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Testimony in support of HB 5490, An Act Concerning Financial Literacy
March 11, 2014

Good Afternoon Senator Leone, Representative Tong and Members of the Banks Committee. My name is Tamara Kramer and I am a Policy Analyst at the Connecticut Association for Human Services (CAHS). CAHS is a statewide, nonprofit agency that works to reduce poverty and promote economic success through both policy and program work. CAHS is also home to the Connecticut Money School (CMS), a program that provides free financial education for adults and seniors. CMS is premised on the belief that a key factor in establishing financial stability and success is a better understanding of how to manage your money and your assets. In recent months, the CMS has been developing a youth-based program that will bring financial education to high school students and young adults in high-need communities.

I am here today to express strong support for House Bill 5490, a bill that takes a three-prong approach towards improving financial literacy for the young people of our state. We at CAHS firmly believe that our state's schools should be taking an active role in educating students on the importance of savings, the burden of debt, and how to manage household finances.

Research shows that young people in the United States are heavily reliant on debt, while at the same time their understanding of the financial system and credit is quite minimal.[1] The statistics are stark – over 30 percent of young adults with higher education experience are delinquent on their student loan payments,[2] over two-thirds of renters between the ages of 18 and 24 say they spend more than they earn every single month,[3] and a Ohio State study found that young people are accumulating credit card debt at a faster rate than any other age bracket – and they are also the slowest to pay it back.[4] This experience with student and consumer debt has not made young people savvy – over 50% of high school and college students fail basic financial literacy tests.[5]

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[1] Meta Brown, Wilbert van der Klaauw, Jaya Wen, and Basit Zafar. "Financial Education and the Debt Behavior of the Young", Federal Reserve Bank of New York Staff Reports, no. 634, September 2013; revised February 2014.
[2] *Id.*
[33] Martha C. White, "Today's Young Adults Will Never Pay Off Their Credit Card Debts", Time, January 17, 2013, available at http://business.time.com/2013/01/17/todays-young-adults-will-never-pay-off-their-credit-card-debts/.
[4] *Id.*
[5] Meta Brown, Wilbert van der Klaauw, Jaya Wen, and Basit Zafar. "Financial Education and the Debt Behavior of the Young", Federal Reserve Bank of New York Staff Reports, no. 634, September 2013; revised February 2014.

While the trend is troubling, and while acknowledging that there are larger economic forces that can account for some increased debt reliance,[6] we also know that financial education can help curb student spending and borrowing. A comprehensive 2013 study conducted by the Federal Reserve Bank in New York found that exposure to financial literacy training for young adults led to increased credit scores, decreased collections, and lower auto and credit card debt balances (the study distinguished this debt from others, as these two types of debt generally support greater consumption).[7] Researchers noted that those students who participated in financial literacy training more frequently checked their credit reports, which seemed to indicate a better understanding of the importance of credit history.[8]

The study also documents a recent trend among states in providing financial literacy training for high school students – between 1999 and 2012 the number of states requiring a financial literacy course for graduation grew from 1 to 17, with a total of 19 states required to make the offering available to students.[9] We believe Connecticut should join this growing list of states that are incorporating financial education into their curriculum, and we believe that Section 1 of this bill, which requires a plan for including financial literacy training in both our state's high schools and higher education institutions, is a good first step towards doing so. We ask the Committee to consider adding language to this section that requires the Departments of Labor, Education, and the Board of Regents to consider a financial literacy model that is incorporated into the classroom throughout all four years of a student's high school experience. We are concerned that having a course limited to a one-time offering in a student's senior year will undermine its effectiveness, and that such a course may never reach some of the students who need it the most (we know that a disproportionate number of students in the state's low income communities dropout or exit regular education settings for GED or other alternative programs before they reach their senior year[10]).

In addition, we also strongly support the consumer education measures that are provided for college students in Section 2 and 3 of this bill. However, we recognize that this information alone, without the context of a more robust financial training curriculum, may not be enough to change student decisions regarding debt. We do believe that these measures are important and we hope that they lead students to seek out additional information when making important banking and credit decisions.

Thank you again for your consideration.

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[6] "Life Delayed: The Impact of Student Debt on the Daily Lives of Young Americans", American Student Assistance, 2013, available at http://www.asa.org/pdfs/corporate/life-delayed.pdf.
[7] Meta Brown, Wilbert van der Klaauw, Jaya Wen, and Basit Zafar. "Financial Education and the Debt Behavior of the Young", Federal Reserve Bank of New York Staff Reports, no. 634, September 2013; revised February 2014.
[8] *Id.*
[9] *Id.*
[10] "A plan to help close Connecticut's Achievement Gap", Connecticut Commission on Education Achievement, 2011, available at http://www.sde.ct.gov/sde/lib/sde/pdf/pressroom/ct_commission_on_ed_achievement_report.pdf.