

Financial Capability Research

Updates from the US Department of the Treasury



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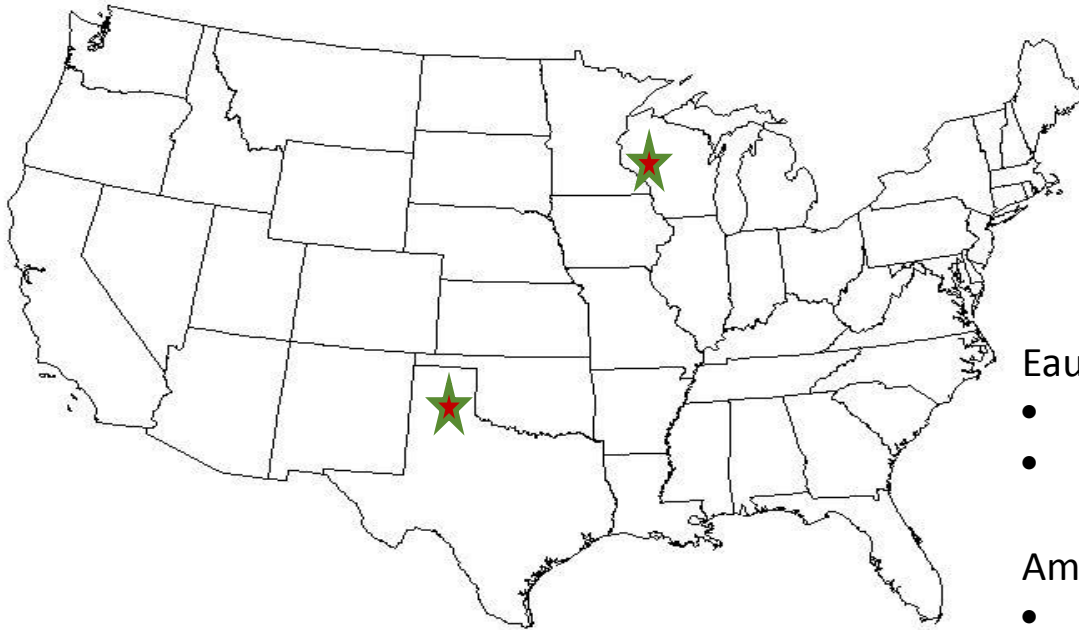


Presentation Topics & Where to Find More

- Assessing Financial Capability Outcome Pilots
 - Youth
 - Vulnerable Adults
- Read more at: www.treasury.gov – Consumer Policy Resource Center

Assessing Financial Capability Outcomes: Youth

Purpose: Better understand how to provide children with the financial skills to become economically successful



Eau Claire, Wisconsin

- 2011-2012
- 2012-2013

Amarillo, Texas

- 2012-2013





Research Questions

- Do students gain financial knowledge and understanding by participating in a financial education curriculum?
- Do students gain more financial knowledge when they also attend a school with a credit union or bank branch?
- Are students more likely to open a savings account and/or make deposits if they are participating in a financial education curriculum?
- Do students have more positive attitudes toward savings and financial institutions if they have access to a school branch?

	Financial education	No financial education
Credit union or bank in school	Credit union or bank in school + Financial education	Credit union or bank in school + No financial education
No credit union or bank in school	No credit union or bank in school + Financial education	No credit union or bank in school + No financial education



Financial Education and In-School Accounts

Classroom Financial Education

- Five or six lessons from Financial Fitness for Life curriculum over 5-6 weeks
- 45-minute lessons taught by classroom teachers
 - Teachers trained for three to eight hours on curriculum and materials
- Content focused on using a savings account
 - Defining income, expenses and savings
 - Wants vs. needs, incentives and goals
 - Compare savings options and understanding interest

In-School Financial Institution

- Eau Claire – Royal Credit Union School \$ense
- Amarillo - Happy State Bank Kids' Banks
 - **Account Type:** Joint ownership savings account (also opened minor only account for the pilot)
 - **Account Opening:** On-line, at a branch, or at school
 - **Frequency:** once a week during study period
 - **Transactions:** HSB -- deposits only at school branch, RCU – deposits and small withdrawals
 - **Student Staffing:** HSB - student tellers work with HSB staff, RCU – trained student tellers



Data

Knowledge

- **Financial Quiz Score:** The number of questions answered correctly

Attitudes

- **Spend Money Immediately:** Five-point scale how often a person finds it hard to avoid spending money immediately.
- **Easy to Save:** Five-point scale how often a person finds it easy to save money.
- **Saving is for Adults:** Five-point scale how often a person feels that saving money is only for adults.
- **Banks/Credit Unions Useful to You:** Five-point scale on the degree to which a person believes that banks /credit unions offer useful services.

