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Highlights

Highlights of GAO-10-518, a report to congressional committees

Why GAO Did This Study

According to Census data, more than 12 million adults in the United States report they do not speak English well or at all. Proficiency in reading, writing, speaking, and understanding the English language appears to be linked to multiple dimensions of adult life in the United States, including financial literacy—the ability to make informed judgments and take effective actions regarding the current and future use and management of money.

The Credit Card Accountability, Responsibility and Disclosure Act of 2009 mandated GAO to examine the relationship between fluency in the English language and financial literacy. Responding to this mandate, this report examines the extent, if any, to which individuals with limited English proficiency are impeded in their financial literacy and conduct of financial affairs. To address this objective, GAO conducted a literature review of relevant studies, reports, and surveys, and conducted interviews at federal, nonprofit, and private entities that address financial literacy issues and serve people with limited English proficiency. GAO also conducted a series of focus groups with consumers and with staff at community and financial organizations.

GAO makes no recommendations in this report.

View GAO-10-518 or key components.
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May 2010

CONSUMER FINANCE

Factors Affecting the Financial Literacy of Individuals with Limited English Proficiency

What GAO Found

Staff at governmental, nongovernmental, and private organizations that work with non-English speaking populations consistently told us that, in their experience, a lack of proficiency in English can create significant barriers to financial literacy and to conducting everyday financial affairs. For example, service providers and consumers with limited English proficiency told us that because most financial documents are available only in English, individuals with limited English proficiency can face challenges completing account applications, understanding contracts, and resolving problems, such as erroneous bills. In addition, financial education materials—such as print material, Web sites, broadcast media, and classroom curricula—are not always available in languages other than English and, in some cases, Spanish. Further, information and documents related to financial products tend to be very complex and can use language confusing even to native English speakers. In some cases, written financial materials are provided in other languages, but the translation may not be clear if it is not written using colloquial or culturally appropriate language. Interpretation (oral translation) can also be of limited usefulness if the interpreter does not fully understand or is not able to explain the material, a problem exacerbated by the fact that adults with limited English proficiency often receive assistance from their minor children.

Many factors other than language also influence the financial literacy of individuals with limited English proficiency. For example, immigrants may lack familiarity with the U.S. financial system and its products, which can differ greatly from those in their native countries. Cultural differences can also play a role in financial literacy because different populations have dissimilar norms, attitudes, and experiences related to managing money. For instance, in some cultures carrying debt is viewed negatively, which may deter immigrants from such cultures from taking loans to purchase homes or cars and building credit histories. In addition, some studies have reported a correlation between financial literacy and levels of income and education. As a result of these issues, some service providers and advocates suggested that efforts to improve the financial literacy of people with limited English proficiency go beyond translation and also address underlying cultural and socioeconomic factors.

Evidence suggests that people with limited English proficiency are less likely than the U.S. population as a whole to have accounts at banks and other mainstream financial institutions. They are also more likely to use alternative financial services—such as payday lenders and check-cashing services—that often have unfavorable fees, terms, and conditions. Further, the Federal Trade Commission and immigrant advocacy organizations have noted that some populations with limited English language skills may be more susceptible to fraudulent and predatory practices. Several service providers we spoke with said that financial education can play an important role in helping consumers with limited English proficiency avoid abusive and predatory practices.