Further, homeowners face financial decisions in their ownership like whether and when to refinance, or whether and how to use their home equity.

Housing counselors play a key role in supporting consumers throughout the home buying and foreclosure prevention processes. Housing counselors assist consumers by reviewing the consumer's entire income, expense, credit and debt profile, and providing them with information to make sound decisions about sustainable home buying and foreclosure prevention options. HUD is the leading federal agency supporting the availability of housing counseling. Through the HCP, HUD provides grants that support a nationwide network of approved housing counseling agencies (HCAs). The HCP enables potential and current renters and homeowners to get the counseling they need to be informed about making responsible housing choices.[127] Eligible housing counseling activities can include rental, default, homeownership, homeless and reverse mortgage counseling for senior homeowners. Under the HCP, HUD approves HCAs who then employ HUD-certified counselors who provide counseling to almost 1.2 million households annually.[128]

There is consistent and increasing evidence that suggests that housing counseling can be beneficial in many ways. Pre-purchase housing counseling can help a potential homebuyer to, among other things, increase savings, reduce debt, and improve credit scores. In 2012, HUD presented a seminal report on the effectiveness of pre-purchase housing counseling.[129] Most participants in the study were planning to purchase a home within one year and were actively seeking homebuyer assistance programs and counseling. The study tracked those participants about a year after they received pre-purchase housing counseling. Results of the study strongly suggest that pre-purchase housing counseling helped a relatively diverse group of low- to moderate-income consumers obtain useful information about how to find a home, finance a home, help with budgeting, and improve credit scores. Following up on the 2012 study, HUD launched a long-term randomized research demonstration[130] in 2014 to assess the impact of homebuyer education and counseling to more than 5,800 low and moderate income, and middle-income prospective first-time homebuyers in 28 U.S. metropolitan areas. Currently in progress,

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127. U.S. Department of Housing and Urban Development, "Housing Counseling Assistance Program Description", webpage, available at: *https://www.hudexchange.info/programs/housing-counseling/program-description/*.

128. U.S. Department of Housing and Urban Development, "Housing Counseling Assistance 2018 Summary Statement and Initiatives", available at: *https://www.hud.gov/sites/documents/28-HSNGCASSIST.PDF.*

129. U.S. Department of Housing and Urban Development, Office of Policy Development and Research, "Pre-Purchase Counseling Outcome Study: Research Brief, Housing Counseling Outcome Evaluation", 2012, available at: *https://www.huduser.gov/publications/pdf/pre_purchase_counseling.pdf.*

130. U.S. Department of Housing and Urban Development, Office of Policy Development and Research "The First-Time Homebuyer Education and Counseling Demonstration Baseline Report", 2017, available at: *https://www.huduser.gov/portal//portal/sites/default/files/pdf/First-Time-Homebuyer-BaselineReport.pdf.*

the early insights from the demonstration indicated that it will add to the research that housing counseling does provide a positive benefit to the homebuyer.[131]

Post-purchase mortgage default or foreclosure prevention counseling has also shown positive effects by helping homebuyers avoid being delinquent in payments and providing assistance and remedies should they become delinquent. In an evaluation of a national counseling program aimed at preventing foreclosure, researchers found that struggling homeowners who received housing counseling were more likely to receive a mortgage loan modification and to keep their homes than a matched comparison group of similar non-counseled homeowners.[132]

Housing counseling has been shown to help homebuyers make successful decisions to buy and keep their home and avoid scams.[133] The availability of housing counseling is especially valuable to lower income, minority and first-time homebuyers. Studies have shown that pre-purchase housing counseling bolsters a consumer's long-term housing and financial success by increasing savings, reducing debt, and raising credit scores.[134] HUD-approved HCAs also provide counseling to homeowners in post-foreclosure scenarios to assist the consumer in repairing and rebuilding their financial well-being. For example, in default and foreclosure prevention, homeowners working with housing counselors are more engaged and have a better understanding of the options available to them, which therefore leads to more sustainable outcomes for all and a better understanding of the terms of the assistance provided.[135]

HUD-approved HCAs receiving grant funding report limited data to HUD on their education and counseling activities including demographic characteristics, income level, counseling type, and counseling income. HCAs do not report post-counseling outcomes, thus, HUD is unable to determine if there are demonstrable year-over-year effects. For example, the data collected from HCAs receiving grant funding could show if a client successfully purchased a home, but not if the client was able to sustain homeownership. Without that long-term, year-over-year data, it is difficult for HUD to assess whether any particular HCA, let alone a specific counselor, is effective.

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131. Per Gerecke, Sarah S. and Myhre,Marina L., "HUD's Housing Counseling Program: The Importance of Research and Metrics," Presentation to the Financial Literacy and Education Commission, October 4, 2018, available at: *https://home.treasury.gov/system/files/231/HUD%20Presentation.pdf.pptx*.

132. Temkin, Kenneth M., Mayer, Neil S., Calhoun, Charles A. and Tatian, Peter A., "National Foreclosure Mitigation Counseling Program Evaluation: Final Report", The Urban Institute, September 2014, available at: *http://www.neighborworks.org/Documents/HomeandFinance_Docs/Foreclosure_Docs/ForeclosureCounseling%28NFMC%29_Docs/2014_NFMC_UrbanInstituteReport.aspx*.

133. Temkin, Kenneth M., Mayer, Neil S. Calhoun, Charles A. and Tatian, Peter A. "National Foreclosure Mitigation Counseling Program Evaluation: Final Report, Rounds 3 through 5," prepared for NeighborWorks America, The Urban Institute, September 2014, available at *http://www.neighborworks.org/Documents/HomeandFinance_Docs/Foreclosure_Docs/ForeclosureCounseling%28NFMC%29_Docs/2014_NFMC_UrbanInstituteReport.aspx*; U.S. Department of Housing and Urban Development, Office of Policy Development and Research, "Foreclosure Counseling Outcome Study: Final Report, Housing Counseling Outcome Evaluation," 2012, available at: *https://www.huduser.gov/portal//publications/pdf/foreclosure_counseling_v2.pdf*.

134. Li, Wei, Bai, Bing, Goodman, Laurie, and Zhu, Jun, "Neighborworks America's Homeownership Education and Counseling: Who Receives It and Is It Effective?", The Urban Institute, September 2016, available at: *http://www.urban.org/sites/default/files/2000950-neighborworks-americas-homeownership-education-and-counseling-who-receives-it-and-is-it-effective.pdf*.

135. Collins, J. Michael and Schmeiser, M. D, "The effects of foreclosure counseling for distressed homeowners", Journal of Policy Analysis and Management 32, no.1, 83-106, 2013, available at: *http://onlinelibrary.wiley.com/doi/10.1002/pam.21670/epdf*.

Despite these limitations on data, HUD is one of the few agencies that has made rigorous attempts to study the impact of its programs. HUD's longitudinal study, described above, is expected to provide data and information that can guide future housing counseling efforts. By conducting a long-term study, the data should be able to indicate if the current housing counseling efforts have provided a lasting positive effect on the clients such as a reduction in mortgage defaults.

Resources can be better leveraged to expand the reach of housing counseling beyond HUD's funding. Mortgage lenders, servicers, and investors have demonstrated a willingness to support housing counseling through the adoption of pilot programs that fund foreclosure prevention counseling or provide incentives for the use of pre-purchase counseling. Examples of pilots for pre-purchase housing counseling include the use of incentives such as an interest rate discount for homebuyers who receive housing counseling on low-down payment loans or a $500 loan-level price adjustment credit for lenders whose buyers received customized assistance from HCAs.[136]

Financial education can also be delivered through rental housing. Affordable rental housing providers have long focused on wrap-around social services for their residents, such as basic education, job readiness, or physical wellness.[137] However, integrating financial education into housing programs provides consumers with a more holistic approach to improving their overall financial health. Consumers are able to develop an approach that meets their specific and immediate concerns (just-in-time counseling) and take action based on their financial education.[138]

Affordable rental housing programs continue to use a variety of tools to help their households set goals and stick with a course to obtain those goals, including providing credit-building payments, setting up direct deposit and automatic bill pay, and free tax preparation.[139] In addition, by setting up and maintaining regular payments, consumers are more likely to avoid late payments and possibly eviction.[140]

Issues and Recommendations

Metrics and Accountability for Housing Counseling

Housing counselors play a key role in helping consumers make sound decisions about sustainable home buying and contribute to foreclosure prevention. HUD is the leading federal agency supporting the availability housing counseling. Through its HCP,

136. Fannie Mae, "HomeReady Mortgage: Built for Today's Home Buyers", available at: *https://www.fanniemae.com/content/fact_sheet/homeready-overview.pdf.*

137. Stewards of Affordable Housing for the Future, "Housing as a Platform for Improving Financial Capability", 2014, available at: *https://www.sahfnet.org/sites/default/files/uploads/housing_as_a_platform_for_financial_capability_-_final_report.pdf.*

138. Id.

139. Garrison, Sonia and Gorman, Lucy, "Building a Strong Foundation: A Field Scan on Integrating Financial Capability and Affordable Housing", Center for Community Capital, 2017, available at: *https://communitycapital.unc.edu/files/2018/01/UNC_CCC_Field-Scan_Layout_R4.pdf.*

140. Id. at 137.

HUD provides grant funding that supports a nationwide network of HUD-approved HCAs. HUD and others have conducted research that shows the benefits of pre-purchase and post-purchase housing counseling.

Recommendations

Treasury recommends that HUD in its role on the FLEC Executive Committee and leading the Housing Counseling Working Group should have the responsibility for coordinating the FLEC's activities related to housing issues and have accountability for reporting on those activities. Treasury also recommends that the outcome measures such as those in Exhibit C be considered for adoption to measure the impact of financial literacy and education efforts.

Access to Housing Counseling

In addition to the traditional in-person housing counseling, technology can be used to expand the reach of housing counseling, including reaching speakers of English as a second language and people in remote rural areas. In one example, a telephone hotline provides foreclosure prevention and homebuyer assistance to address the needs of large numbers of consumers.[141] Other means such as online education modules or mobile apps may also bridge the access gap. While such models can expand access to housing counseling, it is important to ensure that the quality of service is not impaired by remote delivery.

