Financial Education: What Is It and What Makes It So Important?

COMMUNITY REINVESTMENT
cr
report

BY VIRGINIA HOPLEY
COMMUNITY AFFAIRS RESEARCH ANALYST
FEDERAL RESERVE BANK OF CLEVELAND

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Results from the Federal Reserve Bank of Cleveland's Community Affairs survey

The need for financial education—knowledge that helps people make sound, informed financial decisions—has become increasingly important for financial institutions and community economic development practitioners. Rising consumer debt and low household saving rates show Americans' growing need for financial education, as do other indicators (see below).

Why is the need for financial education so pressing? Today's consumers are no less knowledgeable than past generations;[1] rather, quickly accelerating changes in the financial services market have increased all Americans' need for financial literacy, regardless of income or educational background. Consumers must choose from a wide array of providers and complex new financial products, and they have become more responsible and involved in asset building and retirement planning. Long-term investments that affect future financial well-being require deliberate, informed decisions. Demographic changes—such as new immigrant populations, a growing proportion of elderly in certain regions, baby boomers

CONTINUED INSIDE

WHY AMERICANS NEED FINANCIAL EDUCATION

About 10 million low- and moderate-income households are "unbanked," that is, they do not have accounts in any mainstream bank.[2]

More than 1 million Americans filed for bankruptcy each year between 1990 and 2000;[3] during this period, total bankruptcy filings, including businesses, increased 90.6 percent.[4]

The Jump$tart Coalition for Personal Financial Literacy surveyed high school seniors nationwide on their knowledge of personal finance. In 2002, students answered 50.2 percent of the questions correctly, down from 51.9 percent in 2000 and 57.3 percent in 1997.[5] These are all considered failing grades.

On average, adults scored 57 percent on basic economic knowledge, according to the *Standards in Economics Survey* conducted in 1999 for the National Council on Economic Education.[6]

Three-fifths of U.S. households stated that their expenses were higher than their income, according to the Federal Reserve Board's *1998 Survey of Consumer Finances*.[7]

1 Excerpted from remarks by Governor Edward M. Gramlich, "Financial Literacy," May 2, 2002.
2 John P. Caskey, "Reaching Out to the Unbanked," Washington University Center for Social Development, 2000, p. 1.
3 *The Wall Street Journal*, February 11, 2000.
4 Ben Jackson, "Programs Tout Financial Literacy for All Ages," *American Banker*, April 5, 2002. Data obtained from the Administrative Office of the U.S. Courts.
5 "From Bad to Worse: Financial Literacy Drops Further Among 12th Graders," *Jump$tart Coalition News*, April 23, 2002. Please refer to Web site www.jumpstart.org.
6 "Literacy Survey: Results from the Standards in Economics Survey," National Council on Economic Education. Please refer to Web site www.ncee.net.
7 Jeanne M. Hogarth, and Chris E. Anguelov, "Can the Poor Save?" *Proceedings of the Association for Financial Counseling and Planning Education*, 2001.

preparing for retirement, and college students graduating with debt—highlight the need for all populations to understand the basics of planning for their financial present and future.

The greater availability of credit and the rise of the subprime lending market are other changes that make financial education imperative. Informed consumers are less likely to become victims of fraud and abusive lending practices.[8] Low- and moderate-income individuals and those not served by the mainstream financial system may stand to benefit even more from financial education; research shows that learning to budget and save early on will increase household wealth over time.[9]

The Federal Reserve System promotes financial education to help sustain a strong national economy and to support the System's economic growth objectives by promoting community economic development and fair and impartial access to credit. Chairman Greenspan has articulated the connection between a financially literate citizenry and economic security: "Building bridges between community organizations, our educational institutions, and private business will be an essential aspect of our efforts to increase familiarity with new technological and financial tools that are fundamental to improving individual economic well-being. And the success of such efforts will have a significant bearing on how well prepared we are to meet the challenges of an increasingly knowledge-based economy."[10]

To this end, the Federal Reserve has developed a strong educational component, encouraging every American to learn more about our financial system and their personal finances. Chairman Greenspan and other officials have testified before Congress about the importance of financial literacy. Every three years, the Board of Governors collects data through its *Survey of Consumer Finances*, which facilitates research on household finances and savings. Recently the Fed has developed a Web site offering comprehensive, interactive economic education (see Resources sidebar, page 10). In a Systemwide financial literacy initiative, Community Affairs Offices at each Federal Reserve Bank have supported similar efforts through publications, hosting conferences and workshops, helping launch the America Saves program, and developing educational tools like the Federal Reserve Bank of Dallas' Building Wealth Guide and Web site.[11]

A host of other organizations also have a vested interest in understanding and promoting financial education. These include financial institutions, regulators, consumer advocacy groups, schools, certain government agencies, and policymakers. Clearly, financial literacy can have a positive impact on all of the Community Affairs Offices' constituents.

