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Via electronic submission

July 3, 2018

The Honorable J. Michael Mulvaney
Acting Director
Bureau of Consumer Financial Protection
1700 G Street, NW
Washington, DC 20552

Re: Request for Information Regarding Bureau Financial Education Programs
[Docket No. CFPB-2018-0015]

Dear Acting Director Mulvaney:

The Independent Community Bankers of America (“ICBA”)¹ welcomes this opportunity to provide comment on the Bureau of Consumer Financial Protection’s (“BCFP” or “Bureau”) request for information (“RFI”) regarding the Bureau’s financial education and literacy programs. Community banks only succeed if their communities succeed. It is therefore in a community bank’s interest to improve the financial health of community members so that they may achieve financial security. Improving and providing access to financial literacy is critical to that goal and ICBA fully supports the Bureau’s efforts.

Background

The Bureau is seeking comments and information to assist in assessing the overall efficiency and effectiveness of its consumer financial education programs, one of the six primary functions that the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”) ascribes to the Bureau.² The Bureau is also statutorily mandated to provide consumers

¹ The Independent Community Bankers of America®, the nation’s voice for nearly 5,700 community banks of all sizes and charter types, is dedicated exclusively to representing the interests of the community banking industry and its membership through effective advocacy, best-in-class education and high-quality products and services. With nearly 52,000 locations nationwide, community banks employ 760,000 Americans, hold \$4.9 trillion in assets, \$3.9 trillion in deposits, and \$3.3 trillion in loans to consumers, small businesses, and the agricultural community. For more information, visit ICBA’s website at www.icba.org.

² 12 U.S.C. § 5493(d).

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with timely and understandable information to make responsible decisions about financial transactions,³ and to develop and implement initiatives intended to educate and empower consumers to make better informed financial decisions.⁴

The Bureau achieves these statutory mandates in several ways. The Bureau creates educational content and publishes it on its website for consumption by consumers. The content includes a wide range of financial topics, including lending and savings products. The Bureau has created guides, webinars, a financial health framework and other educational resources that consumers can access. Finally, the Bureau partners with community organizations and outlets, such as community banks and other financial institutions, libraries and social services agencies to aid in the dissemination of this material. The Bureau is issuing this RFI to determine ways to improve its financial education programs and outreach efforts.

ICBA Comments

Executive Summary

ICBA urges the Bureau to adopt the recommendations noted below to improve its financial education programs and outreach efforts.

- ICBA recommends that the Bureau increase its financial education efforts on demographics that are not seeing the same overall improvement in financial health as compared to other demographics.
- ICBA encourages the Bureau to increase its efforts to combat the misconception that un- and under-banked populations would not be approved for credit products.
- ICBA urges the Bureau to increase outreach efforts and produce more material on retirement savings, given the dearth of savings for retirement.
- ICBA urges the Bureau not to infringe or hamper community banks' efforts to educate their customers, but rather to voluntarily work with community banks when they ask for help.
- ICBA recommends that the Bureau work with other Financial Literacy and Education Commission members to make the meetings more routine.

³ 12 U.S.C. § 5511(b)(1).

⁴ 12 U.S.C. § 5493(d).

Financial Education is a Means to Achieving Financial Health

According to a recent survey conducted by the Board of Governors of the Federal Reserve System,⁵ consumer financial health and well-being have generally improved since the financial crisis. Tracking with overall improvements in the economy, respondents to the survey indicate improvements in their own assessment of finances and more can handle a small, unexpected expense, as compared to previous years' surveys.

However, the survey indicated that disparities in economic well-being are still prevalent among minorities, those with less education, and those living in lower-income neighborhoods. For example, over three-fourths of whites were at least doing "okay" financially in 2017 versus less than two-thirds of blacks and Hispanics.⁶ While these differences cannot be solely remedied through financial education, ICBA contends that education is a critical component to improving their financial health. As the Bureau continues developing and publishing educational material, ICBA recommends that the Bureau increase its efforts on demographics that are not seeing the same overall improvement in financial health.

There are also opportunities to target and educate un-banked and under-banked individuals about the benefit and cost-savings of a bank account. While nearly 95 percent of individuals have an account at a financial institution, one in 10 blacks and Hispanics lack a bank account, and an additional 3 in 10 have an account but also utilize alternative financial services, such as money orders and check cashing services.⁷ Drilling into why individuals are un- or under-banked reveals that negative perceptions persist. One in nine adults put off at least one credit application because they thought that their credit application would be denied.⁸ Financial education would help eliminate this widely held misconception.