Another way to expand access to housing counseling, and expand the reach beyond HUD's funding, is to better leverage private sector and state and local governments. For example, some first time buyer programs have a requirement for housing counseling.

Recommendations

In addition to face-to-face housing counseling, Treasury supports the use of online counseling, telephone hotlines, applications and other technologies to "meet consumers where they are" and to provide assistance to more people.

Treasury recommends that mortgage lenders, servicers, investors and state and local governments continue to explore opportunities to incorporate housing counseling into their lending and servicing strategies.

Expressed Preference of Counseling Type for Participants Given an Option

Source: "The First-Time Homebuyer Education and Counseling Demonstration Baseline Report", Department of Housing and Urban Development, Office of Policy Development and Research, 2017, available at: *https://www.huduser.gov/portal//portal/sites/default/files/pdf/First-Time-Homebuyer-BaselineReport.pdf*

141. Homeownership Preservation Foundation, "Hope, home and homeownership in changing times: Community Report 2017", *available at: https://ik9b13uto1f418ubu13ibds9-wpengine.netdna-ssl.com/wp-content/uploads/2018/08/GP112214HPFannualreport2017.pdf.*

Financial Education and Affordable Rental Housing

Integrating financial education into housing programs provides households with a more holistic approach to improving their overall financial health. Households are able to develop an approach that meets their specific and immediate concerns (just-in-time counseling) and take action based on their financial education.[142]

Recommendations

Treasury recommends that HUD and affordable rental housing providers continue to integrate financial education into the services provided to their residents, either directly or through partnerships, as feasible.

Postsecondary Education

Experts and stakeholders agree that building financial knowledge and skills early in life is an important step toward greater financial ability in adulthood. There are key opportunities to help children and youth build financial skills through school, through after school and community programs (including jobs), and through postsecondary education. Adults seeking postsecondary education should also be given an opportunity to improve their financial capability.

Over the last few decades more and more Americans have sought a postsecondary degree as a pathway to higher income and greater financial stability.[143] As the cost of college continues to rise, students and their families have increasingly relied on debt to finance a postsecondary education. This means that millions of students take on substantial obligations each year, sometimes without understanding the loan products and their repayment responsibilities.

ED's Federal Student Aid (FSA) office provides financial education resources related to financial decisions about a postsecondary education.[144] The studentaid.gov website topics include understanding the cost of postsecondary education, understanding and taking action around federal student aid (loans and grants), and managing student aid (including loan repayment). FSA's resources provide comprehensive information, tools, and links about colleges and how to prepare for college (financially and academically), types of aid, and loan repayment. The site also serves as portal for the Free Application for Federal Student Aid (FAFSA) and loan management websites. Users include students, their families and others who help students, such as high school guidance counselors. FSA reports approximately 19 million FAFSA applicants annually. In addition to the website, resources are available through social media, including Twitter, Facebook and YouTube. FSA has recently released a mobile version of the FAFSA form.

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142. Id. at 137.

143. In 2016–2017, higher education institutions enrolled full-time-equivalent enrollment totaling about 16.3 million students: roughly 14.2 million undergraduates and approximately 2.0 million graduate students. See: U.S. Department of Education, National Center on Education Statistics, "Postsecondary Institutions and Cost of Attendance in 2016–17; Degrees and Other Awards Conferred, 2015–16; and 12-Month Enrollment, 2015–16", available at: *https://nces.ed.gov/pubs2017/2017075rev.pdf.*

144. U.S. Department of Education, "Office of Federal Student Aid", website available at: *https://studentaid.ed.gov.*

FSA also offers resources for guidance counselors and others that help students prepare for postsecondary education. These include FinancialAidToolkit.ed.gov, which includes a variety of documents such as financial aid event materials, presentations, brochures, videos, and sample tweets and Facebook posts. Outreach on these resources is conducted to key groups such as minority-serving postsecondary institutions and ED grantees that serve low-income high school students.

Pursuant to the Higher Education Opportunity Act,[145] FSA requires that federal student loan borrowers receive entrance counseling and exit counseling. Entrance counseling is for first time student loan borrowers and can be delivered in person, by audiovisual presentation or by interactive electronic means, but a financial aid expert must be available for questions. Exit counseling is required when a student graduates, leaves school, or drops below half-time enrollment. Exit counseling may be delivered in person, online, and in some cases, by mail. In 2017 nearly 3.8 million students completed entrance counseling and 5.5 million completed exit counseling.[146] However, FSA does not have data on the effectiveness of this counseling.

In addition to ED, CFPB's Section for Students and Young Consumers currently has a function of empowering students, young people and their families to make more informed financial decisions about saving and paying for college, accessing safer and more affordable financial products, and repaying student loan debt. These functions are currently under the CFPB's Office of Financial Education, which is required under the Dodd-Frank Act to implement a strategy, in consultation with the FLEC, to "prepare the consumer for educational expenses and the submission of financial aid applications, and other major purchases."[147] The CFPB, per the Dodd-Frank Act, also has a Private Education Loan Ombudsman whose responsibility it is to provide timely assistance to borrowers and potential borrowers to resolve complaints involving private education loans, and compile and analyze data on borrower complaints regarding private education loans.[148] CFPB and ED collaborated to develop a number of online informational resources about student loans and related topics, including CFPB's Paying for College tools and student financial guides.[149] Additionally, some activities of federal student loan servicers and private student lenders (and their servicers) are supervised by the CFPB.

While ED and CFPB have resources available, helping students and their families avoid the pitfalls associated with financing higher education should be a priority for institutions of higher education. The cost of higher education can be difficult to understand due to the lack of transparency, confusion regarding loan repayment options and responsibilities, and the failure of borrowers to comprehend long-term implications of

145. 20 U.S.C. § 1092.

146. Information provided by U.S. Department of Education, Federal Student Aid as part of data collection for this report.

147. Dodd-Frank Act § 1013(d)(2)(D)(i).

148. Dodd-Frank Act § 1035.

149. See Consumer Financial Protection Bureau, "Paying for College", website, available at: *https://www.consumerfinance.gov/paying-for-college/*.

borrowing. The difficulty may be compounded due to lack of relevant, transparent and timely information. Notably, financial aid offer letters (sometimes known as award letters) and annual debt notification letters (debt letters) are effective tools in communicating an individual's cost of college and financing options, so that students and families are empowered to make comprehensive and informed decisions.

Despite a number of efforts to improve clarity in recent years, colleges and universities have been found to provide unclear information to students and families about the cost of college and aid available in their "financial aid award letters," including failing to distinguish between grants and loans that need to be repaid.[150] This makes it hard for students to compare offers from different institutions and may contribute to their lack of understanding about loan obligations. Based on expert research and analysis, a number of best practices have been identified to improve this information. These include: presenting an itemized and sub-totaled cost of attendance; differentiating aid offers by type; highlighting critical details and distinctions per aid type; calculating the cost after grants and scholarships are applied; not including Parent PLUS loans as part of student's loan package; and providing actionable next steps.[151] ED's FSA has recently issued an announcement to financial aid offices on such practices to avoid.[152]

Debt letters are issued annually to students by some institutions of higher education to summarize what students have borrowed to date and how much they can expect to pay once they graduate. Although there is no requirement under federal law to provide debt letters to students, twelve states have passed legislation to create mandates for student debt letters.[153] Debt letters were created based on a growing body of research that suggests that students do not receive or digest a sufficient amount of information regarding their student loans. For example, since Indiana University introduced debt letters along with other financial literacy strategies, the institution has seen the student loan volume for undergraduates decrease by 24.6 percent, or $99.2 million.[154] Other tests of debt letters have demonstrated other useful outcomes, even when reducing debt is not the primary concern.[155]

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150. Keane, Laura, "Reauthorizing the Higher Education Act: Financial Aid Simplification and Transparency, "Testimony to U.S. Senate Committee on Health, Education, Labor and Pensions, January 18, 2018; Burd, Stephen, Fishman, Rachel, Habbert, Julie, Keane, Laura, Barret, Ben, Dancy, Kim, Nguyen, Sophie, and Williams, Brendan, "Decoding the Cost of College: The Case for Transparent Award Letters", New America and uAspire, 2018, available at: *https://www.uaspire.org/BlankSite/media/uaspire/Decoding-the-Cost-of-College.pdf*; National Association of Student Financial Aid Administrators, "Issue Brief: Financial Aid Award Notifications", September 2018, available at: *https://www.nasfaa.org/issue_brief_award_notifications*.

151. Taylor, Z. W., & Bicak, I., "What is the FAFSA? An adult learner knowledge survey of student financial aid jargon," *Journal of Adult and Continuing Education*, 1-19, 2019, available at: *https://doi.org/10.1177/1477971418824607*.

152. Federal Student Aid, "Recommendations" What Postsecondary Institutions Should Work to Avoid When Issuing Financial Aid Offers," April 15, 2019, available at: *https://ifap.ed.gov/eannouncements/041519RecWhatPostInstShouldWork2Avoid.html*.

153. Attigo, "Student Debt Letter Requirements Panorama", January 2019, available at: *https://cdn2.hubspot.net/hubfs/4289644/Debt%20Letter%20Resources/Student-Debt-Letter-Requirements-Panorama-handout.pdf*.

154. Indiana University, "Amounts and numbers of student loans at Indiana University continue to fall", October 2018, available at: *https://news.iu.edu/stories/2018/10/iu/releases/11-amounts-numbers-student-loans-indiana-university-continue-to-fall.html*.

155. Marx, Benjamin M. and Turner, Lesley J., "The Benefits of Borrowing: Evidence on Student Loan Debt and Community College Attainment," EducationNext, Winter 2019, vol. 19, no.1, available at: *https://www.educationnext.org/benefits-of-borrowing-evidence-student-loan-debt-community-college-attainment/*; Darolia, Rajeev, et al., "The (false) promise of college student loan debt letters," Brown Center Chalkboard, Brookings, December 5, 2017, available at: *https://www.brookings.edu/blog/brown-center-chalkboard/2017/12/05/the-false-promise-of-college-student-loan-debt-letters/*.

