Feature Article:

Banking on Financial Education

The financial services marketplace has changed profoundly in recent decades. Only a generation ago, most individuals used their local banks to open checking and savings accounts, and perhaps turned to those institutions for home mortgages. Deregulation of interest rates combined with technological and marketplace innovations have vastly expanded the types of financial services and improved access to credit for many consumers, a process sometimes referred to as the "democratization" of credit. Transactions increasingly occur outside bank branches; electronic payments are taking the place of cash and checks; and financial products are being developed to meet the needs of many different sectors of the economy.

As the financial landscape continues to become more complex, even the savviest consumers may find it difficult to navigate the rapidly expanding choices of financial services, providers, and delivery channels. Individuals with little or no experience with traditional banking services are likely to find it even more challenging. In today's environment, financial education takes on added importance, as it provides consumers with the tools to make sound financial decisions. Among other things, financial education gives consumers knowledge about budgeting, saving and investing, choosing credit products, and protecting themselves against fraud. Financial education also benefits the broader economy by making citizens more financially stable. Over the long term, this enhanced financial stability can improve the economic outlook for an entire community and can create new opportunities for businesses, including banks.

This article highlights the results of an FDIC study of the effectiveness of the *Money Smart* financial education program. The study indicates that financial education programs can positively affect consumers' money management attitudes and behaviors. The article discusses who may benefit the most from such financial education courses and why. Of importance to bankers, the study also shows that financial education strengthens consumers' relationships with banks and can improve their financial condition and outlook. Finally, the article describes some of the many ways banks are offering financial education to their customers and offers suggestions for banks as they try to enhance their education programs.

Financial Education Improves Consumer Attitudes, Behaviors, and Financial Outlook

One measure of the success of financial education is the extent to which it produces positive changes in attitudes and behaviors. A new study by the FDIC of its *Money Smart* financial education curriculum shows that financial education does change attitudes and behaviors and can result in enhanced financial literacy and improved creditworthiness.[1] In addition, consumers who complete financial education programs may then establish relationships with the formal banking sector. (See "The FDIC's *Money Smart* Curriculum" on page 40 for a description of the *Money Smart* program.)

The study, which the FDIC conducted in cooperation with NeighborWorks America®, gathered data from *Money Smart* participants nationwide about their knowledge, confidence, and behaviors regarding money management.[2] The study looked at the results of three surveys: one, conducted before the course, collected baseline data; a post-training survey gathered data to determine changes in participants' financial behavior and confidence; and a follow-up survey of 631 graduates six to twelve months after completing the training identified actual changes in financial practices and confidence.[3] Table 1 shows the demographics of survey respondents.

[1] Federal Deposit Insurance Corporation, *A Longitudinal Evaluation of the Intermediate-term Impact of the* Money Smart *Financial Education Curriculum Upon Consumers' Behavior and Confidence* (Washington, D.C.: FDIC, April 2007). The Gallup Organization was engaged to assist with the development of the survey questions and administer the survey.

[2] The *Money Smart* curriculum has been offered to high school- and college-age students. However, the current version was developed for adults, and therefore, the study targeted adults.

[3] The pre- and post-training surveys were conducted with classes starting in November 2004 and ending by September 30, 2005. Gallup interviews for the follow-up survey began in February 2006 and ended in April 2006.

Table 1

Demographics of Individuals Enrolled in *Money Smart* Courses Tend to Correlate with Minority and Low- and Moderate-Income Markets		
Characteristic	**Number of Respondents**	**Percent of Respondents***
Age		
Under 25 years	85	13%
25–35 years	188	30%
35–44 years	186	30%
45–54 years	118	19%
55 years or older	53	8%
Unknown	1	0%
Total	631	100%
Race/Ethnicity		
White	163	26%
African American	290	46%
Asian	22	4%
Latino	122	19%
Other	28	4%
Unknown	6	1%
Total	631	100%
Education		
Less than high school	79	13%
High school	162	26%
Some college or trade	266	42%
College	78	12%
Postgraduate work	45	7%
Unknown	1	0%
Total	631	100%
Annual Income		
Under $10,000	133	21%
$10,000–$19,000	170	27%
$20,000–$35,000	175	28%
$35,000 or over	118	19%
Unknown	35	5%
Total	631	100%

