



Credit Union National Association

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October 31, 2012

Ms. Monica Jackson
Office of the Executive Secretary
Consumer Financial Protection Bureau
1700 G Street NW
Washington, DC 20552

Re: Request for Information on Effective Financial Education;
Docket No. CFPB-2012-0030

Dear Ms. Jackson:

The Credit Union National Association (CUNA) appreciates the opportunity to comment on the Consumer Financial Protection Bureau's (CFPB) Office of Financial Education's (OFE) request for input on effective financial education approaches—including tools, topics and dissemination strategies—that will help improve consumers' financial decision-making capabilities. By way of background, CUNA is the largest credit union advocacy organization in the country, representing approximately 90% of the nation's 7,000 state and federal credit unions, which serve about 95 million members. CUNA strongly supports financial education and initiatives to increase financial literacy. The comments in this letter were developed in coordination with the National Credit Union Foundation (NCUF).¹

Credit unions—as not-for-profit, member-owned financial cooperatives—exist to serve their members, not to make a profit. Unlike most other financial institutions, credit unions do not issue stock or pay dividends to outside stockholders. Instead, earnings are returned to members in the form of lower rates on loans, higher interest on deposits, and lower fees. A credit union's objective is to serve its entire membership, including those who may struggle with financial literacy.

Credit unions have traditionally been very consumer focused and as an industry we welcome the opportunity to do our part in a national effort to increase financial literacy. We support financial education in the form of classroom curriculum, and have partnered for a number of years with the National Endowment for Financial Education (NEFE), whose goal is to “provide consumers with the tools necessary to manage their money wisely and empower them to turn their financial education into action.” While classroom financial education is crucial, in order to

¹ The NCUF is the U.S. credit union movement's primary national philanthropic program provider, fundraiser, and grant-maker. Through NCUF grants and programs, credit unions provide widespread financial education, create greater access to affordable financial services, and empower more consumers to save, build assets, and own homes.



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effect positive change on a macro level, financial education efforts must be directed at various aspects of an individual's daily life—including the workplace.

Overall, a successful financial education program, regardless of its specific form, should include the following characteristics, as described in the NCUF's report on financial capability:

- Integrate financial education into every available touch point;
- Utilize partnerships;
- Provide specialized tools/content for selected market segments;
- Provide multiple and varied types of educational tools/products/programs;
- Require or strongly suggest that members complete financial education and counseling in conjunction with product/service ownership;
- Align program content with nationally-developed core competencies; and
- Allocate and/or secure sufficient resources.

Common Financial Decision-Making Challenges

In your experience, what are consumers' most common financial decision-making challenges?

There are several financial decision-making challenges that consumers face on a regular basis. Most of these challenges relate to consumers' inability to make decisions based solely on the economic factors involved. Instead, other factors, such as emotions or outside influence, often affect financial decision-making.

Specifically, the ability to exhibit proper self-control is a major challenge for many consumers. Similarly, we believe many consumers struggle to accurately understand how today's financial decisions will impact tomorrow's financial position.

Common Habits, Attitudes, and Practices

Is there a common set (or lack) of habits, attitudes, or practices, and if so, what are they?

Certain negative attitudes toward financial literacy can have a detrimental impact on consumers' financial well-being. Specifically, if consumers are reluctant to discuss financial issues, this may be problematic if the consumer is too embarrassed or intimidated to seek assistance from a financial counselor or other qualified professional, when needed.

In addition, persuading consumers to alter their established behavior can be a major hurdle to establishing sound financial management practices. For example, while most agree having funds deducted from a paycheck and deposited into a retirement account automatically is likely to result in increased retirement savings, it can be difficult to persuade a consumer to begin such deductions after having not done so for a number of years.

Research has shown that parents, guardians, and teachers are a major influence on how children form their attitudes, habits, and practices related to financial choices. It is vital that these adults exhibit positive financial responsibility—whether in the form of teaching or mentoring, or simply through their behavior. If such adults demonstrate good financial habits, children and minors are likely to exhibit similar behavior.