Youth Financial Capability

Building the financial decision-making knowledge and skills of youth before they finish high school enables them to make informed choices about their postsecondary choices and throughout their lives.[156] For example, a recent study found that three states that rigorously implemented high school financial education mandates had higher credit scores and had lower delinquency rates on consumer credit among young adults past graduation compared to similar states without mandates.[157] Despite this evidence, just over 16 percent of high school students were required to take financial education courses and only 65 percent of high schools have a course available.[158] Low-income students were half as likely to attend school with a personal finance mandate.[159]

In addition to courses, hands-on learning opportunities help youth build skills and confidence in financial decision making.[160] For example, an assessment of financial education and access to a school bank or credit union in elementary school was found to improve financial knowledge and positive attitudes toward financial behavior.[161]

Education of children and youth is the primary responsibility of families and communities, often implemented through state and local governments. The federal government's role is generally to provide resources and support that can be used at the discretion of these parties. A number of agencies include general resources on these topics on their websites, including the following:

- CFPB provides tools to parents, including consumer-friendly explanations and activities for parents and children. [162]
- The FDIC hosts a teacher resource center, which provides Money Smart for Young People curriculum and lesson plans for students in Kindergarten to Grade 12 and complementary Parent/Caregiver Guides.[163]
- The National Credit Union Administration's (NCUA) website has two games for youth, one for young children and another for older youth.[164]
- ED may provide support to financial education through its programs that support educational outcomes more generally, for example, through the 21st Century Community Learning Centers program grants to states, which can be used for financial literacy programs.[165] However, ED can only estimate and not specifically track these uses.

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156. Consumer Financial Protection Bureau, "Building blocks to help youth achieve financial capability", September 2016, available at: *https://www.consumerfinance.gov/data-research/research-reports/building-blocks-help-youth-achieve-financial-capability/*.
157. Urban, Carly, et al., "State Financial Education Mandates: It's All in the Implementation", FINRA Investor Education Foundation, Insights: Financial Capability, January, 2015, available at: *https://www.finra.org/sites/default/files/investoreducationfoundation.pdf*.
158. Kasman, Matt, Heubeger, Benjamin, and Hammond, Ross A., "A Review of Large-Scale Youth Financial Literacy Education Policies and Programs", The Brookings Institution, October 2018, available at: *https://www.brookings.edu/wp-content/uploads/2018/10/ES_20181001_Financial-Literacy-Review.pdf*.
159. Next Gen Personal Finance, "Who has access to financial education in America today? A nationwide study of 13 million students across 11,000 high schools", 2017, available at: *https://www.ngpf.org/blog/personal-finance/ngpf-research-report-finds-that-only-1-in-6-high-school-students-nationwide-required-to-take-personal-finance-course-to-graduate/*.
160. Id at 156.
161. Wiedrich, Kasey, Collins, J. Michael, et al., "Financial Education & Account Access Among Elementary Students: Findings from the Assessing Financial Capability Outcomes (AFCO) Youth Pilot," CFED, April 2014, available at: *https://www.treasury.gov/resource-center/financial-education/Documents/Financial%20Education%20%20Account%20Access%20Among%20Elementary%20Students%20Findings%20from%20the%20Assessing%20Financial%20Capability%20Outcomes%20You….pdf*.
162. Consumer Financial Protection Bureau, "Youth Financial Education", website,available at: *https://www.consumerfinance.gov/practitioner-resources/youth-financial-education/*.
163. Federal Deposit Insurance Corporation, "Teacher Online Resource Center", website, available at: *https://www.fdic.gov/consumers/education/torc/*.
164. National Credit Union Administration, "Test Your Financial Knowledge!" My Credit Union, website, available at: *https://www.mycreditunion.gov/financial-resources/activities-apps*.
165. 20 U.S.C. §§7171-7176; see also "Programs", U.S. Department of Education, available at: *https://www2.ed.gov/programs/21stcclc/index.html*.

Issues and Recommendations

Metrics and Accountability for Postsecondary Education

There are at least six[166] agencies with programs or resources geared to youth and students; however, ED is the primary agency with responsibility for post-secondary education and student loan issues under the Higher Education Act. ED tracks additional information, including using website analytics such as user surveys, social media followers and the percentage of high school seniors who file a FAFSA form (both the first time, and in subsequent years). On the other end of the borrowing process, ED tracks colleges' cohort default rates (measuring the success of students in loan repayment).

Recommendations

Treasury recommends that ED in its role on the FLEC Executive Committee and leading the Postsecondary Education Working Group, should have the responsibility for coordinating the FLEC's activities related to postsecondary education and have accountability for reporting on those activities. Treasury also recommends that the outcome measures such as those in Exhibit C be considered for adoption to measure the impact of these efforts.

Financial Aid Offers

Financial aid offers can be a powerful tool to promote financial literacy and skill development for students when they clearly communicate the consumer information to enable them to make a college investment decision.[167] Additionally, the information can serve as a financial literacy tool that can assist students and families with planning and paying for college and beyond.

Recommendations

Institutions of higher education should ensure that their financial aid offer letters are clear, timely and customized, and provide students with a clear sense of their investment and borrowing obligations.[168] Higher education institutions should consider developing and testing additional interventions to improve students' comprehension of options for paying for college.

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166. ED, CFPB, FDIC, NCUA, HHS, and DOL, at a minimum, based on information provided by agencies in the preparation of this report.

167. National Association of Student Financial Aid Administrators, "Issue Brief: Financial Aid Award Notifications", September 2018, available at: *https://www.nasfaa.org/issue_brief_award_notifications.*

168. See, Consumer Financial Protection Bureau, Paying for College, available at *https://www.consumerfinance.gov/paying-for-college/*

Youth and Adults Involved With the Criminal Justice System

Many states are embracing financial education of incarcerated individuals as a way to help people successfully reintegrate into society and avoid further incarceration. The approximately 700,000 people a year released from prisons and jails[169] face an array of financial challenges, including court costs, restitution and legal fees, and child support, as well as having to make a living and provide for basic needs and rebuilding a credit score. Financial education can help people avoid participation in underground economies and instead encourage employment,[170] thus decreasing the possibility of returning to the criminal justice system and re-incarceration. Additionally, approximately 30 percent of arrests made in 2017 involved youth.[171]Interactions with youth involved in juvenile justice, including detention and detention alternatives, such as community-based programs[172] could be used to connect youth with financial education, as well as assistance on education and jobs.

The Pennsylvania Departments of Banking and Securities and Corrections are collaborating to provide financial education to inmates, in order to help them prepare for reentry into society and avoid re-incarceration. As of 2018 the project reports reaching 4,300 inmates in 26 facilities, focusing on the basics of transactions and credit. The state believes that connecting prisoners with financial education and basic financial services will reduce recidivism and increase employment for the 20,000 people that return to communities each year, noting that 73 percent of successful reentrants had a bank or credit union account compared to 39 percent of unsuccessful reentrants.[173]

The CFPB has developed a Companion Guide[174] for its "Your Money, Your Goals" financial education series that focuses on helping returning citizens address financial barriers to a successful transition into society. The documents help people identify financial challenges to successful transition; obtain documents related to identification to help ease the transition process; identify and prioritize debt, including criminal justice debt; and understand individual rights to obtain and review background screening reports during the employment application process. The CFPB's "Focus on Reentry" can be used during incarceration, while awaiting trial or sentencing, in jail or prison, or following release, along with CFPB's other Your Money, Your Goals tools. The CFPB also provides assistance to organizations, such as the Pennsylvania Department of Corrections, to use the tools with their populations.

169. U.S. Department of Justice, "Returning Citizens & Reentry" website, available at: *https://www.justice.gov/usao-ndwv/returning-citizens-reentry*.

170. McClean, Rachel L., and Thompson, Michael D., "Repaying Debts Report", Council of State Governments Justice Center, 2007, available at: *https://csgjusticecenter.org/nrrc/publications/repaying-debts-summary/*.

171. U.S. Department of Justice Office of Juvenile Justice and Delinquency Prevention, "Data Snapshot: Arrest Characteristics of Older Juveniles and Young Adults", January 2019, available at: *https://www.ojjdp.gov/ojstatbb/snapshots/DataSnapshot_UCR2017.pdf*.

172. "Points of Intervention", website, available at: *https://youth.gov/youth-topics/juvenile-justice/points-intervention*.

173. Wetzel, John E. and Wiessmann, Robin L., "Finances After Prison: A Collaborative Approach", Pennsylvania Department of Corrections and Department of Banking and Securities, 2018, available at: *https://www.dobs.pa.gov/For%20Media/Pages/Successful-Reentry.aspx*; Hoover, Sarah, "Pa. banking on program providing former inmates with financial literacy", WITF News, October 3, 2018, available at: *http://www.witf.org/news/2018/10/pa-banking-on-new-program-providing-former-inmates-with-financial-savvy-to-succeed.php*.

174. Consumer Financial Protection Bureau, "Companion Guides", webpage, available at: *https://www.consumerfinance.gov/practitioner-resources/your-money-your-goals/companion-guides/*.

Debt Letters

In addition to helping students understand how much they will have to repay, debt letters can be used to encourage students to seek financial counseling and prepare for post-college financial decisions. For example, letters can compare the student's expected monthly payment with the expected monthly salary for a person with their degree and major. Debt letters are low-cost to deliver and can reach every student.

Recommendations

Institutions of higher education should provide students with annual debt letters, to ensure that students have a clear sense of their total borrowing obligations. State lawmakers should consider broader adoption of debt letters and a standardization of requirements.

The FLEC has released additional recommendations and best practices for institutions of higher education in a report required by Title VI, section 603, of the Economic Growth, Regulatory Relief, and Consumer Protection Act (S.2155).[175]

Military

By law, each Military Department is required to provide members of the armed forces comprehensive financial literacy training, financial counseling for members and spouses, and conduct an annual evaluation of the financial literacy and preparedness of the force.[176] Financial education provided throughout DoD include financial readiness training at various points across the military lifecycle beginning with initial entry training. Training includes education on BRS with an introductory course in initial entry training for service members planning retirement and ending with the Transition Assistance Program for those preparing to leave military service. DoD also provides financial counseling to Service members and their families through accredited Personal Financial Managers (PFMs) and Personal Financial Counselors (PFCs), located DoD-wide and through on-line and telephone resources. These financial counselors provide one-on-one and group education.

