

Benchmark Research Project 2007

How Bankers Provide Financial Education in Texas

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:

Financial Literacy is the buzz term of this decade.

The words surfaced into our consciousness along with the credit crunch, falling high school graduation standards, the explosion of college expenses, rise in real estate values, focus on credit scores, savings rates, and most recently with the subprime mortgage meltdown. They became part of the Texas Legislative agenda in 2005 with passage of House Bill 492 by Rep. Beverly Woolley and Senate Bill 851 by Sen. Eliot Shapleigh. These bills set out a Texas high school requirement for instruction in personal financial literacy.

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

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

In order to map improvement over time, we first needed to know where the industry stood at this moment. The purpose of this study is multi – pronged:

1. To set a benchmark for what is currently being offered by bankers in 2007;
2. To understand the scope and reach of programs being offered;
3. To test this survey again each year to measure 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 2007. Two hundred and seventy-nine responded, a response rate of 47 percent. The majority of responding banks are rural banks or banks with assets of 250 million or less.

Assets Size Among Respondents

Small Bank (assets under \$250mil)	75%
Intermediate Bank (\$250mil to 1bil)	18%
Large Bank (1bil and up)	7%

Bank Location

Rural	52%
Suburban	29%
Urban	19%

Most responding banks have between two and five branch locations. One quarter have only one location. Approximately 15 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.

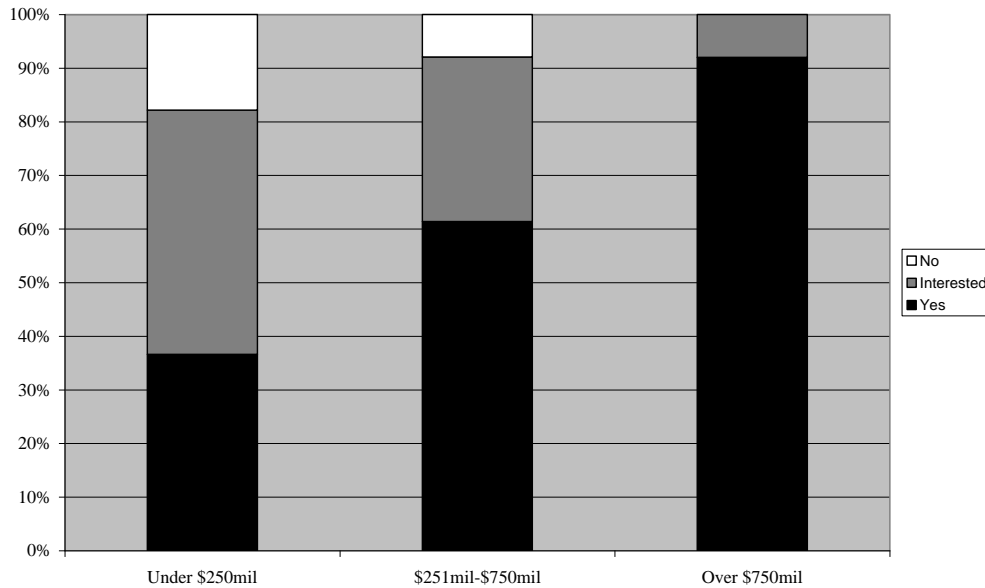
How Many Texas Banks Offer Financial Education?

Forty-seven percent of the responding banks currently have an active financial education program. Thirty-nine percent are interested in offering a financial education program and only 14 percent have no interest.

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

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.

Financial Education Programs by Bank Asset Size



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. 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-four percent of bank employees with most responsibility for financial education report directly to executive management. The remaining 16 percent are among other departments, such as compliance, lending, marketing and operations. **Although promising that such a large percentage of those responsible for financial education report to executive management, many do not currently have active financial education programs now available at their bank.**

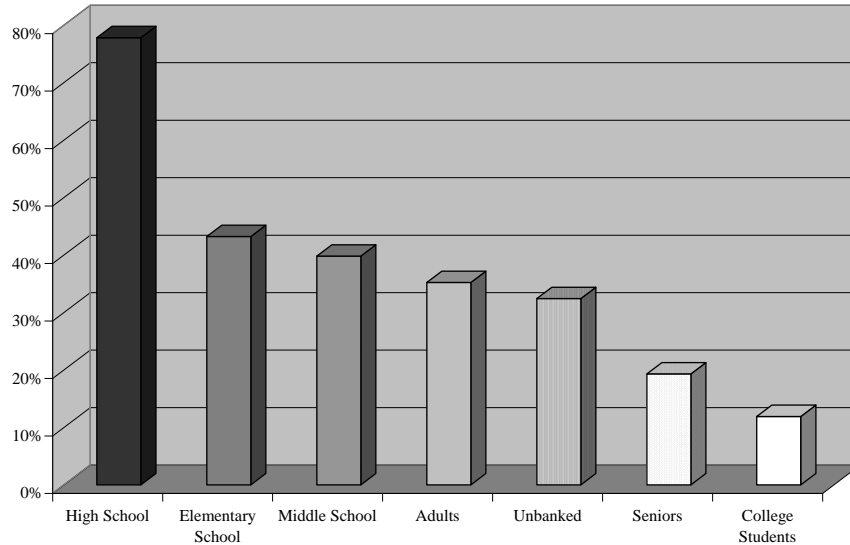
Only 88 of the 205 individuals in charge of financial education, who responded that they report directly to executive management, represent banks with active financial education programs. Another 68 represent banks that intend to start offering financial education.