[8] The fall 2002 issue of *CR Forum* addresses regulatory efforts against predatory lending in the Fourth Federal Reserve District. Please contact the Community Affairs office to obtain a copy.

[9] Remarks by Federal Reserve Chairman Alan Greenspan, "Economic Development and Financial Literacy," January 10, 2002.

[10] Testimony by Federal Reserve Chairman Alan Greenspan, "Financial Literacy," February 5, 2002.

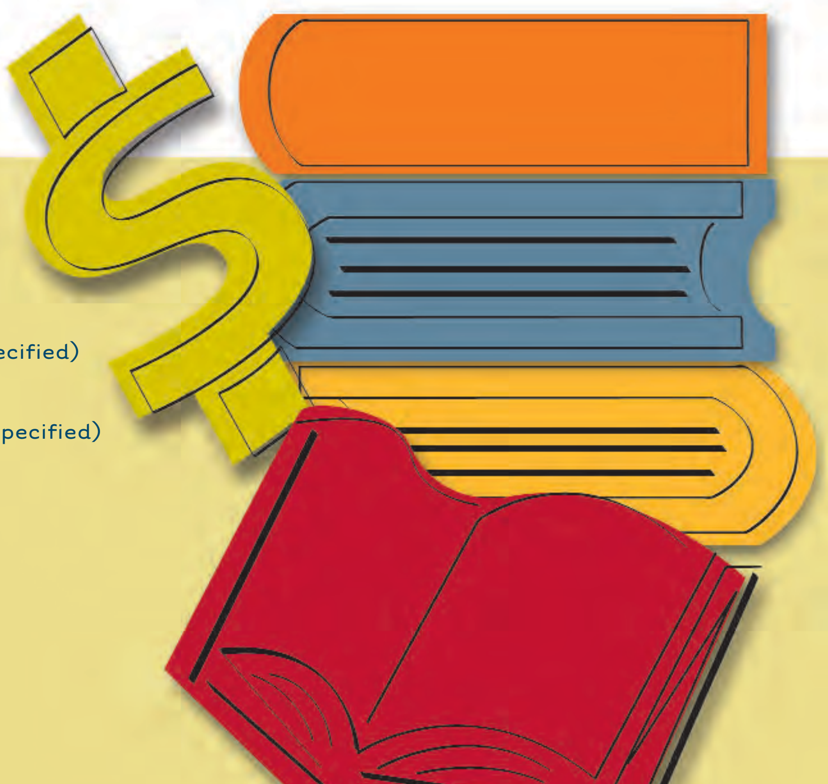
[11] www.dallasfed.org/ca/wealth/index.html

Federal Reserve Bank of Cleveland
Financial Education Survey

The Cleveland Fed's Community Affairs Office considers financial education a critical factor in effective community economic development. This office supports community reinvestment, fair lending, and economic development activities throughout the Fourth Federal Reserve District, which includes all of Ohio, eastern Kentucky, western Pennsylvania, and the northern panhandle of West Virginia.

Before Community Affairs could determine a meaningful role in financial education, it needed to know which organizations in the Federal Reserve Bank of Cleveland's District are delivering financial education and learn the specific details of each program. This was the purpose of the exploratory survey of financial education programs, which the Community Affairs Office sent to Fourth District constituents in spring 2002, including community development corporations, financial institutions, grassroots and faith-based organizations, government agencies, academic institutions, and foundations. The Community Affairs Office was especially interested in programs targeting low- and moderate-income individuals. The survey included open- and closed-ended questions on program curricula, participants, measurement and evaluation, and the organization's interest in collaborating with the Federal Reserve Bank on financial education efforts. Respondents were also asked to identify other financial education programs of which they were aware; the survey's second mailing went to those programs.

The two survey mailings to about 1,500 organizations produced 164 completed responses, representing several kinds of community economic development practitioners (see below).



