

**IN THIS ISSUE**

Message from the Chairman

Crime Prevention Through Financial Education: How *Money Smart* Partners Are Working To Make Communities Safer

The FDIC Is Working To Turn Taxpayers into Smart Banking Customers

*Money Smart* Success Stories

*Money Smart*: Get Involved!

Partner News

## Message from the Chairman

The main goal of the FDIC's *Money Smart* education program is to help low- to moderate-income Americans, new immigrants and other adults outside the financial mainstream enhance their money management skills. We're very gratified by the results, especially in terms of the number of people taking a *Money Smart* class (more than 300,000 since 2001) and opening new bank accounts (about 40,000). And among the more rewarding and surprising aspects of our work is knowing that organizations not generally associated with banking are partnering with the FDIC to offer *Money Smart* to their constituents. In this issue of our newsletter we give you some of the latest examples.



Inside you'll read about law enforcement agencies, court systems, prisons and community development groups that are using *Money Smart* to help prevent crime and revitalize neighborhoods. How can a financial literacy curriculum perhaps improve the safety of our communities? First, by teaching people, including many young adults, that they can better their lives by saving money to own a home, a business or engage, not in crime, but in other productive endeavors. Second, *Money Smart* is being taught to prison inmates in hopes that they will be better prepared to return to and contribute to society.

You'll also find out in our newsletter how the FDIC and the IRS are working together to promote banking relationships and a *Money Smart* financial education among people eligible for the Earned Income Tax Credit, a special tax benefit for low- or moderate-income families.

The more the FDIC promotes *Money Smart* to the American people the more our staff appreciates the many different ways to help people achieve their dreams, whatever they may be. I want to express my thanks to our *Money Smart* partners for their resources, creativity and hard work in support of financial education. I also invite others who are not yet our partners -- including organizations from many different fields -- to consider joining with the FDIC in helping America's families and communities become safer and stronger

## Crime Prevention Through Financial Education: How *Money Smart* Partners Are Working To Make Communities Safer

Law enforcement and community development organizations increasingly are turning to financial education -- including the FDIC's *Money Smart* program -- as part of their broader strategies to help reduce crime and revitalize neighborhoods.

"Financial education is not only the key to helping people enter the financial mainstream and achieve their economic dreams, it also is one answer to the poverty and despair that lead some individuals to turn to crime," said Lee Bowman, the FDIC's Chief of Community Affairs. "The FDIC takes great pride in knowing that our *Money Smart* financial education program is helping to motivate at-risk individuals to improve the quality of life for themselves, their families and their communities."

Here's a look at how some public- and private-sector organizations, including the U.S. Department of Justice and the National Congress for Community Economic Development (NCCED), are using financial education and *Money Smart* to make neighborhoods safer and more economically viable.

**Early Intervention to Prevent Crime:** Last October, the NCCED, the national trade association for more than 3,600 community development corporations, joined the *Money Smart* program to encourage its affiliates to teach how to save money and become more self-sufficient. Crime prevention is a major goal of NCCED's financial education efforts, including helping people avoid being victimized by high-cost "predatory lenders."

And on March 25, 2005, the Justice Department's Community Capacity Development Office (CCDO) entered into a *Money Smart* partnership. CCDO oversees Justice's Operation Weed and Seed, which aims to "weed out" violent crime and "seed in" social services and neighborhood revitalization efforts in more than 300 high-crime neighborhoods. The CCDO will be providing *Money Smart* classes free of charge to low-income people and families.

Tom Stokes, the FDIC's Community Affairs Officer in Atlanta, noted that *Money Smart* and financial education can play a role in helping young people in particular steer away from crime. "It's the notion of early intervention -- of involving them in productive activities where they can learn to save money for education or job goals," he said. Stokes noted, for example, that the DeKalb County Juvenile Court in Atlanta area has started a program to teach *Money Smart* classes to at-risk youth there.

In another example, a New Mexico-based unit of Court Appointed Special Advocates (CASA), a nationwide, non-profit group that works with courts in matters involving abused and neglected children, has begun using *Money Smart* to teach money management to adults who, due to their financial troubles, may be inclined to turn their frustrations against their children. Several area banks are helping to fund the program.

