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Response Regarding Bureau Financial Education Programs (Docket No. CFPB-2018-0015)

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**Comments of Financial Regulation and Consumer Protection Scholars
on Docket No. CFPB-2018-0015**

July 9, 2018

Comment Intake
Consumer Financial Protection Bureau
1700 G Street, N.W.
Washington, D.C. 20552

Dear Sir or Madam:

Please see the submission below in response to the Consumer Financial Protection Bureau's Request for Information ("RFI") Regarding Bureau Financial Education Programs (Docket No. CFPB-2018-0015).

We are concerned scholars and former regulators, including scholars specializing in financial regulation, consumer financial law, consumer education, and administrative law. Each signatory's affiliation is indicated below his/her signature to provide institutional affiliation, but this comment does not represent the views of the various institutions.

Thank you for the opportunity to submit this comment for your consideration.

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**Comments of Financial Regulation and Consumer Protection Scholars
on Docket No. CFPB-2018-0015**

1. The Bureau's Education Products are Valuable, Accessible and Useful

Overall, the Bureau's financial education materials are the clearest Federal agency documents designed to help consumers obtain the basic skills they need as they face financial decisions over their lifecycles. Topics include: buying a home, planning for retirement, financing postsecondary education, protecting older Americans from fraud, getting an auto loan, and managing someone else's money. The Bureau additionally supports resources, e.g. Money As You Grow, designed to help parents develop the financial capability of youth as they age, and others for low-income populations, e.g. Your Money Your Goals. Having one federal agency focused on these topics, and providing the materials free of charge, is beneficial to consumers and those who assist them. Financial educators can find engaging training exercises on the <https://www.consumerfinance.gov/> website. There are also direct-to-consumer materials that are not affiliated with sales-focused financial institutions that can be used to inform financial decisions. Easy-to-access and easy-to-read documents with step-by-step instructions are readily available to educators and consumers.

2. Measuring Outcomes and Evaluating Programs

The Bureau developed a measure of Financial Wellbeing (FWB) that has become a standard in the field. The FWB is useful for practitioners and academics as they design and test financial education interventions. FWB is a measure that goes beyond income or account balances to understand how Americans subjectively assess their financial situations. This measure could become a benchmark for financial wellbeing across communities and over time, especially when assessing at-risk populations.

The Bureau has also contracted work to study the necessary skills and abilities of youth at different ages to reach financial wellbeing in adulthood. This study, known as the Building Blocks Report, relied upon subject matter experts to see how youth develop and at what stages they can learn executive function (basic skills and attitudes), habits and norms (absorbing and interacting with the financial world), and financial skills and decision-making (making money decisions and experiencing natural consequences). This research has developed into a variety of products that allows parents to take financial development of youth into their own hands, providing practical and concrete examples and advice on how to talk to children and develop their skills related to money. This fundamental, evidence-based programming is critical to move the still nascent financial capability field forward.

3. What is Missing?

More resources should be available for lower-income populations and the services they use. While there are FAQs and some documents regarding debt collection and payday

loans, there are no “how to” documents on the costs and benefits of payday loans regarding how to decide when to use a payday loan. There is also little information on building credit. Further, the “Money As You Grow” products do not always apply to children from low-income families. Building more formal “How-To” documents that are directly relevant for heterogeneous populations would be beneficial. Economically vulnerable populations struggle with basic financial services, may not be able to obtain bank accounts, and struggle to qualify for insurance. CFPB resources in this area might be especially useful for people involved in cash assistance and other benefits programs operated at the state and local levels. As more programs focus on self-sufficiency standards and skills, a standard high-quality set of educational materials will become more important. Key audiences include: people moving out of incarceration, people paying or receiving child support, the unbanked, people with disabilities, people moving out of Medicaid coverage into non-subsidized health insurance markets, and people in underserved rural areas.

4. Dissemination of Products Needs to Improve

While the CFPB educational materials are often valuable, consumers often note in their comments that they only recently learned of their existence or wish they knew about them sooner. Financial educators, libraries, and community organizations have access to these materials, but are unaware of their existence. This problem is twofold:

First, the Bureau needs to spend more on outreach to teach communities across America to better disseminate the helpful education programs and documents they have already developed. This also includes the measurement tools, e.g., FWB, for evaluating the programs.

Second, in coordination with the Financial Literacy and Education Commission (FLEC), the Bureau must brand itself as the leader of financial education within the federal government, allowing financial educators across the country in a wide variety of fields (homeownership, retirement, tax savings, student borrowing, 529 accounts, etc.) to easily access materials. At first, it may not be obvious that the Bureau would provide financial education materials on these topics, as other agencies may specialize in each of these issues (Housing and Urban Development, for example, may seem to have more resources on homeownership and the Social Security Administration may seem like a better resource for financial education around retirement, for example.) However, the resources the Bureau provides span many areas and are accessible for all consumers. Since only the Bureau is offering these important financial education initiatives, it is important that it brand itself as a “hub” within the federal government of information provision directly to consumers and consumer educators.

5. Interfacing with Other Agencies

The FLEC, which the Bureau’s Director co-chairs with the Secretary of Treasury, has been integral in improving cross-agency communication in terms of financial literacy education, research, and goals. In addition, the Bureau has supported the Health and

Human Services' Inter-Agency Working Group on Youth Positive Development. This participation has allowed for greater collaboration across agencies with similar goals to improve the lives of America's youth across many outcomes. The Bureau is uniquely equipped to offer its expertise in evidence-based practices.

The Bureau should build on these models to increase collaboration with other agencies. For example, the Bureau would benefit from a stronger collaboration with the Department of Education. Recent research has found that high school financial education graduation requirements improve credit scores,¹ reduce severe delinquency rates on accounts,² and improve student loan decisions.³ Incorporating financial education programming into schools could be an important avenue for future exploration. Similarly, experiential learning financial education programs in schools improve decision-making for elementary school students.⁴ While the Bureau's materials for parents to improve their children's financial capability are important, children without motivated or skilled parents have little opportunity to use those products.

In addition to recent evidence on the benefits of financial education in K-12 public schools, there is ample opportunity to work more closely with the Department of Education to develop more products around financing postsecondary education. While the "Paying for College" documents are helpful, they could be improved by talking a bit more about other options, e.g., grants and scholarships, and the tradeoffs involved in working while enrolled. These materials should focus on all postsecondary training, not just traditional schooling.

Overall, the CFPB has been productive with regard to advancing the development of tools and research on financial decision making for consumers. This work supports academic research and dissemination projects, and the CFPB's role as a public agency provides a neutral resource for community education programs. We believe these educational efforts are in the best interest of consumers, while also promoting better informed consumer decisions in a varied marketplace.

¹ Brown, Meta, John Grigsby, Wilbert van der Klaauw, Jaya Wen, and Basit Zafar. 2016b. "Financial Education and the Debt Behavior of the Young." *Review of Financial Studies*, 29(9).

² Urban, Carly, Maximilian D. Schmeiser, J. Michael Collins, and Alexandra Brown. 2018. "The Effects of High School Personal Financial Education Policies on Financial Behavior." *Economics of Education Review*, Forthcoming.

³ Urban, Carly and Christiana Stoddard. 2018. "The Effects of State Mandated Financial Education on College Financing Behaviors." Working Paper.

⁴ Batty, M., Collins, M., O'Rourke, C., & Odders-White, E. (2016). *Experiential Financial Literacy: A Field Study of My Classroom Economy*. University of Wisconsin-Madison Center for Financial Security Report.

