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**Message from the FDIC**



Two of the FDIC's major priorities under Chairman Sheila C. Bair are championing financial education and promoting "economic inclusion," which means helping low- and moderate-income consumers gain access to banks and other mainstream financial services providers. Even though these are two separate initiatives at the FDIC, both are aimed at giving more people the confidence and the tools they need to save, spend and borrow money wisely and, as a result, ensure a better future for themselves and their families.

This issue of our quarterly *Money Smart* News highlights some of the latest examples of the exciting work being done by the FDIC and our outside partners to achieve these goals.

In this edition, for example, you can learn about the results of a Gallup survey highlighting the positive effects of financial education on consumer behavior in areas such as personal savings, debt reduction, and comparison shopping for banking services. You can check out the FDIC's plans for expanding the *Money Smart* financial education curriculum into public schools. You can also get details on the new guidelines encouraging FDIC-supervised banks to offer affordable small-dollar, unsecured loans. And, finally, you can read examples of partners who are delivering *Money Smart* to unusual places so that those unable to attend classes at traditional venues can still benefit from financial education.

It is clear that the success of many consumer assistance and education programs at the FDIC depend on the support of financial institutions, nonprofit organizations, state and local government agencies and other partners. If you'd like to learn more, contact your [FDIC Regional Community Affairs Officer](#)

*Sandra L. Thompson*

**Director**

**FDIC Division of Supervision and Consumer Protection**

**Unprecedented Survey Shows Financial Education Can Positively Influence Consumers**

Findings from a Gallup survey of consumers who have taken the FDIC's *Money Smart* financial education program show that the training can positively influence how people manage their finances. The survey is the first to examine the impact of financial education on the behavior of a broad audience up to one year after completing the training. Among the reported changes in behavior six to 12 months after completing the *Money Smart* course: attendees were more likely to open deposit accounts, save money, and use and adhere to a budget than they were before the course. ([Read more.](#))

**Federal Regulators Issue Guidance for Lenders on Subprime Mortgages**

On June 29, 2007, the FDIC and other federal financial regulatory agencies issued guidance for lenders that addresses issues relating to certain adjustable-rate mortgage (ARM) products that can cause payment shock. The guidance addresses concerns that many subprime borrowers may not fully understand the risks and consequences of obtaining these products. The statement establishes consumer protection standards that include providing consumers clear and balanced product disclosures and guidelines on prepayment penalties. ([Read more.](#))

## **FDIC Chairman Testifies on Financial Education, Notes Expanded Role for the Agency in Schools**

In testimony on April 30 before a subcommittee of the Senate Committee on Homeland Security and Governmental Affairs, FDIC Chairman Bair described the agency's programs aimed at improving financial literacy, including efforts to expand the use of the *Money Smart* curriculum in public schools, and technical assistance in establishing student-run bank branches in high schools. ([Read more.](#)) The FDIC also reminds readers that the Winter 2005 issue of *Money Smart* News included accomplishments, anecdotes, suggested do's and don'ts, and other practical information from educators, including bankers, who have been using the FDIC curriculum with youth. ([Read more.](#))

## **New FDIC Initiative to Build Coalitions Helping the Unbanked and Underserved**

The Alliance for Economic Inclusion is a new program to establish broad-based coalitions in nine markets to bring unbanked and underserved populations into the financial mainstream. The focus will be on expanding basic retail financial services, including savings accounts, affordable remittance products, and small-dollar loan programs. Financial education is expected to play a critical role in the coalitions. ([Read more.](#)) For insights from FDIC Chairman Bair on the importance of economic inclusion, [read her speech in Los Angeles on April 19.](#)

## **FDIC Acts to Promote Affordable Small-Dollar Loans**

On June 19, 2007, the FDIC took two actions intended to promote affordable small-dollar loans. The FDIC issued guidelines to FDIC-supervised banks encouraging them to offer affordable small-dollar loan products and to promote these services to their customers. The guidelines include a discussion of tools, such as financial education and savings, that can help consumers reduce their need for short-term credit products and find alternatives to high-cost debt products such as payday loans. The FDIC encourages institutions to consider opportunities for offering innovative, reasonably priced products that meet the considerable need for affordable small-dollar loans. ([Read more.](#)) In addition, the FDIC Board approved a two-year pilot project to assist bankers in identifying best practices for offering affordable small-dollar loans. ([Read more.](#))

## **Interactive Calculators Added to Federal Financial Education Web Site**

MyMoney.gov, the government's one-stop source for federal financial education resources, has been updated to include interactive calculators that can help people save for retirement, prepare for college expenses, buy a home, and determine the current value of their U.S. Savings Bonds. The Web site is a service of the U.S. Financial Literacy and Education Commission, of which the FDIC is a member. ([Read more.](#))

## **Special Delivery: How *Money Smart* Partners Are Bringing Financial Education to Unusual Venues**

In the latest installment of our *Money Smart* "Success Stories," we feature examples of partners bringing financial education classes to unusual venues – at a prison in Hawaii and to the driveways of low-income neighborhoods in Texas where there may be no adequate space nearby. ([Read these success stories.](#))

## **Latest *FDIC Consumer News* Highlights High-Tech Banking, Handling Mortgage Payment Challenges, and Avoiding Investment Scams**

The Spring 2007 issue of *FDIC Consumer News* looks at new ways to conduct daily financial transactions using high-tech cards and cell phones. Other topics include advice for adjustable-rate mortgage (ARM) borrowers that may help them avoid losing their home if they are unable to make monthly payments when the interest rate goes up, and tips for avoiding inappropriate or fraudulent investments. The FDIC encourages financial institutions, financial educators and other interested parties to make the information in *FDIC Consumer News* widely available, including reprinting or linking to the material and making copies with their name, logo, a special message and/or self-mailing information. Financial educators also are reminded that *FDIC Consumer News* is a resource for useful information on topics for consumers. Current and back issues are online. Educators and their students also can sign up for a free subscription. ([See the latest newsletter and subscription information.](#))

## Reminders

### Send Us Your Success Stories

The FDIC wants to hear how *Money Smart* is making a difference. We're interested in finding out 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. [See our previously published success stories](#). [Submit your stories](#) today!

### Keep Up With Money Smart News

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### For More Help or Information

If you need additional assistance, [contact your regional Community Affairs Officer](#); or if you would like additional information on the *Money Smart* program, visit our [overview](#).

### Past Issues

See other issues of the quarterly [Money Smart News](#) dating back to 2003.