Major Challenge in Providing Financial Education

What is the major challenge in providing financial education that would help adult consumers address the issues identified in the preceding questions, and that would lead to good financial outcomes for recipients?

A major challenge is how to reach individuals who are outside of a structured educational setting, such as a classroom. One option is for employers to sponsor and encourage financial education at the workplace during business hours. When such an approach is not practical or possible, consumers must voluntarily attend such educational events on their own time, and voluntarily seek financial information and/or counseling outside of work. This is particularly challenging because often times those with the greatest need for financial education are the ones with the least amount of available time to pursue such efforts.

Dissemination of Resources

How might the CFPB effectively disseminate financial literacy and education resources that will help consumers build the necessary skills to achieve good financial outcomes?

The CFPB should start by coordinating with the Financial Literacy and Education Commission as well as the Department of Education to consider national standards on financial education curriculum for junior high school, high school, and college. In addition, the CFPB should pursue public-private partnerships through which to provide financial education, including entities such as the NCUF and NEFE. Further, the CFPB should consider how to brand/market the financial education information in a way that is appealing to the various segments of the U.S. that will be targeted, such as by harnessing the vast reach of social media and other recent technological advancements.

Also, there are a number of financial literacy efforts that are currently being undertaken by multiple federal programs and agencies, some of which are duplicative. The CFPB should coordinate with these agencies to consolidate efforts. This will not only eliminate government redundancies, but will also make it easier for consumers, who may feel overwhelmed with excessive information from various sectors of the federal government, to access reputable sources of information on financial issues.

Tools, Topics, and Practices

What financial education tools, topics, or practices designed to help consumers improve their own financial decision-making lead to measurable outcomes?

Effective financial education should include providing an individual with the appropriate financial information close in time to when that individual is making a financial decision. Research, including by NEFE, provides that the most effective financial education comes at teachable moments, which occur when people are motivated by a life circumstance (e.g., buying their first home or facing foreclosure) to educate themselves toward the better management of their personal finances.

In addition, the CFPB should work with other federal agencies and state governments to facilitate certain savings-related programs, such as *Save to Win*.² *Save to Win* is a savings program available only to credit union members in certain U.S. states that incentivizes a consumer to save by providing that for every \$25 the consumer deposits into a special share certificate, the consumer receives an entry into the consumer's state's prize drawings. However, unlike a traditional lottery, the consumer does not lose any money, even if they are unsuccessful in the prize drawing; all money deposited into the account, plus dividends or interest, remains property of the consumer.

While *Save to Win* has been very successful, its footprint has been restricted due to legal impediments in certain states on offering such programs. We ask the CFPB to pursue ways in which such impediments can be reduced or eliminated.

Related Research

What research in behavioral economics or other academic fields provides insight into financial education approaches that can help consumers achieve their own financial goals?

National Credit Union Foundation (NCUF):

- NCUF (<http://www.ncuf.coop>)
- Report – *Credit Unions: Focused on Financial Capability Across the Nation* (http://realsolutions.coop/assets/2012/1/5/Credit_Unions-Focused_on_Financial_Capability_Across_the_Nation-NCUF_Report.pdf)
- Resource Guide – *Credit Unions: Focused on Financial Capability Across the Nation* (http://realsolutions.coop/assets/2012/7/11/Resource_Guide_for_Credit_Unions-Focused_on_Financial_Capability_Across_the_Nation-NCUF_Report.pdf)

National Endowment for Financial Education (NEFE):

- NEFE (<http://www.nefe.org>)
- Financial Workshop Kits – (<http://www.financialworkshopkits.org>)

Thank you for the opportunity to express our views on the CFPB's request for information on effective financial education. If you have any questions about our comments, please do not hesitate to give Senior Vice President and Deputy General Counsel Mary Mitchell Dunn or me a call at (202) 508-6743.

Sincerely,



Luke Martone
Assistant General Counsel

² Additional information on *Save to Win* is available at <http://www.savetowin.org>.