

Testimony of Cathy Pace
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Before the
United States Senate
Committee on Health, Education, Labor and Pensions
Subcommittee on Children and Families
Hearing on
The Economic Importance of Financial Literacy Education for Students
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Chairman Hagan, Ranking Member Enzi, Members of the Subcommittee:

Thank you for the invitation to testify in front of the Subcommittee today regarding the importance of financial literacy education for students. I appreciate you taking the time to hear my testimony. My name is Cathy Pace, and I am President of the Credit Union division at Allegacy Federal Credit Union. Founded in Winston-Salem in 1967, Allegacy has grown to become one of the largest credit unions in North Carolina with over \$1 billion in assets and nearly 120,000 members.

In a struggling economy the need for financial literacy is emphasized as millions in our state and across the country struggle to make ends meet. Recent statistics state that half of all Americans are living “paycheck to paycheck” and 40% of Americans say that they live beyond their means. Fewer and fewer American youth are entering adulthood having “learned the value of a dollar.” This age old saying is falling on deaf ears, because we as parents, educators, and financial stewards are allowing it to happen.

Federal Reserve Chairman Bernanke has said “Consumers who can make informed decisions about financial products and services not only serve their own best interests, but, collectively, they also help promote broader economic stability.” Financial education “can play a key role” in promoting financial planning such as budgeting and saving for emergencies and retirement, which will help households live better and be better positioned to handle financial shocks according to Chairman Bernanke. And, in coordination with parents and educators, financial

institutions can play a vital role toward increasing the financial literacy rate of America's youth and young adults.

For credit unions, financial literacy is part of our key mission. Credit unions were established to promote thrift and provide access to credit for provident purposes. As member-owned financial cooperatives, it is in the interest of credit unions and their memberships to have members that are financially literate; therefore, across the country, credit unions engage in a wide variety of efforts aimed at ensuring that members of all ages have access to resources that help them make smarter financial choices. North Carolina credit unions demonstrate their commitment to financial literacy by providing financial counseling and education to more than 500,000 North Carolinians every year. At Allegacy, our professionals are playing a lead role in addressing this problem.

The importance of financial literacy education early on in a young person's life cannot be overstated. According to Hartford Financial Services Group, less than 24% of students and only 20% of parents say students are prepared to deal with the financial challenges that await them in the real world. 76% of students report that they wish they had more help preparing for their personal finances.

In an effort to combat these grim statistics, Allegacy has partnered with the Winston-Salem/Forsyth County School District and established the Allegacy Student Run Credit Union (SRCU) Program. The purpose of the program is to provide students with the real world experience of handling their own finances and the necessary skills for financial responsibility. Allegacy's first SRCU opened in August 2008 at Reagan High School-Raider Student Credit Union, with the distinction of being the first SRCU at the high school level in the state of North Carolina. Allegacy currently operates student-run branches in seven high schools across the school district with 1,354 members. Allegacy intends to continue expanding this successful model to neighboring counties.

The student-run branches are open three days a week during lunch for students, parents, and faculty to open new accounts, make deposits, withdrawals and transfers. Students can access their accounts if they need money for lunch or to deposit their paycheck if they have a part-time job. Teachers and staff can take care of basic transactions without leaving their place of employment. The student-

run branches allow everyone to enjoy the benefits and convenience of conducting their banking needs right on campus and offer a unique way for students to learn the responsibilities of handling cash, confidentiality, professionalism, computer skills and marketing.

The students staffing the branches receive classroom education as required by the North Carolina Public Schools' Business Advanced Studies Program and are trained and supervised by professional staff. The students are also required to attend a three day training session at Allegacy in order to prepare them for the roles of Customer Service Associate (CSA) and Member Services Representative (MSR). These students participate in the traditional audit process of a full service, free standing credit union location. They also build and execute marketing and business plans to grow their location's membership base and transaction activity. In addition to developing valuable life skills, students receive community service credit as well as high school class credit for their participation.

In continuation of our efforts on early financial literacy education for students and the broader population at large, Allegacy recently established the Center for Smart Financial Choices to be a trusted, reliable, impartial source of financial information and training. The creation of the Center adds a new dimension to financial education, by focusing its curriculum on a broad range of courses that will offer something for every age or life stage.

The Center's unique and creative model will use a variety of tools to accommodate different learning styles. Financial Wellness Guides will assist students through the use of technology, individual and group instruction, visual aids and hands on activities. All courses will offer a periodic review and adjustment component to ensure the application of the students' knowledge. Instruction will be provided after traditional work hours, at varying times of the day for shift workers and will include Saturday classes.

The Center's volunteer staff is comprised of over 85% Allegacy employees who provide expertise and curriculum content as well as teach the many courses made available to the public. For example, the partnership with Winston-Salem/Forsyth County Schools Exceptional Children's Division created a comprehensive educational class on banking and making personal financial choices

that was held on May 16, 2012 with 12 students with developmental disabilities. The Center was also asked by ED-CORE 21st Century Leaders and Scholars Program to design a financial education program that would be unique, creative and engage youth. As a result, a class titled “Surviving in the world of debit and credit” was created for approximately 30 economically disadvantaged youth ages 9-14 in July 2012.

In August 2012, the Center began its partnership with the Winston-Salem/Forsyth County Schools District to serve as an educational outreach resource in providing real world application of financial education following standards set out by North Carolina. Beginning as early as 4th and 5th grade, the Center educates students in order to understand scarcity and choice in a market economy, as well as the importance of developing a personal budget for spending and saving. When students reach the junior high level, they learn the economic activities of modern societies and regions, and later, the economic activities of North Carolina and the United States. After these students have acquired this vital information in their earlier years, they are then challenged to analyze the concepts and factors that enable individuals to make informed financial decisions for effective resource planning.

More recently, the Center has engaged in various initiatives aimed at enhancing financial literacy among all age groups. The Center conducted a workshop for 30 young people ages 16-21 from the Northwest Piedmont Workforce Investment Act Elink Youth Program titled “It’s Your Money,” to learn about the importance of saving money and how to get and keep good credit. The Center has presented to students on the basics of banking transactions and has led financial education field trips in order to learn the differences between credit unions and banks. In addition, the Center has assisted in the organization of the Youth Financial Planners Council with 12 teens who are creating a class for other teens to cover the topics of budgeting, saving, spending and credit. The Center has partnered with an after school club for girls in grades 3-5 for students to learn how “money doesn’t grow on trees.” The Center has even held family events for parents and children ages 5-7 to learn about spending, saving, and sharing.

As you can see, our efforts extend to all age ranges, in order to ensure our youth have the resources necessary to succeed when they reach adulthood. These

examples are only a promising start to what Allegacy views as a long lasting relationship between existing and future members of the credit union movement.

In closing, I would note that while we are very proud of the efforts we are making in our community to encourage financial literacy, credit unions across the country are engaging in similar efforts. The National Credit Union Foundation supports and helps coordinate the financial literacy efforts of the credit union system, cementing these efforts as a key part of the credit union philosophy of “people helping people.”

Chairwoman Hagan, Ranking Member Enzi, and Members of the Subcommittee, I would like to again thank you for inviting me here today for the opportunity to testify on the importance of financial literacy education. I appreciate your consideration on these matters and for recognizing that financial literacy is best applied early on in a young person’s life. I look forward to progress being made on this very important component of our next generation’s financial wellbeing. I am happy to answer any questions you may have.