Account Activity

- **Account Ownership:** Student reports whether or not he or she has a savings account in his or her own name.
- **Net Deposits:** Total amount of money that is deposited into the account, net of the total withdrawn from the account.
- **Active Account Use:** Number of distinct occasions on which money is deposited or withdrawn from the account.



Sample Size & Results

Sample Size	Eau Claire	Amarillo	Total
No Financial Education	320	285	605
Financial Education	380	418	798
Total	700	703	1,403

Overall Results

- Large effects of education on knowledge questions
- Moderate effects of in-school banking and education on attitudes
- Education and bank access boost bank account ownership by kids
- Effects persist



Key Findings

- Education – relatively brief– has impact on knowledge
 - And it lasts at least from 4th to 5th grade
- Being banked intensifies the effect
 - Banked students are likely different...but banks in schools and incentives facilitate account ownership
- Attitudes about financial institutions strongly influenced
 - By education and even just having a branch in school
- Account use proved hard to measure stably

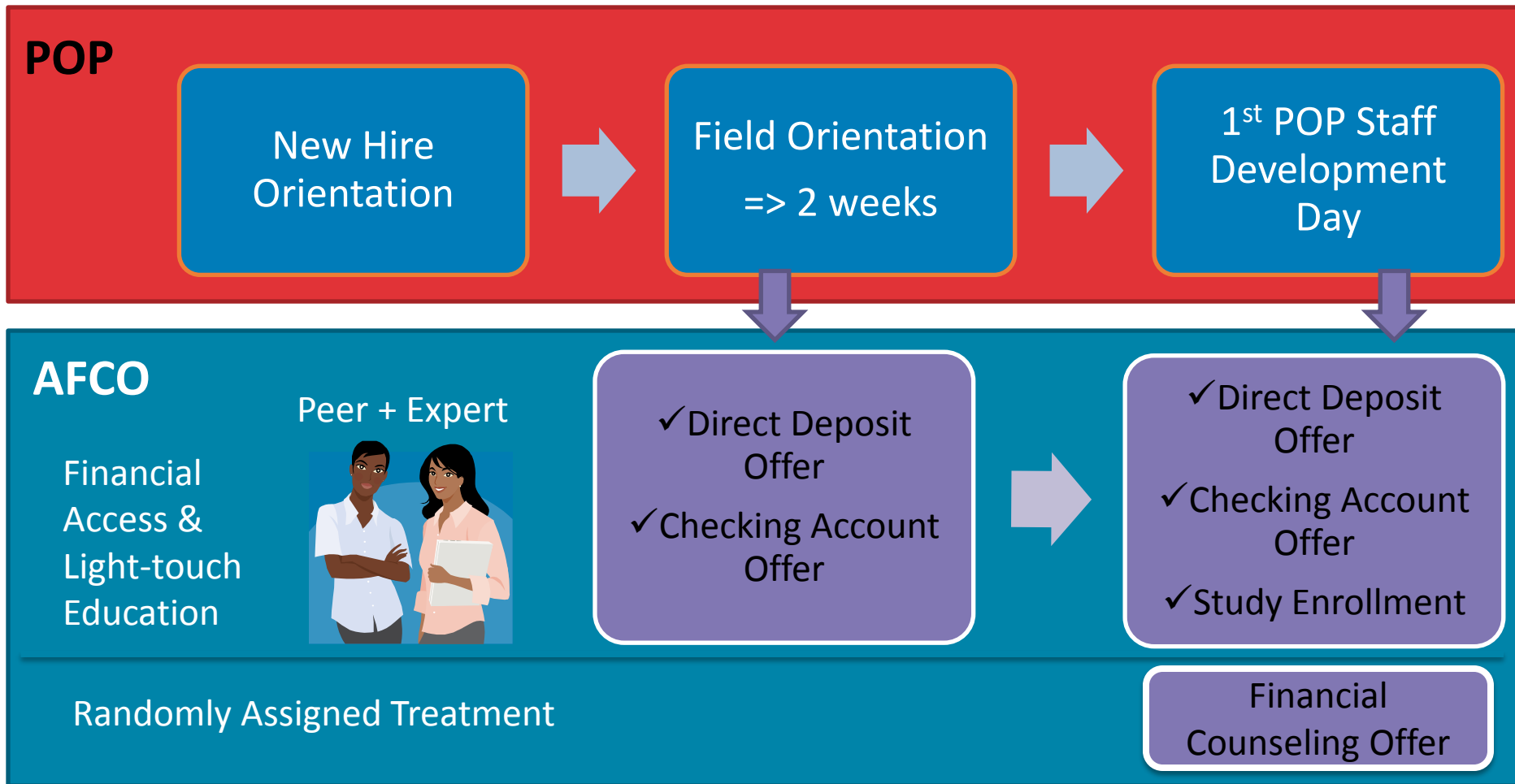


