American Bankers Association
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By electronic delivery to:
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The Honorable J. Michael Mulvaney
Acting Director
Bureau of Consumer Financial Protection
1700 G Street, N.W.
Washington, D.C. 20552

Re: Request for Information Regarding Bureau Financial Education Programs; Docket No. CFPB-2018-0015

Dear Acting Director Mulvaney:

The American Bankers Association (ABA)[1] appreciates the opportunity to comment on the Bureau of Consumer Financial Protection's (Bureau or BCFP) Request for Information Regarding Bureau Financial Education Programs (RFI).[2] This RFI, the eleventh in a series of twelve "calls for evidence," seeks feedback from interested parties to inform the Bureau's review of its statutory mandate regarding consumer financial education programs. The RFI also requests input on the "efficiency and effectiveness of the Bureau's financial education programs[.]"[3]

ABA's approach throughout the Request for Information process has been and will be to provide constructive feedback to the Bureau to enhance the effectiveness and value of its programs to consumers of financial services. With regard to financial education, our hope is that the Bureau will fully embrace its statutory responsibility for "developing and implementing initiatives to educate and empower consumers to make better informed financial decisions,"[4] recognizing the unique role it should play in promoting the provision of financial education to all Americans.

Financial education promotes participation in the financial services marketplace, empowering consumers to make informed decisions and encouraging a strong, innovative, and competitive marketplace. ABA believes that Bureau resources devoted to consumer financial education will lead to better outcomes for individual consumers, promote inclusion in the banking system, and strengthen the resiliency of local communities and the U.S. economy. The Bureau's work in this area should focus on encouraging a variety of meaningful choices for consumers via financial education, so consumers can choose the products and services that best meet their individual needs.

[1] The American Bankers Association is the voice of the nation's $17 trillion banking industry, which is composed of small, regional, and large banks that together employ more than 2 million people, safeguard $13 trillion in deposits, and extend nearly $10 trillion in loans.
[2] 83 Fed. Reg. 15,131 (Apr. 9, 2018).
[3] 83 Fed. Reg. 15,132.
[4] 12 U.S.C. § 5493(d)(2) (2012).

I. Financial education is essential to a functional consumer financial marketplace

Financial education plays a critical role in a vibrant consumer marketplace. It enables consumers to set financial goals, navigate choices and evaluate options to achieve those goals in an increasingly complex and rapidly evolving economy. A growing body of research has found that financial education has a significant impact on financial well-being,[5] and that a financial-knowledge gap can also have significant impact on personal wealth.[6]

While it is difficult to define, much less assess, the effectiveness of any particular financial education program, there is little question of the value found in a variety of financial education resources made widely available to consumers. When customized appropriately, financial education has been proven to have a meaningful impact on financial behavior,[7] directly impacting consumers' ability to understand the variety of products available. That understanding enables consumers to avoid fraudulent products and scams, and it allows them to choose legitimate financial products that best align with their individual financial goals and needs.

ABA has long been committed to financial education and literacy, witnessed in part by our support for individual banks' initiatives and the work of the ABA Foundation. The ABA Foundation is a 501(c)(3) corporation established to help bankers improve their local communities in a variety of efforts, including building financial literacy. Since 1997, ABA's Teach Children to Save program[8] and other ABA Foundation financial education initiatives have reached millions of children through nearly 313,000 banker presentations.[9] ABA also recognizes the efforts of individual bankers to promote financial education and literacy. Every year, the ABA Foundation, with its Community Commitment awards, encourages financial education initiative by honoring individual bankers who advance the cause of financial literacy. In recent years, ABA has publicly recognized over 50 bankers for their commitment to financial education in their local communities.[10]

II. The Bureau has a unique mission in financial education

Recognizing the importance of financial education to the functioning of retail markets, Congress clearly defined a role for the Bureau in promoting financial education. Congress delineated "conducting financial education programs" as one of the BCFP's primary functions,[11] and it

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[5] Fin. Literacy & Educ. Comm'n, Promoting Financial Success in the United States 1, 7 (2016), https://www.treasury.gov/resource-center/financial-education/Documents/National%20Strategy%20for%20Financial%20Literacy%202016%20Update.pdf [hereafter *FLEC 2016 Report*].

[6] *Three Questions with Implications for Your Financial Future*, Knowledge@Wharton, Feb. 11, 2015, http://knowledge.wharton.upenn.edu/article/three-questions-major-implications-financial-well/.

[7] *FLEC 2016 Report page*, *supra* note 5.

[8] ABA Foundation, Teach Children to Save Day, https://www.aba.com/Engagement/Pages/teach-children-save-day.aspx (last visited July 2, 2018).

