

**OPENING REMARKS OF THE HONORABLE RUBEN HINOJOSA
COMMITTEE ON FINANCIAL SERVICES
SUBCOMMITTEE ON FINANCIAL INSTITUTIONS
“IMPROVING FINANCIAL LITERACY: WORKING TOGETHER TO
DEVELOP PRIVATE SECTOR COORDINATION AND SOLUTIONS,”
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Chairman Bachus and Ranking Member Sanders,

I want to express my sincere appreciation for you holding this extremely important hearing today. I also want to take this opportunity to thank you again, Chairman Bachus, for holding a hearing at my request on banking the unbanked and financial literacy back in 2003. That hearing was very informative, enlightening and comprehensive. I am glad that you have called yet another hearing on financial literacy at the request of Congresswoman Biggert. These hearings inherently incorporate an assessment of ways to bank the unbanked.

I believe that all of us here today share a common purpose -- improving financial literacy for all Americans.

It is a very daunting task, especially in light of the tremendous amount of financial literacy programs and the many comments, advice and recommendations that we receive from off the Hill on the methodology to use, the exposure to give, and the oversight requested of us to oversee and coordinate and collaborate with these programs.

The programs run the gamut from some pre-school financial literacy programs such as The Money Mammals, programs geared towards K-12 students, college students, young adults, a few for those in mid-life, and several geared towards those planning for their retirement or already retired. The NYSE also has a summer financial literacy program that helps teachers learn the machinations of the stock market and ways to transfer that information to their students in economic courses or while playing the Stock Market Game.

There are too many programs to discuss and consider in one hearing.

Mr. Chairman, despite daily challenges of balancing work, family, and personal matters, it's important—now more than ever—that all Americans take time to increase their financial knowledge and plan for a secure future.

Like most people, we all have hopes and dreams and life goals for ourselves and our families. These might include buying a home or business...saving for college education for our children...taking a dream vacation...reducing taxes...or retiring comfortably. Too many Americans lack basic financial literacy to accomplish many of these goals.

In 2005, one bankruptcy petition was filed for every sixty households, which was a twenty-three percent increase from the previous year. According to the Federal Reserve, revolving debt for American consumers totaled \$805 billion in March of this year.

Worse yet, the United States' personal savings rate based on the percentage of personal disposable income devoted to savings, was negative 5 percent at one time last year – I repeat – the savings rate reached an all-time low of negative 5 percent last year – and, at the end of 2005, the savings rate had increased to a dismal negative 2 percent. I think we all agree that a negative personal savings rate is unacceptable, and actions must be taken to remedy the problem.

We must continue to work with our colleagues here on the Hill; work with the relevant federal agencies, work with various associations, non-profits and community-based groups; and the private sector. We must work with all of them if we are to attain our goal of improving financial literacy rates across the United States.

There is one area in particular that I have to address in my remarks and that is that we still need to find additional ways and means to bank the unbanked. Such action will help them, help their families, help the financial institutions with which they bank, and, ultimately help their communities, counties, states and the overall U.S. economy.

Several of you will testify today have done an admirable job of trying to find ways to bring Hispanics, African Americans, Native Americans and Pan-Asians into the banking system. I applaud you for your efforts in this area. It is essential that we work toward improving education, consumer protections, and empowering individuals and families through economic and financial literacy in order to build stronger families, businesses, and communities.

Having read his testimony, I must say that Mr. Beck, representing the National Endowment for Financial Education, has presented the most comprehensive plan for government involvement in the financial literacy cause. I agree with him that the government can and should do the following: lead by example and coordinate and communicate a unified message. We should sponsor a broad-based public awareness campaign comprised of a substantial mass-market, multimedia effort in support of a national financial literacy initiative on the scale of the current “truth” campaign, developed through the Public Education Fund to discourage smoking among young people. I also like his idea of creating a “Literacy Corps” because one-on-one counseling provides the greatest potential to effect positive change in the management of one’s finances.

Mr. Chairman, 1-800 numbers and websites are fine, but one-on-one counseling does the trick. This type of counseling was needed when Katrina hit the coast and thousands of people needed one-on-one financial counseling to put their lives back together. The government failed miserably in that arena.

I am pleased to learn that the National Endowment for Financial Education has for years worked with the American Red Cross on pioneering financial education for consumers related to disaster preparedness and disaster recovery. I must note that the material was created in cooperation with the AICPA Foundation and is available to all consumers through the American Red Cross in print and online. Hopefully the two groups also provide one-on-one financial counseling to victims of natural disasters such as that provided comprehensively by Operation Hope.

It is my personal goal to succeed in ultimately integrating the term “financial literacy” into the everyday vocabulary.

I could go on and on for the remainder of the day discussing all that needs to be done to improve financial literacy, which is exactly the problem. The Financial Literacy Education Commission has published and released its “National Strategy for Financial Literacy.” It was a good first step. But, it is not the ultimate solution to all the financial literacy problems. Hence, the need for this and future hearings on finding ways for the government and private sector to coordinate and collaborate on improving financial literacy.

Mr. Chairman, I want to thank you, your entire staff, especially Danielle English and Emily Pfeiffer and Dina Ellis, and Jaime Lizarraga with Congressman Frank, for all their contributions not only to this hearing but especially all of your efforts as a group towards this worthwhile cause.

I also want to convey my deep appreciation for all of the work that my good friend, Congresswoman Judy Biggert, has done with me for many years now to promote and improve financial literacy rates in this country, especially our work as co-founders and co-chairs of the Financial and Economic Literacy Caucus.

We make a good team.

With that, I yield back the remainder of my time.