

Promoting Basic Financial Literacy and Education for U.S. Consumers

Statement of

Consumer Action
www.consumer-action.org

Submitted for the Record

On the Occasion of the Hearing On:

***Financial Literacy and Education:
The Effectiveness of Governmental and Private Sector Initiatives***

The House Financial Services Committee

The Honorable Barney Frank, Chairman

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Consumer Action¹, a national nonprofit consumer education and advocacy organization, firmly believes that financially literate consumers are more confident about their money management skills and thereby make more successful personal financial choices and are less vulnerable to scams and predatory financial services. Consumers who are taught personal finance skills and how to prepare for emergencies and/or homeownership demonstrate a higher level of money management skills.

Despite the efforts of many nonprofit organizations and government agencies, there remains a critical need for financial education across many populations—students, young working adults, low-income people, immigrants, the uneducated and older Americans. The continued growth of predatory and abusive lending practices as well as the increasingly high credit card balances carried by average American households, are proof of the great need for improved financial literacy.

In partnership with public and private entities, Consumer Action creates award-winning multilingual educational projects promoting informed participation in the marketplace by people of color, low income and rural consumers, recent immigrants and seniors. *For your information, we have included an outline of our successful multilingual financial literacy programs as an attachment to this statement. Please see Appendix I on page 4.*

What are the three most important issues that the national strategy should address, and why?

1. The importance of anticipating, planning, and saving for emergencies—such as job loss, illness or disability—and a worry free retirement.

¹ Consumer Action (www.consumer-action.org) is a national non-profit consumer education and advocacy organization founded in San Francisco in 1971. The organization's hallmark is its free multilingual consumer education materials distributed through a national network of 10,000 non-profit and community-based agencies. Consumer Action serves consumers and its members nationwide by advancing consumer rights, referring consumers to complaint-handling agencies and publishing educational materials. In the coming year, Consumer Action will distribute at least one million pieces of its free consumer education materials. Consumer Action also advocates for consumers in the media and before lawmakers and compares prices on credit cards, bank accounts and long distance services. Its newsletter, *Consumer Action News*, is published several times a year and contains articles of general interest to consumers as well as news of the organization. All Consumer Action publications are available on its free web site (www.consumer-action.org), which is visited more than six million times a year.

2. How to prepare for home ownership and how personal credit affects the ability to seek reasonably priced mortgages and avoid predatory loans.
3. Understanding financial services (including banking, credit, credit cards and insurance); sound financial planning concepts, and how to manage debt.

What existing resources may be used to address those issues, and how could they be employed?

- Increase public funding streams to nonprofit consumer advocacy and community based organizations to create free materials, outreach and training. 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.
- Create coalitions of key stakeholders to coordinate and promote the use of existing financial literacy programs.
- Hold forums in which community and consumer groups can network with financial services industry associations and corporations to air problems and concerns and to create partnerships.

What are the best ways to improve financial literacy and financial education in the United States?

- Partner with nonprofit consumer advocacy and community based organizations to create free materials, outreach and training. These organizations are regarded with trust in the community.
- Provide community partners with ongoing financial support to allow them to fully participate in the national financial literacy agenda.
- Bring together stakeholders to further develop and coordinate existing financial literacy programs.
- Increase awareness of success stories, best practices and key incentives for teaching financial literacy.
- Ensure financial literacy curriculums at the primary and secondary school levels.
- Ensure the availability of in-language materials and outreach.

APPENDIX I

Consumer Action's Model Community-based Education Project

Consumer Action is a national, non-profit 501(c)(3) membership organization headquartered in San Francisco, with staff based in Los Angeles and Washington, D.C.

Founded in 1971, Consumer Action is recognized throughout the country for its history of writing, translating and distributing multilingual educational materials and guides on telephone, privacy, health care, insurance, utility and financial services.

In partnership with public and private entities, Consumer Action creates award-winning multilingual educational projects promoting informed participation in the marketplace by people of color, low income and rural consumers, recent immigrants and seniors.

Several years ago, Consumer Action entered into a multi-year project with the U.S. Department of the Treasury to improve financial literacy at the community level. During this contract, we examined and broadened the scope of our free educational outreach efforts to make them more effective. In subsequent projects, we further refined the new approach to create a multi faceted model for increasing financial literacy in our target populations.

