

**STATEMENT OF
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ON BEHALF OF

THE CREDIT UNION NATIONAL ASSOCIATION

BEFORE THE

HOUSE FINANCIAL SERVICES COMMITTEE

**SUBCOMMITTEE ON
FINANCIAL INSTITUTIONS
FINANCIAL LITERACY**

SEPTEMBER 28, 2006



WRITTEN STATEMENT OF THE
CREDIT UNION NATIONAL ASSOCIATION (CUNA)
ON
FINANCIAL LITERACY PRESENTED TO THE HOUSE FINANCIAL SERVICES
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On behalf of the Credit Union National Association (CUNA), which represents approximately 90 percent of the nearly 8,800 state and federal credit unions nationwide and their 88 million members, we ask that this statement be submitted as part of the record for the House Financial Services Committee hearing on financial literacy on September 28, 2006. CUNA is pleased that the Committee recognizes the need to support a national strategy to promote financial literacy, and we appreciate the opportunity to provide an outline of the programs and initiatives that CUNA and our member credit unions are involved in to promote financial education to both youth and adults. We also want to commend the U.S. Treasury Department and the Financial Literacy and Education Commission for their efforts to develop such a strategy as directed by Congress.

CUNA and credit unions have a proud tradition and history of helping their members become better educated regarding their personal finances. Indeed, one of the reasons CUNA was founded was to promote greater awareness and understanding of financial matters among credit union members, including those of modest means.

Today, financial literacy and education is an integral part of the work credit unions do in serving their members. In recognition of this fact, CUNA Chairman Juri Valdov has made financial literacy a hallmark endeavor during his tenure, and has just this week held its first annual Financial Literacy Summit here in Washington, DC. We are pleased that Congresswoman Judy Biggert (R-IL), Co-Chair of the House Financial Literacy Caucus was able to join us and address the CUNA Summit as our leading speaker.

Credit Unions and Financial Literacy

Credit unions have traditionally made financial education a part of their mission, providing financial information and training to members on a one-to-one basis. Many of our member credit unions actively sponsor community and school-based educational programs and seminars, providing individuals with resources such as: how to maintain a share draft account; how and what to look for when purchasing family transportation; how to complete a mortgage loan application; what is involved when applying to finance or repair a home. Many credit unions are actively working in schools to teach personal finance skills to children and teenagers. We also provide credit union staff as volunteers to read to elementary school children, participate in the "Partners in Excellence" program with the local school district, and provide scholarships to needy high school students to attend institutions of higher learning. These services are often provided at no cost and are open to credit union members and the communities they serve.

As CUNA CEO Dan Mica has commented:

"Recent surveys and polls show many young people today lack basic financial knowledge. That lack of knowledge directly relates to financial problems these young adults may face later in life, such as bankruptcy and difficulty in obtaining affordable credit. We want to help change that. Our partnership with the National Endowment for Financial Education and the Cooperative Extension Service (as described below) are great ways to put the credit union philosophy of 'people helping people' into action."

Highlighted below are several key programs and initiatives that CUNA and its member credit unions use to promote financial literacy.

CUNA Financial Literacy Summit

Just a few days ago CUNA's National Financial Literacy Summit became the springboard for an announcement of a new partnership uniting the resources of the National Endowment for Financial Education (NEFE) with the outreach potential of JA Worldwide (Junior Achievement). The two groups said that their agreement for a five-year affiliation came about through a mutual belief that teens with financial literacy are better prepared for challenges they will face striving to achieve their life goals.

It was just such partnerships CUNA intended to highlight and explore through its one-day summit, which brought together major organizations involved in the movement's financial literacy initiatives to explore the future of those efforts.

Summit participants examined financial education initiatives geared toward adults, youth, and underserved markets and explored where efforts could be coordinated so more resources reach their intended beneficiaries.

Before breaking into working groups, those attending the summit were addressed by the following speakers, each of whom has worked closely with the credit union movement on financial education:

- Rep. Judy Biggert (R-Ill.), co-chair, Congressional financial and Economic Literacy Caucus;
- Daniel Iannicola, Jr., Treasury deputy assistant secretary for financial education;
- JoAnn Johnson, chairman, National Credit Union Administration;
- Travis Plunkett, legislative director, Consumer Federation of America;
- Ted Beck, CEO, NEFE;
- Laura Levine, executive director, Jump\$tart;

- David Chernow, CEO, JA Worldwide; and
- Jane Schuchardt, national program leader, USDA Cooperative State Research, Education and Extension Service.