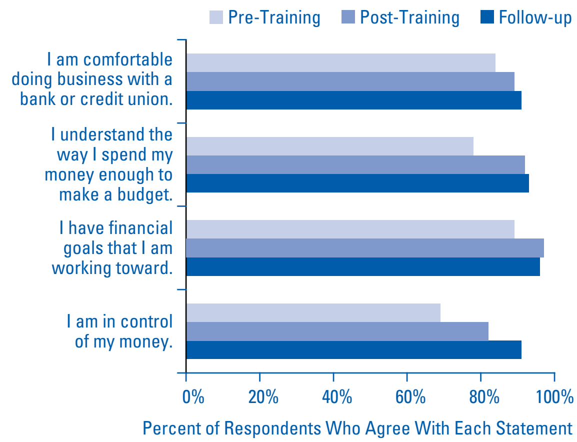
Source: FDIC, *A Longitudinal Evaluation of the Intermediate-term Impact of the* Money Smart *Financial Education Curriculum Upon Consumers' Behavior and Confidence* (Washington, D.C., April 2007).

* Percentages may not add to 100 due to rounding.

The results of this study show that *Money Smart* graduates gained confidence about their basic money management skills (see Chart 1). For example, about 91 percent of respondents in the follow-up survey reported "I am in control of my money," compared with 69 percent in the pre-training survey.

Chart 1

***Money Smart* Graduates Report Feeling More Comfortable and Confident about Their Personal Finances**



Source: FDIC, *A Longitudinal Evaluation of the Intermediate-term Impact of the* Money Smart *Financial Education Curriculum Upon Consumers' Behavior and Confidence* (Washington, D.C., April 2007).

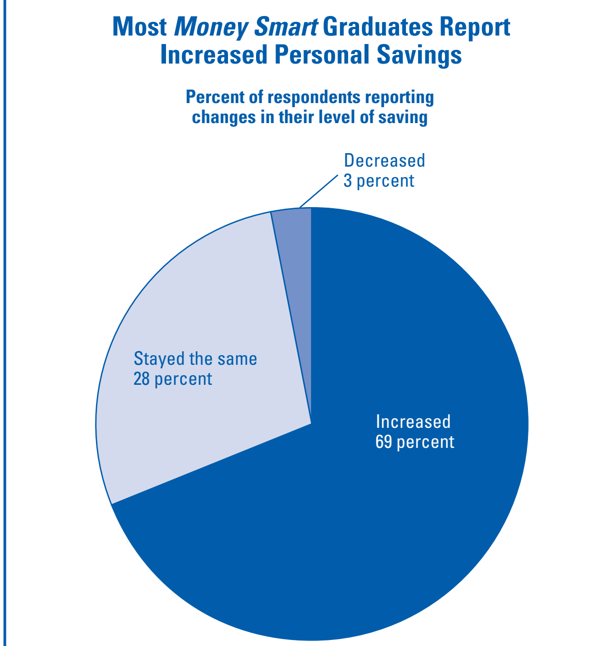
Although these positive perceptions are important, the survey also shows that the knowledge gained through the *Money Smart* program translates into positive consumer actions. For example, 22 percent of graduates who already had a checking account opened a checking account at a different financial institution by the time the follow-up survey was conducted, and 13 percent opened a different type of account at the same institution, which evidences the ability to shop for financial services. Also, immediately after completing the course, 69 percent of graduates reported an increase in their savings (see Chart 2).[4]

The results of the survey also show that financial education can spur some consumers to establish or strengthen relationships with financial institutions. For example, after completing the *Money Smart* program:

- 43 percent of graduates without a checking account opened a checking account.
- 37 percent of graduates without a savings account opened a savings account.

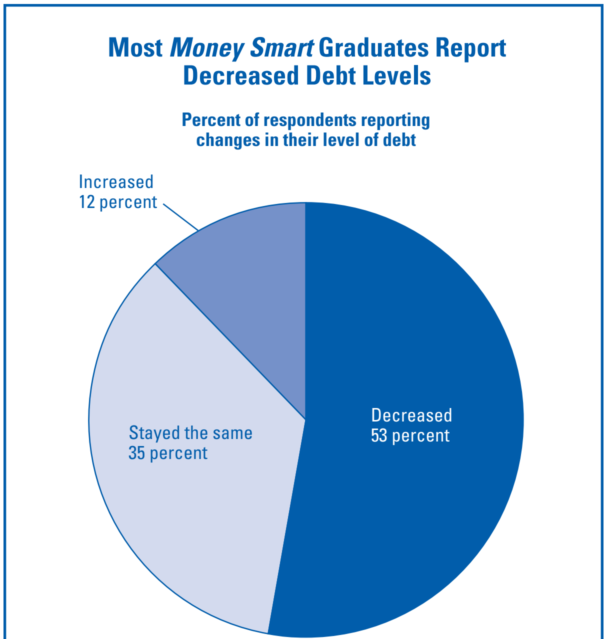
[4] Although these results are positive, they are subjective and should be interpreted carefully. Respondents' savings balances were not monitored, and it is possible that the responses indicated heightened awareness of the "correct" response because of exposure to the *Money Smart* curriculum.