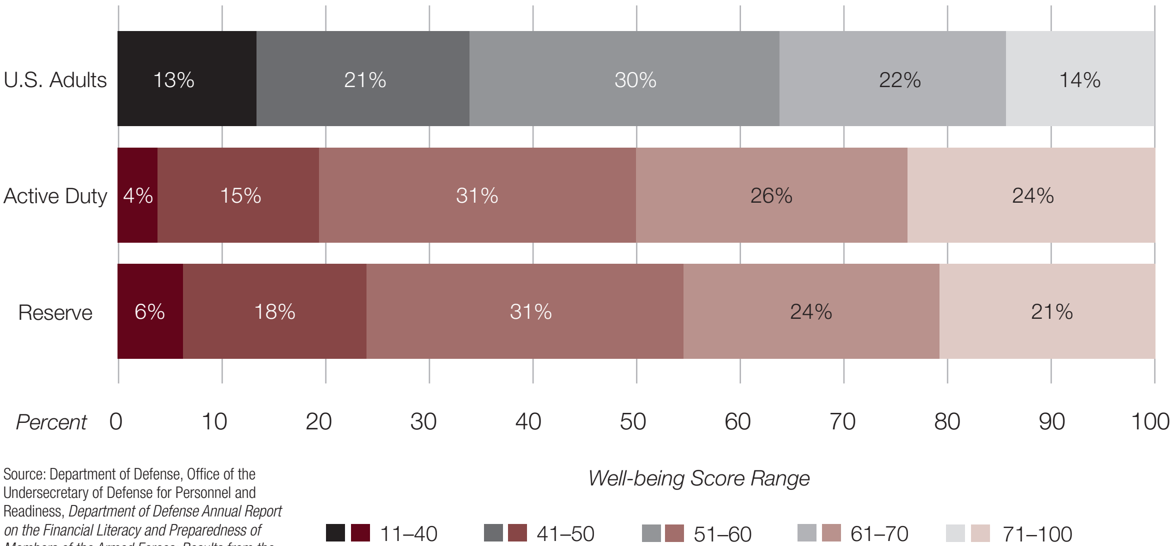
The DoD views financial literacy and preparedness as part of military readiness. To meet statutory requirements, DoD conducts an annual Status of Forces Survey of active duty and Reserve Component members, which includes questions on financial literacy and preparedness. The survey provides measures of self-assessed financial situation, financial goals, savings habits, financial problems, use of financial products, and knowledge of basic financial literacy concepts. The most recent Status of Forces Survey shows some evidence that the federal government's investment in military financial readiness is effective, with 72 percent of active duty members considering their financial condition comfortable, and generally demonstrating

175. Economic Growth, Regulatory Relief, and Consumer Protection Act of 2018, Pub. L. No. 115-174, 132 Stat. 1296 (2018), section 603 as codified at 20 U.S.C. § 9703(a)(3) available at: *https://www.congress.gov/115/bills/s2155/BILLS-115s2155enr.pdf.*

176. 10 U.S.C. § 992.

Distribution of Financial Well-Being Scale Scores

(Percent for Each Score by Military Status, 2017)



Source: Department of Defense, Office of the Undersecretary of Defense for Personnel and Readiness, *Department of Defense Annual Report on the Financial Literacy and Preparedness of Members of the Armed Forces: Results from the 2017 Status of Forces Survey. January 2019.*

fewer financial problems and more constructive financial habits than the population as a whole.[177] Additional research has shown that military households generally have greater financial security and better financial habits than non-military households.[178] Notably, in comparing service members to other American adults, the most recent Status of Forces Survey finds military members (both active duty and Reserve Component) to have a higher average level of "financial well-being," using a metric developed by the CFPB.[179] Nevertheless, recruits to the military tend to be younger and are in need of financial education similar to the civilian population of comparable age.

Service members receive regular financial education during their military career, culminating at separation from service. At that point, they complete the Transition to Veterans Financial Planning training, a four-hour DoD course designed to provide transitioning service members the knowledge necessary to complete a 12-month post-transition budget, as part of a larger transition assistance curriculum. Should transitioning Service members require additional assistance, a "warm handover" is provided to the installation PFM as an additional resource. The VA provides more than 300 Benefits Advisors available at all military installations[180] to facilitate the transition to civilian life and help navigate VA benefits. VA Benefit Advisors provide 6-hour mandatory benefits briefings

177. U.S. Department of Defense, Office of the Undersecretary of Defense for Personnel and Readiness "Annual Report on the Financial Literacy and Preparedness of Members of the Armed Forces: Results from the 2017 Status of Forces Survey," January 2019.

178. Skimmyhorn, William, "FINRA Investor Education Foundation, Insights: Financial Capability", The Financial Welfare of Military Households, November 2014, available at: *https://www.finrafoundation.org/sites/default/files/p601704_1_0_0_0_0.pdf.*

179. Id at 177. See also, Consumer Financial Protection Bureau, "Financial Well-Being in America." September 2017, available at: *https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/201709_cfpb_financial-well-being-in-America.pdf.*

180. U.S. Department of Veterans Affairs, "Congressional Budget Submission, FY 2019, Volume III, VBA-162", 2018, available at: *https://www.va.gov/budget/docs/summary/archive/FY-2019-VA-BudgetSubmission.zip.*

and optional one-on-one assistance. The briefings cover education and training assistance, life insurance, home loans, and disability compensation while DOL provides a mandatory employment workshop. As part of the Individual Transition Plan, VA and DOD collaborate with ED, Department of Homeland Security, DOL, Small Business Administration and OPM to help veterans successfully transition to civilian life.

The nation's approximately 20 million veterans[181] are a diverse group. Similar to DoD's findings about the financial readiness of service members compared to the civilian population, veterans have somewhat better financial standing than the population as a whole, especially in regard to employment and savings.[182] However, veterans face somewhat greater challenges with credit and housing expenses. Overall, veterans were 5 percent more likely than non-veterans to be satisfied with their financial condition and 4 percent less likely to have difficulty covering their expenses.[183] While veterans appear to develop some sound behaviors (such as a household budget and an emergency fund), there are other challenges, especially in managing credit. A study found these trends to generally be consistent across the different military services, although there was a clear distinction between those who retired with full benefits and those who did not.[184]

Both DoD and VA provide customized assistance at key times and places for their audience, and focus on delivering service through trusted providers who are trained and familiar to their audience. Each of the military services have developed, or are currently developing financial literacy curricula for training their members. Further, they collaborate with five other agencies, through the Transition Assistance Program, to ensure a transition between military and civilian life, for the estimated 200,000 people a year who transition from military to civilian life.[185]

However, in addition to DoD and VA programs, a number of agencies report activities to serve the military community. Although DoD has used some of these products and programs from other agencies, and relied upon their subject matter experts when preparing and presenting training curriculum, the federal government's military financial literacy efforts outside of DoD could be better coordinated. These efforts include the Military Lifecycle website of CFPB, FTC's militaryconsumer.gov website (which provides information on common financial topics) and a financial literacy campaign and publications from SEC (including "Financial Readiness: Saving and Investing for Military Personnel"[186]). CFPB has developed Misadventures in Money

181. U.S. Department of Veterans Affairs, "FY 2018 – 2024 Strategic Plan", February 2018, available at: *https://www.va.gov/oei/docs/VA2018-2024strategicPlan.pdf.*

182. Skimmyhorn, William, "The Financial Welfare of Military Veterans: Descriptive Evidence from a National Survey", August 8, 2017, available at: *https://www.saveandinvest.org/sites/default/files/NFCS-Veteran-Analysis.pdf.*

183. Id.

184. Id.

185. U.S. Department of Veterans Affairs, "Congressional Budget Submission, FY 2019, Volume III, VBA-161", 2018, available at: *https://www.va.gov/budget/docs/summary/archive/FY-2019-VA-BudgetSubmission.zip.*

186. U.S. Securities and Exchange Commission, Office of Investor Education and Advocacy, "Financial Readiness: Saving and Investing for Military Personnel," 2019, Available at: *https://www.investor.gov/sites/investorgov/files/2019-02/SEC%20Financial%20Readiness%20Brochure_0.pdf*

Management, an online training game for new service members.[187] Additionally, DoD and USDA provide the Military Families Learning Network, which offers professional development and training for Personal Financial Managers and others that support military families. Finally, CFPB along with DOL have delivered coaching to veterans through American Job Centers, in a program ending in FY 2019. This lack of coordination is in some cases based on "legacy" outreach activities that predate the DoD's current financial readiness mandate and focus.

Issues and Recommendations

Metrics and Accountability for Military

DoD's annual Status of Forces Survey gathers information on the financial literacy and preparedness of members of the armed forces and the agency is beginning to implement evaluations, using this data, on the effectiveness of its financial literacy and education programs. DoD plans to continue to use this to track the financial well-being of service members over time and measure the impact of programs.

Recommendations

Treasury recommends DoD lead the financial education activities focused on Service members and their families). Other agencies should increase their coordination with DoD with an intent to find opportunities for improvement through coordination through DoD's Financial Readiness Network or other appropriate channels.

Coordination of Programs for Military

Both DOD and VA provide customized assistance at key times and places for their audience, and focus on delivering service through trusted providers who are trained and familiar to their audience. Each of the military services have developed, or are currently developing financial literacy curricula for training their members. Further, they collaborate with five other agencies, through the Transition Assistance Program, to ensure a transition between military and civilian life, for the estimated 200,000 people a year who transition from military to civilian life. However, in addition to DoD and VA programs, a number of agencies report activities to serve the military community.

Recommendations

Treasury recommends that DoD consider how to reduce, consolidate or eliminate seemingly duplicative financial education activities among the military services, including duplicative curricula. The Transition Assistance Program includes close coordination between DoD and VA and other relevant agencies on a range of topics, including financial knowledge. This coordination should continue, and draw on other members of the FLEC for subject matter expertise as needed, such as SEC and CFPB.