Also addressing the group was guest speaker Michelle Singletary, the *Washington Post* personal finance columnist and author of the syndicated column, "The Color of Money."

The next step in the CUNA effort, according to CUNA Chairman Juri Valdov, is to compile the results of the summit and provide more information to credit unions on successful approaches to financial education for members and communities.

"We're not here to pat ourselves on the back," Valdov told the summit participants, but rather to map out the future of credit union involvement in financial education.

Participants in the summit included: Leaders from state leagues, the CUNA board or their designees, the National Credit Union Foundation, the state foundation network, and credit union system organizations including the National Federation of Community Development Credit Unions, Defense Credit Union Council, CUNA Mutual Group, National Youth Involvement Board, Education Credit Union Council, AACUL, the Association of Corporate Credit Unions, and the World Council of Credit Unions

Jump\$tart Coalition for Personal Financial Literacy

CUNA is an active member of the Board of Directors for the Jump\$tart Coalition, an organization whose mission is to ensure that youth and young adults are equipped with the financial literacy skills that are necessary to make informed financial decisions. A nationwide survey conducted in 2004 by the Jump\$tart Coalition examined the knowledge of 4,074 twelfth-graders in 33 states. The survey shows that high school students are reversing declining scores and are demonstrating increased aptitude and ability to manage financial resources such as credit cards, insurance, retirement funds and savings accounts.

On average, survey respondents answered 52.3 percent of the questions correctly—up from 50.2 percent in 2002 and 51.9 percent in 2000. However, students did not match the 1997 aptitude levels when 57 percent answered the questions correctly. The survey also shows that nearly 78 percent of the students have a savings and/or checking account with a bank, and that the 22 percent of students without any bank account scored lower (47.4 percent) than those who have a savings account (52.3 percent), a checking account (50.2 percent), and both savings and checking accounts (55.5 percent).

National Endowment for Financial Education (NEFE)

CUNA has formed a partnership with the National Endowment for Financial Education (NEFE) and the Cooperative Extension Service (CES) to teach the High School Financial Planning Program® (HSFPP) to high school seniors across the nation. The HSFPP is a fully developed curriculum, consisting of six units that integrate easily into a number of existing high school courses, such as math, social studies, economics, and consumer or life science. HSFPP materials provide a basic introduction to personal financial planning, covering the impact of career and work factors on earnings potential, spending and saving money, using and managing credit effectively, protecting assets, and the time value of money. Students also are taught how to develop their own personal spending and savings plan.

CUNA underwrites the cost of printing course materials that are offered free of charge to any school requesting them, and credit union staff volunteer to either teach the course itself, or to train teachers how to teach it. The program is based on the idea that discipline in managing money is best achieved if it is learned early in life. It features 8 hours of in-classroom instruction, which has proven to secure results. Since 2000, nearly 3 million high school seniors have participated in the program.

According to a 2004 evaluation, three months after participating in the program:

- ◆ 59% of the students indicated that they had changed their spending patterns.
 - (They now only purchase things they really need and that they spend more wisely.)
- ◆ 60% indicated that they had changed their savings patterns.
 - Of these, 80% said they now save for what they really need or want and 20% indicated that they now save every time they receive money.

CUNA and its state affiliates work to promote the HSFPP in their local schools. By encouraging teachers to “team teach” the program with a financial professional, which CUNA and the state associations work to provide on request.

Since 2000 (the first year of CUNA/credit union involvement with the program):

- More than 400,000 high school students have participated in the program directly through involvement by credit unions; and
- More than 2,000 high schools have participated with credit unions

In 2005:

- More than 650,000 of the teaching materials were distributed to high school students in 7,300 schools in all 50 states.

- Credit unions working directly with schools reached more than 85,000 students in 1,200 schools last year.

This year:

- Recent numbers (end of first quarter) indicate that 56,000 students participating in the program through credit union involvement.
- The program is being revamped, with credit union help. Aim is to ensure that the program remains relevant to the times, and reflects good consumer practices (thus, credit union involvement).

Thrive by Five: Pre-K Financial Education

To help parents teach healthy spending habits and behaviors from an early age, CUNA has developed the “Thrive by Five: Teaching Your Preschooler about Spending and Saving,” which is a program aimed at providing free resources to parents to teach basic money concepts to preschoolers. The “Thrive by Five” program was developed by CUNA with a grant from the National Credit Union Foundation and additional funds from the Ohio and Texas Credit Union foundations. A special task force of credit unions and Cooperative Extension educators developed the materials, had them reviewed by experts in child development, and tested them with three focus groups of parents and preschool children.