Assessing Financial Capability Outcomes: Vulnerable Adults

Purpose: Understand the impact of financial counseling and financial access on the financial capability and well-being of low-income, unbanked populations transitioning off of public benefits.



Research Design: Integrating AFCO into POP



Financial Product & Financial Counseling

Popular Community Bank (formerly Banco Popular)

- Free, “safe” checking account with direct deposit
 - no minimum balance requirement
 - no monthly fee, no minimum number of transactions.
 - Automatic opt-out for overdraft protection
 - Free ATM card, Network of free ATMs
 - Free online banking, bill pay
- Participants could open account on site and sign-up for direct deposit of their paycheck at the same time

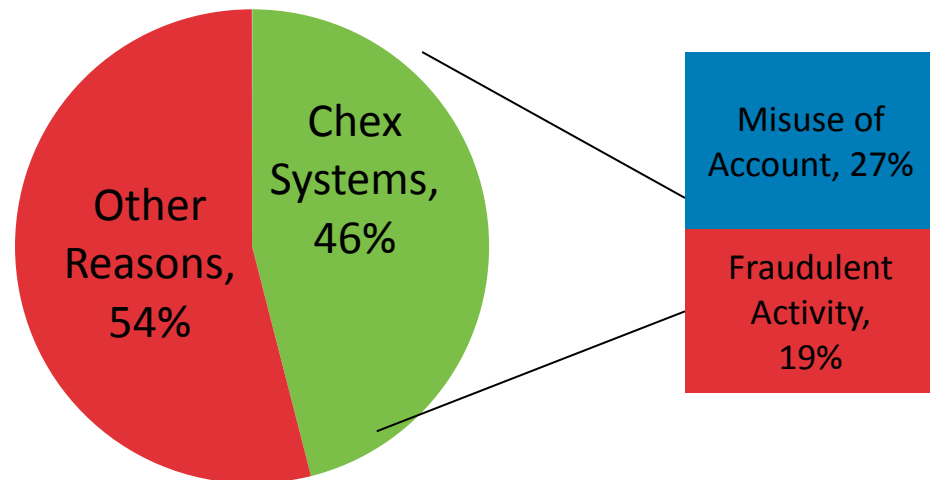
NYC Financial Empowerment Centers

- Free One-on-One Financial Counseling
- Counselors work with clients to review full financial picture and identify unique needs.
 - Banking -- Savings
 - Credit -- Debt
- Create a plan to strengthen financial health and put it in to action
 - Negotiate with creditors
 - Create a budget and savings plan
 - Find affordable financial products and services
 - Make strategic referrals, and more.