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187. 1013(e)(1)(A) of the CFPA established an Office of Service Member Affairs at the CFPB, and mandates that, among other duties, it "educate and empower service members and their families to make better informed decisions regarding consumer financial products and services." 12 U.S.C. § 5493(e)(1)(A).

Other Areas for Coordination

Websites and Outreach

Currently federal agencies have more than 40 public-facing websites on financial education topics, providing a fragmented and potentially confusing system for providing information to the public. Many experts and stakeholders consulted during Treasury's outreach process noted that an improved site for federal resources would be a useful contribution to the field. However, most agencies that offer financial education content offer it as part of an integrated agency website that serves their constituencies in a variety of ways. As a first step, FLEC working groups can identify specific content or tools that federal agencies could be encouraged to cross-offer to their audiences on their sites, to make it easier for people to find what they are seeking.

Agencies also promote their financial education activities through public events, social media, and in partnership with organizations, state and local governments and others. While duplication of efforts may sometimes be necessary with outreach, the FLEC does not have an outreach agenda to ensure a shared approach that is efficient and consistent with the national strategy.

Recommendation

Treasury recommends that the FLEC members collaborate to identify modern, highly interactive web information and tools that include the best, most consumer-friendly resources from member agencies on key topics. Agencies are encouraged to cross-offer and showcase both general purpose financial education materials even as they also offer specialized or topical content that is developed and maintained on federal agency websites.

Treasury recommends that the FLEC develop a shared outreach agenda and strategy for the FLEC so that agencies can work together to inform the public about available financial education.

Research Agenda

Research on financial education is conducted directly by agency staff or indirectly through grants and contracts. Often this research is intended to inform federal policies and improve programs. It can also be valuable to other stakeholders in the financial education ecosystem. Research helps identify the approaches that are effective and best matched to different situations and needs. A number of agencies conduct or support research to inform their programs, policies, or otherwise address national interests. Further, federal agencies already collect data that could be better used to inform policies and programs about consumer financial decision-making.

Many stakeholders have noted that agencies should develop a more coherent strategy to share research in the planning stage to enhance efforts and avoid possible duplication, and consider other data sets and research that may inform financial education. As well, the FLEC can do better to help use existing research to inform policy and practice. Additionally, improved coordination could make better use of data collected by federal agencies in order to understand financial behaviors and actions (and thus make more informed policy and practice to address those behaviors) and develop education that meets people's needs. This enhanced coordination would also help non-governmental researchers and research funders assess gaps to be filled, and thus more efficiently use their own research resources.

Recommendations

Treasury recommends that the FLEC develop and promote a shared research agenda that identifies priorities and goals for all federally-supported research on financial literacy and education. To ensure coordination responsiveness, and efficiency, and avoid duplication, each agency will be expected to align their financial literacy research plans and priorities with the FLEC research agenda. The research agenda could also be developed in consultation with non-federal researchers and funders.

Budget and Allocation of Resources

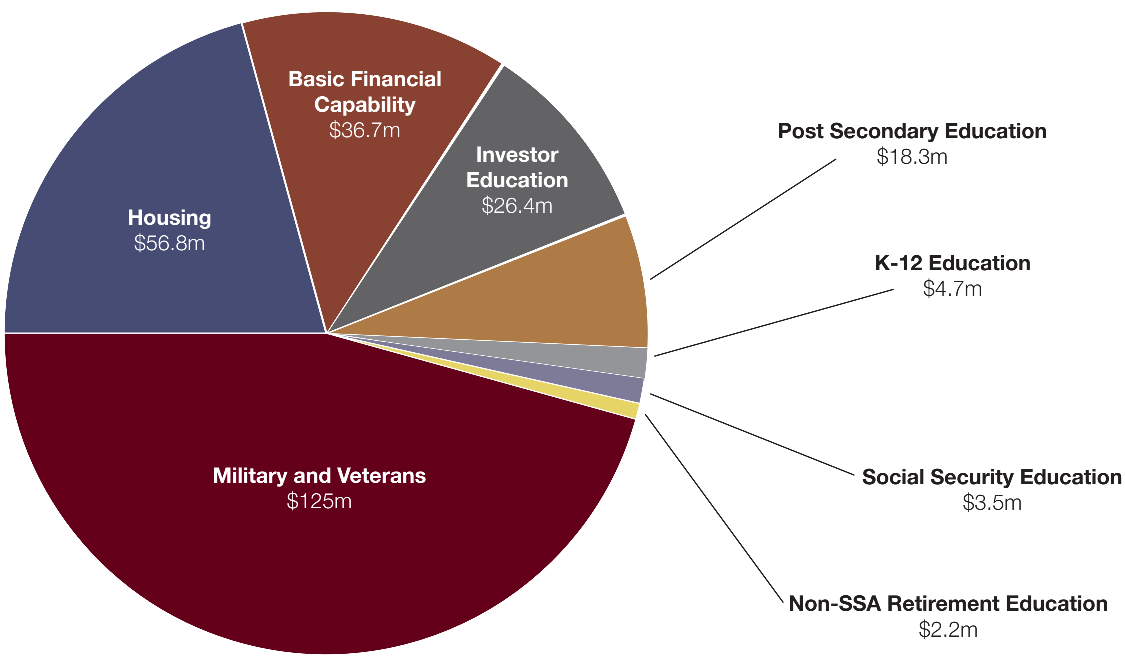
Treasury worked with OMB to collect 2017 spending estimates from the FLEC member agencies in 2018. Based on the data collected, Treasury determined the current allocation of funds (below) to federal financial literacy efforts.

Recommendations

Treasury recommends that appropriated FLEC agencies recommend the allocation of resources to support the high impact areas in financial literacy, consistent with the Administration's priorities.

Federal Government Spending on Financial Literacy and Education

(In dollars, 2017)



Section 3:

Best Practices for Delivery of Financial Literacy and Education

Introduction

Based on extensive review of the research, consultations with experts, and discussions with members of the FLEC, Treasury has noted a number of themes regarding effective financial literacy and education. These themes point to best practices for incorporating financial education into diverse situations, with various populations, covering a number of key topics. They are cross-cutting, rather than subject specific, and thus can be used to inform financial education policy and practice whether at home, in a community program, or when setting national policy.

Treasury has identified the following eight best practices for effective financial literacy and education programs. The first five best practices are consistent with the principles identified by CFPB in its study entitled the "Five Principles of Effective Financial Education."[188] The additional three best practices have been added based on Treasury's outreach to stakeholders.

Know the Individuals and Families to be Served

Financial education, information and delivery methods must be tailored to the circumstances and needs of the user. "Knowing the population" happens at two levels: understanding the demographic context of the individual, and assessing the individual's own needs, barriers, skills and motivation.

Several studies are already produced by government agencies to help understand different populations. Some examples include the FDIC's National Survey of Unbanked and Underbanked Households and the Federal Reserve Board's Survey of Household Economics and Decisionmaking and Survey of Consumer Finances. Other organizations provide more specialized understanding of distinct populations, such as the DoD's Status of Forces Surveys of Active Duty Members.

The effective educator must also understand the individual and his or her unique situation and mindset. Attitude and needs assessments can help the educator and consumer identify gaps and motivations in order to customize the financial education approach. For example, CFPB developed a Financial Well-being Scale[189] which helps assess a person's perceptions about their financial well-being.

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188. Consumer Financial Protection Bureau, "Effective Financial Education: Five Principles and How to Use Them", June 2017, available at: *https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/201706_cfpb_five-principles-financial-well-being.pdf* .

189. Consumer Financial Protection Bureau, "Measuring financial well-being: A guide to using the CFPB Financial Well-Being Scale", December 2015, available at: *https://www.consumerfinance.gov/data-research/research-reports/financial-well-being-scale/*.

Provide Actionable, Relevant, and Timely Information

Although the academic community has an ongoing debate on the effectiveness of financial education alone, there is agreement that when financial information is delivered in an actionable, relevant and timely manner, people are more likely to retain the information and act on it. For example, a body of evidence indicates that financial education alone has had a small impact on financial behaviors, in part because financial knowledge decays within two years of the lesson.[190] On the other hand, some academics point to the need for behaviorally based strategies such as nudges or designed choice architecture,[191] and information provided in close time proximity to when consumers are making financial decisions, known as "just in time financial education." This type of relevant, timely and actionable information should include concrete steps for the consumer and be directly applicable to a financial decision about to be made. For example, pre-purchase housing counseling takes advantage of what is important to the person seeking information and is typically delivered close to the purchase of a home. In another example, the benefit estimates in the Social Security Statement provided to individuals near to retirement age have been found to help people make more informed decisions about when to claim Social Security benefits, thus impacting their income in retirement.[192]

Improve Key Financial Skills

Financial literacy and education can be more effective when it helps develop skills in knowing how to achieve their specific goals, rather than transmitting knowledge of particular facts about financial products and services. Effective financial literacy approaches are structured to: 1) help consumers know when and how to locate information for making financial decisions; 2) help consumers understand how to interpret information for decision-making; and 3) help consumers have skills and confidence to take action and implement their decision.[193]

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190. Fernandes, David, Lynch, John G. and Netemeyer, Richard G., "Financial Literacy, Financial Education, and Downstream Financial Behaviors", Management Science, August 2014, available at: *https://www.researchgate.net/publication/259763070_Financial_Literacy_Financial_Education_and_Downstream_Financial_Behaviors.*

191. Choice architecture refers to the design of the context in which decisions are made. See, Thaler, R. H., Sunstein, C. R., & Balz, J. P. (2013). Choice architecture. In E. Shafir (Ed.), The behavioral foundations of public policy (pp. 428-439). Princeton, NJ: Princeton University Press.