The Consumer Action Model

These are the elements of Consumer Action's free multilingual community-based education and outreach model:

- Free educational modules that include: multilingual fact sheets, leader guides for community staff who counsel consumers; and PowerPoint workshop presentations, curricula and worksheets. We create between five and ten modules a year. Consumer Action retains independent editorial control over its publications. The materials are distributed through our national community based organization (CBO) network of 10,000 agencies. Our cost effective approach allows agencies to request bulk orders only for the number of publications they need, and all shipping costs are paid for by Consumer Action. CBO staff hand the publications to their clients in one-on-one counseling sessions and use them in workshop settings.

The materials we create are written clearly and simply, translated into the languages used in the community and distributed to consumers who are not be reached by traditional efforts. Throughout the country, Consumer Action is recognized as the primary source of free, multilingual, consumer educational materials used in the community.

- Each year we distribute more than two million publications through our national network of more than 10,000 CBOs and via individual requests. Virtually all of our publications are available in Chinese, English, Korean, Spanish and Vietnamese.
- Train-the-trainer regional meetings, which bring together CBO staff from multi-state regions to be trained by Consumer Action on using its modules and on best practices for reaching and educating people of color, low income consumers and immigrants in various communities. Over the last two years, Consumer Action trained staff from more than 500 agencies in cities including: Oakland, Dallas, Tampa, Los Angeles, Chicago, Portland, Phoenix, Miami, Charlotte, NC and Washington, DC. Following the regional meetings, the participants in turn train their agency staff and volunteers. In conjunction with the regional meetings, we train the corporate partner's staff volunteers to conduct trainings in the community.
- Local train-the-trainer roundtables that are hosted by agencies that attended our regional meetings. Hosting agencies are responsible for recruiting community groups to their roundtable. Consumer Action staff train the participants on using the educational modules in the community. In the last two years more than 500 agencies have attended the roundtables we have held in Miami, New York City, Los Angeles, Seattle, Ft. Lauderdale, San Francisco, Philadelphia and suburban Maryland.
- Multilingual media promotion, including press releases, Public Service Announcements (PSAs), Video and Audio News Releases (VNRs and ANRs) and satellite media tours. Our media spokespersons conduct interviews in Chinese, English and Spanish. Consumer Action's media outreach allows us to deliver key educational messages to millions of consumers we might not reach otherwise. For example, a recent ANR reached more than 27 million listeners on close to 500 radio stations. Our media efforts encourage consumers to request individual copies of our fact sheets by mail or to access them on our web site.
- Consumer Action's unique, multilingual web site (consumer-action.org) features our pricing surveys and more than 250 fact sheets and brochures. Each year more than 500,000 publications are accessed through our web site that receives more than 500,000 visits a month.

In addition, our CBO e-mail list serve alerts community agency staff about new publications and issues of concern and invites them to click back to our web site, where they can download publications or weigh in on key issues. Our CBOs are reached by our educational, train-the-trainer webinars. Consumer Action also assists CBO staff with technical advice through toll free numbers in its Los Angeles and San Francisco offices.

- Consumer Action's national stipend grant program funds agencies to use its educational modules in the community. In the last two years, Consumer Action has awarded a total of \$200,000 to 60 CBOs in grants of \$1,000 to \$5,000. Consumer Action's grants support effective community education at very low cost. While Consumer Action provides the training and materials, the CBOs tailor their programs to the individual needs of their community.
- Consumer advice and referral Hotlines are provided in Chinese, English and Spanish. Consumers are also assisted through our Web site Hotline. Our counselors assist consumers with questions and problems on topics including those covered by our publications. All complaints are logged into a database, which is made available on a case-by-case basis to help the media, attorneys, lawmakers and regulatory officials monitor consumer complaints.

Our Partners

Consumer Action works in educational partnerships with all segments of the community, including government agencies (such as the U.S. Department of Housing and Urban Development (HUD), the U.S. Department of the Treasury, EPA, FDIC and the Federal Reserve), major corporations (including AT&T, Capital One, PacifiCare, Microsoft, MCI, Sprint, Verizon, MCI, SBC, Bank of America, Washington Mutual, Visa and American Express); community-based organizations (including the national networks of county extension services and Consumer Credit Counseling Services; faith based organizations and churches as well as thousands of agencies serving people of color, seniors, people with disabilities and recent immigrants.

In addition, we have completed more than 150 translation contracts in Spanish and Asian languages for the federal government, non-profit agencies and corporations.

Our Goal

Consumer Action seeks to expand its educational work in the community by partnering with public and private entities. For more information, please contact Consumer Action Executive Director Ken McEldowney by phone at 415-777-9648 or by e-mail at ken.mcelandey@consumer-action.org.