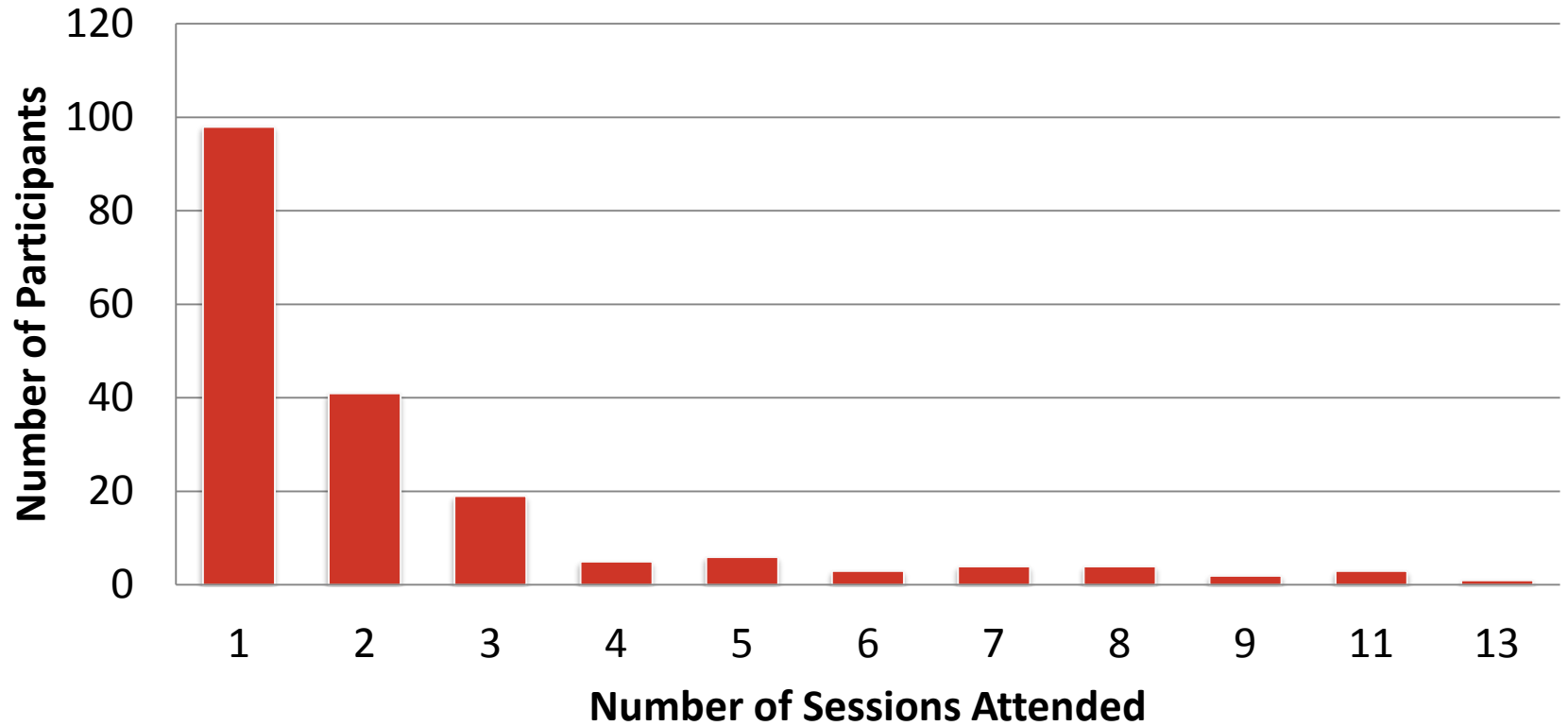
Account Take-Up and Barriers

Banked at Baseline	34%
Never Banked at Baseline	32%
Never Write Checks	79%
Never Bank Online	63%
Never Bank with Mobile Phone	67%

- 49% applied for bank account
- 55% applied for direct deposit
 - Prior to AFCO was 15%
- About 33% of participants who applied for accounts weren't successful



Typically Attended Single Counseling Session





Data

Survey Data (Intake, 6 months, 12 months)

- Current banking status
- Financial situation, behaviors, and attitudes
- Demographic characteristics

Credit Reports (Baseline, 6 months, 12 months)

- Credit score
- Debt levels
- Accounts Open, Past due

Bank Account Transaction data (32% of clients, 49% had accounts)

FEC administrative data on counseling attendance

Parks Dept. administrative data on post-POP employment



Results

Changes in Population over 12 Months

	Baseline	6 Months	12 Months
Credit Score	558	561	570
Banked	34%	59%	54%
Uses alternative finance	74%	70%	64%
Employed full time	100%	6.9%	12.1%
Employed part time	0%	11.5%	23.1%



Key Findings

- Financial counseling—even relatively modest provision—can be beneficial
 - Decrease in percentage of debt that is past due at 6- and 12 months
 - Increase in credit scores at 6 months, but no measurable effect by the 12 months (post employment)
 - Increase in financial planning behaviors (reviewing a credit report) at 6 months (but not 12)
- Credit issues common and often serious
- Unbanked “problem” needs more analysis:
 - Even “Safe Accounts” can be used sub-optimally



Insights for Policy & Practice

- Integrating Access to Financial Products and Services is Feasible at Scale
 - Account communication, marketing, features, context, incentives, hassle factor/process...all these matter
- Successful Account Use and Management is Challenging
 - Traditional account may not meet the needs of all members of this population,
 - Sequencing services to improve account use
- Integrating Financial Counseling Can Be Challenging
 - Counseling may require repeated follow ups
- Financial Fragility Limits the Potential for Financial Capability Interventions
 - Financial capability impacts from low-intensive programs in the context of unstable (or zero) income are relatively challenging to achieve