The "Thrive by Five" materials include eight activities parents can download at no charge to help teach their young children such concepts as waiting to spend money, how not to lose money, how money is used to buy something, that when money is spent, it's gone, and that having fun or giving gifts does not have to cost money.

CUNA provides materials to help parents teach their pre-schoolers about money and its many uses. The program is FREE to anyone who wants to use the materials. Credit unions distribute them to members by linking through their websites. Since the program debut in 2005, more than 62,000 copies of CUNA's free teaching materials for pre-K kids have been downloaded from CUNA's website.

CUNA's main goal is to encourage healthy attitudes about money in young children. Long before they enter school, children observe adults using money and buying things and they watch television daily and see thousands of commercials each year. We also acknowledge that parents are not the only influence on what their children learn about using money. However, if children are learning basic lessons about money from their parents, parents increase the chance their children's values will be similar to theirs.

National Youth Savings Challenge

CUNA has established April 17-23, 2005 as National Credit Union Youth Week, and has acknowledged a youth credit union week during April the past several years. As part of this week-long initiative that encourages youth participation in financial education

throughout the year, CUNA is sponsoring the ‘Savings Challenge’ for affiliated credit unions. This free Savings Challenge program helps credit unions build strong relationships with young people and their families, and encourages them to make deposits at their credit unions. Goals of the ‘Savings Challenge’ include an opportunity for youth to: open accounts; introduce themselves to the concept of setting financial goals and saving for them; visit the credit union and learn first hand they are welcome; and, empower themselves with the lifelong tool of financial education.

In 2006, nearly \$10 million was deposited by more than 66,000 youngsters across the nation during that week into their credit unions.

In the three years that CUNA has sponsored this program:

- The level of deposits has grown nearly seven fold;
- The number of youth involved has expanded four fold; and
- Nearly 14,000 new accounts by young savers have been opened.

National Youth Involvement Board

CUNA’s member credit unions created the National Youth Involvement Board (NYIB) in 1972 in order to gain grassroots input from individuals working in credit unions or CUNA’s league affiliates to create a national system for the dissemination of information and resources regarding youth participation in the credit union movement. NYIB works with its participating credit unions to better prepare them to serve the projected 90 million-strong youth market. NYIB provides credit unions access to proven tools, techniques, and resources to learn the latest advancements in youth marketing, innovative ideas for educating youth about money, and a built-in network of peers with diverse experiences and valuable “best-practices.”

Outreach to Hispanic Communities

The Hispanic community accounts for more than 40 percent of the nation’s population growth over the past 16 years (1990-today). Hispanic immigrants are assimilating into the U.S. culture and since 2000, the number of U.S.-born Hispanics has surpassed immigration as the largest source of Hispanic growth. However, within this group – particularly with newer Americans – a tradition of using financial institutions regrettably is almost non-existent. Since newer Americans among Hispanics are traditionally distrustful of financial institutions, it puts them outside of the financial mainstream.

The market is clearly underserved:

- 49% of Hispanics compared to 81% of non-Hispanic whites have a checking account.
- 41% compared to 62% have a savings account.
- 5% compared to 36% have a mortgage loan.

The Hispanic market is also young, with a median age of 27 – meaning the market represents significant long-term membership growth and service potential. And credit unions have a long tradition of bringing those outside of the financial mainstream (such as new workers; young sailors, soldiers and Marines; others) into the community by offering low-cost financial services, and a secure, safe and sound place to do business. Hispanics are also looking for some institutions to offer them services:

In fact:

- 88% wish more financial institutions would offer products and services with Hispanics in mind.
- 82% wish they had more information about saving and investing their money.
- 83% feel the need to pay cash whenever possible versus borrowing the money or placing it on a credit card. They are less likely to base their future spending on future earnings.

CUNA has developed extensive materials for credit unions to use in reaching out to the growing Hispanic community such as our recently introduced “Quick Start Guide, “ which includes step-by-step instructions for developing products and relationships for this mostly underserved, but growing, segment of the population. Additionally, our “Hispanic Resource Center” on our website offers (among other things) a resource file library, links to additional resources for serving Hispanics, Our “Quick Start Guide, “ and the report of our Hispanic Task Force, updated regularly, on how credit unions can better serve this burgeoning market.