TYPES OF SURVEY RESPONDENTS

63	financial institutions
27	community development corporations
24	"other" organizations[12]
21	government agencies (14 local, 3 state, 3 federal, 1 unspecified)
17	social service organizations
4	schools or universities (3 four-year institutions and 1 unspecified)
3	faith-based institutions
3	foundations
2	grassroots advocacy organizations

[12] A partial list of "other" organizations includes Community Development Financial Institutions, community action agencies, public housing authorities, legal services, trade associations, and settlement houses.

Thirty-two percent of respondents deliver a financial education program; 12 percent fund a financial education program; and 2 percent do both. Fifty-six percent do neither but responded to the survey and offered insight into financial education issues.[13] Table 1 below breaks down providers of financial education programs by organizational type.

Financial Education Program Information

Most of the financial education programs represented in the survey findings are relatively new. Nearly half of the organizations administer programs that are five years old or less (49 percent), while only 11 percent of them have offered financial literacy programs for 20 years or more; several did not know the age of their programs. Most of the respondents who do not currently deliver a program believe that financial education is important for their constituents.

Financial education curricula vary greatly, from one-on-one counseling with no formal materials to highly structured programs. The subjects covered by responding programs are basic to any financial curriculum (see table 2).

Most financial education programs are collaborative: 58 percent rely on a funded partnership and 15 percent have in-kind sponsorship (for speakers, curriculum development, and so on). Integral sponsorship and partnerships typically are provided by banks, foundations, government entities (such as HUD and housing authorities), and other nonprofit organizations (religious organizations, the Urban League, and the Neighborhood Reinvestment Corporation, for example). Thirty-four percent of respondents receive no external assistance or sponsorship for their programs.

The majority of respondents (91 percent) deliver programs in traditional classrooms or workshops and a large percent offer one-on-one counseling (77 percent). The overlap of responses shows that many organizations offer more than one format for their financial education initiatives, depending on participants' needs. Twenty-five percent of respondents

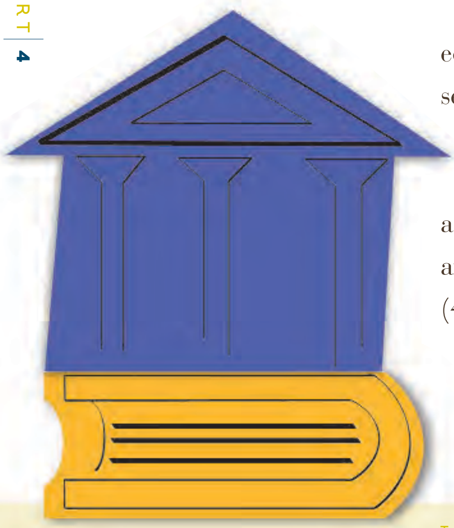


Table 1

SERVICES PROVIDED BY VARIOUS TYPES OF ORGANIZATIONS

Organization type	Deliver program	Fund program
Financial institutions	26%	42%
Community development corporations	23%	11%
Social service/grassroots organizations	21%	16%
Other	13%	5%
Government agencies	9%	5%
Faith-based organizations	4%	0%
Foundations	2%	5%
Schools or universities	2%	16%
Total	**100%**	**100%**

[13] Because some organizations offer more than one financial education program or initiative, the results presented in this report may sum to more than 100 percent.

offer programs designed to "train the trainer," meaning that they prepare instructors and organizations to deliver financial education programs. A few organizations (9 percent) use the Internet as a teaching tool, and an equal percent use other formats, such as self-study, community seminars, and consumer fairs.

The materials and formats used to teach financial education vary tremendously —from no formal curriculum, to curricula developed in-house, material provided by sponsoring agencies, and resources used nationally (see Resources sidebar on pages 10 and 11). Besides books and brochures (many of which were enclosed with survey responses), effective teaching tools include skits and role playing, presentations, videos, budgeting work sheets, interactive case studies and participant modules, and open-book tests.

The length of time allotted for completing the programs also varies widely—from one-time introductory classes to classes scheduled over a period of time, to intensive one-on-one counseling with loan or mortgage applicants. The most common format for an adult course, however, is 12 to 18 hours spread over weeks or even months, with homework assignments between class sessions. Counseling is usually scheduled as needed, depending on the resources available and the sponsoring organization's expertise. Some programs, such as Individual Development Accounts or Cleveland Saves, are on-going.

