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Office of Financial Education and Financial Access
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Re: Response to request for comment on **Core Competencies Concepts and National Financial Literacy Strategy**

Sept. 9, 2010

To Whom It May Concern:

Consumer Action¹ is writing to comment on your initiatives aimed at increasing consumer knowledge of personal finance. Our staff has been participating in the Financial Literacy meetings held by the Financial Literacy and Education Commission (FLEC) and the President's Council on Financial Literacy. During that time we have grown increasingly concerned that there is no emerging source of federal funding for non-profit organizations such as ours (who are not CFDI organizations) to carry out financial literacy activities.

For close to 40 years, Consumer Action has been a pioneer in the consumer movement, working to improve consumer literacy and protect consumer rights in areas consumers care about most: credit cards, home ownership, insurance, healthcare, online and medical privacy, and basic necessities such as phone service. Consumer Action has worked tirelessly to educate consumers who are unsophisticated about financial services, have limited English skills and who don't have access to the information they need to cope with increasingly complex financial product offerings. In this regard, we have many insights into teaching people to manage their money effectively and to build assets and wealth.

Consumer Action agrees that there should be core set of standards for what Americans should know about personal finance, but the delivery of financial education is the most important factor. How do you reach people at a teachable moment? Financial education materials are often not

¹ Consumer Action has been a champion of underrepresented consumers nationwide since 1971. A not-for-profit 501(c)3 organization, Consumer Action focuses on financial education that empowers low to moderate income and limited-English-speaking consumers to financially prosper. It also advocates for consumers in the media and before lawmakers to advance consumer rights and promote industry-wide change.

By providing financial education materials in multiple languages, a free national hotline, and an Annual Credit Card Survey, Consumer Action helps consumers assert their rights in the marketplace and make financially savvy choices. More than 8,000 community and grassroots organizations benefit annually from its extensive outreach programs, training materials, and support.

appropriate to traditionally underserved communities, such as the growing Asian-American/Pacific Islander (AA/PI) population, a culture where long-term self-sufficiency is of paramount importance. Years of experience have taught us it is not enough to simply make resources available in a language that can be understood. Our expert staff frames the information so that it is culturally relevant, using terms that can be accepted and acted upon by a variety of communities to build financial stability.

Core Competencies

Instead of the pyramid concept, we suggest a chart that illustrates how each competency would affect the performance of others. For example, your understanding of credit and loans can have a drastic effect on your earning, spending, and savings. A life cycle would be more effective than a finance pyramid because it would show the interactivity between the financial choices we make.

Investment should be added as educational component of risk. We believe that low and moderate income families can save money, and that they need to know how to find the best interest rates for their savings and to understand the risks and rewards of different wealth building tools such as government-insured CDs, retirement accounts, annuities, brokerage accounts, mutual funds and college savings accounts.

Retirement planning should be part of the money management, planning, budget, and savings component.

Tax-related items, such as the Earned Income Tax Credit and tax advantaged accounts such as Individual Retirement Accounts, health savings accounts, flexible spending accounts (if available) and college savings accounts, should be added as a component for money management.

We are concerned that the Earning section does not address people who earn cash and who do not have health or sick benefits, so that their income is automatically lower than that of employees who have these benefits. More must be done to devise strategies that work for these populations and individuals.

Borrowing behavior doesn't always depend on credit score, because many populations are locked out of traditional lending and borrow in other ways—through the lending pools that are common in ethnic communities, or regrettably through predatory lenders. Efforts must be made to recognize alternatives to credit-score based lending and to make them safer for populations that access them.

Under the section about establishing relationships with financial service firms, we suggest a sharper focus on how establishing such relationships will benefit the individual (for example, access to future credit), as well as strategies to convince the banks themselves of the need for products to help bank account holders manage their money more effectively without losing large portions of it to fees.

National Strategy Document

We applaud the work done to create the National Strategy Document, which is by nature a very generalized treatise, and look forward to seeing it fleshed out through future work we hope to be a part of.

