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Brief Remarks
Financial Literacy Summit
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Thank you for the opportunity to address you today on behalf of the NFCC and its Members. I think we all know why we're here--Americans do not know enough about how to manage money or handle credit. The meltdown of the housing market, especially the subprime market, has made this fact crystal clear. Mortgage defaults and foreclosures are at their highest levels in decades--possibly since the Depression. Credit card debt and delinquencies are growing. Student loans are now in the news and the stories are troubling.

I believe this situation is very concerning to all of us and represents a "teachable moment" for all Americans, but especially for Generation Y as our country works through the real and painful consequences of financial illiteracy.

This is EXACTLY the right time to be talking about the need to manage money and better understand the benefits and risks of credit. Used properly, credit drives national prosperity and can enable Americans of every income level to improve their quality of life. But, mistakes with credit have consequences.

So how do we get the right tools into the hands of this next generation and arm them with what they need. How do we ensure that they are informed? How do we encourage responsible behavior?

By the time students start college, most are already familiar with credit and debt. According to a recent study by U.S. PIRG (the federation of state Public Interest Research Groups), freshmen who pay their own credit card bills have an average balance of \$1,300 and those balances grow with each college year. Seniors report balances of more than \$2,600. In addition, more than half reported that they used their credit cards for “day-to-day expenses;” one in four students reported that they had paid at least one late fee; and most concerning, one in four students used their cards to pay for college tuition. And, about two-thirds of college students need loans to get through college.

You get my drift. This is clearly a time when Generation Y must learn the responsible use of credit and the ramifications of short and long term debt. Further, these students will enter the workforce and have other needs. They will eventually buy homes. Financial education and responsible money management starts here.

Recent studies have shown that Americans of all ages fall short on money management, but that younger Americans have the most to learn. The NFCC, in conjunction with MSN Money, will release the findings

of its 2008 National Financial Literacy Survey on Capitol Hill next week, and the findings suggest both the prospect of future problems for young Americans and that they lag behind older Americans on just about every indicator of financial management.

The NFCC-MSN Money survey also shows:

- Only slightly one-third in the 18-29 age group follow a budget and keep close track of their spending. By comparison, nearly half of those who are 50 years or older closely watch their money.
- Only 59 percent of young Americans pay their bills on time every month, compared to 75 percent of those ages 50-64 and 86 percent for those ages 65 or older.
- And, it should alarm us that young Americans are incurring the same non-mortgage debt levels as their parents and grandparents. Nearly a quarter of those under 30 report non-mortgage debt of \$2,000 or more, a debt level that just about matches that of workers between the ages of 30 and 64. If left unchecked, what kind of debt burden will they carry in the future, and what does this tell us about the financial future of Generation Y?

All of this data highlights the importance of today's discussion and supports the work being considered today about how to reach Generation Y with solutions.

What is troubling is that our young Americans have their priorities backwards (as do many Americans, today, by the way). Different from prior generations, we are learning today how to “pay interest”--which is at all time highs for unsecured debt--rather than “earn interest.” Our culture tells us to buy now, and figure out how to deal with the costs for goods and services later, rather than to save in order to purchase what we need or have dreamed about.

So what can we do?

We must consider the college experience as a time to provide financial education...

Why not make financial literacy a part of campus life and a core part of orientation and a requirement for graduation?

For example, the NFCC recently developed, and many NFCC Member Agencies are implementing, a “College Credit for Life” program that includes a video and education package designed specifically for college students. This program has been incredibly successful and well-received on college campuses across the country.

And why not require a passing score in “Financial Literacy 101” as a part of the college education?

In addition, we need to find ways to assist college students and all consumers to measure their core financial knowledge through self-diagnostic tools. For example, the NFCC has recently reached thousands of concerned consumers with its “Mortgage Reality CheckSM,” that we developed last year. This easy-to-use tool is a short quiz designed to help determine a consumer’s current and future levels of risk of foreclosure while providing suggested next steps to prevent a crisis. It has provided us with great insight into what consumers are facing during this current housing crisis. The NFCC, through the work of its Outcomes Task Force, is also using this self-diagnostic tool concept in the development of a general financial literacy measurement tool called the “Financial IQ.” This tool will be both easy to take and accessible online, providing a great way to measure financial literacy among not only college students, but all consumers. Combined with the annual findings from our consumer financial literacy survey conducted by Princeton Survey Research Associates (and referenced earlier), results from this consumer “IQ” tool will provide us with valuable information to help identify targeted consumer financial literacy deficiencies and address them through targeted solutions.

Why not reinforce these messages at the time of employment and include information and testing in employee orientation sessions?

We all need to do more to get students' attention by offering incentives. We need to be just as creative in teaching financial literacy as credit marketers are in pitching their products. And what about incentives from lenders? With a certificate of completion of a financial literacy course, why not provide an interest rate reduction?

What we are talking about is knowledge, attitudes, and an environment that encourages financial responsibility. Let us ask our institutions to incent and support financial education programs that will ultimately result in financially healthier consumers.

Financially responsible and empowered individuals and families have to be the future that we aspire to.

Thank you.