Other Initiatives

CUNA's league affiliates and member credit unions have also worked to put student run credit unions and/or branches in schools. Involving students in the daily operation of a credit union provides them greater insight to financial safety and soundness, and provides them direct access to savings and other programs.

Though the ideal situation is to teach youth while they are young about financial best practices, CUNA and its member credit unions recognize the need and importance to offer adult financial literacy programs. Though credit unions already provide financial counseling and financial planning services to their members as a regular service, CUNA strongly supported the provisions in the Bankruptcy Abuse and Consumer Protection Act (S. 256) that required mandatory financial counseling-- ensuring individuals are fully apprised of all their options before making a decision that could prevent future access to financial services. CUNA has recognized another key component of financial literacy is outreach to the underserved communities. CUNA has created a Hispanic Outreach Task Force, which is committed to helping credit union attract and serve members of the Hispanic community.

Additionally, CUNA's National Credit Union Foundation, with support from the Ford Foundation, implemented a nationwide financial literacy campaign called "Plan For It. Save For It" to address the need for increased savings among low-to-moderate income families. More than 4,000 credit unions currently use the "Plan For It. Save For It" guide to increase savings among low-income credit union members. In addition, financial literacy training contributes to the greater control of one's financial future and retirement savings, and can lead to the creation of an entrepreneurial class in local communities.

Is Financial Education Effective?

Just ask Mrs. Roberta Stepp, who teaches Family and Consumer Science at Pomona High School in Arvada, CO. She recently visited with her Member of Congress, (who happened to be her eighth grade teacher) to discuss "Making Sense" – a free financial literacy program developed for students K-12 in partnership with Jeffco Credit Union in Lakewood CO. This program was designed to enhance the current curriculum focusing on budgeting, checking, credit, identity theft and investing.

Mrs. Stepp recently visited with her former students, and videotaped their responses to her questions about how her class made a difference.

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Several studies have been designed to quantify the belief that teaching people about financial topics will help them make better consumer decisions. By 1985, 29 states had passed laws requiring some kind of consumer education at the high school level. (See www.jumpstart.org/legislation.cfm for current state legislative mandates and resolutions.)

The results of a 2001 study established a connection between state mandates and the subsequent accumulation of assets as students reached adulthood. The authors claimed to have found the first evidence of long-term behavioral effects as a result of legislated financial education curriculum requirements, and concluded:

We also find that mandates significantly increase exposure to financial education, and ultimately elevate the rates at which individuals save and accumulate wealth during their adult lives. These results contribute to the growing body of evidence that education may be a powerful tool for stimulating personal saving.

In his 1998 Jumpstart Coalition report Mandell stressed that it's not enough to simply throw financial education at students. Materials that purport to teach personal finance topics must be evaluated:

It is very clear that state mandates, by themselves, are not very effective in promoting financial literacy. Mandates must be accompanied by a clear set of standards that stress understanding and decision-making ability, not

just memorization of definitions. Teachers must be educated and appropriate teaching materials found and adopted.

One personal financial curriculum that researchers have evaluated for efficacy was the NEFE High School Financial Planning Program (HSFPP), which the National Endowment for Financial Education (NEFE) distributes free of charge as a public service in partnership with the Credit Union National Association (CUNA) and the U.S. Department of Agriculture Cooperative State Research, Education, and Extension Service. The study demonstrated that significant changes in knowledge, attitudes, and behavior occurred in students as a result of participating in the program. For example, in addition to those who maintained knowledge, skill, and confidence levels, students exhibited the following changes:

- About 30% of the students increased their behavior in the remaining three behaviors: comparing prices when they shop, repaying money they owe on time, and discussing money management with their families. Slightly over 40% felt more confident about making money decisions after studying the HSFPP curriculum compared to before studying it.

“Three months after studying the HSFPP, 59% of students reported that they had changed their spending patterns and 60% said they had changed their saving patterns. The primary ways in which the students indicated that they changed their spending habits was that they now only get things they really need and they spend more wisely. Of those who reported having changed their saving habits, 80% indicated they now save for what they really need or want and 20% indicated that they now save every time they get money.”

Since launching the HSFPP in 1984, NEFE has distributed materials to more than 4 million students and 10,000 schools (a number which does not include repeat participants). Roughly two-thirds of that distributing has occurred since 2000, when NEFE formed a partnership with CUNA and America’s credit unions. During the past six school years, credit unions have directly assisted in bringing the program to more than 400,000 students in more than 1,000 schools, which is 13.6% of total overall program participation.

