

Written Testimony of the
**AMERICAN FINANCIAL SERVICE ASSOCIATION
EDUCATION FOUNDATION**

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To The
HOUSE FINANCIAL SERVICES COMMITTEE

For Its
Hearing on Financial Literacy and Education

The AFSA Education Foundation thanks the members of the House Financial Services Committee for their interest in financial literacy education. We understand that the purpose of today's hearing is to examine the effectiveness of governmental and private sector initiatives. With this in mind, we believe the committee will find that *MoneySKILL*®, the Foundation's online personal finance course for high school students, is an outstanding example of the private sector providing an exemplary curriculum on personal finance.

The AFSA Education Foundation is the financial literacy arm of the American Financial Services Association – the national trade association for the consumer credit and finance industry, that includes among its 350 member companies many mortgage lenders. The Foundation has been a leader in recognizing the need for personal finance education since the mid 1990s and is a founding member of the national Jump\$tart Coalition for Personal Financial Literacy. AFSA itself and the Education Foundation share a commitment to financial literacy education. Our education programs focus on empowering the individual to make sound financial decisions and avoid abusive or fraudulent loan situations.

At the Education Foundation, we run a number of programs targeting people of all ages and in all walks of life, focused on teaching the basics and complexities of personal finance. Among these, and in many ways chief among our programs, is *MoneySKILL* – the foundation's free online personal finance course aimed at the millions of high school students who graduate each year without an understanding of credit cards, budgeting, insurance or other money management fundamentals. Vital to this program are the steps we take to train teachers so that they can maximize its effect.

MoneySKILL was created initially and carried to its current level of dissemination in response to an identified need for financial literacy education reflected in the disturbing results of Jump\$tart's six nationwide surveys of high school seniors. These surveys showed that high school seniors nationwide scored slightly above 48 percent on a test of basic financial literacy skills – a failing grade. This research has established that our young adults do not possess the tools and knowledge of personal finances required to get started in life without financial mishap.

These results should be given some perspective – the teen market has immense buying power. In 2006 alone, teenagers spent over \$179 billion on products and services. The majority of this money – 58% – came from parents. *MoneySKILL* intends to ensure that this money is spent wisely.

The 34-module course covers the content areas of income, expenses, assets, liabilities and risk management. After each concept is presented, the student is challenged by a case, problem or question which allows him or her to demonstrate understanding. The student is told whether his or her answer is correct. To evaluate effectiveness of both content and method of presentation, students are given pre- and post-tests, and are evaluated by module test scores.

To our knowledge, *MoneySKILL* is the only financial literacy curriculum with a student life-simulation module that requires students to project their own life expectancies regarding jobs, neighborhoods, cars, education, marriage and children. The simulation allows students to incorporate the *MoneySKILL* personal finance concepts into their everyday lives and challenges them to make the concepts their own, providing them with skills that will last a lifetime.

MoneySKILL is designed to be used as all or part of a grade for courses in business, economics, math, social studies, or other courses where personal finances are taught. *MoneySKILL* can be assigned as homework, a project to be completed outside the class or during the class as a group. Students can access *MoneySKILL* from any computer that has an online connection and as many times a day as they want.

Early on, the Foundation determined that the best way to instruct teachers in the most effective use of *MoneySKILL* is through training sessions. These workshops familiarize teachers with the curriculum and the easy-to-use administrative Web site, including the registration pages for teachers, classes and students and an electronic grade book. When possible, these sessions are offered in computer labs so teachers can experience hands-on instruction and one-on-one guidance for using *MoneySKILL*.

Personal finance is a technical area, and not all schools have teaching staff qualified to teach the subject matter. In addition, teachers who wish to provide financial literacy education have historically lacked the necessary resources.. *MoneySKILL* aims to address these challenges while meeting the state academic content standards for personal financial literacy. We are experiencing the snowball effect from teachers who are quite excited, but desperate to find just such a resource for teaching personal finance concepts.

In 2007, the AFSA Education Foundation offered teacher training sessions in 25 states reaching more than 2,000 teachers. These workshops were coordinated with state Jump\$tart Coalitions for Personal Financial Literacy, regional and state Business Education Associations, the Wisconsin Office of Financial Literacy, the University at Buffalo and the National Academy of Finance which has a presence in 40 states and the

District of Columbia. This year's outreach to teachers will surpass that in 2007, with more states and workshops offered nationwide.

More than 5,600 teachers from all 50 states and more than 20 foreign countries have registered to use *MoneySKILL* to teach students personal finance concepts. After a recent revision in 2007, student enrollments have increased by more than 100% and teacher registrations have increased 63%.

In March 2008, the University at Buffalo School of Management hosted MoneySKILL Mania, a financial literacy competition for high school juniors and seniors in western New York. Fourteen high schools and more than 70 students participated in the event designed to increase awareness of *MoneySKILL* and to reward students and teachers who were already using the course.

As part of a concerted initiative to promote the inclusion of financial education in state standards and required courses, the Jump\$tart Coalition for Personal Financial Literacy and CitiFinancial's Office of Financial Education recently created an online map that serves as a state-by-state report card on financial education requirement located at www.jumpstart.org/state_legislation/index.cfm. Three states – Missouri, Utah, and Tennessee – require at least one semester course devoted to personal finance. Fifteen states – Idaho, Oklahoma, Louisiana, South Dakota, Texas, Illinois, Kansas, Ohio, New Hampshire, New York, West Virginia, Virginia, North Carolina, South Carolina and Georgia – require personal finance instruction be incorporated into other subject matter. The remaining states have no requirement, but financial education can be offered as an elective.

In Spring 2007, the National Council on Economic Education released a survey of the states on Economic, Personal Finance and Entrepreneurship Education. The results reveal that states haven't made enough progress on their commitment to offer or require personal finance and economic education in our nation's schools. Personal finance is now included, to at least some extent in the educational standards of 40 states; 28 states require these standards to be implemented. Unfortunately, only seven states require students to take a personal finance course as a high school graduation requirement and only nine states require the testing of student knowledge in personal finance.

There is really no excuse for this. Our goal is to make high quality, detailed personal finance education available immediately to students throughout the United States without any financial burden on the schools, teachers and students.

Much, much more must be done. We must start teaching personal finance concepts in the elementary grades. Much like reading and arithmetic, the basic concepts of a personal finance course will gain momentum and relevance as students' knowledge evolves.

The AFSA Education Foundation thanks this committee for its work to advance the cause of financial literacy education. Please be assured of our commitment to work with you to get this done. Together, we can strive to make sure that young, educated, informed adults enter the marketplace equipped to make sound financial decisions and avoid the pitfalls of over-indebtedness, home foreclosure and bankruptcy.