Table 2

SUBJECTS COVERED IN FOURTH DISTRICT FINANCIAL LITERACY PROGRAMS

Saving	94%
Budgeting	94%
Credit repair	85%
Purchasing a home	72%
Predatory lending	68%
Financing major purchases	60%
Investing	43%
Other	36%

Additional topics that are frequently covered include financial education basics for entrepreneurs and small businesses (including developing a business plan); home maintenance; wealth creation; and wise spending habits.

Financial Education Curricula and Courses Used by Surveyed Programs

Better Housing League of Greater Cincinnati, "Life as a Homeowner" and "How to Buy a House"
www.betterhousing.org/education/education.htm

Paul Strassels, "Credit when Credit Is Due"
www.creditwhencreditisdue.com

Fannie Mae Foundation, "Opening Doors to Homeownership"
www.fanniemaefoundation.org

Federal Deposit Insurance Corporation (FDIC), "Money Smart"
www.fdic.gov/consumers/consumer/moneysmart/index.html

Federal Trade Commission, "Credit"
www.ftc.gov/bcp/menu-credit.htm

Freddie Mac, "Your Route to Homeownership"
www.freddiemac.com/homebuyers

Kentucky Housing Corporation, "Yes You Can…Own a Home"
www.kyhousing.org/homeownership/education/yyc.cfm

National Council on Economic Education, "Financial Fitness for Life"
www.fffl.ncee.net

National Foundation for Credit Counseling, "Keys to Homeownership"
www.nfcc.org

National Urban League, "CreditSmart"
www.nul.org/resources/financial_literacy/creditsmart.html

National Endowment for Financial Education, "High School Financial Planning Program"
www.nefe.org/pages/highschool.html

U.S. Department of Housing and Urban Development, "Consumer Information"
www.hud.gov/consumer/index.cfm

Financial Education

Because formats are so varied, there is no "average" frequency of program offerings. Most structured classes and workshops are offered at regular intervals (for example, monthly or quarterly), depending on the depth of the curricula; others are offered continuously (that is, 150 seminars a year), daily (information provided by a state government agency's 800 number), or on demand. One-on-one counseling tends to be on-going as needed by the client. Many respondents could not answer this question definitively because their financial education offerings are loosely structured or not quantifiable.

Sixty percent of the respondents who offer a financial education program engage full-time staff to deliver it, with most of them (44 percent) employing only one person; one respondent employs four full-time staff, the highest number reported.[14] Nineteen percent of these organizations use part-time staff; 13 percent have no paid staff but use volunteers and in-kind instructors; and 26 percent use outside organizations such as Americorps, Vista, and other financial professionals, to deliver their programs.[15]

The great majority of programs (74 percent) offer incentives for completing a course. This is consistent with research finding that adults must have an incentive to enroll and finish training. Some researchers believe that for long-term effectiveness, course completion must be tied to an action such as opening a checking or savings

TYPES OF INCENTIVES OFFERED FOR COURSE COMPLETION

Monetary stipend
Individual Development Account match
Down payment/closing-cost assistance
30-minute consultation with a financial advisor
Raffle for a savings bond
Notifying a credit bureau of successful course completion
$3,000 first-time homebuyer grant
Assistance for financing home repairs
HUD certificate with letter for $^1/_2$% reduction on FHA financing
Accounts with a small starting balance to encourage use of bank products
$10 certificate to open a savings account
Possible pre-approval for buying a home

[14] Seven respondents did not specify the number of full-time staff.
[15] Totals exceed 100 percent because some organizations use a combination of staff to deliver their program.