192 Id. at 100.

193. CFPB has developed a scale to measure financial skill, see Consumer Financial Protection Bureau, "Measuring financial skill: A guide to using the Bureau of Consumer Financial Protection's Financial Skill Scale", 2018, available at: *https://www.consumerfinance.gov/data-research/research-reports/measuring-financial-skill/.*

Build on Motivation

Effective financial literacy and education programs capitalize on people's motivations. People driven by intrinsic values, desires, interests or aspirations are more likely to stay focused (because they want to learn) than those forced into learning through extrinsic pressures (because they have to learn). This best practice highlights the importance of financial educators who use empathy and identify learners' specific goals, understand the learners' financial conditions and help learners achieve their own goals. For example, people who are strongly motivated by values of a particular faith may find programs that build on those values, such as those developed by a faith-based organization, to be particularly helpful. Similarly, one-on-one coaching and peer support have also proven effective at turning motivation into action.

Make It Easy to Make Good Decisions and Follow Through

This best practice acknowledges that it can be hard for people to stick with their goals, but the environment or context can make it easier for people to carry out their intentions. Even small adjustments to a process, such as nudges and defaults, can help make it easier for people to make sound choices. Changing the options presented, removing hassles and barriers, and adding supports can help people bridge the gap between their intentions and what they actually do. This best practice also highlights that programs can be designed to make it easier for people to get financial education, for example, by integrating financial education into programs and places where people already are, like their job or a higher education institution. For example, institutions of higher education are uniquely positioned to influence how education-related financial choices are presented, made and executed, such as through financial aid offers, and can provide financial education through various venues and times to engage students during their education.

Develop Standards for Professional Educators

According to the National Endowment for Financial Education (NEFE): "The educator needs to be confident, competent, and knowledgeable about the topic of personal finance in order to create a learning environment that is ideal for student-learning. Fundamentally, educators should demonstrate high levels of understanding—both with the content and the pedagogy—of the topics that espouse the tenets of financial capability."[194] However, there are few standards or designations to denote the quality or qualifications of financial educators. This lack of standards may result in uneven quality of delivery, and makes it difficult for consumers, funders and policy-makers to select appropriate providers.

194. National Endowment for Financial Education, "Five Key Factors for Effective Financial Education", webpage, available at: *https://www.nefe.org/Who-We-Help/Educators/Five-Key-Factors-for-Effective-Financial-Education.*

Many stakeholders point to the need for clearer guidelines and possibly standards[195] to make financial education a more serious, evidence-based endeavor. The GAO's 2011 report assessing the feasibility of a federal financial literacy certification process determined that a federal certification process was feasible, but a number of challenges need to be considered. These include the cost and staffing of certification, lack of consensus on definitions and standards and uncertainty that certification would improve quality and be valued by consumers. The GAO noted ways to improve quality without full certification, including voluntary certification and specific guidelines provided to federally-funded financial education programs. Financial education standards would provide a baseline for developing curriculum, include core competencies for both consumers and educators, and provide a common platform for evaluation and measurement.[196]

Recommendations

The FLEC should work with public and private stakeholders to develop voluntary quality standards, based on updated research and best practices. The FLEC should promote the adoption of these standards in the public and private sectors.

Provide Ongoing Support

Financial education is most effective when it is not a one-time strategy, but rather enables continuing opportunities for people to build their knowledge and confidence, set goals, and receive feedback as action is taken. For example, there is a growing body of research pointing to the positive potential of one-on-one financial coaching and counseling as a method for teaching financial literacy and education and assisting clients with taking action to strengthen their financial health and well-being.[197] Trained professionals collaborate with and guide clients in reaching the client's financial goals, which may involve overcoming setbacks (like too much debt) and creating action plans (saving for a child's education or starting a business).

Recommendations

The FLEC should collaborate with the private sector and state and local governments to identify feasible options for incorporating one-on-one financial coaching into financial literacy and education services. Subject to the availability of funding, the FLEC directly or through its members should consider supporting research to identify lower-cost methods for providing financial coaching and counseling, including technology-based and abbreviated approaches.

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195. Grist, Nicky, "The Professionalizing Field of Financial Counseling: A Journal of Essays from Expert Perspectives in the Field", Citi Community Development and Cities for Financial Empowerment Fund, available at: *http://www.professionalfincounselingjournal.org/assets/cfe-fund-professionalizing-field-of-financial-counseling-and-coaching-journal.pdf.*

196. U.S. Government Accountability Office, "Financial Literacy: A Federal Certification Process for Providers Would Pose Challenges, GAO-11-614", June 28, 2011, available at: *https://www.gao.gov/products/GAO-11-614.*

197. Center for Financial Security, University of Wisconsin-Madison, "Financial Coaching: Review of Existing Research," Issue Brief 2017-3.1, March, 2017 available at: *https://fyi.extension.wisc.edu/financialcoaching/files/2015/10/Financial_Coaching_Review_3-2017.pdf.*

Evaluate for Impact

NEFE and other national stakeholders have stressed the importance of supporting research to identify and promote effective practices in financial literacy and education.[198] The array of financial education providers (many of which are small in scale), the relative youth of the field, and the diversity of goals in financial education programs create a lack of consistency that makes data collection and evaluation challenging. Researchers do not have a shared set of standards for reporting on financial education and measuring changes in financial literacy that clearly identify changes in knowledge or behavior. Despite the call for national goals, the federal government has not established a methodology for achieving common goals. In addition, the federal government has not established a strategy for evaluating the effectiveness of individual programs and initiatives nor developed a way to measure national progress towards improving financial literacy. While there may be challenges to assessing federal activities, performance metrics, gauging progress towards goals and promoting a culture of data collection, evaluation and continuous improvement should be a key focus for the FLEC moving forward.

Recommendations

The FLEC should collaborate with the private sector and state and local governments to strengthen the culture of continuous improvement within the financial literacy and education field and to establish methodologies, procedures, reporting and metrics for measuring program effectiveness. The FLEC should also promote core metrics that should be adopted and used by federal agencies, including organizations that receive federal funding with an obligation to deliver financial education, and other funders of financial literacy and education programs and services.

198. Id at 194.

Net Worth and Measures of Financial Health

For many households, financial health is measured by their income. However, while income is an important component of financial health, it is only part of the equation. Some experts and academics believe that net worth is better assessment of financial health than income. Net worth or wealth allows a family to deal with a financial crisis, such as the loss of employment or long term sickness, and it also allows for investments in a home, small business and higher education. In other words, a household with no wealth, whether intergenerational or accumulated from their own savings and investments, may not be financially healthy despite a high salary. The type of assets also affect financial health, with illiquid assets and short-term liabilities a greater potential risk than liquid assets and long-term debt.

For many financial educators and households, assessing a household's net worth is the start of the conversation. It allows financial educators and households to create a financial plan that consider assets and liabilities and leads to better financial health. Net worth considerations will also allow policymakers to have a more accurate picture of financial health to assess middle class economic security across different demographic populations.

There are other reasonable approaches to considering overall financial health or well-being. For example, the Center for Financial Services Innovation (CFSI) looks at four components (spending, saving, borrowing, and planning) and eight indicators of financial health as well as data that can be collected to make the financial health assessment. The data collected to measure the financial health for each component range from the difference between income and expenses (for spending) to the debt-to-income ratio (for borrowing) to the type and extent of insurance coverage (for planning). The type of assets also matter for financial health. For example, CFSI distinguishes between the liquid and illiquid assets by pointing out that liquid savings are "important for coping with an unexpected expense," while long-term savings promote financial security. [199]

Financial well-being has been identified as a common outcome goal of financial education efforts.[200] The CFPB has developed a robust and validated scale to measure a person's sense of financial well-being, which is defined as the "state of being wherein a person can fully meet current and ongoing financial obligations, can feel secure in their financial future and is able to make choices that allow them to enjoy life." While this measure is subjective, a number of trackable and objective factors are strongly associated with a person's level of financial well-being, most notably having liquid savings.[201]

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199. Parker, Sarah, Castillo, Nancy, Garon, Thea, and Levy, Rob, "Eight Ways to Measure Financial Health", Center for Financial Services Innovation, May 2016, available at: *https://s3.amazonaws.com/cfsi-innovation-files-2018/wp-content/uploads/2016/05/09212818/Consumer-FinHealth-Metrics-FINAL_May.pdf.*

200. Financial Literacy and Education Commission, 2011.

201. Consumer Financial Protection Bureau, "Financial well-being: What it means and how to help", available at: *https://files.consumerfinance.gov/f/201501_cfpb_digest_financial-well-being.pdf.*

Section 4:

Technology and the Future of Financial Education

As noted in Treasury's recent report *A Financial System That Creates Economic Opportunities: Nonbank Financials, Fintech, and Innovation,* technology is rapidly developing and expanding the financial services industry's ability to reach consumers who increasingly prefer fast and convenient services.[202] The rapid ascent of technology into the daily lives of consumers exemplifies the ubiquity, versatility and potential of technology to facilitate financial education and financial literacy capability building. As financial technology continues to advance, policymakers must also consider how financial education must evolve to help people effectively manage these emerging technologies.

The application of digital technologies to personal finance provides significant opportunity for consumers to improve their financial literacy and well-being. For example, mobile phones make it easy for people to find information and tools and select financial products and services. Reminders and behavioral prompts, learning games, and self-study modules can all be delivered through the phone. These offerings can deliver up-to-the minute information, making it easier to make informed "just in time" decisions and manage toward one's goals. Digital reminders can prompt learning, catalyze behavioral changes, and overcome barriers to action.[203] Additionally, mobile apps can be highly engaging, and make learning fun and desirable, especially when they use strategies such as gamification or social interactions.

Despite the growth of digital financial services, financial education is not yet effectively leveraging technology. For example, many digital financial products and services and financial education are not designed to build consumer knowledge and understanding, and are not geared to less financially educated users. Additionally, many consumers, even young people, lack trust in technology and maintain a preference for in-person learning, especially for major financial decisions. Finally, little is known about the impact of financial technologies on knowledge or behaviors, as few have been rigorously studied by outside parties.

Technology solutions may help bridge the gap between consumers and more "human touch" responses. For example, customer service tools, chatbots[204] and artificial

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202. U.S. Department of the Treasury, "A Financial System That Creates Economic Opportunities Nonbank Financials, Fintech, and Innovation", July 2018, available at: *https://home.treasury.gov/sites/default/files/2018-08/A-Financial-System-that-Creates-Economic-Opportunities---Nonbank-Financials-Fintech-and-Innovation.pdf*.

