



**SUBMITTED TESTIMONY OF AMERICA'S COMMUNITY BANKERS
BEFORE THE HOUSE FINANCIAL SERVICES COMMITTEE,
SUBCOMMITTEE ON FINANCIAL INSTITUTIONS AND CONSUMER
CREDIT, REGARDING FINANCIAL LITERACY**

September 28, 2006

America's Community Bankers (ACB) appreciates the opportunity to submit the following statement to the House Committee on Financial Services, Subcommittee on Financial Institutions and Consumer Credit, on the topic of financial literacy in the United States. ACB thanks Subcommittee Chairman Bachus for holding this very important and timely hearing to examine the various proposals designed to enhance the level of personal financial acumen in our nation today.

ACB is an independent national trade association representing the nation's community banks of all charter types and sizes, including state and federally chartered savings institutions and commercial banks. ACB members pursue progressive, entrepreneurial and service-oriented strategies in providing financial services to benefit their customers and communities. Our members are both stock and mutually owned. As community bankers, many ACB member institutions are specialists in mortgage lending and services.

Background

The American financial services system is a complex maze of decisions, and ACB endeavors to provide the tools and resources necessary for establishing safeguards against fraud and for planning accordingly for one's future. However, there is no true panacea, since the burden is on the individual to make use of the means available. As the responsibility for individuals to manage their own finances increases, so does our responsibility to provide individuals from every economic background with the tools they need to navigate their financial environment, and ACB is committed to ensuring that all Americans have fair and equitable access to credit, and that consumers have the necessary skills to make wise credit and other financial decisions. ACB has always made financial literacy a top priority for our trade association. As community-based lenders, we are dedicated to strengthening America's communities by meeting the financial needs of consumers fairly and efficiently.

ACB recognizes that financial literacy must start early, and therefore we believe that financial literacy initiatives must be incorporated into overall education curriculum in the United States. To be truly effective, financial literacy cannot be treated as either an additional requirement or a separate component. We also strongly believe that an informed, educated consumer is better able to make financial decisions and prevent

manipulation by providers of financial services that prey on the uninformed. In 2002 ACB renewed its focus on fostering a healthier degree of financial literacy nationwide. In just 4 short years we have realized several noteworthy accomplishments that have advanced awareness on the value of financial literacy, some of which we will briefly outline below.

Money Rules

Money Rules was established in 2002 as an information program to help community bankers educate their customers by providing our members with materials for their financial education efforts. As community bankers, ACB members know the answers to the fundamental questions people face concerning mortgages products, interest rates, credit cards, and other financial tools that we depend on to make our life easier. Yet many consumers are often left in the dark when faced with these difficult decisions, much to the detriment of their financial well being, creating an inherent disadvantage that increases their susceptibility to predatory lenders, investment scams, identity theft, and other unscrupulous business practices. Money Rules encourages customers to ask their community bankers to share their expertise on basic financial issues, and to offer financial tips on subjects such as budgeting, using credit wisely and achieving savings goals.

Money Rules is distributed in pamphlet form – printed in both English and Spanish – and offered to ACB institutions for display in their banks or as an insert in monthly statements. To date over one million Money Rules pamphlets have been distributed on topics such as:

- Building Good Credit
- Following A Budget As A Key To Maintaining Good Credit
- Recognizing Debt Disaster Signs
- Avoiding Getting Burned By Financial Hot Water
- Credit Repairs
- Avoiding Scams

The brochures include a series of questions designed to make customers think about their own level of financial literacy, and to demonstrate that their community banker is there to help them understand the financial issues they face.

More recently, ACB has prepared a number of pamphlets on important financial issues, such as Individual Retirement Accounts (IRAs), Online Banking, Identity Theft, Deposit Insurance, and Disaster Preparedness, which we provide to our member institutions for distribution to their customers. To date, nearly 20 million of these pamphlets have been distributed by in ACB member institutions. These useful financial tools enable banking customers to take a proactive approach to learning about the resources available to them, which helps to mitigate potential fraud and makes them more responsible with their financial decisions.

Congressional Black and Hispanic Caucuses

Over the years, ACB has participated on a number of Congressional Black and Hispanic Caucus panels to highlight our initiatives to promote financial literacy. We have also contributed to a video entitled, “Fostering Financial Literacy for All Americans,” recorded during the Congressional Black Caucus’ 33rd Annual Legislative Conference. This video brought together our nation’s leaders in financial literacy advocacy from both the private and public sectors, and discussed a number of important principles for increasing awareness. This video was circulated by Congresswoman Julia Carson (D-IN) and remains an important resource tool for educating our communities on the importance of financial literacy.

Cooperation with Federal and Private Organizations

ACB members believe that the best approach for promoting financial literacy is to work in concert with other organizations that share your ideals and philosophy for improvement. Therefore, ACB has developed strong working relationships with a number of private and public organizations to further our common goal of enhanced financial literacy.

ACB is a proud partner of the Jump\$start Coalition for Personal Financial Literacy, which seeks to improve the personal financial literacy of young adults by evaluating young adults, developing, disseminating, and encouraging the use of standards for grades K-12, and promoting the teaching of personal finance. The Jump\$start Coalition and ACB agree that early intervention is the key to success in making informed financial decisions, and ACB is proud of its sponsorship and participation in this cause.

ACB has also developed a strategic partnership with Operation Hope, a non-profit organization dedicated to bringing economic self-sufficiency to inner cities through education and awareness. As community lenders, ACB members are acutely concerned with the financial strength of their surrounding neighborhoods. Too often, our less fortunate communities are left behind in the information age due to a lack of education. Operation Hope strives to create sustainable change within under-served communities by serving as a bridge and facilitator between mainstream and minority communities, and by consistently promoting opportunity, self-esteem, optimism and future aspiration.

The Department of the Treasury established the Office of Financial Education in May of 2002 to promote access to the financial literacy tools that assist in making wiser choices in all areas of personal financial management, particularly saving, credit management, home ownership and retirement planning. ACB has long been an advocate for an increased federal presence in financial education, and we commend the Department of the Treasury for setting the standard for other agencies to follow, and for consistently building on their progress to make financial awareness a priority issue.

ACB has been an active supporter of the Financial Literacy and Education Commission since its creation in 2003 as a part of the Fair and Accurate Credit Transactions Act.

ACB was also pleased to offer comments on the Commission's development of a national strategy to promote financial literacy during the Treasury Department's official comment period. The Commission, which develops national policy to promote financial education and improve financial literacy in the United States, brings together 20 federal agencies representing the spectrum of financial issues and markets in the United States. ACB staff regularly attends the Commission's meetings to offer input on the scope and direction of the Commission's initiatives, and to provide feedback from the collective voice of the community banking industry.

Conclusion

ACB is encouraged by the Subcommittee's examination of this very important issue today, and we appreciate the opportunity to offer comments for the hearing Record. Furthermore, we are pleased that there is a bicameral interest in the issue of financial literacy, and that it reaches across both sides of the aisle. We look forward to working with the Subcommittee during the 110th Congress to actively promote financial literacy awareness, and to continue to share ACB's ongoing work to improve financial education in the United States.