

Remarks by  
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I'm delighted to have this opportunity to welcome you to the ABA's telephone briefing on financial literacy. During this session, you'll learn how to create a successful, results-oriented financial literacy program for your bank and your community. These programs are important on a number of counts. They can help you reach new customers, and they can increase your visibility in the communities you serve. Participation in financial literacy programs may also receive positive consideration under the Community Reinvestment Act. And educated customers are your best customers.

I don't need to tell you that the financial marketplace is growing more sophisticated and more complex. The range of financial products available to consumers has increased dramatically, and it's easy to see how your customers may find it hard to understand all the options available to them. Just look at what's happened with mortgages. Twenty years ago, a typical mortgage involved a ten or twenty percent down payment and a 30-year fixed-rate loan. Today, consumers can choose from mortgage products that have interest only features, payment options, zero down payments, reduced documentation, and adjustable rates, to cite only a few examples.

The more your customers know, the more likely it is that they'll make the choices that are right for them. And the more they know, the less likely it is that they'll have the kinds of problems that can destroy a customer relationship and damage your reputation in your community. Financial literacy really is a win for everyone involved.

Like many of you, I'm a parent of a teenager. So one area of financial literacy that is especially important to me is the education of our children so that they'll make the right choices

when they leave home. Young adults want to know how to manage their money successfully. One recent survey showed that 76 percent of America's teenagers would like to learn more about money management in school. In fact, 74 percent said they believe money management should be a required school course. Believe it or not, when asked about the financial topics they'd most like to learn about, teens express interest in checking accounts, budgeting, investing, saving, and obtaining financing for large purchases – all issues that America's banks are well equipped to help them with. And research has shown that as few as 10 hours of personal financial education can have a positive effect on students' spending and saving habits.

While most individuals continue to enjoy the benefits of the longest period of sustained economic growth in the United States, a small, but significant portion of the U.S. population remains on the fringes of the banking system. Too many of these individuals turn to financial institutions outside the commercial banking industry – check cashers or lenders who engage in predatory practices. Financial literacy programs provide a means to reach these individuals, to help them learn to manage their financial lives, and potentially, to become valued customers of your bank.

The OCC encourages bank participation in financial literacy initiatives. In 2001, we issued an advisory letter highlighting the range of financial literacy activities that have been effective in enhancing consumer financial skills and extending the reach of banks' products and services to underserved or unbanked markets. We also published a resource directory that provides information about programs and initiatives that illustrate the various categories of financial literacy activities. That directory can be found on our Web site at [www.occ.gov](http://www.occ.gov), and it is updated on a regular basis.

There are many ways for banks to participate in efforts to better inform individuals of the workings of the financial marketplace and the benefits and disadvantages of particular financial products. Individually, or working with community organizations and government agencies, banks help develop financial literacy programs, provide employees to serve as educators and

trainers, and participate in programs aimed at elementary and secondary schools. Banks also support financial literacy organizations through volunteer staff assistance, loans, and contributions.

Our advisory letter details five broad categories of financial literacy activities that help potential bank customers participate in the U.S. financial system, and help banks strengthen their communities. Basic financial services and asset-building programs provide a working knowledge of financial products, financial planning, and an overview of the U.S. banking system. Credit management and repair programs enable individuals to correct and learn from previous financial mistakes. Homeownership counseling prepares individuals for what is often the largest single investment in a lifetime. Education aimed at recognizing and avoiding abusive lending practices can protect individuals at risk of obtaining inappropriate loan products. Small business and microenterprise technical assistance provides entrepreneurs with practical business knowledge.

Today, you will hear from a panel of experienced community bankers who will discuss what steps are needed to plan and implement successful financial education activities in your community. These experts will discuss the bottom-line benefits that their banks have realized from their financial literacy programs, any challenges their banks have faced while starting or growing their programs, and how they overcame these challenges. Finally, these experts will discuss ways that banks can measure the success of their programs. I encourage you to share this information with your colleagues and senior management and begin to plan how your institution can make a difference by improving financial literacy in the communities you serve.

Thank you very much.