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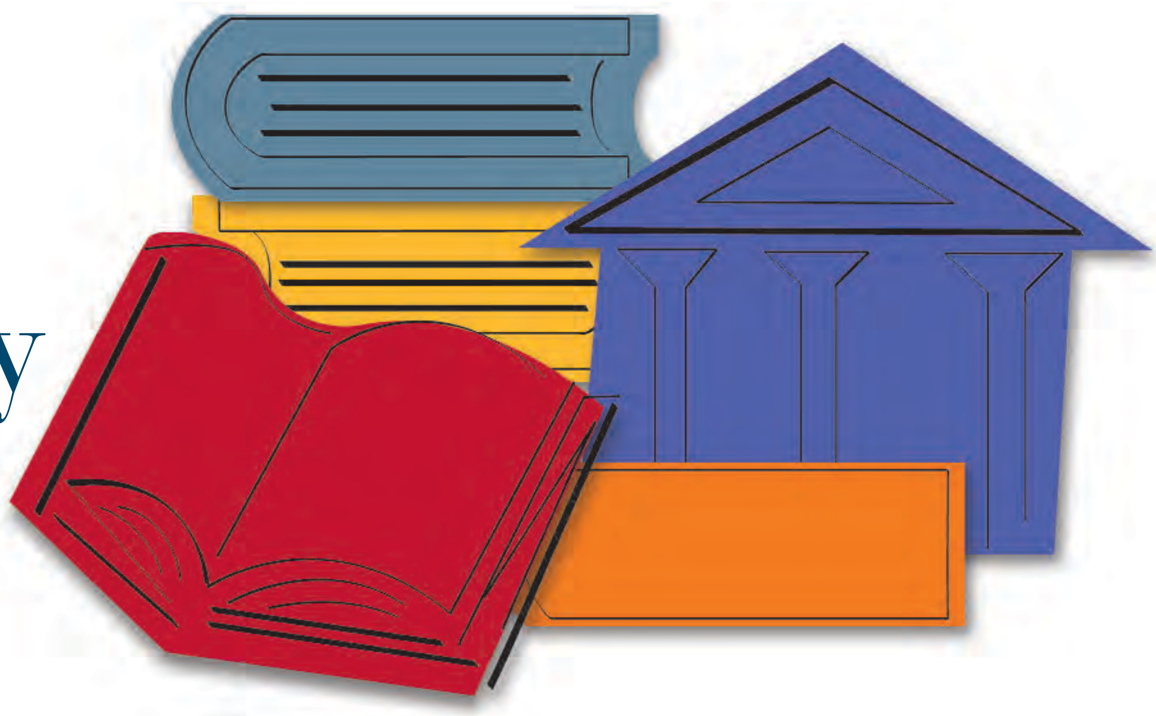
Survey

continued...



It is also essential that educators explain the *how*—as well as the *why*—of saving.

account.[16] Respondents use a variety of creative incentives beyond a certificate of completion (see bottom of page 6).

What financial education curriculum is most effective? Some preliminary research findings can easily be incorporated in designing financial literacy initiatives. Stephen Brobeck, Executive Director of the Consumer Federation of America, lists five principles for success. According to these, effective financial education:

- seeks to change behavior, not just increase knowledge, and helps ensure that consumers apply their knowledge;
- includes attractive, useful knowledge that is relatively easy to apply;
- addresses values as well as knowledge;
- provides hands-on learning in addition to studying; and
- benefits large numbers of people.[17]

The majority of individuals learns to manage their finances through personal experience; a smaller share learns from friends and family; and the smallest share gets information from the media.[18] When developing a curriculum and teaching a course, it is important to recognize that one financial education program cannot meet the needs of every audience. Programs must be tailored to the particular needs of diverse groups of students, such as immigrants, low- and moderate-income adults, and the elderly. Learning styles vary as well, so using a variety of learning media and resources will more likely reinforce financial education principles and change people's behavior over time. It is also essential that educators explain the how—as well as the why—of saving.[19]

[16] Katy Jacob, Sharyl Hudson, and Malcolm Bush, "Tools for Survival: An Analysis of Financial Literacy Programs for Lower Income Families," Woodstock Institute, 2000.

[17] Stephen Brobeck, "Effective Financial Education: The Role of Cleveland Saves," *Planning & Action*, May/June 2002. Excerpted with permission; please refer to article for full text.

[18] Jeanne M. Hogarth, Marianne A. Hilgert, and Jane Schuchardt, "Money Managers—The Good, the Bad and the Lost," *Proceedings of the Association for Financial Counseling and Planning Education*, 2002.

[19] Maude Toussaint-Comeau, and Sherrie L.W. Rhine, "Delivery of Financial Literacy Programs," *Policy Studies*, Federal Reserve Bank of Chicago, December 2000, p. 3

Program Participants

Financial education programs represented in these survey results target several different populations; on average, each respondent served three populations. The groups most often targeted consist of low- and moderate-income individuals, followed by first-time homebuyers and community groups. The "other" category includes credit union members, employee groups, small business owners, homeless heads of households, particular geographic areas, students, and individuals with disabilities, to name a few (see table 3). Only one respondent did not identify a target population.

