

**The President’s Advisory Council on Financial Capability
Subcommittee on the Underserved and Community Empowerment
Report July 16, 2012**

Contained are the focus area reports from the members of the Council Subcommittee on the Underserved and Community Empowerment. It has been my pleasure to work with a team of dedicated experts in their field that have pushed the envelope in terms of bringing financial capability and empowerment to low-income, moderate income, low-wealth, and underserved communities. Each member has a distinct focus area and has described their recent work and aims for the future in their own words below. This movement is gaining strength and I’m proud to witness and facilitate this progress in my role as Chairman of this Subcommittee.

Sincerely,

John Hope Bryant

Subcommittee Member: Eldar Shafir
Focus Area: The Academic Community and the Behavioral Sciences

Several conversations were held with academics engaged in behavioral science research that have a particular interest in underserved communities. Among other places, these occurred at a Forum on “The Economics and Psychology of Poverty,” held at Columbia University, and at events focusing on behavioral research at CGAP (The World Bank) and the Consumer Financial Protection Bureau (CFPB), and with researchers and staff at ideas42, a social science R&D lab. One possibility that is being discussed is that of creating and maintaining a dedicated space where behavioral research pertaining to the underserved would be catalogued, updated, and made available. Another possibility being considered is that of organizing a meeting for behavioral researchers, policy makers, and Council members around the theme of behavioral research pertinent to the underserved. These, however, necessarily require a longer time horizon. In the meantime, we have focused on the agenda for the next Council meeting, on July 16th, which will be devoted to issues closely related to the behavioral sciences and will bring together a number of leading academics.

Subcommittee Member: Samuel T. Jackson
Focus Area: Higher Education and Minority Engagement

This focus area is considering a recommendation that the President direct the appropriate federal agencies to establish the Know Before You Apply (KBYA) Campaign, Website, and Mobile App that creates a one-stop resource for students and families to increase college affordability and reduce student loan debt. The Consumer Financial Protection Bureau (CFPB) has led the way with the ‘Know Before You Owe’ initiative to empower American consumers. The Department of Education has made great progress to increase

college affordability for the American people including: 1) originating all federal student loans; 2) implementing income-based repayment (IBR) and student loan forgiveness programs; 3) establishing the College Net Price Calculator; and 4) simplifying the Free Application for Federal Student Aid (FAFSA). While these have been needed initiatives, many students and families have no idea that these programs exist and that they could be eligible to participate. Given the rising cost to finance higher education and the growing explosion of student loan debt by the American people, a one-stop resource in this area is needed now more than ever. The KBYA campaign, website, and mobile app would harness the creativity and innovation of the public and private sectors, as well as stakeholders at the federal, state, local, tribal, and community levels, to ensure that a comprehensive college affordability resource is disseminated to the American people.

Subcommittee Member:

Ted Beck

Focus Area:

Research Engagement

The Research and Evaluation Subcommittee, in cooperation with Treasury, developed the research-focused part of the July 16 Council meeting in Washington, DC. The Subcommittee continues to monitor and participate in key research briefings and conferences to keep informed on and help disseminate important new findings. We also are collaborating with Financial Literacy and Education Commission (FLEC) regarding their national research priorities. For additional information, see the separate Research and Evaluation Subcommittee report.

Subcommittee Member:

Carrie Schwab-Pomerantz

Focus Area:

Workplace Initiatives

The Partnerships Subcommittee has developed a framework outlining basic and advanced steps that private industry should take to enhance employee financial capability. The subcommittee is in the process of sharing the draft framework with a variety of business organizations, including the US Chamber of Commerce, the National Federation of Independent Businesses, the AFL-CIO, the New York Stock Exchange, the Society for Human Resource Management (SHRM) and others, to receive feedback and suggestions. The Subcommittee expects to have a private-industry workplace recommendation for the full Council to consider at its meeting in November.