**Helping Inmates Reenter Society:** Bowman said that about 650,000 prisoners were released in 2004, and recent reports from the Federal Bureau of Prisons (FBOP) suggest that many of them will be re-arrested within a few years, sometimes because inmates didn't receive the proper help or training before returning to society.

"When ex-offenders get out of prison they often have a hard time securing satisfactory employment and receiving basic financial services such as getting a loan or opening deposit accounts with financial institutions," Bowman explained. "Even their right to a driver's license is suspended. Educational and vocational training are keys to providing ex-offenders with some of the tools they will need to become productive citizens on the outside." He concluded that "ensuring successful re-entry means both safer communities and the improved use of tax dollars."

That's why the FDIC was pleased to announce last July an agreement with the FBOP, part of the U.S. Justice Department, to use *Money Smart* to provide financial education to an estimated 10,000 inmates. "Basic financial money management techniques are vital tools for all segments of our society and can be especially instrumental to an inmate's transition back into the community," said Donna Gambrell, FDIC Deputy Director for the FDIC's Division of Supervision and Consumer Protection.

In another example, Operation HOPE, a national organization that seeks to bring economic self-sufficiency to inner-city communities, joined with the Prisoners Aid Association (PAA), M&T Bank and other sponsors starting in April 2004 to provide *Money Smart* classes and financial counseling to PAA clients, both youths and adults, in the Washington and Baltimore areas.

## The FDIC Is Working To Turn Taxpayers into Smart Banking Customers

The Federal Deposit Insurance Corp. and the Internal Revenue Service are working with consumers who are eligible for the Earned Income Tax Credit (EITC) to foster banking relationships and provide them financial education.

The EITC is a special tax benefit approximately 22 million low-income families who make less than \$35,500 a year are eligible for. The IRS, through its 48 Voluntary Income Tax Assistance (VITA) sites around the country, offers free tax help to eligible wage earners and helps consumers obtain the tax credits to which they are entitled.

The FDIC, under an agreement announced in January, is working with these VITA sites and the 265 coalitions that assist them in the following areas:

- Identifying financial institutions that may be interested in working with these sites;
- Providing FDIC points of contact and information that can be passed along to taxpayers about the FDIC's computer-based *Money Smart* program, the self-paced education program available in English or Spanish at no cost.
- Notifying financial institutions about opportunities to work with taxpayers to open bank accounts at VITA locations.

Workers who qualify for the EITC and file a federal tax return can get back some or all of the federal income tax that was taken out of their pay during the year. They may also get extra cash back from the IRS. In 2004, IRS estimates show that about \$38 billion was paid to these taxpayers, which in turn flowed into their communities. But the IRS says millions more are eligible and do not claim the credit. The maximum EITC is \$4,300 for a family with two or more children.

The FDIC and its *Money Smart* partners last year hosted VITA sites that helped over 3,400 families file EITC claims totaling more than \$5.1 million, with an average return of about \$1,485 per family.

"Use of EITC refunds to establish or build savings in low-cost or no-cost bank accounts represents an excellent opportunity and important step to begin building financial security for many families in low-income communities," said FDIC Chairman Donald E. Powell. "Low-income workers may have difficulty saving part of their wages for long-range goals. EITC can make that more feasible for them."

"We are pleased to be working with the FDIC on this important area," said IRS Commissioner Mark W. Everson. "We want all people eligible to claim the EITC benefit to get it. People who want to get the full benefit of EITC should look into getting banking services, which allows direct deposit of refunds and avoids expensive convenience charges from check cashing or refund loans."

## Money Smart Success Stories

### From a Class to a Career

According to Tom Baldassari, Vice President and Compliance Officer of Cameron State Bank in Lake Charles, Louisiana, the FDIC's *Money Smart* program has changed at least one life long-term.

Baldassari told the story of a young woman in a *Money Smart* class that he had taught. The class was composed of students of all ages. There was one young lady who stood out from her classmates, asking lots of questions and demonstrating a real eagerness to learn. "After one class she came up to me, and we talked," Baldassari said. "I asked her why she was in the class. She told me that she was a high school drop-out who had recently moved back home. She was taking classes to earn her GED and saw our ads for the *Money Smart* program. She wanted to learn more about managing her money so she signed up for the course. She completed the six-week course, and I never expected to see her again."

