

How Bankers Provide Financial Education in Texas

Benchmark Research Project
2009 Final Report
Third Year Results in a Five Year Project

A Collaborative Study of Banks in Texas

Cosponsored by:
Texas Department of Banking
Independent Bankers Association of Texas (IBAT) Education Foundation
Texas Bankers Foundation

Introduction:

This study is a third step in a five year process to assess the specific outreach and activity by Texas bankers in the area of financial literacy.

Financial education is an important life skill for all Texans. It is an important skill that impacts banks and the way consumers use the financial system. Financially educated individuals are more likely to use financial services responsibly; they in turn, make it possible to build and maintain stable communities, states, and nations.

To map improvement over time, we set a benchmark in 2007 and are measuring change each year (2007, 2008, and 2009) against that first survey. The purpose of this ongoing study is multi-pronged:

1. To measure process improvement year to year;
2. To be aware of the financial education programs being offered in Texas;
3. To measure comparative progress.

Working in concert, the Texas Department of Banking, the IBAT Education Foundation, and the Texas Bankers Foundation have together encouraged all bankers to lead the charge to build financially literate communities across Texas.

Profile of the Surveyed Banks

Six hundred banks with locations in Texas received the benchmark financial literacy survey in 2009. One hundred fifty four responded, a response rate of 26 percent. The majority of responding banks are rural banks or banks with assets of 250 million or less.

Assets Size Among Respondents

	2007	2008	2009
Small Bank (assets under \$250mil)	75%	70%	60.5%
Intermediate Bank (\$250mil to 1bil)	18%	21%	29%
Large Bank (1bil and up)	7%	9%	10.5%

Bank Location

	2007	2008	2009
Rural	52%	49%	52%
Suburban	29%	26%	27%
Urban	19%	25%	21%

Most responding banks have between two and five branch locations. One quarter have only one location. Approximately 19 percent have between six and ten locations, and a similar percentage has between 10 and over 100 branches.

Most of the respondents are community banks. Therefore, the survey results are particularly helpful in understanding the unique needs and financial education activities of Texas-based banks.

How Many Texas Banks Offer Financial Education?

Sixty percent of the responding banks currently have an active financial education outreach in their communities. Twenty nine percent are interested in offering a financial education program and only 10% have no interest.

A deeper look at the different bank characteristics highlights noticeable differences in financial education offerings based on asset size. Among banks located in rural, urban and suburban areas, approximately half in each category offer financial education. However, when asset size is taken into account, 92 percent of the largest banks offer financial education as compared to 37 percent of the smallest banks.

Based on this finding, small and mid-size banks have the greatest need for assistance in implementing financial education programs. Of those that do not offer financial education, most are interested. Interested banks could benefit from targeted training and outreach to support the development of financial education initiatives.

Administering Financial Education Programs

It is helpful to know how banks administer financial education programs as a tool to understand the components of a successful effort. The survey asked if bank management had assigned a staff champion to promote their financial education efforts. Champions working on their own can be powerful and effective, but having support from the bank leadership ensures that programs are allocated the necessary priority and resources.

Eighty-nine percent of bank employees with most responsibility for financial education report directly to executive management and/or the Board of Directors. The remaining 11 percent report to various other departments, such as compliance, lending, marketing, business development, retail banking and operations.

While executive management appears to support financial education efforts, there are fewer than expected active financial education programs in place. The survey results point to three possible reasons for the lower than expected number of programs:

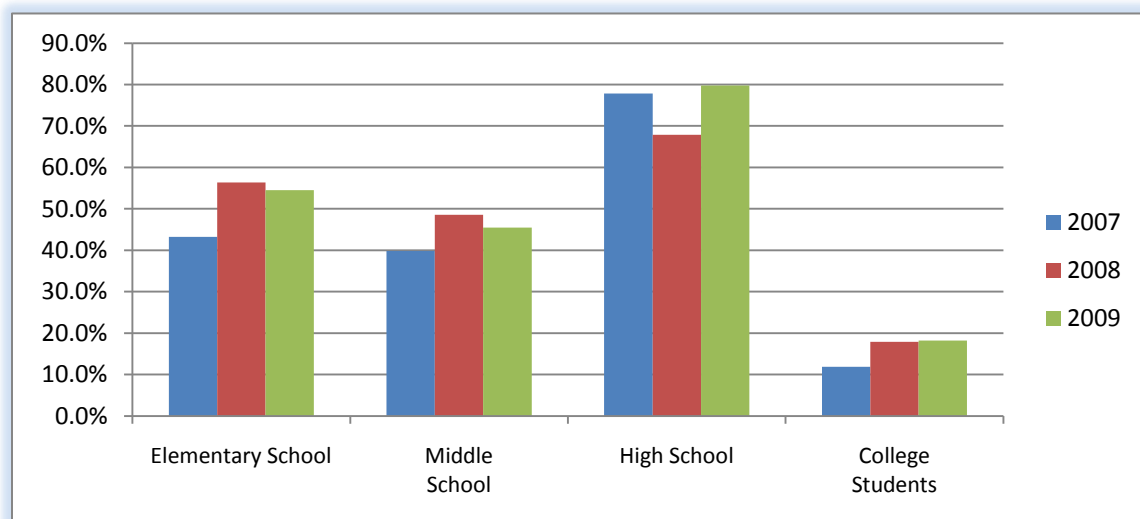
- A large majority of banks, 71 percent, assign only one staff person to champion financial literacy initiatives.
- Seventy four percent of the banks surveyed, financial literacy is not part of their strategic plans.
- Fifty eight percent have no budget for financial education initiatives.

