Statement of the Massachusetts Bankers Association
In Support of S 249, H 240, H 261, H 288, H 333, H 2023, H 3550, S 231, S 247 and S 277
Relative to Financial Literacy and Personal Finance Curriculum in Public Schools
Committee on Education
Tuesday, June 13, 2017

The Massachusetts Bankers Association, which represents 155 commercial, cooperative and savings banks and federal savings banks and savings and loan associations with more than 69,000 employees located throughout the Commonwealth and New England, appreciates the opportunity to provide comments in general support of H 240, H 261, H 288, H 333, H 2023, H 3550, S 231, S 247, S 249 and S 277 that seek to establish a financial literacy or personal finance curriculum in Massachusetts public schools.

The challenges facing today's young adults are more encompassing than ever, especially when it comes to managing their finances. Our local, national and international economies continue to deal with enormous change and stress. Today's financial services markets are far more complex and competitive than ever, and consumers of all ages and backgrounds need to be educated on the differences in various products and services, how they work and how to determine which best meet their needs, goals and resources.

Recent studies suggest that a college graduate today, on average, will borrow over $825,000 in his or her lifetime for homes, motor vehicles, college tuition, credit cards, boats, etc. Are these students prepared to understand all the information necessary to make educated and informed decisions on what loans, bank accounts, investments and retirement plans are best suited to their needs? Most studies suggest they are not prepared. Recent national surveys have reported that 72 percent of teens said the best time to learn money management in kindergarten to high school but only 29 percent reported that there were programs in place at their schools.

While all of the bills before this committee seek to address the critical need for expanded financial education in our public schools, we believe that S 249, legislation introduced by Sen. Jamie Eldridge is the most comprehensive. The bill directs the Department of Elementary and Secondary Education (DESE) to develop standards and objectives on personal financial literacy for the K-12 curricula within the existing mathematics, social sciences, technology, business or other curricula. DESE is directed to provide resources to assist in the selection of materials and professional development in order to achieve these goals. There is NO statewide mandate to implement a specific curriculum as local school districts are free to establish whatever course materials they choose. In many ways this bill is very similar to legislation adopted and implemented in Ohio.

Massachusetts banks and banks across the nation several years ago recognized the substantial need to provide financial educational services to many audiences, but especially students. Our Association and dozens of Massachusetts banks have actively participated in programs with local schools such as Savings Makes Sense created by the State Treasurer, the FDIC Money Smart Program, *JumpStart*, operating branches in local high schools and the *Credit Smarts* program initiated by the Office of Consumer Affairs, among others.

Many banks are also active supporters of Credit for Life fairs in their local high schools. At these fairs, students are engaged in hands-on interactive lessons that prepare them for the demands of balancing their income and expenses and making sound financial decisions that impact their future. As part of the fair each student is taken forward to the age of 24, given a fabricated credit history, a job and salary fact sheet and the tools they will need to participate in the fair. Each student must manage their money for one month, working within the salary and credit history provided, and must make decisions about housing, health care, food and entertainment. Along the way, students will run into unexpected real-life situations that will either improve (i.e. tax refund received) or worsen (i.e. unexpected car repairs are needed) their financial situation for that month.

Earlier this year, the Association in conjunction with four member banks across the Commonwealth produced the fourth of its Common Cents program with high school seniors. This program was recorded and has been distributed to all high schools and local community cable TV stations as a useful training tool on basic personal finance. It is also available at: http://www.masscommoncents.com/program.html. These are just a few of the many examples of how banks across the Commonwealth are actively engaged in providing financial education to many schools. Many other organizations are also involved in these important initiatives.

With all this energy and attention focused on enhancing financial literacy, why do we need legislation and what are the roadblocks to success? While financial literacy education has been voluntarily offered for decades, it has not been an integral part of most public school curriculum, usually just offered in economics or related classes, if at all. Unfortunately, financial literacy programs are hit or miss, often depending on the initiatives of a local teacher or principal.

Nationally, at least 17 states require students to take a course in financial literacy to graduate from high school. Thirty-five states require high schools to offer a personal finance course. States across the nation, despite severe fiscal and time challenges recognize the importance of incorporating financial literacy curriculum into K-12 education and we believe Massachusetts should join that list.

For years, there has been ongoing debate over whether or not state-mandated financial education programs in high schools actually help improve financial literacy and overall financial health in adulthood. In 2015, FINRA released a study which found that proactive financial education is essential to a more financially literate America.

FINRA Investor Education Foundation Funded Study

A FINRA Investor Education Foundation funded study, State Financial Education Mandates: It's All in the Implementation, conducted by Dr. Carly Urban of Montana State University and researchers from the Federal Reserve Board and the Center for Financial Security (CFS) at the University of Wisconsin-Madison, studied three states: Georgia, Idaho, and Texas. These states previously had not mandated financial education in high school, but changed financial education mandates after the year 2000. CFS affiliates analyzed the credit scores of young adults starting at age 18 until they reached the age of 22 using the Equifax Risk Score that ranges from 280-850. The findings from those state mandates prove that carefully implementing a rigorous financial education program in high school can improve credit scores and lower the probability of delinquency for young adults.

- **Credit Scores -** The report found that two years after implementing financial education mandates, young adults in all three states significantly increased their credit scores ranging from 11 points in Georgia to 32 points in Texas.

Your payment history has the heaviest influence on your overall credit score in any scoring model, making up 35 percent of your total score. Late payments are typically reported in one of the following categories: 30-days late, 60-days late, 90-days late, 120-days late, 150-days late, or charge off, which means the account was written off due to severe delinquency in payment. A single late payment will drop your credit score, but making a late payment of 90-days or more, for example, will plummet your credit score.

- **Delinquency Probability -** The report found, beginning two years after the implementation of the mandate, that the financial education mandates significantly reduced the likelihood that a student would be late by 90 days or more with their payments to credit accounts. The average reduction ranged from 8-16 percent.

Massachusetts Gateway Cities Pilot Studies

Finally, we call your attention to the three year pilot program funded by the Legislature to develop innovative financial education programs in 11 high schools in Gateway cities across the Commonwealth. The creativity and innovation developed by the teachers, local non-profits and business partners was outstanding and a number of observations and conclusions are now awaiting a final evaluation and recommendation. This information will be most helpful to local schools as they move forward in addressing the overwhelming need for expanded financial education.

We also recognize the enormous challenges facing local school districts and the Department of Education as they try to incorporate all academic and related curriculums, preparing for and taking standardized tests and meeting all the other demands places on today's students and teachers. Our goal and that of the legislators who co-sponsored the bills before you today is to integrate financial literacy concepts into everyday teaching activities. There are many very good academic instructional materials available. The challenge is to assemble the best and expand the teaching of financial literacy statewide. We believe S 249 is the best and most comprehensive bill that balances the need for expanded statewide financial education while recognizing the sensitivities of avoiding local mandates.

We appreciate the opportunity to support the objectives envisioned by these proposals and encourage this committee to work toward broad expansion of financial education in the most expeditious and fiscally prudent way possible.