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Prepared remarks of Richard Cordray at the Federal Reserve Bank of Chicago VISA Inc. Financial Literacy and Education Summit

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**Prepared Remarks of Richard Cordray
Director of the Consumer Financial Protection Bureau**

Federal Reserve Bank of Chicago, VISA Inc. Financial Literacy and Education Summit

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Thank you, Doug, and the Federal Reserve Bank of Chicago also, for inviting me to this summit.

I want to speak with considerable urgency today. We must start with the importance of fostering broader recognition that educational and informational support in matters of personal finance are essential pillars of life as we know it in America. In the past few years, we have been working through the residue of the worst financial crisis we have known since the Great Depression.

In this crisis, families have lost trillions of dollars in household wealth; many have lost their homes and their life savings. People have been shaken in their deeply held belief that if they work hard and behave responsibly, they can and will get ahead in life and pass on a higher standard of living to their children.

There were many causes of the crisis, and my point is not to catalogue or evaluate them here today. But the problems experienced by many Americans were exacerbated by this plain fact: faced with the growing complexity of financial decisions around mortgages and other household credit, they were poorly equipped to deal with that complexity by making sound and sensible decisions.

I make this claim not because I purport to be in position to define people's financial choices for them in their various circumstances. But at the Consumer Financial Protection Bureau, we hear every day from people who lament the choices they made, often expressing anguished regret that they did not know more about the risks involved in financial decisions at the time they made those decisions.

Ten years ago, I served as the Franklin County Treasurer in Columbus, Ohio. The economy had been in recession, and among my duties was to collect delinquent real estate taxes from people who had fallen behind. Under state law, we were able to arrange payment plans for people to become current again on their obligations over time – the types of workouts or modifications that have become more familiar in the aftermath of the recent financial crisis.

This task brought me face to face with good people who had spent their entire lives climbing the ladder toward the American dream, but due to bad fortune or poor decisions, or both, had slipped back downward. The reasons for their predicaments were many, but most of them had one thing in common: they lacked sufficient understanding of financial decisions that confronted them in the consumer financial marketplace. And what was interesting was how often they were keenly aware of it. Out of these encounters, I became convinced of the critical need for personal finance education.

Let us examine the same landscape from a very different direction. We have chosen, both in our Constitution and in our practical institutions, to rest our democratic system on the effective operation of a free market economy. That arrangement demands a certain capability from our population, not only in political affairs but in financial affairs as well. And education is the cornerstone for attaining that capability. Just as each citizen is entitled to vote and to participate on an equal footing in our civic life, each is also expected and required to

manage his or her own financial affairs.

From the time we become adults, each of us is responsible for the choices we make, but on the political side of the ledger the responsibility is more aggregated, whereas on the financial side of the ledger the responsibility is highly individualized. The freedom and liberty that we cherish to direct our own lives depends critically on being able to manage the ways and means of our lives. Once we cease being someone else's dependent, we gain the status of being fully independent, on our own, and we carry all the burdens of economic self-government.

What does that mean for financial education? It means that in the United States, it is at least as fundamental as the typically mandatory education we all receive in American history and government. If we intend to foster and maintain the kind of society we desire to have, then we must make a point to arm our fellow citizens with the wherewithal to stand on their own two feet and make sustainable economic choices. Benjamin Franklin once said that what the Revolutionary War gave us was "a republic, if you can keep it." Over time, within that republic we have built the greatest system of economic liberty in the history of mankind, but it will only endure if we can keep it, by taking the steps necessary to strengthen that system from the bottom up, starting with the individual.

At the Consumer Bureau, we understand the enormous scope of this project, and we understand that an important part of our work is consumer engagement. We are acutely aware that consumers of all ages need sound information and advice to bolster their financial knowledge and capability. But where can they find these tools? One place may be the marketplace itself, but the drawback is that whatever they find in that arena is likely to be skewed by the financial self-interest of other parties. So people need trusted and impartial resources, and it is difficult to know where to turn. We intend to make the Consumer Bureau itself a source for such information, and we are working to accomplish this goal in several ways.

To begin with, we can readily agree that all consumers – whether old or young, rural or urban, male or female – need to understand basic information about budgets, savings, investments, and credit. We are reaching out to various partners to provide that, and we also are developing a library of consumer information at "Ask CFPB," where we answer frequently asked questions from consumers about issues in the financial marketplace.