Looking toward the future, 15 percent are planning to budget more for financial literacy than in the past; 54 percent plan to budget the same amount; and 29 percent are not sure.

Who Is the Target for Financial Education?

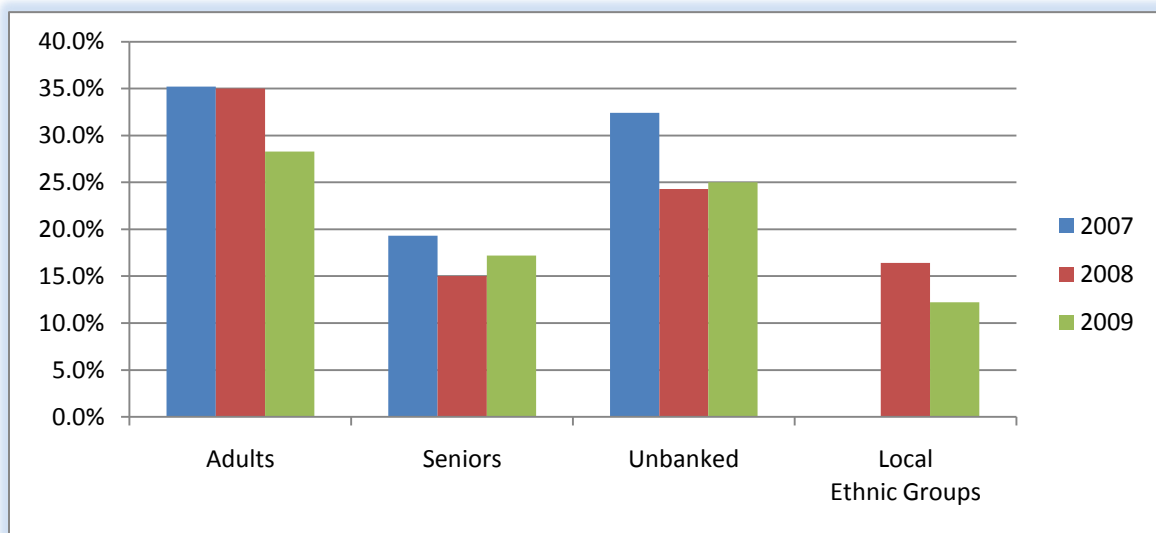
Most of the bank financial education programs target high school students (80 percent). Elementary students are also a priority (55 percent), followed by middle school (46 percent), the unbanked, adults, college students, seniors citizens, and local ethnic groups.

Target Groups for Financial Education- Chart 1



The emphasis on high school financial education could be related to Texas legislative requirements that high schools offer financial education to students. Seventy one percent of the respondents noted their awareness of the Texas legislative requirement. Only 29 percent were unaware of the mandate. The renewed focus on elementary and middle schools is encouraging, as studies show that it is beneficial to offer financial education at an early age, to enforce positive financial behaviors.

Target Groups for Financial Education- Chart 2



It is important to note the low number of programs targeting senior citizens. Despite the large and growing number of senior citizens, only 17 percent of programs target this demographic. **This finding highlights an untapped opportunity for banks to provide financial education to a vulnerable community that is also a growing market.**

How Do Texas Banks Approach Financial Education?

Overwhelmingly, banks prefer to offer financial education programs using an “enthusiastic staff member” as opposed to bringing in an outside expert. Ninety four percent of banks support and encourage employees to provide volunteer financial education services during working hours. Offering financial education inside the bank through counseling during a loan interview is popular among many banks. Many responding banks continue to allocate funds toward established and measurable financial literacy programs. **This finding, coupled with the low number of banks budgeting funds for financial education, could reflect an opportunity for increased collaboration among banks and other financial education providers.**

The 2009 survey instrument added new questions about the awareness of the state and federal rules which allow banks to operate “in-school bank” premises without it being deemed a “branch.” Eight percent of the survey respondents offered such a branch. However, 42 percent noted that they would consider this in the future. (See Data Tables at end of this report for references on the in-school banking rules passed by the FDIC and the Texas Department of Banking.)

