

July 9, 2018

Comment Intake
Bureau of Consumer Financial Protection
1700 G Street, NW
Washington, DC 20552

Re: *Request for Information Regarding Bureau Financial Education Programs*
[Docket No. CFPB-2018-0015]

Dear Ms. Jackson:

The American Financial Services Association (AFSA)¹ appreciates the Bureau of Consumer Financial Protection's request for comments and information (RFI) from interested parties to assist the Bureau in assessing the overall efficiency and effectiveness of its consumer financial education programs.

AFSA represents a broad range of consumer creditors including state-licensed and regulated finance companies and banks. Finance companies have \$534.7B in consumer credit outstanding² and, with the Bureau's financial education programs directed at our member companies' customers, we have a keen interest in this RFI. AFSA believes that: (1) financial education should be informative and not favor any specific product, (2) the Bureau should measure the effectiveness of the financial education programs it supports, and (3) the Bureau should not duplicate existing financial literacy programs.

I. Financial Education Should Be Informative and Not Favor Any Specific Product

As the RFI notes, conducting financial education programs is one of six primary functions of the Bureau outlined in 12 U.S.C. 5511(c)(1).

The Consumer Financial Protection Act of 2010 directs that programming cover a broad range of issues addressing a broad range of audiences and, in 12 U.S.C. 5511(b)(1), requires the Bureau to ensure "consumers are provided with timely and understandable information to make responsible decisions about financial transactions."

AFSA believes any educational program which enables consumers to make responsible decisions must be aimed at specific audiences and reflect those audiences' financial realities. For example, a consumer with impaired credit who can only obtain credit at a high APR should receive financial education about responsible borrowing and the importance of maintaining savings and timely repayment, as well as the consequences—good and bad. Thus, this consumer should also receive financial education regarding the consequences of over-extension versus limited borrowing and failure to meet credit obligations versus making payments on time. At the same time, the Bureau should not suggest that a particular form of consumer credit is the right or wrong choice for a consumer.

¹ Founded in 1916, AFSA is the national trade association for the consumer credit industry, protecting access to credit and consumer choice. AFSA members provide consumers with many kinds of credit, including traditional installment loans, mortgages, direct and indirect vehicle financing, payment cards, and retail sales finance.

² Federal Reserve G.19 Statistical Release: "Consumer Credit February 2018" (April 6, 2018)

What may be a poor credit choice for a highly-paid federal employee may be the only choice for a consumer with a lower income or less creditworthy history due to unemployment or an unexpected expense exceeding personal savings. In sum, consumer education should meet consumers where they are in their financial lives. It should not be made by an ideologically-driven dislike of higher-cost consumer credit products that may not meet consumers' needs.

The Bureau's goal can be accomplished by focusing educational outreach on explanatory and expository materials, such as glossaries of financial terms to help consumers better understand credit products, as well as accurate descriptions of products to help a consumer make the best decision based on their life situation. Educational information should, to the extent possible, avoid legal conclusions because legal conclusions are not suitable for educational programs designed to apply broadly. Similarly, to the extent the Bureau discusses certain consumer remedies (*e.g.*, cease and desist), the consequences of electing such remedies (*e.g.*, potential litigation on such account) should be fully detailed as part of the information provided to consumers. Importantly, the Bureau should assist high schools—or perhaps junior high schools or middle schools—by providing materials directly to the school systems for inclusion in their educational materials.

II. Measuring The Effectiveness of the Bureau's Financial Education Programs

Question 2 poses a series of questions measuring the effectiveness of the Bureau's financial education programs, and seeks feedback as to metrics relating to measuring programmatic outcomes and success.

AFSA supports consumer financial education programs—in fact, our AFSA Education Foundation (AFSAEF) offers **free** consumer credit education by providing MoneySKILL[®], a comprehensive, online personal finance program.³ The Bureau listed MoneySKILL in its March 2017 financial education guide.⁴ We appreciate that the Bureau included MoneySKILL in the guide and encourage the Bureau to continue to educate the public about the program.