But consumers also need to be aware that there are a few big moments in their lives where they will confront specific decisions with potentially far-reaching consequences, such as paying for school or buying a home. Do you go to school here or there? Do you buy this house or that one? How much debt do you take on? What kind of debt, and how do the alternatives differ? We want people to understand which decisions are the most important ones, not to treat them casually, and to know where they can get trusted help when they need it. We have begun to develop modules to address these critical decision points, beginning with our "Paying for College" module already available at our website, consumerfinance.gov.

We also want people not only to have information, but to act on it. People can and should avoid common financial pitfalls and stand up for themselves. We want them to make the choices that are best for them, to avoid debt traps, to check their credit reports periodically, and to exercise their rights if they are being harassed by debt collectors.

Backstopping our efforts in these respects is our consumer complaint function, where our Office of Consumer Response receives and handles complaints about mortgages, credit cards, student loans, auto loans, bank accounts, and credit reporting, with more products and services to come. We bring consumer concerns to the attention of companies, assist in addressing their complaints, and learn from all of them about what is affecting consumers most directly. By making our Consumer Complaint Database publicly available, we intend it to become an informational tool for consumers as well.

In other words, the best and most immediate form of consumer protection is self-protection: being able to avoid problems in the first place and to know what you can do about it when you do experience a problem. But self-help is not enough if consumer financial markets are rigged against people. And so we are working toward improving life for every individual in this country by making consumer financial markets work better for people. We are doing so by providing reasonable rules, consistent oversight, and evenhanded enforcement of the law.

People expect and deserve to be treated fairly in the markets for household credit and other financial products and services. So we also are working to ensure that financial disclosures are clear, that products are transparent, and that they are not marketed in a deceptive or misleading manner. We have been given the authority and the tools to make that happen. If we do our work well, then consumers should be enabled to navigate the financial marketplace more easily and to exert more effective control over their economic futures.

By these means, we believe that our new agency, the Consumer Financial Protection Bureau, is uniquely positioned to help bridge the gap between people's actual financial capability and the complex financial decisions they have to make. A great example is the mortgage market – the single largest consumer financial market, where consumers suffered so much harm and whose failure led to the near-

meltdown of the entire financial system. We are attacking the problems with all of our tools. We have just adopted new rules to overhaul the mortgage market and ban various irresponsible practices.

Through supervision and enforcement, we are providing comprehensive oversight over the entire market of mortgage lenders and mortgage servicers, which was subject to incomplete and partial regulation until Congress created the CFPB. We are getting a high volume of mortgage complaints from individual consumers. We are embarked on a “Know Before You Owe” project to simplify disclosures and make these products more accessible to consumers looking to buy a home. And later this year we will be rolling out a module for our web site on “Owning a Home” to help people through that process. All of this work is coordinated and designed to help smooth the pathway to the American dream.

We are deeply committed to a vision of an America where everyone is financially capable. But the obstacles that confront us in achieving this goal are complex, varied, and significant. Our service population is 313 million Americans. That is a daunting challenge, but one that we find both stimulating and inspiring. To address it, we must look for opportunities for people to learn financial management skills throughout their lives. Two good places to do so are in the workplace and in places of worship. But we should start where all good education starts – with our children.

Many people have studied the problem of financial education and developed their own approaches. For the most part, however, they share certain common-sense elements.

First, we must be deliberate about pursuing financial education in our schools. Failing to do so is to condemn boys and girls to make the same mistakes others have made before them by enrolling them in the “school of hard knocks,” which we all know is no school at all. It is the antithesis of education for each generation to have to learn the same lessons all over again and on their own. This will not do: When we do not teach children about personal finance – about managing household budgets or making informed decisions about larger investments in an education or a home – we are failing them in a very shameful and costly way.

Second, everyone who examines these issues can see, we need to have financial education start early and be continuous. The key to lifelong learning is to be self-conscious about keeping these matters top-of-mind for students. We need to develop integrated curricula in our schools – where the benefits of compound interest are understood in math class; where economic costs and risks are taught in social studies class; and where essays in English class include the topic of money: what it is, how we use it, how we keep it safe, and so forth. None of this distracts from the classroom agenda; in fact, children pay more attention to things that interest them. And when it comes to money, kids “get it” – they view money as fascinating and important.

Third, as young people approach the magic threshold of adulthood, I believe we need to require them to spend some time and attention on what this independence will mean from a financial standpoint. The question becomes immediate and insistent: How can we take control of our financial lives to achieve our goals? We all need to know why we have bank accounts, why we keep track of checking account balances, why we should check our credit reports regularly. We also know how important it is for students to practice, through experiential learning, how to manage their finances. So, financial education in our high schools should include practical experience, and it should not be an option that many students can and will avoid.