When given a list of existing educational curricula, bankers are most aware of the four following programs:

- Money Smart (FDIC) and Money Smart For Young Adults (FDIC),
- Teach Children to Save (American Bankers Association),
- Junior Achievement, and
- Building Wealth (Federal Reserve Bank of Dallas).

Knowledge and Use of Financial Education Curricula

Top four in use of 16 curricula included in the survey

Program Name	Using Program			Know of Program			Would like to Learn More			No Interest		
	2007	2008	2009	2007	2008	2009	2007	2008	2009	2007	2008	2009
Money Smart	31%	36%	42.5%	48%	54%	43.4%	16%	5%	8.5%	6%	5%	5.7%
Teach Children to Save	18%	28%	31.6%	33%	40%	39.8%	30%	13%	10.2%	19%	19%	18.4%
Junior Achievement	15%	26%	38.6%	41%	51%	36.6%	20%	7%	8.9%	24%	16%	15.8%
Building Wealth	12%	22%	11%	53%	47%	54.9%	20%	11%	17.6%	16%	20%	16.5%

Local career fairs are used by 32 percent of the banks surveyed to offer financial education; financial fairs are used by 23 percent of the respondents. **Based on these results, there are clear training opportunities for banks about available financial education resources.**

Though some banks are active in offering particular programs or curricula, few take the extra step of measuring the success of financial literacy programs. Twenty-seven percent measured program success in 2009. Of those that measure success, 81 percent measure the number of students reached and 39 percent measure number of contact hours. Only 8 percent of those responding provided pre-testing and post-testing tools.

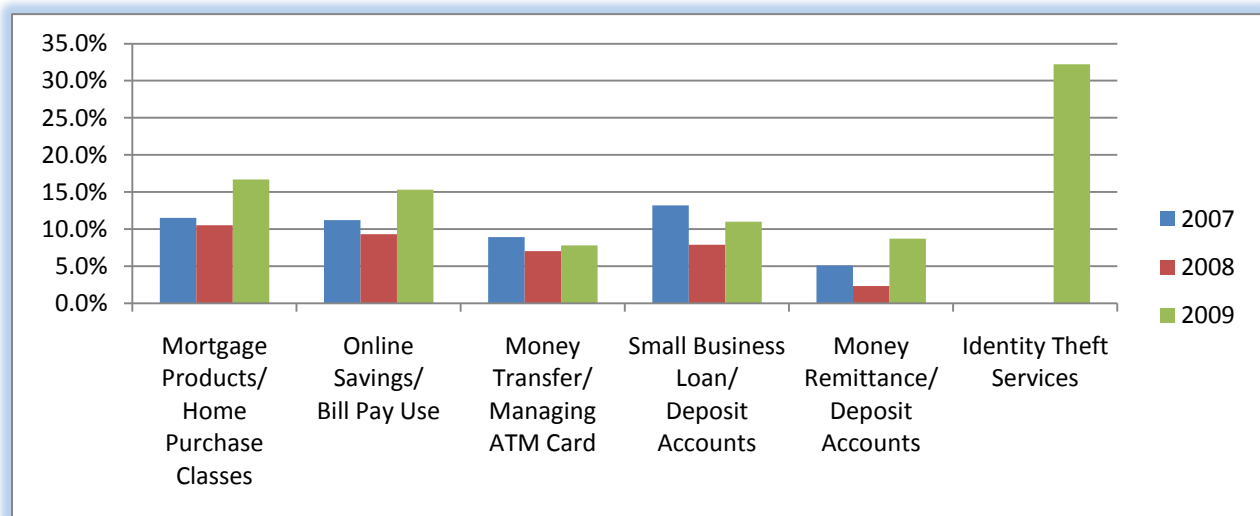
Some banks are reaching out to the growing immigrant communities in Texas by offering financial education in languages other than English. Nearly 32 percent of the banks offer

programs in Spanish. Fifty two percent of the respondents offered financial education resources to noncustomers, primarily through health and financial fairs. In the 2008 survey, a new question was added to begin measuring banks with in school visits and programs as a method of outreach. Eighty two percent of the banks responding participated in this method.

A small number of banks are approaching financial education in connection with financial product launches. In 2009, the most widely offered financial education product to customers was identity theft protection services. Mortgage products are the second most commonly offered sessions in conjunction with financial education, followed by online savings products and small business loans.

