



ABA EDUCATION
FOUNDATION

1120 Connecticut Avenue, NW
Washington, DC 20036

1-800-BANKERS
www.aba.com

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AMERICAN
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July 23, 2008

Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 17th St., NW
Washington, D.C. 20429

Attention: Comments/Legal ESS

Re: RIN 3064-AD28; Financial Education Programs That Include the Provision of Bank Products and Services; 12 CFR Part 303; 73 *Federal Register* 35337, June 23, 2008

Dear Mr. Feldman:

The American Bankers Association Education Foundation¹ is responding to the request for comments on the Federal Deposit Insurance Corporation's interim final rule that clarifies when a bank may offer in-school financial education without being deemed to operate a "branch." For the reasons set forth below, we support the interim rule and recommend its adoption as a final rule in its current form.

We appreciate the FDIC's attention to this issue and financial education in general. We have enjoyed working with the FDIC, specifically at an event we organized for Chairman Bair at Bells Mill Elementary School in Potomac, Md., as part of Teach Children to Save Day 2007. In addition, we recommend the FDIC's Money Smart program for bankers to use in their efforts to increase adult financial literacy in their communities.

The following letter will address key points:

- Bankers' primary goal in providing bank services in schools is for education; and
- Clarifying the rules regarding in-school financial literacy efforts by banks likely will lead to more such efforts, which in turn may lead to better educated consumers;

Bankers' Primary Goal in Providing Bank Services in Schools is for Education

Minors' savings accounts are not money makers for the average bank. These accounts usually hold a relatively small balance and generate a low yield. Clearly, banks do not offer such accounts in order to make money from them. Rather, the primary objective is to help minors become better educated and more responsible about managing their money. When a

¹ Founded by bankers in 1925, the ABA Education Foundation, a non-profit subsidiary of the American Bankers Association, provides leadership and resources to help bankers teach children and young adults about credit, saving and budgeting. Nearly 3 million students have received financial education from bankers through the Foundation's annual events, Teach Children To Save Day and Get Smart About Credit Day. The ABA brings together banks of all sizes and charters into one association. ABA works to enhance the competitiveness of the nation's banking industry and strengthen America's economy and communities. Its members – the majority of which are banks with less than \$125 million in assets – represent over 95 percent of the industry's \$13.3 trillion in assets and employ more than two million men and women.

bank offers banking services in school, the number of minor accounts increases, resulting in an increase in the number of school-aged students saving from an early age.

When it comes to teaching young people about money, K-12 educators are looking for real-life simulation applications and hands-on activities, according to the Networks Financial Institute at Indiana State University. This finding supports recommendations given by educators at a financial education summit held in Washington last summer.

At the summit, teachers highlighted experiential learning – or learning through doing – as one of the most effective ways to teach personal finance. In-school bank programs allow student employees and customers to gain real-life experiences in a safe environment – experiential learning at its best. In addition, this is a great way for schools to produce more financially savvy students without adding new expenses to their budgets.

With many schools and parents already stretched thin, banks play an important role in improving financial literacy in their local communities. Students rarely receive any classroom training and many parents are too busy or ill-equipped to teach their children the fundamentals of saving, budgeting and using credit wisely. As a result, many young people enter adulthood with few if any practical financial skills.

Bankers have a keen interest in improving financial education, because banks benefit when their customers successfully manage and grow their money. A financially savvy customer is more likely to buy a home, invest or save for retirement or a college education. On the other hand, consumers who lack financial skills are often intermittent customers or they may not use banks at all, relying instead on pay-day lenders or check-cashing services. Moreover, consumers' poor money management is the main reason for financial problems, according to a 2006 study conducted by the National Foundation for Consumer Credit Counseling. When a customer files for bankruptcy, the bank loses more than the loan principal and interest, it also loses a source of future business.

Clarifying the Rules Will Lead to More In-School Bank Financial Literacy Efforts

Bankers call the staff of the ABA Education Foundation often with questions about the notification requirements and other regulations associated with offering financial education programs in schools that involve receiving deposits, paying withdrawals, or lending money. Some bankers have decided not to open an in-school presence because the rules were not clear.

Despite the current obstacles, several banks already have successful track records of engaging in financial education efforts in schools. For example, Cardinal Bank, headquartered in McLean, Va., has offered banking services to students at more than a dozen schools. Another bank in Wakefield, Mass. – The Savings Bank – has long had a student-operated “branch” in the local high school, resulting in nearly every student having a savings account.

The FDIC's interim rules, by clarifying the circumstances under which in-school financial education efforts will not be deemed a “branch,” will likely lead to many more financial institutions offering banking services to students at schools across the country. The ABA Education Foundation will do what it can to inform its supporters of the FDIC's rules and the opportunities that the rules create.

In summary, the banking industry is a committed partner in the financial education mission. The ABA Education Foundation commends the FDIC for its commitment to increasing financial education, specifically that which occurs in a school setting. In turn, the ABA

Education Foundation will continue its mission to help bankers improve their communities through financial education. Please contact me if you would like to discuss this letter further. I can be reached at 202-663-5309 or lfisher@aba.com.

Sincerely,

A handwritten signature in black ink that reads "Laura Fisher". The signature is written in a cursive style with a small dot above the 'i' in Fisher.

Laura Fisher
Director
ABA Education Foundation