REMARKS
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Good morning. I am pleased to have been invited to address the National Association of Affordable Housing Lenders' Industry Conference. Special thanks to your President, Judy Kennedy, for extending the invitation.

There are any number of topics of mutual interest I could talk about today, but I want to talk about one that is not only of critical importance to both state and federal regulators, but to the American people as a whole.

I want to talk about financial education.

Abraham Lincoln, in his first public speech, called education "the most important subject which we, as a people, can be engaged in."

I couldn't agree more.

But I would add that, increasingly, financial education — particularly of those who are outside the financial mainstream — is one of the most important things which we, as Americans, can be engaged in today.

I don't need to tell you that.

You're engaged in the business, each and every day, of helping create and preserve communities across this country by promoting investment in affordable housing.

We all know that the best interests of the nation are served by assuring that as many people as possible not only achieve but sustain the American dream, like owning your own home.

But in order to reach the goal of a home or education or a small business, people have to understand how money works. They have to understand that if it is not working for them, it will often be working against them. And unless their money is working for them, it will be impossible to build assets and secure a piece of the American dream.

Currently, millions of Americans do not have a banking relationship with any traditional financial institution. These "unbanked" — estimated at anywhere from 10 to 13 percent of U.S. households — are primarily low to moderate income, minorities, and/or recent immigrants. There is also a deep divide along educational lines. Only 20 percent of all heads of household with less than a high school education use a traditional financial institution, regardless of race or ethnicity.

Of course, the existence of unbanked households is not new. What is new is agreement among the public and private sectors that improving their access to affordable and convenient financial services is good public policy.

Millions of our citizens use so-called "fringe banks." The costs of using their services and products are far in excess of the costs of traditional bank services and products. These alternative outlets continue to grow.

At the same time, homeownership is an important national priority, and the homeownership rates in traditionally underserved markets has been growing steadily and at an impressive rate, due in part to the efforts of organizations and institutions like yours.

And, the rates have been growing because of the wider availability of credit through "subprime" lending. That's good for America, and for Americans.

But lending has a "dark underbelly." That underbelly is predatory lending.

The troubling problem of predatory lenders — an abusive form of subprime lending — continues to be a hot topic of debate. And while the debate goes on year after year, these predatory lenders continue sucking the economic lifeblood from families who have finally been able to achieve homeownership through changes in housing finance; or they target elderly homeowners on fixed incomes who are "house rich and cash poor."

Two years ago, the FDIC held forums on predatory lending in seven locations nationwide. Those attending the meetings included bankers, community leaders, city and state officials, and local residents. Participants identified problems in their particular area and recommended solutions, which ranged from more legislation to better enforcement of existing regulations.

But there was one recommended solution that remained constant no matter where we went or who we talked to. That recommendation was consumer education — equipping the consumer to help himself.

It's clear to all of us that there is a problem: the problem of millions and millions of Americans without traditional banking relationships. The problem of people relying on so-called "fringe providers" at costs they can ill afford. The problem of abuse in lending practices targeting vulnerable segments of our population.

I think it is equally clear to all of us that consumer education can be an invaluable asset in addressing all these problems.

That is why the FDIC made the decision to develop a financial education product called Money Smart, which we introduced last summer.

I see Money Smart as a tool kit to help folks begin building a more secure financial future for themselves.

Financial education can be the building block to establishing banking relationships, opening a checking account, managing and saving money, owning a home, building wealth, and increasing assets.

There are scores of financial education curricula available today, but I am going to brag a bit here and tell you why I think Money Smart is uniquely designed to address the needs of low- and moderate-income people and bring them into a healthy banking relationship.

First, it was designed by educational experts to be easy to teach and easy to learn.

It's targeted to low- and moderate-income adults.

It's flexible; it can be taught in its entirety, or specific modules can be used to fill in the gaps in other financial education programs.

It carries the FDIC seal; we are the first government agency to offer a comprehensive instructor-based financial education curriculum.