203. G20/OECD INFE, "Ensuring financial education and consumer protection for all in the digital age," 2017, available at: *http://www.oecd.org/finance/g20-oecd-report-on-ensuring-financial-education-and-consumer-protection-for-all-in-the-digital-age.htm.*

204. Id. at 202.

intelligence may be able to help people get customized responses to their questions. Technologies can also be used to make more efficient the delivery of high-touch, face to face services, such as making it easy to find help available when needed, and reduce the cost of providing one-on-one financial education. Better data analysis can also enable financial education providers to more effectively target their activities. For example, universities are using data analytics to target financial counseling and supports to those students likely to pose greater risk for non-completion and defaulting on their student loans.

Technology can augment existing financial education strategies. For example, effectively using technology, financial education providers may be able to reach more people with quality services, including reaching people in remote and rural communities who might not otherwise be able to access their services.[205] Federal agencies and other financial education providers should consider monitoring developments in technology-driven education to learn of emerging approaches to overcome the challenges raised above, while also tracking evolving needs of consumers within the rapidly changing landscape of digital financial services. Federal agencies and the private sector have a long way to go in addressing these issues before best practices can be developed for the delivery of financial education through technology.

Finally, there are many complexities associated with an increasingly technology-based financial sector that financial education should address. Consumers are increasingly facing new financial products and services delivered through digital means, such as peer-to-peer payments, mobile banking, virtual currency, crowdfunding, and digital credit. As these financial technology products continue to enter the market, financial education programs will need to evolve to teach consumers how to make informed decisions with respect to these products. In addition, consumers may need assistance in understanding their obligations and protections related to digital financial services, and where to go to seek redress and complain about products and services and report non-compliant activities.[206] The financial education field has not fully responded to both the challenges and opportunities posed by technology, as it must do to remain relevant in the years ahead.

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205. For some examples, see: Nonprofit Leaders in Financial Technology, "Fulfilling the Promise of Fintech: The Case for a Nonprofit Vision and Leadership," The Aspen Institute, 2018, available at: *https://assets.aspeninstitute.org/content/uploads/2018/09/nLIFT-Manifesto-FINAL-1.pdf*

206. Organization for Economic Cooperation and Development (OECD), "G20/OECD INFE Policy Guidance: Digitalisation and Financial Literacy", 2018, available at: *https://www.gpfi.org/sites/default/files/documents/G20_OECD_INFE_Policy_Guidance_Digitalisation_and_Financial_Literacy.pdf.*

Exhibits

Exhibit A: Participants in the Engagement Process

Nonprofits and Professional and Trade Associations

ACCION NY

Achieving the Dream

American Association of State Colleges and Universities

Association for Enterprise Opportunity

Association of Community College Trustees

American Bankers Association

American Benefits Council

Association for Financial Counseling & Planning Education

Atlanta University Center Consortium

Career Education Colleges and Universities

Center for Financial Services Innovation

Center for Responsible Lending

Cities for Financial Empowerment Fund

Clarifi

Coalition of Higher Education Assistance Organizations

Council for Economic Education

Credit Builders Alliance

EARN

Earn to Learn

Education Finance Council

Family, Career and Community Leaders of America

Florida Prosperity Partnership

Higher Education Financial Wellness Association

Homeownership Preservation Foundation

Hugh O'Brian Youth Leadership

The Institute for College Access and Success

Insured Retirement Institute

International Foundation of Employee Benefits Plans

Jumpstart Coalition

Junior Achievement USA

Justine Peterson

Local Initiatives Support Corporation

Lumina Foundation

MOHELA

National Association of Financial Aid Administrators

NASPA Student Affairs Administrators in Higher Education

National College Access Network

National Council of Higher Education Resources

National Endowment for Financial Education

NeighborWorks

Next Gen Personal Finance

Pacific Community Ventures

Parents Step Ahead

Pension Rights Center

Society for Financial Education and Professional Development

SourceLink

Stewards of Affordable Housing for the Future

Uaspire

Women's Institute for A Secure Retirement (WISER)

State and Local Government

City of San Francisco, Office of Financial Empowerment

Indiana Treasurer and Secretary of State

Mississippi Treasurer

Nevada Treasurer

Tennessee Treasurer, Financial Literacy Commission

Vermont Treasurer

Washington Department of Financial Institutions

Wisconsin Department of Financial Institutions

Other Private Sector Entities

Azim Premji Foundation

Bank of America

Charles Schwab Foundation

Discover Financial Services

Edward Lowe Foundation

EverFi

Fidelity Investments

FICO

FINRA Investor Education Foundation

Ideas42

iGrad

Kauffman Foundation

LendEDU

Meredith Corp.

PayforEd

Pepsico

Prudential

Ramsey Education

Savingforcollege.com

Trellis Group

Vanguard

Think Tanks

Aspen Institute

New America

Urban Institute

Academics and Institutions of Higher Education

Alamo Colleges District, Palo Alto College

Babson College/Goldman Sachs
10,000 Small Businesses

Boston College, Center for Retirement Research

Cabarrus College of Health Sciences

Center for Allied Health Education

Champlain College

Clark Atlanta University

Cloud County Community College

Cuyahoga Community College

Duke University, Common Cents Lab

Front Range Community College

George Washington University, Global Financial Literacy Excellence Center

Georgia State University

Harvard College

Indiana University

Indiana Wesleyan University

Iowa State University

Kansas State University

Lancaster Bible College

Loyola University Chicago

Maricopa Community College

Michigan State University

Milwaukee School of Engineering

Minnesota State University Mankato

Montana State University

Morehouse College, School of Medicine

Ohio State University

Oregon State University

Portland State University

Prairie View A & M University

Ramapo College of New Jersey

Rutgers University

Seton Hall University

Skyline College

Southern Utah University

Southwestern College & New Earth Institute

Southwestern Illinois College

Spelman College

State University of New York
Erie Community College

State University of New York Oneonta

Stockton University

Syracuse University

Texas Tech University

University of Colorado, Center for Research on Consumer Financial Decision Making

University of Kentucky

University of Maryland

University of Miami

University of Montana

University of Montevallo

University of North Texas

University of South Carolina

University of Texas - Austin

University of Virginia

University of West Georgia

University of Wisconsin-Madison, Center for Financial Security

Utah State University

Valencia College

Washington University in St. Louis, Center for Social Development

Western Governors University

William & Mary, Raymond A. Mason School of Business

Worcester Polytechnic Institute

Government-related Entities (other than FLEC members)

Federal Reserve Bank of Boston

Federal Reserve Bank of St. Louis, Center for Household Financial Stability

National Science Foundation – iCorps

Members of the Financial Literacy and Education Commission

Department of the Treasury (Treasury), Chair

Consumer Financial Protection Bureau (CFPB), Vice Chair

Department of Agriculture (USDA)

Department of Education (ED)

Department of Defense (DoD)

Department of Health and Human Services (HHS)

Department of Housing and Urban Development (HUD)

Department of the Interior (DOI)

Department of Labor (DOL)

Department of Veterans Affairs (VA)

Board of Governors of the Federal Reserve System (FRB)

Commodity Futures Trading Commission (CFTC)

Federal Deposit Insurance Corporation (FDIC)

Federal Emergency Management Agency (FEMA)

Federal Trade Commission (FTC)

General Services Administration (GSA)

National Credit Union Administration (NCUA)

Office of the Comptroller of the Currency (OCC)

Office of Personnel Management (OPM)

Securities and Exchange Commission (SEC)

Small Business Administration (SBA)

Social Security Administration (SSA)

White House Domestic Policy Council (DPC)

Exhibit B: Summary of Recommendations

Section 1: Governance of Federal Financial Literacy and Education Efforts

Recommendation	Policy Responsibility
Best Practices for Delivery of Financial Literacy to the Public	
Treasury recommends that the primary federal role for financial literacy and education should be to empower financial education providers as opposed to trying to directly reach every American household. This federal role could include developing and implementing policy, encouraging research, and other activities, including conducting financial education programs, and developing educational resources as needed to advance best practices and standards to equip Americans with the skills, knowledge, and tools to confidently make informed financial decisions and improve their financial well-being. The federal government should also consider the impact of the lack of financial literacy on households and the risk to the economy from negative externalities and market failures. Financial literacy and education should be seen as a vehicle to guard against market failures and foster competitive markets.	FLEC
Leadership and Accountability for Federal Financial Literacy and Education	
Treasury recommends the FLEC establish bylaws to set clear expectations for its decision-making and roles, including establishing a six-member Executive Committee comprised of Treasury (chair), CFPB (vice chair), and ED, HUD, DOL and DoD. The Executive Committee will be responsible for crafting, with input from other FLEC members, a shared agenda for action and priorities, and be accountable to report on achievement of that agenda. The agenda would be voted on and approved by a majority of the members. To ensure the FLEC is accountable for the agenda and improving Americans' financial decision-making, Treasury recommends the Executive Committee develop and implement outcome measures for federal financial education activities. These measures, and the actions toward attaining them, would be reported in the FLEC's report to Congress[189] and used to recommend future actions. **Exhibit C** includes potential outcome measures recommended by Treasury.	FLEC

Recommendation	Policy Responsibility
Treasury recommends all other FLEC members would provide information and input to the FLEC Executive Committee and serve on one or more working groups or task forces (below) based on their areas of expertise. Treasury also recommends that the FLEC form the following five working groups, with the member of the Executive Committee identified below leading each working group by taking responsibility for developing an agenda for programs, research and outreach: Basic Financial Capability (CFPB) Retirement Savings and Investor Education (DOL) Housing Counseling (HUD) Postsecondary Education (ED) Military (DoD)	FLEC
Coordination of FLEC Efforts	
Treasury recommends that the FLEC should determine a structure to liaise in a more consistent and ongoing way with intermediaries or populations that are critical to financial education, such as: State, tribal and local governments Nonprofit organizations Employers Financial institutions and financial services industry Federal Reserve Banks and Federal Home Loan Banks and Government Sponsored Enterprises (GSEs) Youth and families and state and local education agencies Older Americans People with disabilities Low and moderate-income individuals Minority populations	FLEC