To date, MoneySKILL has over 810,000 student users and over 23,000 teachers registered to teach from all 50 states as well as 38 foreign countries. Thanks to the generous support of AFSA members over the years, MoneySKILL is available at no cost to middle schools, high schools, and colleges.⁵ MoneySKILL fills an important gap in financial education and is available in Spanish. According to a report by PwC, teachers lack resources to teach financial education.⁶

But our support of financial education programs does not prevent us from pointing out that researchers have raised issues as to the long-term efficacy of many such programs. This, of course depends, on program specifics including subject-matter and age of the audience.

³ MoneySKILL educates students of all ages on the basic understanding of money-management fundamentals. The course includes the content areas of income, expenses, saving and investing, credit, and insurance. The high school and college course is designed to be used as all or part of a course in economics, business, math, social studies or wherever personal finances are taught. Students can access the modules in the classroom, home, or wherever an Internet connection is available. Built-in quizzes test students' grasp of each concept. Two versions are available: High School/College (adaptable for use by home schoolers and/or employers) and Middle School level. Both the curriculum and its underlying technology infrastructure are updated each year.

⁴ Bureau of Consumer Financial Protection, *A Guide for Advancing K-12 Financial Education*. March 2017. Available at: https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/201703_cfpb_StateEngagementProject.pdf.

⁵ See: www.afsaef.org

⁶ PwC, *Bridging the Financial Literacy Gap: Empowering Teachers to Support the Next Generation*. 2016. p. 9. Available at: <https://www.pwc.com/us/en/about-us/corporate-responsibility/assets/pwc-financial-education-report.pdf>

For example, the Federal Reserve Bank of New York studied the effects of exposure to financial training on debt outcomes in early adulthood. The study concluded exposure to math and financial literacy education:

“...*modestly* decreases the incidence of adverse outcomes—such as delinquency and collections—and both reduces the likelihood of youth carrying non-student debt and increases reliance on student debt. All but the student debt effects tend to fade out with age. *On the other hand, economic education leads to an increase in the likelihood of adverse debt outcomes, and, relatedly, to a decline in youths’ average risk scores.* The effects are observed to accumulate as the borrower ages. *Our results suggest that financial education programs, increasingly promoted by policymakers, do have significant impacts on the financial decision-making of youth, but their impacts may depend on the content of the programs.*”⁷ [Emphasis added]

Along the same lines, the FINRA Investor Education Foundation found that previous research on the effectiveness of financial education has yielded mixed evidence. A study conducted by researchers for the foundation concluded that a rigorous financial education program, if carefully implemented, can improve credit scores and lower the probability of delinquency for young adults. As the personal finance curriculum became more established over time, researchers began to see significant effects on subsequent credit outcomes.⁸

While the Bureau poses useful questions, absent an academic review, the answer to a query as to outcomes and success will not be informed by open-ended questions in an RFI. The answer is simply: “It depends.” To the extent that the Bureau produces useful content that is understandable, informative, and appropriate for the target audience, it will have at least a moderately successful outcome.

III. The Bureau Should Not Duplicate Existing Financial Literacy Programs

Question 3 queries are there programs at other federal agencies that are similar to the Bureau’s programs? Question 3 (a) and (b) ask are these programs or aspects of these programs more or less effective than the Bureau’s? If so, how and why? Are there ways to improve coordination in financial education activities between the Bureau and other agencies?

As noted in the RFI, the Bureau is a member of the federal Financial Literacy and Education Commission (FLEC), and the Bureau’s Director is the Vice-Chair of FLEC. While the FLEC has an impressive membership made up of the heads of almost two dozen federal agencies chaired by the Secretary of the Treasury, federal programs are a small part of the private and public sector organizations occupying this space.

Excluding the Bureau, the OCC’s Financial Literacy Resource Directory describes the other 59 federal agencies, organizations, and websites listed as “a sampling of organizations that have undertaken financial literacy initiatives as a primary mission.”⁹

⁷ Meta Brown, John Grigsby, Wilbert van der Klaauw, Jaya Wen, and Basit Zafar: *Financial Education and the Debt Behavior of the Young*, Federal Reserve Bank of New York Staff Reports, no. 634 September 2013; revised September 2015.