Chart 2



Source: FDIC, *A Longitudinal Evaluation of the Intermediate-term Impact of the* Money Smart *Financial Education Curriculum Upon Consumers' Behavior and Confidence* (Washington, D.C., April 2007).

Chart 3



Source: FDIC, *A Longitudinal Evaluation of the Intermediate-term Impact of the* Money Smart *Financial Education Curriculum Upon Consumers' Behavior and Confidence* (Washington, D.C., April 2007).

- 28 percent of graduates with checking accounts and 22 percent with savings accounts at the end of the course began using direct deposit for the first time.

Financial education also can improve the financial condition of consumers. More than half (53 percent) of the graduates reported that their overall debt level declined at the conclusion of the course (see Chart 3).

Bill payment patterns of *Money Smart* graduates also exhibited positive changes. As shown in Chart 4, 55 percent of respondents indicated they "always" paid bills, rent, and other expenses on time, up from 43 percent before taking the course. In contrast, the percentage of respondents stating they "sometimes" or "never" pay bills on time fell from 15 percent before the course to 8 percent in the follow-up. Credit card payment practices also improved, as more graduates indicated that they usually pay the full credit card balance, and fewer indicated they pay no more than the minimum (see Chart 5). In fact, the share of respondents indicating that they usually pay no more than the minimum declined by one-half, from 17 percent to 8 percent.

Who Needs Financial Education?

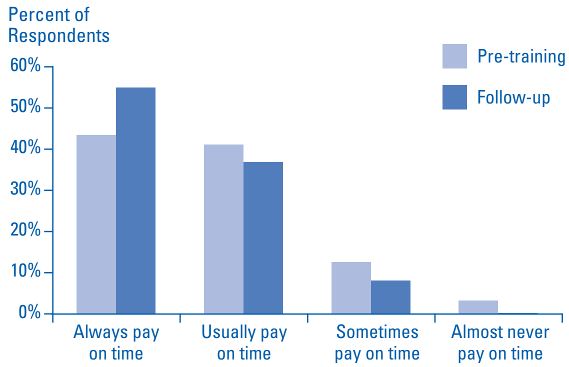
Evolution in the financial marketplace and changes in personal financial circumstances suggest that virtually all consumers could benefit from financial education at some point. For example, a first-time homebuyer may need homeownership advice and mortgage counseling. Older consumers may need information on annuities and other investment options as they transition to retirement, and small-business owners may benefit from educational programs that discuss how to handle credit or budget for their new ventures.

Although virtually all consumers can benefit from some type of financial education, those who have little or no interaction with mainstream financial institutions can perhaps benefit the most. Individuals may fall outside the financial mainstream for a number of reasons. However, they generally fall into one of three categories: students, immigrants, and low- and moderate-income individuals.

Students: This group includes school-age children, or even young adult college students, who have not had the need or opportunity to engage in banking transac-

Chart 4

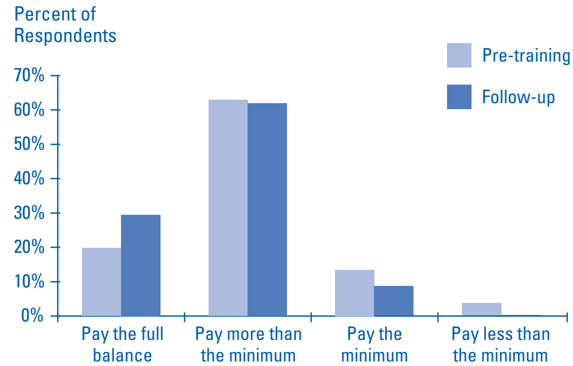
Most *Money Smart* Graduates Improved the Timeliness of Bill Payments



Source: FDIC, *A Longitudinal Evaluation of the Intermediate-term Impact of the* Money Smart *Financial Education Curriculum Upon Consumers' Behavior and Confidence* (Washington, D.C., April 2007).