Credit Unions and Financial Literacy

Credit unions have traditionally considered financial education to be part of their social mission. Indeed, education is one of the operating principles of the international credit union movement:

Credit unions actively promote the education of their members, officers, and employees, along with the public in general, in the economic, social, democratic, and mutual self-help principles of credit unions. The promotion of thrift and the wise use of credit, as well as education on the rights and responsibilities of members are essential to the dual social and economic character of credit unions in serving member needs.

Founders of the U.S. movement made it clear that from the start that they thought educating members was one of a credit union's fundamental duties. Edward Filene once said, "There is no permanent remedy for our economic and social ills other than better thinking, which must come through better education."

Furthermore, early credit union leaders stressed the importance of beginning financial education with the youngest family members. In 1936, one of CUNA's magazine editors said:

Our children of today will be the heads of families of tomorrow. They will be the buyers and sellers of the nation, the financial executives of the world. If they are to be fitted to meet these responsibilities we must give them an opportunity to learn how to manage money and we must do it now.²³

Credit unions have responded to these challenges in a number of ways.

First, they provide information to members through newsletters and other mailings. Since 1989, for example, credit unions have purchased from CUNA for distribution to members 80 million brochures on subjects ranging from managing a checking account to protecting against identity theft.

Second, credit unions provide financial information to members on a one-on-one basis. As of the end of 2005:²⁴

- 80% of credit unions with more than \$50 million in assets provide financial education to adult. The topics these credit unions help members with include auto buying (89%), fraud prevention (85%), home ownership (81%), credit cards (73%), retirement planning (69%), investments (68%), budgeting (67%), college funding (58%), estate planning (54%), insurance (53%), long-term care (44%), tax strategies (37%), and remedial credit (24%).
- 73% of credit unions with more than \$50 million in assets provide financial education to members under the age of 18.
- 29% of credit unions (representing 74% of U.S. members) offer member education seminars to provide instruction in money and debt management.
- 14% of credit unions (representing 52% of U.S. members) offer financial planning programs to help with mid-and long-term goals

Third, credit unions actively approach schools and after-school programs to teach personal finance skills to children and teenagers, in addition to participating in the NEFE High School Financial Planning Program.

- 141 credit unions in 30 states operate branches in 490 schools (kindergarten through college). All are student-run to some degree.
- In 2005, CUNA launched Thrive by Five™: Teaching Your Preschooler About Spending and Saving, a free resource for parents in English and Spanish. Since then, more than 40,000 visitors to the Thrive by Five page on CUNA's web site²⁵ downloaded more than 70,000 copies of the eight free parent activities (an average of nearly three copies per visitor). Visitors also examined or downloaded related free resources more than 28,000 (e.g. Tips for Teaching Preschoolers, Picture Books About Money) times, for a total of 98,000 items requested.
- Since 1972, the National Youth Involvement Board (NYIB), a loose network of credit union volunteers, has educated youth about money and credit. During the 2005-06 school year, 690 NYIB volunteers conducted 9,351 classroom presentations for 285,730 students.²⁶

Fourth, credit unions seek every opportunity to draw attention to youth -- their accomplishments as well as their needs.

- In 2006, CUNA sponsored a fifth annual National Credit Union Youth Week (April 23-29) during the Jumpstart Coalition's Youth Financial Literacy Month to showcase the members who will provide our nation's economic leadership and strength in the future. Modeled after long-standing observances in states such as North Dakota and Pennsylvania, the national event will shine the spotlight on the problem of youth financial illiteracy and the many ways that credit unions, in partnership with other local institutions, are giving young people the tools of financial security.
- For the third consecutive year, Credit Union Youth Week has featured a National Saving Challenge, during which 66,269 members under the age of 18 added \$9,626,748 to their savings accounts at 346 participating credit unions.

From the beginning, the people of the credit union movement have firmly believed in the power of information to better members' well-being. An indication that their long-standing faith in the efficacy of financial literacy to improve lives is well grounded, consider this: In 2005, the overall bankruptcy rate for the general U.S. population was 6.8 per 1,000.²⁷ For the same period, the rate for U.S. credit union members was only 4.0 per 1,000.²⁸

Closing

CUNA and its member credit unions have long been in the forefront of advantaging, developing and implementing effective financial literacy programs for members of all ages and from all economic backgrounds. CUNA appreciates the opportunity to provide

comments on our financial literacy outreach efforts, and looks forward to working with the Committee to bring the greatest access and awareness of financial literacy programs to our members and the general public.