[9] Press Release, Bankers Celebrate 21st Annual Teach Children to Save on April 20 (Apr. 17, 2018) (available at: https://www.aba.com/Press/Pages/041718TCTS2018.aspx).

[10] ABA Foundation Community Commitment Awards, https://www.aba.com/Engagement/Pages/CommunityCommitmentAwards.aspx (last visited July 2, 2018).

[11] 12 U.S.C. § 5511(c)(1) (2012).

directed the establishment of an Office of Financial Education to "develop and implement a strategy to improve the financial literacy of consumers that includes measurable goals and objectives[.]"[12] The Dodd-Frank Act also states that the Bureau's strategy to improve financial literacy should be coordinated with the Financial Literacy and Education Commission (FLEC), a Congressionally-created interagency body intended to coordinate the previously fragmented strategies of various federal agencies in financial education.[13]

When the BCFP was created in 2010, Congress amended the structure of the FLEC to add the Bureau's Director as Vice Chair. In this role, the Bureau should take on more responsibility to provide top-level coordination of financial literacy advocacy efforts, including helping to identify goals for financial education and benchmarking financial education from early childhood through adulthood. The BCFP, in its role on the FLEC, could take on the task of supporting and elevating initiatives such as Project Groundswell,[14] which aims for a 25% increase in the number of U.S. elementary, middle, and high school students receiving classroom-based financial education by 2025. BCFP leadership in this area could also include advocacy for Community Reinvestment Act reforms that recognize and promote financial education work by financial institutions.

As noted above, the Dodd-Frank Act directs the Bureau to "develop and implement a strategy to improve the financial literacy of consumers that includes measurable goals and objectives."[15] In furtherance of this mandate, we recommend that the Bureau focus on financial education research, including conducting, supporting, and sharing research, surveys, demonstrations, program evaluations, and successful practices for financial education, financial stability, and wealth building. By focusing on research, the Bureau would support, but not supplant, the work of non-profit and private sector organizations engaged in financial education. Indeed, we believe that it is important for the Bureau to recognize and encourage successful private sector financial education programs. In addition, the Bureau should leverage its research capacity to provide reliable and objective data and analysis on financial education, which should inform the FLEC's cross-agency policy deliberations on financial education.

To promote the Bureau's overall goals in financial literacy, Congress created several Bureau offices to address demographic groups with special needs for financial literacy, including U.S. military service members, students, and older Americans.[16] The Bureau should strengthen its coordination and collaboration with industry experts and other workers engaged with these specific demographic groups. We recommend that the Bureau consult externally as appropriate to develop its strategies and initiatives designed to address the financial literacy needs of these groups, as well as consumers in general. For example, the Bureau's recent guidebooks on fiduciary duties, developed in consultation with the American Bar Association, are an example

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[12] *Id.* § 5493(d)(2).
[13] U.S. Gov't Accountability Office, The Federal Government's Role in Empowering Americans to make Sound Financial Choices 1, 4 (Apr. 12, 2011), https://www.gao.gov/assets/130/125996.pdf.
[14] Jump$tart Coalition Launching Program to Increase Financial Education in Schools by 25 Percent by 2025 (Apr. 13, 2018), https://www.jumpstart.org/groundswell/.
[15] 12 U.S.C. § 5493(d)(2).
[16] *Id.* §§ 5493(e)-(g).

of the strong work that arises when the Bureau collaborates with outside parties. We hope to see further collaborations with private sector experts as the Bureau continues to expand its work in financial education.

III. The Bureau has current opportunities to promote better financial education

We believe that there are a number of topics on which the Bureau should advance more information to educate consumers, as well as information on how to identify current frauds and scams. These include how to (1) use and navigate arbitration proceedings effectively, (2) evaluate the use of federally-backed PLUS and Parent PLUS loans to finance a college or graduate degree, (3) evaluate the risks presented by data aggregation services, and (4) avoid becoming a victim of online schemes to steal personal information. We offer a few as examples.

a. Arbitration

Arbitration is a faster, cheaper, and more effective dispute resolution process available to many bank customers, as ABA noted in its August 2016 comment on the Bureau's proposed rule to ban class action waivers as part of an arbitration clause.[17] Arbitration benefits consumers, through faster resolution of disputes (months versus years), lower costs, and higher average recoveries. In addition, it is a more accessible venue that, unlike court proceedings, can be made available on a remote access basis after normal business hours. Congress' vote to disapprove the Bureau's arbitration rule embraces these facts.