Almost all respondents (98 percent) specified program participants' ages; most serve more than one age group. When asked to rank the age groups that typically participate in their programs, 55 percent said they served people of all ages. Among organizations that specified one or more age groups, the largest proportion (28 percent) designated 26 to 35 as their targeted age group, followed by 36 to 50 (13 percent) and 18 to 25 (9 percent). The age group least likely to be targeted by financial education programs were those 65 and older, followed by those 51 to 65.

Every financial education program identified a geographic region as its service area; the levels most commonly mentioned are listed in table 4.[21]

Respondents use a number of mechanisms to market their programs, the most common being referrals from a broad range of sources,[22] followed by brochures, newsletters, financial institutions, Web sites, and religious organizations. Less frequently used methods are print advertising and public service announcements, followed by schools and libraries. The topics most often deemed essential for basic curricula are listed at the bottom of page 9.

Respondents also mentioned a wide variety

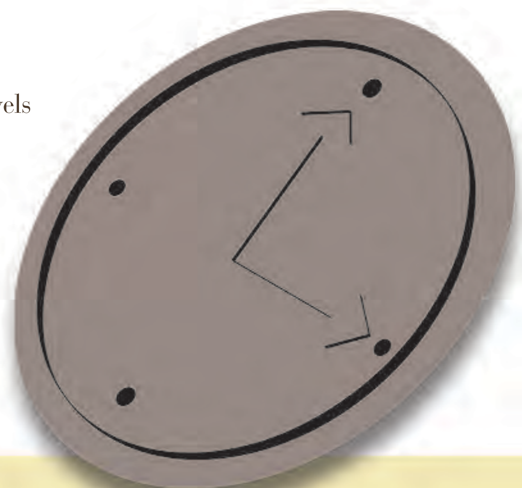


TABLE 3

TARGET GROUPS IDENTIFIED IN SURVEY[20]

Low- and middle income individuals	81%
First-time homebuyers	53%
Other	45%
Community groups	38%
Neighborhood residents	34%
Elderly	13%
Instructor trainees	11%

TABLE 4

SERVICE AREAS

County	57%
City	47%
Neighborhood	21%
Other (for example, multi-county, bank assessment area, church congregation)	17%
State	13%
National	2%

[20] The total exceeds 100 percent because respondents were asked to check as many groups as apply.

[21] Some respondents selected more than one geographic unit as their target area.

[22] Including housing authorities, homeless shelters, Habitat for Humanity, tenants in business incubators, city agencies (inspectors and housing reports), city council members, social service agencies, nonprofits, other students and teachers, friends and relatives, realtors, HUD, Attorneys General offices, banking regulators, Department of Jobs and Family Services.

of complementary topics that are not currently provided but are needed by their clients; these topics include investing, child support assistance, home repair/maintenance, and reverse mortgages. Some respondents also noted that certain of their client groups lack basic financial education: residents of rural areas, non–English speakers, elderly residents, and elementary and high school students. Several organizations highlighted the importance of developing programs to give entrepreneurs' businesses a better chance of succeeding, while others underscored their need to serve larger numbers of students with a broader range of program offerings.

OBSERVATIONS FROM SURVEY RESPONDENTS

Financial literacy is a necessary component of the financial products and services that banks offer their communities.

Early intervention is essential for participants.

Adults will not participate in a program that does not show positive results. Successful programs are enjoyable, accessible, timely, and structured for adults.

Financial education is the key to success; many financial problems result from poor decisions, lack of education, and scarce resources for answering clients' questions.

Financial education should begin early (junior/middle schools) and should also reach senior citizens.

Teaching materials must be written at a sixth-grade reading level.

Programs should teach students how to control their own finances; they should award graduates a certificate that recognizes their ability to make personal money management decisions and build a sound financial portfolio.

Credit unions can deliver financial education programs in low-income and rural areas; one program in the Fourth District is a unique partnership between a financial institution, a nonprofit organization, and a public school system.

It is unnecessary to develop new curricula; rather, the existing ones need better marketing.

ESSENTIAL TOPICS FOR BASIC CURRICULA

Credit: history, wise use and management, cards, reports, repair, how it works

Budgeting: how to manage a budget

Saving: importance of and methods

First-time home buying: the process, mortgage financing, and down payment assistance

Predatory lending: what it is, how to avoid it, and what to do if you believe you are a victim.