Introducing customers to new services creates a learning moment. Yet, few of the surveyed banks use the opportunity to offer financial education. **It is beneficial to both customers and to the bank to take advantage these learning moments and provide related financial education.**

Banks Connecting Products with Related Financial Education



Training Bankers on Financial Literacy Opportunities

When asked if there was interest in learning more about financial literacy, 75 percent wanted a “financial literacy starter kit” to help model successful practices in building a financial literacy plan of action at various age levels. Both the IBAT Education Foundation and Texas Bankers Foundation have compiled practical resource tools to help banks get started. Together with the Texas Banking Department they offer an annual Financial Literacy Summit, to showcase best practices and tools. (See reference section at the end of this document). Sixty percent expressed interest in attending a “train the trainer” session for Money Smart, Building Wealth, and Junior Achievement. There was also interest among 60 percent of the respondents to attend a banker-to-banker financial literacy summit to share successful practices.

Training opportunities aimed at bankers who are just beginning a financial education program are in highest demand, with 58 percent selecting this option. Thirty-seven percent of the respondents requested training at the intermediate level, to improve existing programs, and 5 percent felt their programs are advanced and that they could serve as a role model for other bankers. **These findings indicate, once again, that the market is fertile for training bankers in financial education outreach.**

Conclusion

Texas bankers are interested in providing financial education. Many banks are offering programs in their service area, but there is tremendous potential to offer more. There is a gap between the expressed intentions of small and mid-sized banks to offer financial education and the number of implemented programs. The results of the survey point to four main strategies to close the gap:

1. Increase number of financial education trainings for small and mid-sized banks.
2. Prioritize financial education within bank leadership, through including it in strategic plans, allocating more staff time to financial education and providing a budget for financial education activities.
3. Include financial education as an integral part of engaging customers in using new products and services.
4. Facilitate collaboration between banks and nonbank financial education providers, such as community-based organizations and Junior Achievement programs, to reach community members beyond the banks' customer base.

This survey documents the state of financial education programs among Texas banks between 2007 and 2009, and, it is also a call to action. As financial product and service options increase and are more complex, financial education is an essential unmet need in our communities. Bankers are a key part of meeting community financial education needs. With the right support and opportunities, they can make a real difference in improving the financial stability and prosperity of our communities and of our state.

Data Tables

Methodology

This survey is a preliminary inquiry to understand the involvement of Texas banks in financial education efforts. The Foundations of the Independent Bankers Association of Texas and Texas Bankers Association, and the Texas Department of Banking collaborated in administering the survey.

Electronic surveys were sent (October 2009) to 600 banks, targeting a select group of bank officers—namely those who were serving as CEOs and Presidents. Since banks do vary in staffing, there were some cases where a single bank received three survey opportunities, while others may have received less than three.

A total of 165 different banks responded to the survey, with an additional 111 surveys coming from different branches of the same bank. The final size of our sampling is 154, down from 170 completed the survey overall. In spite of repeated reminders about the survey, the program response was lower in 2009. As a result of this drop in participation, the survey for 2009 will be released in September.

Data Summary

A full compilation of the data tables is available upon request.

Reference for In-School Banking Rules

- **COMET:**
http://policy.ctspublish.com/txdob/lpext.dll/Infobase/division00013/sd100036.htm/sd200040.htm?fn=frame_default.htm&f=templates#LPTOC18
- **FDIC:**
<http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr;sid=10e52167cd2c32333cc21d627d33d123;rgn=div2;view=text;node=20080925%3A1.2;idno=14;cc=ecfr>

Reference Tools:

IBAT Education Foundation

- Resources: http://www.ibat.org/catalog/49/educational_products
 - Meeting the Texas High School Education Legislation Mandate
 - Career Day Tool Kit: Careers in Community Banking
 - Financial Literacy Book Lists for Students and Adults

TBA Foundation

- How to Get Started-A Guide to Financial Literacy in Your Community:
http://www.texasbankers.com/pdfs/TBA_Financial_Lit_kit.pdf?sess_id=953d7571d57541b29d5976d8be422ec1

Special Thanks:

- To the team who did the day to day work of bringing the idea to life by drafting of questions, monitoring responses, and providing summaries and communication about the survey:
- Leilani Lim-Villegas, Texas Department of Banking leilani.lim-villegas@dob.texas.gov
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- Mary Lange and Bonnie Kankel who reviewed and interpreted the final survey data and provided this written report: mlange@ibat.org and bkankel@ibat.org
- Robert Hulsey, President and CEO, The American National Bank of Texas, Terrell, and Chairman, IBAT Education Foundation, who was the originator of the idea that a collaborative benchmark be established for Texas.