Chart 5

***Money Smart* Graduates Reported That They Were More Likely to Pay Off Their Entire Credit Card Balance Each Month**



Source: FDIC, *A Longitudinal Evaluation of the Intermediate-term Impact of the* Money Smart *Financial Education Curriculum Upon Consumers' Behavior and Confidence* (Washington, D.C., April 2007).

tions, or have had limited experience with banks. According to the U.S. Census Bureau, individuals age 25 and under represented more than one-third (34 percent) of the overall population as of 2005. Offering this group the opportunity to learn the basics of budgeting, saving and investing, and using credit wisely may be the best way to help them develop good financial habits for a lifetime.

However, it appears that more work needs to be done in this area. Only seven states include a personal finance course as a high school graduation requirement.[5] According to the most recent results of a survey by the Jump$tart Coalition for Personal Financial Literacy, financial literacy scores among high school seniors are quite low. In 2006, 62 percent of students failed (defined as a score below 60 percent) the Coalition's personal finance examination.[6] Additionally, data from a recent survey of 13,000 college students show that young adults' initial experiences with consumer credit are already leading to heavy debt burdens.[7] More than half these students accumulated more than $5,000 in credit card debt while in college, and one-third accumulated more than $10,000.[8] Fewer than one in five (19 percent) said they did not take on any credit card debt while in college.[9]

Immigrants: Immigrants and their American-born offspring accounted for 55 percent of the increase in the U.S. population during the past 40 years. Latinos and their offspring were by far the largest subset of immigrants, and this trend is expected to continue.[10] Projections indicate that by 2011, nearly one of every six people living in the United States will be of Latino origin, and Latinos will make up 9.5 percent of all buying power in this country, up from 5 percent in 1990.[11]

Obstacles may constrain the ability of immigrants to participate in the financial marketplace. Some immigrants may be so new to the country that they have not conducted sizable financial transactions. Cultural or language barriers may discourage others from developing a relationship with a financial institution. For example, immigrants from countries with unstable banking systems may be wary of dealing with financial institutions in the United States. Other immigrants, like many

[5] National Council on Education, "Survey of the States: Economic and Personal Finance Education in Our Nation's Schools, A Report Card" (New York, NY, June 13, 2007). The states are Georgia, Idaho, Illinois, Louisiana, Missouri, South Dakota, and Utah.

[6] Jump$tart Coalition, *Financial Literacy: Improving Education. 2006 Jump$tart Coalition Survey* (Washington, D.C., 2006).

[7] "Sallie Mae launches new 'Be Debt Smart' campaign to educate students, parents and graduates on managing debt and understanding credit," Sallie Mae news release, February 14, 2007, http://www.salliemae.com/about/news_info/newsreleases/021407_bedebtsmart.htm.

[8] *Ibid.*

[9] *Ibid.*

[10] Pew Hispanic Center, *From 200 Million to 300 Million: The Numbers Behind Population Growth* (Washington, D.C., October 10, 2006).

[11] Selig Center for Economic Growth, "The Multicultural Economy 2006," *Georgia Business and Economic Conditions,* Third Quarter 2006, Volume 66, Number 3.

native-born Americans, are low- and moderate-income wage earners whose expenses generally leave little room to acquire and build financial assets.

Low- and Moderate-Income Households: These households earn less than 80 percent of the median household income for their particular geographic area, according to U.S. Census Bureau data. Many low- and moderate-income households routinely conduct financial transactions with banks and other financial institutions. However, research shows that low- and moderate-income individuals are more likely to have limited interactions with mainstream financial institutions such as banks.

For example, a study by the Center for Financial Services Innovation (CFSI) indicates that about 30 percent of low- and moderate-income households are "unbanked," meaning they do not have any relationships with banks.[12] This is more than three times the unbanked rate for the general population—about 9 percent.[13] The CFSI study also shows that, of the 70 percent of low- and moderate-income households with bank accounts, almost two-thirds may be considered "underbanked," meaning they use only limited banking services.[14]

These customers are considered low- and moderate-income, but they do conduct a large volume of financial transactions. For example, during the period of the survey (2003–2004), the CFSI estimates that the 1 million low- and moderate-income households represented by its survey bought 1.2 million money orders and cashed 1.9 million checks *per month*.[15] Also, people earning less than $25,000 a year held assets totaling $175 billion in aggregate;[16] 57 percent of households in the lowest income quintile found a way to save some money; and almost one-fifth save regularly.[17]