But that's where the story gets really interesting: "I was in our main office recently," Baldassari continued. When I walked by the teller line, I heard a voice say, 'Hi, Mr. Tom.' Yes, sure enough, it was the same young woman, now working for our bank."

### Computer Classes Teach Financial Skills Too

Computer students in the Mendocino [California] Unified School District now learn financial life skills during classes with computer applications specialist Kathy Wylie.

Wylie's students master standard computer software by working on projects. To make these projects more real, Wylie decided to incorporate *Money Smart* materials into her lessons.

Before beginning a career as a vocational education teacher Wylie had managed a real estate brokerage. In that career she had seen prospective buyers who had little understanding of how to handle their money. Small financial mistakes prevented them from being able to buy a house, she said. Thus, when thinking about student computer projects she decided that she wanted to arm her students not just with computer skills but also with life skills that could protect them when facing common financial temptations.

A special Web site that Wylie built - <http://mhs.mcn.org/~moneysmart/> - exemplifies her approach to adapting *Money Smart* to her classes, which range from 9th- through 12th-grades.

Her students may be very sophisticated about using computers, but they are very unsophisticated about managing their money. Wylie says that "Teenagers can be jolted when they learn that a mortgage runs for 30 years, an unimaginable length of time for a 17-year-old." Many students are shocked when they discover how small mistakes can derail future plans. Wylie also encourages her students to talk with their parents about managing money.

The in-class reward is seeing her students experience an "aha" moment as they understand the need to protect their credit. Wylie said a longer-term reward is the students who come back from college and tell her, "I wished that I'd listened better. This stuff is really important!"

### Money Smart: Get Involved!

Any organization interested in financial education can use *Money Smart*. For information and instructions on how to obtain copies of the curriculum go to [www.fdic.gov/consumers/consumer/moneysmart/index.html](http://www.fdic.gov/consumers/consumer/moneysmart/index.html) or call 1-877-275-3342.

The *Money Smart* curriculum is comprised of 10 comprehensive instructor-led modules covering basic financial topics including an introduction to bank services, tips on obtaining credit and information on buying a home. It can be easily reproduced for wide dissemination and has no copyright restrictions. *Money Smart* is free to users. The version of *Money Smart* intended solely for classroom use is available on CD-ROM in English, Spanish, Chinese, Korean, and Vietnamese.

In addition, a new interactive version of *Money Smart* is available for computer-based instruction (CBI) in two formats: as a CD-ROM and on the FDIC's Web site. Unlike the previous version of *Money Smart*, the CBI program is designed for individual use. *Money Smart* CBI is available in English and Spanish. The FDIC also encourages partner organizations to help make *Money Smart* CBI available to people without access to computers or the Internet.

### Send Us Your Success Stories

We want to hear how *Money Smart* is making a difference. We're interested in hearing about your programs and procedures, tips and other information that *Money Smart* educators and partners might find useful. The best contributions may appear in a future issue of *Money Smart News*.

The FDIC also is asking for words of wisdom and other do's and don'ts regarding how to teach *Money Smart* students about **planning, saving and borrowing for home ownership**, especially a first purchase. Please submit those contributions by June 1, 2005. Submit your stories today!

### Partner News

The FDIC has distributed more than 189,000 copies (paper and CD-ROM versions) of *Money Smart* to financial institutions, community groups and agencies across the country. In addition, the FDIC has provided free training to approximately 8,700 instructors. More than 300,000 people have taken *Money Smart* classes and more than 40,000 new banking relationships have been established by *Money Smart* students.

The FDIC has also set up the *Money Smart* Alliance program for organizations that want to sign an agreement with the FDIC to promote *Money Smart* throughout their constituency. In many cases, these organizations have operations in a number of states or nationwide. Since the *Money Smart* Alliance Program was announced by Chairman Powell in June 2002, the number of Alliance Partners has grown to more than 900.

The U.S. Department of Justice became a new Alliance partner March 25. For more information about the FDIC's new partnership with the Justice Department's Community Capacity Development Office, go to the article on crime prevention in this issue of *Money Smart News*.

All our partners are helping us meet our shared goal of helping low- and moderate-income Americans become "*Money Smart*" so they can establish healthy banking relationships, begin building assets, and secure a better future for themselves and their families.

We want to hear from you! Please share your stories.