Subcommittee Member:

Sherry Salway Black

Focus Area:

Tribal Nations and Native Communities

The National Congress of American Indians held a session on financial capability at their Mid-Year Conference June 17-20 in Lincoln, Nebraska called “Financially Savvy Citizens: What Tribal Leaders Can Do” that included two panels. The more than 50 participants included tribal leaders, tribal staff, youth representatives and other Native non-profit leaders. The first panel focused on best practices in financial education from the Cheyenne River Sioux and Meskawkie Tribes. The second panel was structured as a town hall and included representatives from the Department of Treasury’s Office of Financial Education, Financial Access and Consumer Protection and the Community

Development Financial Institutions Fund, the Consumer Financial Protection Bureau and the President’s Advisory Council on Financial Capability to hear concerns from tribal leaders about financial education and consumer protection in Indian Country and to learn about agency programs. The session participants received a hard copy of the publication “Creating Financially Capable Communities: A Resource Guide” developed by the President’s Advisory Council. In addition, all six hundred conference attendees received electronic copies of the Interim Report of the PACFC, the Resource Guide, the Toolkit from the White House Summit on Financial Capability and Empowerment, and the “Money as You Grow” materials.

In early July, the National Congress of American Indians (NCAI) will be launching an initiative to promote financial education in Indian Country, with an initial focus on consumer protection. Starting in Summer 2012, Native individuals and American Indian tribes will start receiving payouts from two landmark class action legal settlements totaling more than \$4.0 billion and an additional \$1.0 billion as the result of trust fund settlements with another 41 tribal nations. The initial campaign will focus on the immediate need to get information to tribal governments and citizens about how to protect the significant financial resources being distributed to tribes and individuals. In the longer term, this campaign will work to promote financial education in Indian Country. As part of this effort, NCAI will convene a meeting of those interested in re-invigorating the Native Financial Education Coalition. This once vital entity has been dormant over the past few years. NCAI will facilitate this meeting to assess the future of this effort, particularly in view of the short-term needs and building the longer-term financial capability in Indian Country. We anticipate that this campaign will result in the development of knowledge resources, information sharing and training opportunities.

In addition, a “listening session” is planned for October 2 in Honolulu, Hawaii, as a part of the annual conference of the Council for Native Hawaiian Advancement. Other listening sessions may also be planned, including at NCAI’s Annual Convention in Sacramento, California in October.

Subcommittee Member: Marc Morial

Focus Area: Asset Building (Money & Economic Mobility)/NOLA

Submitted by Garrick Davis of the National Urban League on behalf of Marc Morial

The best way to maximize the impact of the efforts of organizations serving underserved communities—be they governmental, voluntary bodies, employers, employee and consumer groups, or financial services firms—is to work together and towards similar objectives. We believe it will be useful to focus such organizations around the idea of asset building – giving people the skills and knowledge they need to make sensible decisions about money and economic mobility, so they can take control of their finances and demand better services from the industry. These services may range from basic financial products—such as bank accounts and home insurance—all the way through to making decisions on pensions and other financial safeguards.

Subcommittee Member: Kenneth Wade

Focus Area: Banking and Housing Engagement

The committee will explore whether there are existing efforts or regulations that can be modified or expanded to the financial services industry to assist with expanding access to financial services to the underserved.

Subcommittee Member:

Janie Barrera

Focus Area: Underserved Small Business Development and Federal Reserve Board

- The San Antonio branch of the Federal Reserve Bank of Dallas (FRBD) has agreed to hold a regional roundtable this fall on the subject of Financial Capability. Additionally, the FRBD has accepted the task of adding small business to their “Building Wealth” curriculum.
- We are working with the Opportunity Finance Network to establish a national conversation on the subject of Financial Capability with CDFI leaders during the organization’s annual conference in San Antonio in October. OFN is a national network of community development financial institutions.
- With the support of the San Antonio Hispanic Chamber of Commerce, one of the nation’s largest Hispanic Chambers, we are working to establish a process for distribution of the Financial Capability Toolkit for Community Leaders to the members of the U.S. Hispanic Chamber of Commerce (USHCC). With an endorsement from the USHCC, a national network of Hispanic Chambers representing nearly 3 million Hispanic-owned businesses, the toolkit will become a dynamic instrument that could be leveraged in the Latino community to build awareness of the Council’s recommendations.
- The Association for Enterprise Opportunity (AEO), a national nonprofit organization that supports microenterprise development, has agreed to work toward a town hall meeting in Washington, D.C. in the fall that also would serve as a listening session for members of the Subcommittee. The AEO has nearly 400 member organizations that provide training, technical assistance and resources to entrepreneurs across the U.S.