[12] Ellen Seidman, Moez Hababou, and Jennifer Kramer, *Getting to Know Underbanked Consumers, A Financial Services Analysis* (Chicago, Illinois: The Center for Financial Services Innovation, September 2005). This survey represented almost 1 million households in 63 low- and moderate-income tracts in Washington, D.C., Chicago, and Los Angeles.
[13] Federal Reserve, *2004 Survey of Consumer Finances* (Washington, D.C., 2004).
[14] Seidman et al.
[15] *Ibid.*
[16] Steven Davidson, "Reaching Out With Technology: Connecting the Low-Income Population to the Financial Mainstream," *Building Blocks,* Fannie Mae Foundation, 2, No. 2 (Fall 2002).
[17] Catherine P. Montalto, *Households with Low Income: Wealth and Financial Behaviors,* Report to the Consumer Federation of America, (Washington, D.C., February 10, 2004).

The Business Case for Offering Financial Education

In addition to strengthening formal banking relationships and improving creditworthiness, bankers have found that a key benefit of offering financial education is the ability to reach out to new groups of customers. Indeed, data gathered by the FDIC indicate that, while many banks use the *Money Smart* financial education curriculum because they perceive it to be a quality product carrying the FDIC seal, an equal number said they use it because financial education is a good business development tool (see Chart 6).[18]

The sheer size of the markets represented by students, immigrants, and low- and moderate-income households and their need for money management skills make a clear business case for banks to offer financial education programs.

Banks are actively delivering financial education, and some bankers note that providing financial education and advice to their customers is a core function of the banking business. Indeed, a Consumer Bankers Association survey, which included many of the nation's largest banks, found that nearly 100 percent of responding institutions are involved in various forms of financial education (see Chart 7).[19]

Many new customers gained through financial education efforts initially may need only basic, low-cost payment services and savings accounts, which likely will not result in immediate profitability for banks. However, over the long term, the newly banked likely will need more sophisticated and varied products, which could reasonably result in profitable banking relationships.

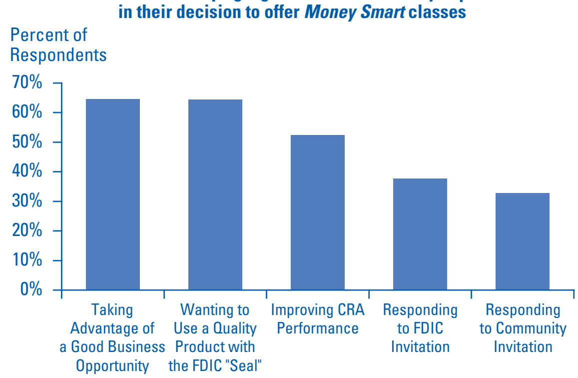
More immediately, banks that provide financial education could receive positive consideration from regulators as their investment, lending, and service performance is evaluated under the Community Reinvestment Act (CRA). Although each bank, situation, and program is different and would be evaluated on its own merits, the following is an example of how banks providing financial education could receive positive CRA consideration:

[18] FDIC, *FDIC* Money Smart *Survey of User Organizations, 2003 to 2004* (Washington, D.C., 2004).
[19] Consumer Bankers Association, *2003 Survey of Bank-Sponsored Financial Literacy Programs* (Arlington, VA, 2003).

Chart 6

Banks See Financial Education as a Valuable Business Opportunity

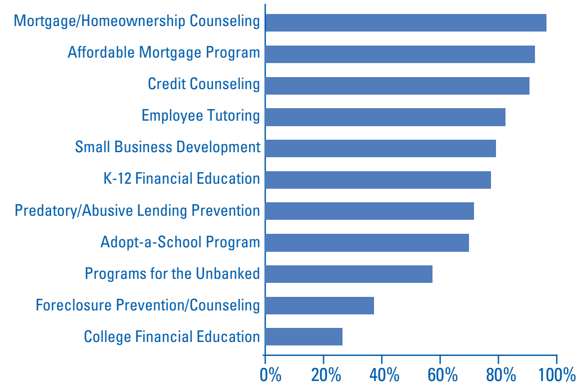
Percent of banks saying a given reason was "very important" in their decision to offer *Money Smart* classes



Source: *FDIC* Money Smart *Survey of User Organizations, 2003 to 2004* (Washington, D.C., 2004).