Section 2: Coordination of Programs and Policy Proposals

Recommendation	Policy Responsibility
Basic Financial Capability	
The CFPB in its role on the FLEC Executive Committee and leading the Basic Financial Capability Working Group should have the responsibility for coordinating the FLEC's activities related to basic financial capability and have accountability for reporting on those activities. Treasury also recommends that the outcome measures such as those in **Exhibit C** be considered for adoption to measure the impact of financial literacy and education efforts on basic financial capability	CFPB
Treasury recommends that FLEC designate the Money Smart curriculum and the Your Money Your Goals program as the core resources for use by federal agencies with initiatives targeted to civilians, and that the CFPB and FDIC collaborate to align the recommended uses of the Your Money, Your Goals Toolkit and the Money Smart curriculum to create a comprehensive set of materials to be considered the core federal financial education product for adults, especially low-income adults.	CFPB and FDIC
Access to Financial Services and Saving and Credit	
Treasury recommends that financial institutions and educators incorporate into their curriculum and programs information about account screening CRAs. The curriculum and programs should discuss how account screening CRAs are a potential barrier to accessing the banking system, ways to avoid negative information on bank account screening reports, and the error resolution process to resolve incorrect information.	Financial Literacy Programs
Treasury recommends that the FLEC collaborate with public-private partnerships between state and local governments and financial institutions to develop best practices for building financial capability by connecting consumers to suitable financial products and education.	FLEC and Financial Literacy Programs
Treasury recommends that the CFPB and the FLEC work with employers to promote emergency savings.	CFPB, FLEC and Employers

Recommendation	Policy Responsibility
Treasury recommends that the CFPB lead on disaster financial preparedness education content and effective delivery, such as education about emergency savings, insurance, and working closely with FEMA and other agencies. Metrics and methodology for evaluating and measuring impact should be established, building on the financial preparedness questions in FEMA's Annual Survey of Household Preparedness. Treasury also recommends the Federal National Mitigation Investment Strategy and state and local disaster planning should include household financial preparedness and recovery as part of their mitigation strategies.	CFPB and FEMA
Retirement Savings and Investor Education	
Treasury recommends the DOL in its role on the FLEC Executive Committee and leading the Retirement Savings and Investor Education Working Group should have the responsibility for coordinating the FLEC's activities related to retirement planning, savings and investor education and have accountability for reporting on those activities. Treasury also recommends that the outcome measures such as those in **Exhibit C** be considered for adoption to measure the impact of financial literacy and education efforts on basic retirement savings and investor education.	DOL
Treasury recommends SSA coordinate with other agencies on retirement matters related to Social Security, with an emphasis on ways to capitalize on SSA's established networks with specific populations or intermediaries. Treasury also recommends that OPM and DoD coordinate with other agencies to improve the quality of financial education on retirement savings and related topics provided to federal employees and military service members. Finally, Treasury recommends that HHS and DOL/EBSA continue to collaborate on ensuring their resources are consumer-friendly and effective in reaching their target populations.	CFPB, SSA, DOL, HHS OPM and DoD
Housing Counseling	
Treasury recommends that HUD in its role on the FLEC Executive Committee and leading the Housing Counseling Working Group should have the responsibility for coordinating the FLEC's activities related to housing issues and have accountability for reporting on those activities. Treasury also recommends that the outcome measures such as those in **Exhibit C** be considered for adoption to measure the impact of financial literacy and education efforts.	HUD

Recommendation	Policy Responsibility
In addition to face-to-face housing counseling, Treasury supports the use of online counseling, telephone hotlines, applications and other technologies to “meet consumers where they are” and to provide assistance to more people.	HUD
Treasury recommends that mortgage lenders, servicers, investors and state and local governments continue to explore opportunities to incorporate housing counseling into their lending and servicing strategies.	Financial Institutions and Housing Counseling Agencies
Treasury recommends that HUD and affordable rental housing providers continue to integrate financial education into the services provided to their residents, either directly or through partnerships, as feasible.	HUD and Affordable Housing Providers
Postsecondary Education	
Treasury recommends that ED in its role on the FLEC Executive Committee and leading the Postsecondary Education Working Group, should have the responsibility for coordinating the FLEC’s activities related to postsecondary education and have accountability for reporting on those activities. Treasury also recommends that the outcome measures such as those in **Exhibit C** be considered for adoption to measure the impact of these efforts.	ED
Institutions of higher education should ensure that their financial aid offer letters are clear, timely and customized, and provide students with a clear sense of their investment and borrowing obligations. Higher education institutions should consider developing and testing additional interventions to improve students’ comprehension of options for paying for college.	Institutions of Higher Education
Institutions of higher education should provide students with annual debt letters, to ensure that students have a clear sense of their total borrowing obligations. State lawmakers should consider broader adoption of debt letters and a standardization of requirements.	Institutions of Higher Education, State lawmakers
Military Service Members and Their Families	
Treasury recommends DoD lead the financial education activities focused on service members and their families. Other agencies should increase their coordination with DoD with an intent to find opportunities for improvement through coordination through DoD’s Financial Readiness Network or other appropriate channels.	DoD

Recommendation	Policy Responsibility
Treasury recommends that DoD consider how to reduce, consolidate or eliminate seemingly duplicative financial education activities among the military services, including duplicative curricula. The Transition Assistance Program includes close coordination between DoD and VA and other relevant agencies on a range of topics, including financial knowledge. This coordination should continue, and draw on other members of the FLEC for subject matter expertise as needed, such as SEC and CFPB.	DoD
Websites and Outreach, Research Agenda, and Allocation of Resources	
Treasury recommends that the FLEC members collaborate to identify modern, highly interactive web information and tools that include the best, most consumer-friendly resources from member agencies on key topics. Agencies are encouraged to cross-offer and showcase both general purpose financial education materials even as they also offer specialized or topical content that is developed and maintained on federal agency websites. Treasury recommends that the FLEC develop a shared outreach agenda and strategy for the FLEC so that agencies can work together to inform the public about available financial education.	FLEC
Treasury recommends that the FLEC develop and promote a shared research agenda that identifies priorities and goals for all federally-supported research on financial literacy and education. To ensure coordination responsiveness, and efficiency, and avoid duplication, each agency will be expected to align their financial literacy research plans and priorities with FLEC research agenda. The research agenda could also be developed in consultation with non-federal researchers and funders.	FLEC
Treasury recommends that appropriated FLEC agencies recommend the allocation of resources to support the high impact areas in financial literacy, consistent with the Administration's priorities.	FLEC

Section 3: Best Practices for Delivery of Financial Literacy and Education

Recommendation	Policy Responsibility
CFPB Five Best Principles of Effective Financial Education	
Treasury recommends that financial education providers adopt the CFPB "Five Principles of Effective Financial Education", which include: • Know the Individuals and Families to be Served • Provide Actionable, Relevant, and Timely Information • Improve Key Financial Skills • Build on Motivation • Make It Easy to Make Good Decision and Follow Through	Financial Literacy Programs
Three Additional Best Practices	
Treasury also recommends the adoption by financial education providers of three additional best practices based on Treasury's outreach to stakeholders: • Develop Standards for Professional Educators • Provide Ongoing Support • Evaluate for Impact	Financial Literacy Programs
In order to ensure professional educators, Treasury recommends that the FLEC work with public and private stakeholders to develop voluntary quality standards, based on updated research and best practices. The FLEC should promote the adoption of these standards in the public and private sectors.	FLEC

Recommendation	Policy Responsibility
The FLEC should collaborate with the private sector and state and local governments to identify feasible options for incorporating one-on-one financial coaching into financial literacy and education services. Subject to the availability of funding, the FLEC directly or through its members should consider supporting research to identify lower-cost methods for providing financial coaching and counseling, including technology-based and abbreviated approaches.	FLEC
Treasury recommends that the FLEC collaborate with the private sector and state and local governments to strengthen the culture of continuous improvement within the financial literacy and education field and to establish methodologies, procedures, reporting and metrics for measuring program effectiveness. The FLEC should also promote core metrics that should be adopted and used by federal agencies, including organizations that receive federal funding with an obligation to deliver financial education, and other funders of financial literacy and education programs and services.	FLEC

Exhibit C: Proposed Sample Outcome Measures

Basic Financial Capability – Access to Financial Services
1. Impact of the activity on reducing the number of households without a bank account or an affordable alternative.
2. Impact of the activity on reducing the disparities between the national average for the unbanked and the rate of unbanked among minorities, people with disabilities and other groups more likely to be unbanked.
Basic Financial Capability – Saving and Credit
3. Impact of the activity on reducing over-indebtedness of households based on a payment to income ratio (e.g. tracking percentage of households reducing their payment to income ratio below 40 percent).
4. Impact of the activity on increasing credit scores.
5. Impact of the activity on household preparedness for short term (e.g. minimum $400 liquid savings) or long-term emergencies (e.g. 3-6 month's income in savings).
Retirement Savings and Investor Education
6. Impact of activity on the percentage of households financially prepared for retirement (e.g. tracking the retirement savings of financial education recipients at different ages).
7. Impact of the activity on the timing of commencing Social Security benefits.
8. Impact of the activity on people having a retirement savings plan (defined benefit, defined contribution and/or IRA or similar).
9. Impact of the activity on reducing losses from investor and consumer fraud.
10. Impact of the activity on savings to consumers and investors from increased financial literacy
Housing Counseling
11. Impact of the activity on reducing the default rate on mortgages.
12. Impact of the activity on increasing the rate of homeownership among underrepresented groups.
13. Impact of the activity on reducing the mortgage or rent burden on households.
Postsecondary Education Treasury notes that other measures may be adopted in place of the measure below.
14. Impact of the activity on reducing the student loan default rate of recipients of the intervention.
General – Financial Well-Being
15. Impact of activity on improving Financial Well-Being, as measured by the CFPB Financial Well-Being Scale.

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