To improve the likelihood of this prospect, we want to support teachers to learn and teach personal financial management. A large majority of K-12 teachers say that personal finance should be taught in school, yet less than a third of them say they have taught lessons about money. And more than half of them report that they feel unqualified to teach their state’s financial literacy standards. So, we also want teachers have the support they need and be able to get the continuing education credits they need when they receive financial education training.

We also know there can be enormous benefits when parents actually take the time to talk with their children about money. We want parents to be engaged with their children as their children learn to master the concepts of personal financial management. Such engagement has been shown to help children form their financial identities early. And in my experience, this process is beneficial for parents too. In fact, a surprising number of in-school programs generate a strong response from parents, who want to know where they can get the same kind of information and experience to improve their own financial performance.

We have begun to work with other federal agencies to create more focus on youth financial capability. On April 30, we will hold a conference to advance the national conversation about how to increase collaboration and coordination among a wide range of stakeholders. Through this work, we want every young American to gain knowledge, skills, and access to the resources they need to build healthy financial futures.

But I know the topic of this Summit is the financial empowerment of women, and thus far my discussion has been generalized to all consumers. There is a reason for that. When I served as the Treasurer of Ohio, we had a specialized program called "Women and Money." Every year, we held a series of well-attended seminars around the state, drawing 500-1,000 people to most of them. We covered a broad range of financial topics, but we found, for the most part, that the topics that interested women were largely the same topics that interested men as well. They were general consumer finance topics, and they generated an intense reaction from people who were starved for such information.

We did learn, while we were at it, that women do face some specific challenges. The continuing gender gap in wages, for example, is a source of continued frustration to many working women. It raises not only legal issues of possible gender discrimination, but also larger issues about how we define (and are redefining) societal roles. And women live longer, on average, than men, which can bring issues of retirement planning into sharper relief. Women also are the financial decision-makers in a majority of U.S. households, which puts more strain on them to manage difficult budgeting issues. But the striking lesson for us was that most consumer financial issues were not gender-specific, and for the most part that is how we are approaching the issues of consumer engagement and financial education at the Consumer Bureau.

Having said that, we need to stretch beyond our schools to reach all the women – and men – who never had any such training and are sorely in need of resources to help them improve their financial capability. As I like to put it, whatever these people may do in life, they will only rarely find their way back to high school. So we need to go elsewhere to accomplish something for them: to the workplace and to our faith communities.

In the United States today, the workplace is increasingly integrated by gender, as women now make up 47% of the workforce. That is not true of every occupation, of course, but if we are committed to improving the financial capability of both women and men, the workplace has become a natural and critical place to find them. Employers can play an important role in improving financial capability by implementing financial wellness programs for their employees similar to health wellness programs, which are based on awareness, education, and support for sound decision-making.

Despite the increased challenges facing employees in the wake of the financial crisis, the proportion of organizations providing any kind of employee financial education has fallen in recent years. Financial wellness programs help employees make informed personal financial decisions. By adopting employee financial health strategies that raise awareness about options and provide appropriate and relevant education and peer interaction, employers can increase the financial capability of their workforce. In return for financial wellness programs, employers can reap the dividends of a more financially secure workforce, which include improvements in morale, productivity, and retention.

Earlier this month, the Consumer Bureau launched an initiative aimed at improving our employees' access to financial management resources and benefits. And we will be working with other federal agencies that are seeking to promote financial wellness more broadly across the government. The same efforts need to be encouraged and expanded in the private sector as well, and appropriate tools and resources need to be made available to ease the burden of undertaking these efforts.

Another place that merits our attention is within our faith communities. A recent report by the President's Council on Financial Capability advocated for greater financial education efforts within community organizations. For many women and men, their places of worship are integral to their sense of community. We can and should think of places of worship as promising venues for financial education. That is why we at the Consumer Bureau are reaching out to faith-based leaders across the country. We are engaged in these conversations with faith leaders to learn how we can be helpful and to let them know about the resources we have to offer for consumers who want to learn more about personal financial management.

At the Consumer Bureau, our goal is to help girls and boys, women and men, gain the ability to navigate the complex workings of our markets for consumer finance. Part of our job is to make sure we expose and eliminate the hidden pitfalls that can ruin their lives. But another important part of our job is to provide people with the information and resources they need to manage the ways and means of their lives. By reducing the complexity and expanding their capability, we will close the gap between the financial world as it is and the financial world as it should be. That will improve life for consumers, strengthen our economy, and brighten the future of this great country.

Thank you.



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