Chart 7

Financial Institutions Offer Many Targeted Financial Education Programs and Services



Source: Consumer Bankers Association, *2003 Survey of Bank-Sponsored Financial Literacy Programs* (Arlington, VA, 2003).

- Investment Performance: A bank provides direct funding to a nonprofit organization that offers financial education training to consumers.

- Lending Performance: A bank lends to low- and moderate-income financial education program participants.

- Service Performance: A bank directly conducts financial education training for low- and moderate income individuals or provides low-cost deposit accounts to these participants.[20]

Bank financial education programs have become increasingly creative and often target consumers on the basis of their level of knowledge or specific financial need, and many incorporate other banking services. Although there is no "best method" for delivering financial education and related support services, the following are a few common practices:

- Informal, one-on-one counseling.

- Partnering with nonprofits or local government entities to teach formal classes.

- Donating funds to schools or nonprofits for formal classes.

- Establishing mini-branches in schools.

- Hosting formal classes at bank facilities.

- Providing mobile branches that move to target communities or to employers to provide banking services or financial education.

- Translating important banking documents into the language of consumers and hiring bank employees who speak those languages.

- Providing specialized, no-account services, such as check cashing or money transmission services.

"Banks Reach Out with Financial Education" (see page 41) highlights how three banks have integrated the *Money Smart* curriculum into their financial education programs. These three banks (and 56 percent of all banks using the *Money Smart* curriculum) determined that offering special products or services to *Money Smart* students is an effective strategy.[21] Some programs offered by *Money Smart* bank partners are listed below. They range from basic "get to know you" strategies to products and services tailored to financial education students:

- 23 percent introduce students to their institutions with a tour of their facilities.

[20] See Interagency Questions and Answers (Q&As) for CRA, 66 Fed. Reg. 36619, 36631, §.22(a)-1 (July 12, 2001), http://www.ffiec.gov/cra/pdf/qa01.pdf.

[21] FDIC, *FDIC* Money Smart *Survey of User Organizations, 2003 to 2004* (Washington, D.C., 2004).

- 23 percent give unique credit or loan counseling available only within the *Money Smart* process.

- More than one-fifth offer free checking accounts to *Money Smart* students.

- 19 percent offer no-minimum-deposit checking or savings accounts to *Money Smart* students.[22]

Although many benefits accrue to banks that offer financial education, the banks must absorb some operating costs, such as paid advertising or providing some sort of incentive for participants to attend. The costs will depend on the bank's approach. Banks can minimize expenses by partnering with community or government organizations and using free curricula and other resources, including the FDIC's *Money Smart* program. The FDIC does not specifically endorse other programs or groups; however, the following are sources of information for bankers who wish to start or expand financial education activities:

- The FDIC's *Money Smart* curriculum and access to the computer-based instruction version are available at the FDIC's Web site, http://www.fdic.gov/consumers/consumer/moneysmart/index.html.

- *FDIC Consumer News* (http://www.fdic.gov/consumers/consumer/news/index.html) provides practical guidance for consumers on how to use financial services. Each issue offers helpful hints, quick tips, and commonsense strategies to protect and stretch a consumer's paycheck.

- The United States Financial Literacy and Education Commission (http://www.treas.gov/offices/domestic-finance/financial-institution/fin-education/commission/) created MyMoney.gov (http://www.mymoney.gov/), the U.S. government's Web site dedicated to teaching the basics of financial education. The site contains information from 20 federal agencies involved in financial education efforts, including the FDIC.

- America Saves (http://www.americasaves.org/) is a nationwide campaign to help individuals and families save and build wealth. More than 1,000 nonprofit, corporate, and government groups offer information, advice, and encouragement for individuals who want to pay down debt and save for the future.

- The Federal Reserve System's education Web site links to instructional materials and tools to increase understanding of the Federal Reserve, economics, and financial education (http://www.federalreserveeducation.org/). In addition, the Federal Reserve Bank of Chicago hosts the Financial Education Research Center, part of the Consumer and Economic Development Research and Information Center (http://chicagofed.org/cedric/financial_education_research_center.cfm). Other online resources are available for researchers, educators, and program directors interested in supporting these types of programs and initiatives.

- The Office of the Comptroller of the Currency has developed a Financial Literacy Resource Directory that provides descriptions and contact information for a sampling of organizations that have undertaken financial literacy initiatives (http://www.occ.treas.gov/cdd/finlitresdir.htm).

