To: Members of the Banks Committee and the Higher Education and Employment Advancement Committee

Fr: Connecticut Bankers Association

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Re: S.B. No. 319 (COMM) AN ACT CONCERNING FINANCIAL LITERACY EDUCATION

Position: Support

This bill would create a financial literacy curriculum in both the high school and state college levels of education. We strongly support that curriculum at both education levels.

While the concept and desirability of thrift and personal financial literacy have been around since the early 1800's, and actually spurred the development of the thrift banking industry during that time (Hartford was home to the first mutual savings bank in the Country – Society for Savings), the concept of financial literacy garnered renewed attention of the CBA back in the late 1980's. That's when the Connecticut legislature's Banking Committee created a task force to study how consumers accessed mortgage lending products. The task force included consumers, consumer advocates, Fannie Mae and Freddie Mac, Mortgage Insurance companies, regulators, legislators and of course, CBA member banks. Over a period of several months there was exhaustive exploration of data from CT and around the country, presentations by all stakeholders and extensive discussions about every aspect of accessing mortgage products.

The conclusion was that in many cases, the lack of personal financial skills led to poor financial choices and management that resulted in low credit scores and an inability to meet minimum credit underwriting criteria - both necessary to access financial products. Further investigation showed that poor financial management was typically due to a lack of basic financial skills or literacy training. "Basic" for purposes of that task force, meant how a person was paid and how they paid their bills, budgeting, how financial opportunities or problems were dealt with and ultimately how credit reporting issues came about and were responded to. Credit options for young or new borrowers focused in particularly on personal or "starting" bank products such as - such as cars or personal loans, credit cards, utility payments and checking accounts, followed by larger asset purchases such as a home.

As a result of the task force findings, the banking industry recommended that a state wide financial literacy curriculum that be implemented at a ninth or tenth grade level. Because students were typically starting part time jobs at those ages, the concept was that they would be able to actively implement the financial lessons they learned.

The industry saw that a basic financial skills curriculum would be invaluable to all students as they entered the work force. Effectively managing their personal finances could only lead to a more secure and promising financial future. Additionally, the ability to build assets, one of the key provisions of what was to become the State Treasurer's Individual Development Account effort, would be that much more attainable. The personal skills to maintain good credit, build assets, stabilize finances and more, seemed like an obvious winning strategy. Unfortunately, a statewide financial literacy approach was not implemented at that point.

Since then however, many banks and their strategic partners (some school systems and the FDIC's money smart program), have recognized the need for financial education for both students and adults. Many banks now provide educational programs - indeed complete ready-made high school curriculums *at no cost to the school system* - which have clearly met some of the need.

But, the industry doesn't have the capacity or the cooperation of each school district to reach everyone. And importantly, we can't reach many young consumers at that critical time when they start making financial decisions that may impact them for years to come. It's difficult to match the State educational system's ability to communicate those positive lessons about personal finance to virtually all high school students.

This void may be one of the key reasons that a 2011 study by the Center for Financial Literacy out of Champlain College gave the primary education system in Connecticut and nine other states an "F" in providing personal finance topics.

It's not that successful efforts haven't been made to implement courses. Some school systems have initiated a personal finance curriculum and many of the state's banks are working to expand their partnerships with additional school systems. And as the study revealed, since 2007 State legislators have introduced many bills to mandate some degree of a financial literacy curriculum. The most recent one was favorably voted out of the Banks Committee in 2011, but unfortunately, none of these proposals were enacted into law. The legislature did pass a partial solution in 2009 allowing in-school bank branches, which have been providing financial education in some schools across the State.

There's obviously a cost to a school system for adding a curriculum, but the benefits of financial literacy from a personal, local and societal impact cannot be denied. A financial literacy curriculum would lead to an informed population of students and adults making responsible financial decisions. Those sound decisions would lead to a variety of positive benefits including but not limited to the following:

Easier access to credit and financial products

Building assets

Better tax collections

Increased Startup businesses and resulting jobs

Sustainable retirement income

Individuals and Assets remaining in the state

Fewer foreclosures and bankruptcies

The banking industry urges the Committee's, Connecticut's high school and state college systems and administrators to support establishing a statewide financial literacy curriculum course for all students – by voting in favor of S.B. No. 319 (COMM) AN ACT CONCERNING FINANCIAL LITERACY EDUCATION.

In the meantime, the banking industry will continue its efforts on financial education. That's because we know that financially educated students lead to financially responsible adults, consumers and ultimately - customers.

We appreciate the opportunity to provide this testimony before the Committees and would look forward to participating in any efforts to make a state wide financial literacy curriculum a reality.