⁸ Brown, Alexandra, J. Michael Collins, Maximilian Schmeiser, and Carly Urban, *State Financial Education Mandates: It’s All in the Implementation*. Jan. 2015. pp. 1 – 2. Available at: <https://www.finra.org/sites/default/files/investoreducationfoundation.pdf>.

⁹ See: <https://www.occ.gov/topics/community-affairs/resource-directories/financial-literacy/index-financial-literacy.html#assetbuildingprograms> including AARP, Asset Coalition Toolkit for States, Assets for Independence, America Saves Campaign, American Bankers Association Community Engagement Foundation, Association of Credit and Collection Professionals International Education Foundation, Actuarial Foundation, Alliance for Investor Education, Association of Military Banks of America, American Institute of Certified Public Accountants, Ballpark E\$timate , BBB Institute for Marketplace Trust, Building Native

The directory excludes the myriad state, city, county, and school system initiatives providing consumer financial education—a number that keeps growing. In fact, during the 2018 state legislative sessions, 119 bills relating to financial literacy were and are under consideration in 30 states.

While the Bureau has ample staff and funding to spend with no effective oversight, it seems to us that taking on the coordination of financial education activities between the Bureau and other agencies may be best conducted by the FLEC. The Trump Administration recognizes the problem with the wide array of financial literacy programs in its reform plan, *Delivering Government Solutions in the 21st Century*:

“The Federal Government spends an estimated \$250 million annually on financial literacy and education programs and activities across more than 20 Federal agencies to educate Americans about a wide array of financial literacy and education topics. These programs lack meaningful coordination, clear measures of effectiveness, and are oftentimes overlapping or duplicative. Furthermore, very few agencies appear to monitor the effectiveness of their programs and only a handful of these programs have been formally assessed or evaluated for impact.”¹⁰

AFSA supports the proposal’s recommendation to consolidate and streamline financial literacy efforts. We agree that the Department of Treasury should develop recommendations for federal financial literacy and education activities. While many programs lack academic rigor and formal evaluation, we may assume that programs sponsored or undertaken by agencies or organizations with specific technical, subject-matter expertise are more effective.

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Thank for the opportunity to share our views. Please contact me by phone, 202-466-8616, or email, bhimpler@afsamail.org, with any questions.

Sincerely,



Bill Himpler

Executive Vice President

American Financial Services Association

Communities Financial Curriculum, Certified Financial Planner Board of Standards, Inc., consumer.gov, consumer.ftc.gov, Center for Financial Services Innovations, Certified Financial Planner Board of Standards, Inc., Choose to Save, Federal Reserve Board, Freddie Mac Credit Smart, FEMA/Operation Hope, Financial Literacy and Education Commission, Get Smart About Money, HelpWithMyBank.gov, Jump\$tart Coalition for Personal Financial Literacy, Junior Achievement, kids.gov, MyMoneyCheckUp, Money Smart for Older Adults, mymoney.gov, MoneyWi\$e, Military OneSource, My Retirement Paycheck, Money Math, Money Smart for Young People, National Academy Foundation, National Adult Protective Services Association, National Academy of Social Insurance, National Consumer Protection Week, National Consumers League LifeSmarts School, National Council on Economic Education, National Endowment for Financial Education, National Foundation for Credit Counseling, NeighborWorks®, Operation Hope, President’s Advisory Council on Financial Capability for Young Americans, Prosperity Now, Pew Research Center - Hispanic Trends, SaveAndInvest.org, SEC Office of Investor Education and Advocacy, Securities Industry and Financial Markets Association Foundation, Society for Financial Education and Professional Development, Inc., The Bank On, U.S. Department of Agriculture Disaster Recovery Center, U.S. Small Business Administration Disaster Loan Assistance, Unidos US, and Young Americans Center for Financial Education.

¹⁰ White House Office of Management and Budget, *Delivering Government Solutions in the 21st Century: Reform Plan and Reorganization Recommendations*. June 2018. pp. 90 – 92. Available at: <https://www.whitehouse.gov/wp-content/uploads/2018/06/Government-Reform-and-Reorg-Plan.pdf>. “