Financial Education Resources

American Association of Retired Persons, "Money and Work"
www.aarp.org/money
800/424-3410

Consumer Federation of America, America Saves
www.americasaves.org
202/387-6121

Federal Reserve Bank of Boston, "Identity Theft: Protect Yourself" video
800/409-1333

Federal Reserve Bank of Chicago, Financial Education Research Center
www.chicagofed.org/cedric/financial_education_research_center.cfm

Federal Reserve Bank of Cleveland, "Personal Financial Education"
www.clevelandfed.org/Consumer/PersFinLit/index.cfm
and "I Love Being Self-Employed" Microenterprise Training Video
216/579-2846

Federal Reserve Bank of Dallas, "Building Wealth: A Beginner's Guide to Securing Your Financial Future"
www.dallasfed.org/ca/wealth/index.html
214/922-5254

Program Impact

Cumulatively, survey respondents had more than 18,000 graduates in 2001; since the inception of their programs, the figure is 1.5 million.[23] Just over half of the respondents (57 percent) try to measure the impact of their financial education program, most frequently by tabulating

As financial education programs grow in number and size, it will become more important to measure their impact and to gauge whether participants' behavior changed after training.

numbers of home and car purchases, bank accounts opened, businesses started, and jobs obtained by program graduates. Other organizations look at graduates' remedies of unfavorable situations: debt reduction, fewer bankruptcies and foreclosures, improved credit reports, and bringing mortgages current. The measurement methods generally are informal: students' self-evaluations or those completed by instructors, follow-up telephone calls, or, in a few cases, surveys.

Less than half of the respondents (47 percent) follow their graduates for some time period after training. Their methods include surveys and quarterly meetings with graduates to track those who purchased a home or were able to remain in their homes, as well as obtaining data on loan repayments. Because many of the programs are new and modestly funded, methods of evaluating impact and tracking graduates have not been formalized or implemented in most cases. As financial education programs grow in number and size, it will become more important to measure their impact and to gauge whether participants' behavior changed after training. Such measurements will help determine the effectiveness of financial education and will identify the training methods that have the greatest positive impact.

[23] Includes some estimates by respondents; other respondents could not answer this question.

Conclusion and Next Steps

Most community economic development practitioners and policymakers agree that financial education is a fundamental need that affects every demographic, age, and income group. Many challenges still lie ahead for all players involved in delivering a successful program. The concepts of financial education are sometimes abstract and complicated; they must be simplified, applied to real life situations, and tied to a goal that will be meaningful outside the classroom.[24] Different demographic niches, cultures, and age groups must be reached and taught financial education principles; to be effective, a curriculum may need to be tailored to each segment of the community.

Research findings on the effectiveness of financial literacy programs are mixed.[25] Participants can realize a program's benefits soon after learning the concepts; however, it has not yet been proved that behaviors are ameliorated over the long term. Recent research by Freddie Mac shows that counseling can be effective in reducing mortgage delinquency: borrowers in this study who received pre-purchase counseling have, on average, a 19 percent lower 90-day delinquency rate.[26]

Finally, education is only one of the variables that affect financial well-being; other factors, such as employment, income, age, and health, also affect an individual's financial situation.[27] For most of us, financial education is a process that continues as our financial situations and needs change over time.

Despite the challenges and possible limitations of financial education, it has evoked great interest and optimism in the Federal Reserve's Fourth District. While 32 percent of survey respondents deliver a program, 73 percent expressed an interest in attending a "best practices" seminar on the topic. In addition, survey results point to the need to develop program evaluation instruments,[28] as well as a system to track graduates. These measures can evaluate programmatic impact; over time, they could suggest whether the cycle of poverty for low- and moderate-income individuals can be

[24] Margaret Clancy, Michal Grinstein-Weiss, and Mark Schreiner, "Financial Education and Savings Outcomes in Individual Development Accounts," Washington University Center for Social Development, 2001, p. 3.

[25] Sandra Braunstein, and Carolyn Welch, "Financial Literacy: An Overview of Practice, Research and Policy," *Federal Reserve Bulletin*, November 2002, p. 445.

[26] Abdighani Hirad, and Peter M. Zorn, "A Little Knowledge Is a Good Thing: Empirical Evidence of the Effectiveness of Pre-purchase Homeownership Counseling," Freddie Mac, May 2001.