- Jump$tart Coalition for Personal Financial Literacy (www.jumpstartcoalition.org) is a national coalition of organizations dedicated to improving the financial literacy of kindergarten through college-age youth. The coalition provides advocacy, research, standards, and educational resources.

Financial Education Is Good Business

Financial education helps consumers become more confident about the future by offering them the knowledge to make sound money management decisions. Financial education also benefits banks because it helps them target new customers who otherwise might not have chosen a financial relationship with a bank. Although difficult to quantify, bank financial education strategies also can positively influence local communities over the long term. These programs generate goodwill and connect banks with local organizations. As individuals become better able to manage their money, households may benefit from greater financial stability, potentially minimizing the numbers of bankruptcies, foreclosures, and other credit problems. Benefits also could be expected to spill over to local businesses and the community at large.

[22] *Ibid.*

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The FDIC's Money Smart *Curriculum*

The FDIC developed *Money Smart* to help adults outside the financial mainstream build financial knowledge and develop positive relationships with financial institutions. *Money Smart,* piloted in early 2001 in the Washington, D.C., area, was distributed throughout the United States later that year. Today, *Money Smart* is available in six languages in addition to Braille and large print.

Money Smart contains these ten modules:

- *Bank On It:* an introduction to bank services.
- *Borrowing Basics:* an introduction to credit.
- *Check It Out:* how to choose and keep a checking account.
- *Money Matters:* how to keep track of your money.
- *Pay Yourself First:* why you should save, save, save.
- *Keep It Safe:* your rights as a consumer.
- *To Your Credit:* how your credit history will affect your credit future.
- *Charge It Right:* how to make a credit card work for you.
- *Loan To Own:* know what you are borrowing before you buy.
- *Your Own Home:* what homeownership is all about.

Money Smart may be offered to students in a classroom, small group, or one-on-one setting. Financial institutions often partner with community-based organizations and other local groups, such as housing authorities, to offer *Money Smart* classes. Together, these banks and other organizations form the FDIC's *Money Smart* Alliance. More than 1,250 organizations in the Alliance facilitate the delivery of financial education by promoting, delivering, translating, funding, and evaluating the *Money Smart* program.

Use of *Money Smart* is not limited to Alliance members. The FDIC provides copies of the *Money Smart* curriculum free of charge to anyone requesting a copy. As of July 1, 2007, the FDIC has delivered about 440,000 copies.

Although all ten *Money Smart* modules were developed with a detailed instructor script, the FDIC often provides instructional training and technical support. In addition, a Train-the-Trainer video, produced in English and Spanish, is available to help instructors prepare to teach *Money Smart.* As of July 1, 2007, the FDIC had offered more than 600 instructor workshops to approximately 13,000 instructors and distributed 35,000 copies of the Train-the-Trainer video.

The computer-based instruction (CBI) version of *Money Smart* was released in English and Spanish in 2004. The CBI version, which can be completed online, is available on the FDIC's Web site at www.fdic.gov/consumers/consumer/moneysmart/mscbi/mscbi.html. The FDIC also will provide a compact disc for those without Internet access.

Banks Reach Out with Financial Education[23]

Words Become Seeds: A Community Bank's Use of *Money Smart* Helps a Diverse Market

Center Bank in Los Angeles, California, was established in 1986 to serve the credit needs of the diverse community in and around the city's Koreatown. The bank now operates in California, Washington, and Illinois. Center Bank's involvement in the *Money Smart* program began when it helped the FDIC launch the Korean-language version of *Money Smart*. In particular, Center Bank cooperated with community-based organizations and competitor banks to ensure that the Korean translation was accurate and culturally sensitive. Center Bank also was the FDIC's first partner in delivering *Money Smart* to Korean-speaking Americans. Classes began in June 2003, and soon other Korean-American banks began teaching, sponsoring, and using *Money Smart*.

Center Bank has continued using *Money Smart* and now offers after-hours classes in branch offices. Each class is advertised in local newspapers. At the end of the course, students participate in a graduation ceremony and receive a certificate of completion from a bank executive. More than 600 people, many of whom might not otherwise have come to Center Bank, have attended about 40 classes offered at Center Bank branches.

Also, using the *Money Smart* curriculum, Center Bank delivered financial education tips during a program on a Korean radio station. While no formal tracking occurred, bank management believes that these presentations helped attract new customers and highlighted the bank's services to the local community.