Finally, the survey also found that many adults believe they are behind in their savings for retirement and that people commonly lack financial knowledge and are uncomfortable making investment decisions. On average, respondents answered fewer than three out of five basic financial literacy questions correctly, with lower scores among those who are less comfortable managing their retirement savings.⁹ Given that most families, even those approaching retirement age, have little or no retirement savings, ICBA recommends that the BCFP increase efforts to educate consumers on this particular issue.

⁵ Board of Governors of the Federal Reserve System, "Report on the Economic Well-Being of U.S. Households in 2017," May 2018, available at <https://www.federalreserve.gov/publications/files/2017-report-economic-well-being-us-households-201805.pdf>.

⁶ *Id.* at 33.

⁷ See *id.* at 25.

⁸ *Id.*

⁹ *Id.* at 49.

Community Banks Endeavor to Improve the Financial Health of their Customers

For their part, community banks employ several strategies to help their customers become financially literate and achieve financial health. Many have partnered with third-party organizations whose primary function is to educate the public on financial health. Community banks, ICBA and these organizations work together to bring financial literacy where it is needed most.

ICBA also developed a marketing toolkit that community banks can use to offer financial advice to their customers. This white label toolkit provides community banks with the opportunity to provide direct communication to their customers.

Many of ICBA's community banks partner with local school districts and other community organizations to offer free financial literacy and education. These programs leverage in-person and online training modules that teach consumers about a myriad of financial products for all stages of life, including financing higher education, auto loans, mortgages, and investments for retirement. Clearly community banks diligently work to educate their customers, but ICBA stresses that such efforts not be mandated or infringed upon by the Bureau. Any such attempts would be counterproductive and exceed the Bureau's statutory authority.

Financial Education is Essential to Consumer Protection

Although community banks offer and provide their customers with responsible financial services, there are many un- and under-regulated entities that offer usurious and predatory products that can cause significant financial harm for consumers. There are also many products that are not predatory, per se, but are designed for certain segments of the population that are not suitable for all. Financial education can help consumers avoid these products, or at very least, help consumers with remediation.

Understanding that preventing harm is more fruitful than a cure, ICBA supports the Bureau's and community banks' efforts to direct financial education resources to young consumers before they enter the financial mainstream and have yet to engage with financial products. This is especially important for lifechanging events that are only achievable through financing, such as higher education and first-time home buying. Financial education helps consumers understand the benefits and consequences of financial products so that they can make fully-informed decisions. Financially educated consumers have the resources to protect themselves.

In the unfortunate situations where a consumer has originated an inappropriate loan or has engaged with predatory lenders, financial education after the fact can still be helpful in mitigating any potential harm. Without information, a consumer might think that they are

simply “stuck” with the product or lender and forced to make sacrifices. However, consumers that work with community banks can learn about alternative options that would greatly improve the quality of their lives, such as auto refinancing or small dollar loans. Without financial education, the consumer would be unaware of such better options.

BCFP Should Collaborate with Members of FLEC Rather than Duplicate Material

As noted in the RFI, the Bureau is a member of the Financial Literacy and Education Commission (“FLEC”), along with several other federal regulatory agencies. The FLEC meets periodically to discuss each agency’s efforts at increasing consumer financial literacy and developing educational material. While much of this material is useful, opportunities exist to reduce redundancies at each agency and collaborate to produce one, unified framework. Additionally, the FLEC meetings are sporadic without regard to a routine schedule, such as quarterly or semiannually. ICBA recommends that the Bureau work with other FLEC members to make the meetings more routine.

Conclusion

ICBA believes that the Bureau does a commendable job of producing and disseminating material and helping consumers to be more informed. As mentioned above, a more informed and educated consumer is beneficial for all parties. More fully informed consumers also help obviate the need for wide-sweeping regulations that assume consumers have no financial literacy. Savvier consumers will facilitate more streamlined and reasonable regulations which benefits consumers as well as financial services providers. ICBA fully supports continued educational efforts from the Bureau.

Should you have any questions or would like to discuss anything further, please do not hesitate to contact me at michael.emancipator@icba.org or 202-659-8111.

Sincerely,
 /s/
 Michael Emancipator
 Assistant Vice President and Regulatory Counsel