[27] Excerpted from remarks by Vice Chairman Roger W. Ferguson, Jr., "Reflections on Financial Literacy," May 13, 2002.

[28] Woodstock Institute recently released *Evaluating Your Financial Literacy Program: A Practical Guide*. Available at www.woodstockinst.org.

Financial Education Resources, continued

Federal Reserve Bank of San Francisco, "Guide to Financial Literacy Resources"
www.frbsf.org/community/webresources/bankersguide.pdf

Federal Reserve System, "Economic Education"
www.federalreserveeducation.org

FirstGov for Consumers
www.consumer.gov/yourmoney.htm

Foundation for Financial Literacy
www.financialliteracyusa.org
800/882-8723

GE Center for Financial Learning
www.financiallearning.com/ge/home.jsp

Jump$tart Coalition for Personal Financial Literacy
www.jumpstart.org
888/45-EDUCATE

Junior Achievement
www.ja.org
719/540-8000

National Community Reinvestment Coalition, Financial Literacy Campaign
www.ncrc.org
202/628-8866

National Council on Economic Education
www.ncee.net
800/338-1192

National Endowment for Financial Education
www.nefe.org
303/741-633

National Foundation for Credit Counseling
www.nfcc.org
301/589-5600

National Foundation for Teaching Entrepreneurship
www.nfte.com
800/367-6383

U.S. Department of the Treasury, Office of Financial Education
http://www.treas.gov/offices/domestic-finance/financial-institution/fin_ed.html

Wall Street Institute
www.wallstreetinstitute.org
202/261-3531

Acknowledgments

Please contact the following members of the Community Affairs staff if you have questions or would like additional copies of this publication.

CLEVELAND

Mark Sniderman
Senior Vice President and Director of Research
216/579-2044

Ruth Clevenger
Vice President and Community Affairs Officer
216/579-2392

Cassandra McConnell
Manager, Community Affairs
216/579-2474

Virginia Hopley
Research Analyst
216/579-2891

Laura Kyzour
Administrative Assistant
216/579-2846

CINCINNATI

Jeff Gatica
Senior Advisor
513/455-4281

Candis Smith
Community Affairs Liaison
513/455-4350

PITTSBURGH

Dan Holland
Senior Advisor
412/261-7947

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broken with this type of intervention. The Community Affairs staff at the Federal Reserve Bank of Cleveland will continue to identify financial literacy programs in the Fourth District and monitor current financial education issues, initiatives, and trends.

Financial institutions too can play an integral role in supporting financial education. The recently released Consumer Bankers Association's *2002 Survey of Bank Sponsored Financial Literacy Programs* validates financial institutions' importance in promoting economic education (see table 5).[29]

Their findings also show that "banks continue to invest significant resources in the development and delivery of financial education programs. Expanding their reach into underserved communities has become a priority, as shown by their efforts to build partnerships with community-based organizations and national nonprofits."

Developing partnerships with community-based organizations and other service providers will give financial institutions a presence and impact they might not otherwise achieve in hard-to-reach communities. Financial institutions that encourage such training will benefit in other ways as well: with checking and savings accounts that will be opened by the previously unbanked; and by having better-informed consumers who can utilize more sophisticated technology and products, becoming stronger loan applicants and more reliable borrowers.

Communities also benefit by having financially informed residents. When people are aware of the long-term impacts of their financial decisions, they are empowered to consume, save, and invest wisely. Their economic well-being promotes greater asset accumulation and wealth creation, enabling their communities to grow and prosper.

TABLE 5

BANK-SPONSORED FINANCIAL LITERACY PROGRAMS

97%	of responding banks sponsor financial literacy programs or support them through partnerships;
60%	say their programs target predatory or abusive lending practices;
97%	offer mortgage and home ownership counseling;
96%	target low- and middle-income individuals; and
62%	are geared toward minorities.

[29] Consumer Bankers Association, *2002 Survey of Bank-Sponsored Financial Literacy Programs*, April 2002. Available at www.cbanet.org.

Editor in Chief
Virginia Hopley

Managing Editor
Cassandra McConnell

Editor
Michele Lachman

Graphic Designer
Lori Boehm

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We welcome your comments regarding this *CR Report*; please email them, or requests for additional copies, to virginia.l.hopley@clev.frb.org.