Executive management appears to support financial education efforts, yet there are fewer than expected active financial education programs. The survey results point to three possible reasons for the lower than expected number of programs. First, a large majority of banks, 75 percent, assign only one staff person to financial literacy initiatives. Second, for 85 percent of the banks surveyed, financial literacy is not part of their strategic plans. Finally, 69 percent have no budget for financial education initiatives.

Who Is the Target for Financial Education?

Most of the bank financial education programs target high school students. Elementary students are also a priority, followed by middle school students, adults generally, and the unbanked. Despite the large and growing number of senior citizens, only 19 percent of programs target this demographic.

Target Groups for Financial Education



The emphasis on high school financial education could be related to legislative requirements that high schools offer financial education to students. The focus on elementary schools is encouraging, as studies show that it is beneficial to offer financial education at an early age, to enforce positive financial behaviors.

It is important to note the low number of programs targeting seniors. **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 a nonbank expert. Eighty-six percent of banks support employees to provide volunteer financial education services outside of the bank. Offering financial education inside the bank through counseling during a loan interview is popular among 66 percent of the banks. A majority, 57 percent of the responding banks, also support allocating funds towards 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 most commonly used financial education curricula are Money Smart (FDIC), Teach Children to Save (American Bankers Association), Junior Achievement, and Building Wealth (Federal Reserve).

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
Money Smart	31%	48%	16%	6%
Teach Children to Save	18%	33%	30%	19%
Junior Achievement	15%	41%	20%	24%
Building Wealth	12%	53%	20%	16%

Local career fairs are used by 27 percent of the banks surveyed to offer financial education and financial fairs are used by 17 percent of the respondents. **Based on these results, there are clear training opportunities for banks about available financial education resources.**

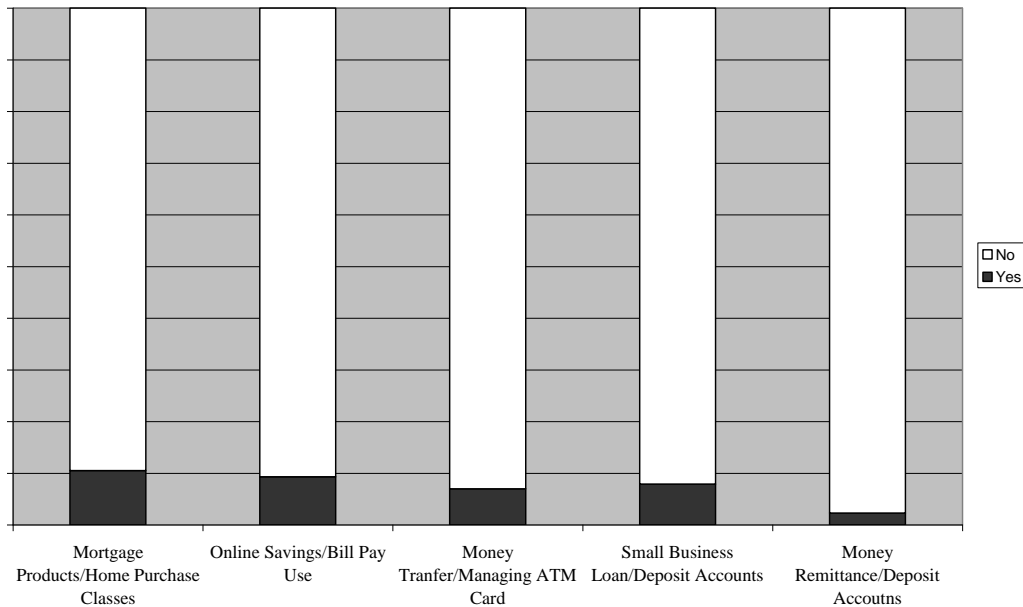
Though some banks are active in offering particular programs or curricula, few take the extra step of measuring the success of financial literacy programs. Nineteen percent measure program success. Of those that measure success, 98 percent measure the number of students reached and 54 percent measure number of contact hours. Only 20 percent of those responding provided pre- 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 30 percent of the banks offer programs in Spanish and three percent offer programs in Vietnamese. Thirty-four percent of the respondents offered financial education resources to noncustomers, primarily through health and financial fairs.

A small number of banks are approaching financial education in connection with product launches. Mortgage products are most commonly offered 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, 80 percent wanted a “financial literacy starter kit” to help model successful practices in building a financial literacy plan of action at various age levels. Sixty percent expressed interest in attending a “train the trainer” session for Money Smart, Building Wealth, and Junior Achievement. There was also interest among 57 percent of the respondents to attend a banker-to-banker financial literacy summit to share successful practices.

Training opportunities aimed at the bankers just beginning a financial education program are in highest demand, with 69 percent selecting this option. Twenty-seven percent of the respondents requested training at the intermediate level, to improve existing programs, and four percent feel 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 a 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, to reach community members beyond the banks' customer base.

This survey documents the state of financial education programs among Texas banks, but it is also a call to action. As financial product and service options increase and are more complex, financial education is becoming 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. IBAT, TBA, and the Texas Department of Banking collaborated in administering the survey.

A combination of hard copy and electronic surveys were sent (September 2007) 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 279 different banks responded to the survey, with an additional 19 surveys coming from different branches of the same bank. Hence the final size of our sampling is 279. Of this number, 248 completed the survey overall.

Data Summary

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

Special Thanks:

Ann Baddour, senior policy analyst, Texas Appleseed, who reviewed and interpreted the final survey data and provided this professionally written report.

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Robert Hulsey, American Bank of Texas, Terrell, and chairman, IBAT Education Foundation, who was the originator of the idea that a collaborative benchmark be established for Texas

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:

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