Subcommittee Member:

Arty Arteaga

Focus Area:

Financial Access

As to financial access, we learned recently of Treasury’s *MyMoneyAppUp* Challenge, which was launched in partnership with the D2D Fund and the Center for Financial Services Innovation (CFSI) on Wednesday, June 27th. Treasury’s *MyMoneyAppUp* Challenge supports the former Financial Access Subcommittee’s April 2011 recommendation to conduct a Mobile Application Challenge that would create apps to facilitate financial access for the unbanked and underbanked. The mymoneyappup.challenge.gov website has additional information and specifics about the much anticipated challenge, and we are looking forward to monitoring the progress and end results!

We also continue to evaluate the impact of prize-linked savings and in particular, the Filene Research Institute and *SaveUp.com* pilot which began in April 2012. The pilot is being conducted with 20 credit unions in 15 states to determine the impact of incentivized

savings on financial behavior and building wealth. Filene will be examining data from the pilot over the next several months, but progress to date appears to be favorable --- not only in terms of adoption rate, but also in terms of commitment. We are very interested in seeing the results of this pilot, as we believe a “free rewards savings program” could further encourage the low and moderate income to save and pay down debt. Aside from the *SaveUp* pilot, we are also monitoring Mission SF’s *MY Path* savings program, which was launched in October 2011. *MY Path* is an incentivized savings program that familiarizes youth with basic banking skills and teaches youngsters the power of earning interest and the value of savings. *MY Path* participants open Mission SF *PLAY* (Prize-Linked Accounts for Youth) savings accounts and establish a 3-6 month savings goals. When goals are achieved, participants become eligible to win prizes. To determine whether this incentivized program is making a difference in the savings habits and financial preparedness of low and moderate-income youth, Mission SF is working with an outside evaluator to analyze and summarize findings since the launch. A White Paper will be drafted later this year and we are looking forward to its publication. Lastly, In addition to focusing on savings products/programs, we are also evaluating prepaid cards and the various opportunities that might exist to promote this product as a viable alternative to serve the unbanked and underbanked.

Subcommittee Chairman:

John Hope Bryant

At the first public meeting in January of this year we made a commitment to the President, Secretary of the Treasury, and the Council Chairman that we would inspire the creation 50 local councils by the end of 2012. With the help of the the National Conference of Black Mayors, fellow Subcommittee members and an active partnership with the Council Partnerships Subcommittee, we inspired mayors and cities to take their own initiative in standing up more than 100 Local Councils. **In this way, we have exceeded our own established goal by 100% and did so a full 7 months in advance.**

In the future we hope to work with other municipal government organizations similar to the National Conference of Black Mayors so that we can encourage a greater number of these local councils in their establishment. These local financial literacy councils will coordinate the efforts of public, private, and non-profit organizations working within a given community, in order to raise financial literacy and provide economic empowerment services for local residents. This will prevent overlaps in services and will also alert local government to the areas where attention is most needed. The President’s Advisory Council on Financial Capability Resource Guide has been an integral tool in this process and can be found on the Treasury website on the President’s Advisory Council on Financial Capability webpage under “Council’s Documents.”

<http://www.treasury.gov/resource-center/financial-education/Documents/Local%20Guide%20-%20Creating%20Financially%20Capable%20Communities.pdf>

In the months ahead, the Subcommittee will continue to communicate with these local governments as they create financial literacy councils as well as communicate with the

Federal Emergency Management Administration (FEMA) regarding aligning financial preparedness with disaster-response strategies. This connection will increase the speed of disaster response and recovery in low-income, moderate-income, low-wealth, and underserved communities. Never before has emergency disaster preparedness, response and recovery, and the world of financial capability come together -- but never before has either been more relevant to each other; particularly with regard to low wealth and underserved communities. This work will be a main focus of mine as Chairman.

Additionally I will be bringing a Subcommittee presence to towns that have expressed a desire to increase their financial capability. At present, the public can expect the Subcommittee in Minneapolis, Maryland, and Atlanta where I intend to host and participate in Forums, Listening Sessions, and Town Hall meetings.