To the extent that there are concerns that consumers may not adequately understand or use their arbitration rights,[18] the Bureau has the power to improve consumer awareness. Accordingly, we urge the Bureau to add arbitration to the subjects on which it provides useful information to consumers.[19] Doing so would empower consumers by helping them understand and act on their arbitration rights, including whether to choose a financial product with an arbitration provision or to exercise the right to opt out of arbitration. This is a practical field of consumer financial education that the Bureau is well-positioned to address.

b. Parent, PLUS loans

PLUS loans,[20] offered by the Department of Education, are federal loans that graduate or professional students and parents of dependent undergraduate students can use to help pay for college or graduate school. PLUS loans can pay for education expenses not covered by other

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[17] Nessa Feddis, ABA, Steven I Zeisel, Consumer Bankers Ass'n, & K. Richard Foster, Fin. Servs. Roundtable, *Comments on the Bureau's Proposed Arbitration Rule* (Aug. 22, 2016), https://www.aba.com/Advocacy/commentletters/Documents/joint-trades-arbitration-comment-letter.pdf#_ga=2.267594888.722343394.1528384578-1871283439.1509557076.

[18] Bureau of Consumer Fin. Protection, Arbitration Study, Reports to Congress, pursuant to Dodd-Frank Wall Street Reform and Consumer Protection Act § 1028(a) 1, 28 (Mar. 2015) (noting difference in reading level required to comprehend contractual arbitration clauses), https://files.consumerfinance.gov/f/201503_cfpb_arbitration-study-report-to-congress-2015.pdf.

[19] *See generally* Consumer Tools, https://www.consumerfinance.gov/ (last visited July 2, 2018); Ask CFPB, https://www.consumerfinance.gov/ask-cfpb/ (last visited July 2, 2018).

[20] The original, now obsolete, acronym stood for "Parent Loan for Undergraduate Students."

financial aid, with almost no limits on the amount that can be borrowed. While this can be a valuable tool for parents and students facing skyrocketing education costs, many would-be borrowers are unaware of the risks associated with PLUS loans, including the potential that they may lack the means to repay. Because PLUS loans are not subject to the same underwriting standards as private loans, borrowers typically are able to borrow more via PLUS than they could in the private loan market. PLUS loan borrowers, however, may assume that their ability to repay has been factored into the loan's approval and unwittingly borrow beyond their means. While originally intended to allow students to attend their "dream" school that might otherwise be out of financial reach, PLUS loans and their terms can be difficult to understand, especially for "first-in-family" students and their parents. The BCFP should offer more information about PLUS loans to help potential borrowers, including parents, understand these risks.

c. Financial data aggregators

Many consumers turn to financial aggregators to help manage their overall finances. While these services may offer convenience, control over, and insight into finances, their use comes with several tradeoffs that many consumers do not understand. As discussed in ABA's February 2017 comment letter regarding consumer access to financial records,[21] data aggregators are not subject to the same security and privacy requirements as are banks. In addition, consumers often do not know and cannot control the data aggregators' capture and use of those data. Consumers are also largely unaware of the potential risks involved with sharing their login and access credentials with data aggregator services, including their potential liability for unauthorized transactions.

In addition to addressing these issues by regulation and supervision, the Bureau should develop and disseminate educational materials so that consumers better understand how their data are used and stored, any choices they may have in that usage and storage, related security and privacy risks, and potential liability for unauthorized transactions.

d. Safeguarding personal information

As more and more financial activity takes place on the internet, consumers should be educated about the importance of safeguarding their personal information. Many banks and other financial institutions use knowledge-based authentication to reset forgotten passwords or otherwise verify identity. However, social media and online sharing have created opportunities for identity thieves and criminals to trick users into sharing key sensitive information. Many consumers know to avoid sharing their social security number online but can be deceived into sharing other critical information. Quizzes posted on Facebook, Instagram, and other social media platforms will ask users to share the name of their first pet or to generate a fun nickname by combining, for example, a favorite color with their childhood street address. Seemingly innocuous, these quizzes can trick users into disclosing answers to commonly used knowledge-based authentication questions. The Bureau should inform users of these schemes as they proliferate on the web.

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[21] Rob Morgan, ABA, *Response to Request for Information Regarding Consumer Access to Financial Records* (Feb. 21, 2017), https://www.aba.com/Advocacy/commentletters/Documents/ABA-Comment-CFPB-Data-Aggregators.pdf.

IV. Conclusion

ABA appreciates your leadership in examining the Bureau's financial education programs, with an eye to the importance of financial education to the functioning of a robust consumer economy. ABA supports the Bureau's work in this area and encourages the Bureau to broaden the scope of financial education it provides and promotes, as outlined in the letter.

If you have any questions about these comments or would like additional information, please contact Diana Banks (202-663-5338, dbanks@aba.com). Thanks for your attention to this important topic.

Sincerely,

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