

NEW YORK STATE BANKING DEPARTMENT

BANKING DEVELOPMENT DISTRICTS

Testimony presented by

COALITION FOR DEBTOR EDUCATION

Barbara Kent, President

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Good afternoon and thank you for inviting us to participate at the hearing. I am Barbara Kent, President of The Coalition for Debtor Education, a 501 (c) (3) organization based in New York. The Coalition has been working with banks to bring financial education to residents, particularly residents of the NYS Housing Authority communities located within Banking Development Districts. Our mission is to assist consumers, particularly vulnerable populations, understand and improve their ability to manage their financial affairs. We are also committed to empirical assessment, including of our own programs, and to studying key issues affecting consumer finance. The BDD project, as we call it, is a major part of our effort to fulfill our mission.

I would like to briefly describe our BDD project as an example of how financial literacy programs can be employed as a means for banks to integrate into the community.

Additionally, the classes provide a unique resource for local residents to educate themselves regarding personal finances.

Our model is to partner with a BDD bank. We have received funding from other banks, but we are currently working with Capital One Bank. Our objective is to partner with other banks in different BDDs to extend our reach. Within our model, the bank provides funding for the Coalition to train their managers in our teaching style and materials. In the case of Capital One Bank, the bank also provides adequate funding for the Coalition to administer the program, including the scheduling and execution of the financial education classes.

With the endorsement of the New York City Housing Authority (NYCHA), we present most classes at NYCHA venues, including senior centers, community centers for teens and at tenant association meetings. The Coalition provides the topic outlines and the materials for the bankers to use in the classes.

Specifically, we conduct a six-hour train-the-trainer program for bank managers. About a third of that time is devoted to the psychology of money and adult pedagogy to provide insight into how to teach the classes effectively and with sensitivity. To demonstrate our style of teaching, we teach each topic using the same materials that they will use in class. It is our aim to use activities that are designed to make the classes lively and engaging. The financial topics are presented generically, with no mention of specific bank products or services.

Topics for consumer classes include:

- Setting goals
- The difference between needs and wants
- Creating a spending plan
- Savings and banking
- Using credit wisely
- Managing debt
- Protecting your identity, and
- Avoiding money traps and scams

Our primary partner for the BDD is Capital One Bank. However, I should note that we have also trained bankers at Amalgamated Bank who use our materials and HSBC Bank has provided the funding for translating our materials in Chinese and Spanish.

I would like to briefly summarize our experience with Capital One Bank, which spans three years, and then respond to several of the questions noted in your Notice of Hearing.

We began with a pilot program in the South Bronx in 2006. Following the pilot, Capital One Bank provided funding for BDDs where they have opened branches on the Lower East Side and in Harlem.

The Coalition trained 42 Capital One managers who then brought the materials and training back to their own branches. Materials for some topics, particularly those targeted to seniors, have been translated into Spanish and Chinese. We schedule classes in those languages at locations with a significant population that prefers the class to be presented in its native tongue.

Coalition staff or Capital One bankers taught classes on the Lower East Side and in Harlem, reaching a total on 490 consumers. In addition, bankers we trained worked with NYCHA's Summer Youth Employment Program (SYEP) over the past two summers. As a result and as part of the BDD program, the Coalition and Capital One Bank have taught nearly 2,400 teens, many of whom were earning their first paychecks. Low income teens are a particularly vulnerable and impressionable audience to introduce to the concepts of budgeting and saving, and subsequently the use of banking and financial services.

This year, our program is expanding into BDDs in Bedford Stuyvesant and the Rockaways.

Specifically, the Coalition endorses the imposition of a financial literacy component as a requirement of the BDD program for the following reasons:

- Promoting financial literacy introduces bankers as helpful and accessible resources to the community.
- Financial knowledge reduces the intimidation level for first-time bank users. Neighborhood residents will be more comfortable going into a new bank where they feel welcome and perhaps even know the manager or tellers already as a result of the classes.
- Financial literacy classes familiarize potential customers with banking terms and jargon. In the case of area residents who speak a language other than English, they learn that the local bank has someone who can help them in their native tongue.
- (For example, the Chinese on the Lower East Side met several bankers who taught classes in Mandarin).
- Attendees are better prepared for the experience of becoming a bank customer.
- Financial literacy classes help attendees avoid predatory lenders and obtain the benefits of being part of mainstream banking.
- Financial education programs promote good will, visibility for the bank, and allow banks to contribute to the well-being of the area residents. We believe that such classes should not be limited to existing bank customers.

In this regard, we believe that financial literacy classes will improve the BDD program by enabling it to better meet the needs of the unbanked and the under-banked.

In addition, other ways to better meet these needs could include BDD banks offering or expanding services specifically needed by the low income, immigrant and non-English speaking populations in the city's under-banked areas, such as an affordable and easy-to-use system for remittances or an easy way to save or cash a check. While most banks offer low or no-fee checking and savings accounts, more effort should be taken to communicate the existence of such accounts and to promote their benefits, such as lower cost, safety and ease of use, especially in the native language of the potential customer.

In our materials, we illustrate the high cost of the alternative services but sometimes we see that people use the familiar rather than the most affordable or better service.

Thank you again for your invitation to give the Coalition an opportunity to voice our support of financial education in the BDD program.