Consumer Action finds that there are areas in the Strategy Document in which our organization could add value and insight:

- We have been working to “establish common evaluation metrics to measure key outcomes” and have set up a system of pre- and post-evaluations using publicly available survey tools such as Survey Monkey as well as paper forms distributed at our train-the-trainer meetings. We also require that recipients of our small training grants provide follow-up to show us that the program is making a tangible impact on the lives of clients — such as opening a bank account, starting to save, applying for the Earned Income Tax Credit, etc.
- We would welcome and would volunteer to be included in any effort to “create tools aligned with model standards” under goal 1. Standards would be a boon to those seeking foundation funding and government grants to conduct financial literacy and financial empowerment work.
- In any consideration of the dissemination of financial literacy materials, it must be recognized that there needs to be financial support for the printing and distribution of publications free of charge. Most community groups on the front line of educating hard-to-reach consumers lack the resources to download and/or print materials from websites and in our experience, prefer to order printed materials if they are available free of charge.
- We also would welcome recommended guidelines for financial education practitioners under goal 3 because we believe that being able to show that our efforts follow and comply with national guidelines would only make our mission stronger.
- Mentors and coaches can radically alter a consumer’s financial and money management experience. We would support any effort to institutionalize a mentoring/coaching program for financial literacy and suggest that you create a funding source that would draw on the skills of non-profit organizations to achieve this goal. There are many, many experts in financial literacy, money management and budgeting in the non-profit community, however many organizations cannot legitimately spend time on activities that are not paid for under program/project grants.

While we see potential value in setting up a network of financial education providers, support needs to be given to existing networks. As one example, Consumer Action has provided its national network of more than 8,000 community-based organizations with free multilingual publications and train-the-trainer meetings for more than a decade. Each year these groups provide their clients with up to one million of our publications. On an annual basis we train 900-1,000 community group staff people on how best to use our financial literacy materials with their clients and members.

In our view both the vision statement and the mission statement fail to take into account the impact of deceptive and unfair practices by companies and corporations. Both statements make it appear that personal fiscal responsibility can solve all financial ills. This is simply untrue as there are people and companies poised to take advantage of consumers *at every turn*—from companies that want to profit off unnecessary and unwarranted fees to outright scammers who seek to steal hard earned income from families. Both statements should be rewritten to insist that the federal government recognizes that all the good intentions in the world, and all the personal responsibility, cannot alone protect people from losing money and falling into financial difficulties, and that the U.S. must put time and money into effective regulation and marketplace dispute resolution. Of course we have great hopes for the new consumer watchdog bureau, but we urge you to work closely on the development of the duties of that bureau to ensure that it help carry out your initiatives for financial literacy.

The goals and objectives are thorough and thoughtful, however we believe they could be better organized by “teachable moment” or time of life, so that the core competencies that are being taught are meaningful to consumers and reach them at a time that they are likely to act on the information and to be successful in the implementation of the new concepts and ideas.

While we would not *per se* “implement” the National Strategy, we would seek to ensure that our existing and future consumer education materials align with it, and that we reflect best practices for training and evaluation. We would pursue opportunities for federal funding that would allow us to deliver effective financial literacy into our target communities of low and moderate income people, minorities, and limited English speakers.

As we have frequently suggested, we feel strongly that the government must increase public funding streams to nonprofit consumer advocacy and community-based organizations to create free materials, outreach and training. Consumer Action follows government grant opportunities closely and finds that the few opportunities related to financial literacy are for CFDI agencies. In addition to creating opportunities for consumer education organizations, efforts need to be made to streamline the grant making process so that community-based organizations serving critical populations do not need to divert critical staff time to needlessly complicated RFP models.

We are pleased you have adopted the suggestion to create coalitions of key stakeholders (including consumer groups and businesses) to coordinate and promote the use of existing financial literacy programs. Consumer Action would be happy to participate and to bring our financial literacy expertise and ideas to the table.

Please feel free to contact us if you would like to discuss our comments further. You can reach me by email at ken.mceldowney@consumer-action.org or by phone at 415-777-9648. Consumer Action looks forward to partnering with the Treasury Department to ensure that consumers have the materials, tools and mentorship they need to improve on their financial knowledge.

Sincerely yours,

A handwritten signature in black ink that reads "Ken McEldowney". The signature is written in a cursive, slightly slanted style.

Ken McEldowney
Executive Director