Educational Outreach in Action—Building Long-term Relationships and Measuring Results

Wachovia Bank, N.A., was the first major bank to partner with the FDIC to offer the *Money Smart* curriculum to lower-income consumers. Wachovia sees financial outreach as an essential community responsibility, and believes that giving consumers a stronger financial foundation will help them make more informed financial product choices.

Wachovia uses a variety of delivery channels for *Money Smart,* including community partners, the Wachovia branch network, and employee volunteers. The *Money Smart* curriculum is delivered primarily through about 60 nonprofit community partners in low- and moderate-income neighborhoods. Wachovia supports the financial literacy efforts of its community partners in various ways, including donation of classroom materials. Classroom materials feature dual-language (English and Spanish) *Money Smart* videos and DVDs specifically created by Wachovia for students and instructors.

A distinctive element of Wachovia's financial education program is its ability to track activities and results. Wachovia sets goals and establishes benchmarks to track course delivery, participant demographics and skill level, and banking account trends. Wachovia uses the data to provide its nonprofit community partners an annual report that measures the impact of their financial literacy outreach.

Since the program began in 2003, Wachovia has trained more than 70,000 participants, who are predominantly African-American, Hispanic/Latino, women, low- and moderate-income, and either unbanked or underbanked. Based on participants' self-assessments, the average skill level improved substantially after course completion.

Wachovia's plans for financial education programs include improving measurement of financial behavior among class participants over time. Also, Wachovia is developing a more robust measure of the extent to which financial education can be used to inform or change behaviors about timely personal financial issues, such as payday lending, identity theft, stored-value cards, mortgage lending disclosures, and bankruptcy.

[23] These are only examples of some banks that use the *Money Smart* curriculum. The FDIC does not endorse these or any other specific bank programs.

Tailor Made: A Customized Approach to Financial Education Seminar Delivery

Marshall & Ilsley Bank (M&I) realized that to reach new customers, it needed to make some adjustments to the content and delivery of its financial education program. Beginning in 2005, the bank partnered with local community organizations that helped identify individuals who would benefit most from financial education. M&I customized financial education topics and *Money Smart* modules to meet the needs of these audiences and has been particularly active in financial education for youth.

During the past year and a half, M&I has formed partnerships with more than 40 government, community, nonprofit, educational, and private organizations to deliver customized training. The following are examples of M&I's customized approach to financial education:

Financial Literacy Alliance for Milwaukee Education (FLAME): M&I joined with other Milwaukee-based financial institutions to address the lack of financial literacy in urban Milwaukee schools. This consortium provides training and financial incentives to help teachers incorporate a semester-long financial education program into the existing curriculum, thus reaching a wider audience while expending fewer resources.

City of Milwaukee Summer Youth Internship Program: As part of this summer program, youth are hired for city jobs and receive life-skills training. M&I was invited to participate, and approximately 200 urban youth received education about the importance of saving and the proper management of a checking account.

Make a Difference—Wisconsin, Inc.: M&I partnered with this nonprofit organization to deliver financial education to youth in the Milwaukee Public School (MPS) system. A financial literacy program was developed for 11th grade students attending an MPS high school. This grade level was targeted because these students represent the next generation of financial consumers.

To gauge the effectiveness of these and all of the bank's financial education programs, M&I surveys all students before and after the training. The 2006 seminar attendees gave more correct answers on the post-survey than on the presurvey, and M&I attributes the improvement to the seminars. M&I intends to conduct more long-term follow-up of program participants' banking behaviors to document the effectiveness of its financial education efforts.

M&I also offers a suite of products to participants in the financial education seminars as entry points for formal banking products:

- Thrift Savings: Allows customers to open an account with $25, earns interest, and allows direct deposit.
- Foundation Checking: Provides a $50 cash bonus for customers who have completed the Get Checking program (a six-hour checking education course). The account has no minimum balance requirements and offers an ATM card after six months of good standing.
- Credit Builder: Provides a way to borrow $1,000 to $5,000, with flexible repayment timeframes, no prepayment penalties, and the ability to build savings and earn interest. Once approved, the loan dollars are held in an M&I Bank certificate of deposit (CD) for the term of the loan. When the loan is repaid in full, the customer will receive the amount borrowed plus the interest earned on the CD. As a result, customers with no credit history or with a challenged credit history can improve their credit score during the loan period, while also building assets (savings).