Money Smart is not copyrighted. We want it to be reproduced and widely distributed.

It is designed to move adults into healthy banking relationships.

Banks can receive CRA credit for their involvement in offering Money Smart in their communities.

In addition to an English language version, a Spanish version will be available next month, and Korean and Chinese-language versions are currently being developed and tested.

Last but not least, the price is right: it's absolutely free to users.

As I said, there are many excellent financial education products available, but FDIC's Money Smart curriculum combines many pluses in one easy-to-use package.

But the product is only useful if it gets where it needs to go — into the communities that need it.

We rolled out Money Smart about 12 months ago. And to be perfectly honest, even though we knew we had a good product and there was a big need out there, we did not expect the kind of response we have gotten.

To date, we have provided more than 7,500 copies of Money Smart to communities across the nation. About 33% of these went to FDIC-insured financial institutions and credit unions. It was particularly gratifying to us that one-fifth of the Treasury Department's First Accounts grants announced last month were using the Money Smart curriculum.

We have also signed Memoranda of Understanding with a number of major organizations to deliver Money Smart to communities nationwide, including the Neighborhood Reinvestment Corporation, Operation Hope, the Office of the White House Initiative on Asian Americans and Pacific Islanders, the IRS, and the Mississippi Housing Initiative.

Because demand for Money Smart has been so great, as of this month we have gone to a CD/ROM version so that we can keep our costs as low as possible while increasing distribution.

And, since the immigrant population represents one portion of the market that has traditionally been underserved, we have moved to make the Money Smart curriculum available in translation to three of the fastest-growing immigrant populations in the United States: Spanish-speaking, Korean, and Chinese.

The immigrant population is a tremendous source of potential new customers for banks. For example, at present 60 percent of Latino and Hispanic immigrants are unbanked. Yet over $18 billion is wired annually by this population to Latin America, primarily through wire transfer companies.

And the ability of banks to now accept Individual Taxpayer Identification Numbers — or ITINs — issued by the IRS and, in many places, the Matricula card issued by Mexican consulates when opening new accounts, means that tapping into that market is much easier than it used to be.

Exito, the major Spanish-language paper in the U.S., reports that five major banks in California took in $50 million in deposits after using Matriculas and ITINs to open interest-bearing accounts. And a large bank opened 12,000 new accounts over a two-month period in California, thanks to Matriculas and ITINs.

Figures like that spell out "good business" to me as a former banker and "good policy" to me as a regulator.

And, since the Asian American and Pacific Islander population is increasing, percentage-wise, faster than any other group in the United States, we are expecting a good outcome from our Korean and Chinese-language translations of Money Smart as well.

Now, coming before the National Association of Affordable Housing Lenders and talking about the need for financial education among low- and moderate-income Americans is certainly preaching to the choir.

No one knows better than you do that such education is key to building assets and achieving long-held dreams. And it's perhaps the best way to attack the problem of predatory lending, since when people understand the financial system and their rights and responsibilities, they are less likely to be victimized by unscrupulous lenders.

That's why I wanted to tell you more about Money Smart and our latest outreach developments.

As I said earlier, Money Smart is only useful if it gets where it needs to go — into the communities where it can do the most good.

So today I want to announce the creation of the Money Smart Alliance Program. Building on our existing partnerships, the FDIC is setting an aggressive goal of establishing partnerships with 1,000 organizations and institutions, in all 50 states, to distribute 100,000 copies of Money Smart and expose one million consumers to our financial education program over the next 5 years.

I'd like to ask your help in getting Money Smart into the communities where it is most needed. Tell local community organizations about the Money Smart Alliance. Tell community colleges. Tell faith-based groups and churches. Let banks and credit unions know.

Working together, we can reach into the unbanked and underserved population in ways we never dreamed of before, to help build strong communities and to equip people to achieve and sustain the American dream. That's a vision we at the FDIC share with you.

Thank you very much.

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