



**Testimony at hearing before the House Financial Services Committee  
on Financial Literacy and Education**

**By**

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Chairman Frank and Members of the Committee:

Thank you for inviting me to testify before your committee today. It is an honor to share with you my thoughts and experiences about financial literacy and education for young people. I applaud the Committee's interest in this very important area and stand ready to be of assistance. And while I am pleased that this Administration, too, is recognizing the need for financial education, I am concerned that its approach adopted by the Treasury Department reflects the shortcomings of No Child Left Behind: testing without regard to teaching or learning.

My involvement in financial education began more than 25 years ago in response to the opportunity to help Wall Street achieve more gender, racial and ethnic diversity. With support from Shearson Lehman Brothers and the New York City Department of Education, I developed a program to prepare high school students for careers in the financial services industry. The success of the program led to its expansion nationwide, and my founding of the National Academy Foundation (NAF) in 1989. In 1993, I founded the High School of Economics & Finance, the first public high school of its kind in the country.

In 2003, as the President of the not-for-profit Working in Support of Education (w!se), I created the Financial Literacy Certification Program in response to the critical need for high school students to be financially literate before they enter the workplace or college. At the time, 18-25 year olds comprised the fastest growing group filing personal bankruptcy petitions and more young people were dropping out of college because of personal debt than academic failure.

We knew this was a problem that could be fixed, but a particular impediment to addressing youth financial illiteracy has been the absence of a cohesive national agenda or policy thrust. Currently, only 8 states require the teaching of personal finance prior to high school graduation. Although there are scattered signs of additional legislative initiatives emerging around the country – including a bill recently introduced in my home state of New York, which will mandate the teaching of personal finance in high school - many of these are not yet law and where there are state requirements, they are neither consistent in depth and breadth nor scope. Compounding these problems is the fact that state initiatives often lack the funding needed for planning, standardized assessment, and building teacher capacity.

Clearly, implementation of financial literacy education at the school district level is a serious challenge. But, as today's mortgage and credit crises demonstrate, the need for implementation is acute – particularly in inner city and low income neighborhoods. It's also the case that administrators in some school districts do not acknowledge financial literacy as a priority that needs to be addressed. All too often, financial education still finds itself as a casualty in the school curriculum.

For these reasons, I am encouraged by the interest and support w!se has received from several members of Congress - particularly Congressman Gary Ackerman, Congressman Jose Serrano, Congresswoman Nydia Velazquez, and most importantly, w!se's Congresswoman, Chairwoman Carolyn Maloney. We are truly pleased by the legislative momentum at the federal level reflected by the introduction, for example, of Mr. Payne's HR 4335 – which 85 of you have cosponsored - as well as Senator Murray's S. 2671. They offer the hope for a critically needed overarching national framework and funding to support implementation. We recommend that current and future bills, whether at the state or federal level, include not only the content that needs to be covered but also an aligned requirement for assessment.

Even with this federal and state momentum, the private and independent sectors remain vital catalysts to fostering youth financial literacy. The w!se Financial Literacy Certification Program, for example, is sponsored by leading firms, who took the risk of investing in an innovation for personal finance education, including JPMorgan Chase Foundation, Citi Foundation, The McGraw-Hill Companies, The Allstate Foundation, New York State Banking Department, GE Money, the NYSE Foundation, the Foundation for Financial Literacy and the Muriel F. Siebert Foundation as well as The Department of Education's EEE. We also work with the

District Offices of the Federal Reserve System, the Financial Planning Association in New York, California and Arkansas, the Investor Education Foundation, and the New York Credit Union Foundation.

The Financial Literacy Certification Program is comprehensive and that's the key. It provides high school students in mainly low-to-middle income neighborhoods with their first access to financial education, and the opportunity to become certified as financially literate. w!se invites school districts and high schools to (a) teach a personal finance course or a comprehensive unit on personal finance within a one term course either in economics, business, math, or consumer science and (b) assess students' acquired knowledge by administering the w!se standardized Financial Literacy Certification Test. It provides instructional tools including a curriculum, pre-tests, online practice test questions, and the standardized certification test which, to our knowledge, is the only one of its type. It is newly developed twice a year for each fall and spring semester and is available in English and Spanish. Schools, teachers and students are eligible for awards based on certification test results. Students who pass the test are Certified Financially Literate (CFL). Feedback from teachers indicates that the CFL can help their students get jobs.

The w!se Financial Literacy Certification Program has grown at a cumulative rate of 1,500% since its 2003 launch in just seven Queens and Bronx high schools and has reached more than 65,000 students. In 2007 alone, it grew 54%. This year, the Program has almost doubled in student participation and has expanded from four states in 2007 to more than 20 states. This growth reflects the successful outcomes of our curriculum-based program in developing financially literate students. To cite a few:

- A cumulative average 74% of students in the w!se program have passed our test since 2003. The passing rate has also improved over time -- all the way up to 82% in fall 2007!
- Prior to instruction, the mean percent of correct answers on our pre-tests has been 49%, which matches the 2008 JumpStart national survey of 6,800 students. After instruction, however, our Certification Test results have consistently shown a statistically significant improvement of 24% or more.
- Student behavior also has changed as a result of personal finance instruction. By the end of instruction in 2007, for example, there was a 14% increase in students' saving regularly, a 20% increase in financial goal setting, a 26% increase in students using a budget, an 11% increase in students talking to their

parents or guardians about money matters, and an increase of 6% opening a bank account. (Executive Summary, Financial Literacy Certification Report 2007)

- Schools participating in the w!se Program have shown improvements not only in financial literacy, but in other educational outcomes as well (McCubbins Report November 2007).

Clearly, instruction can make a difference.

We firmly believe that the w!se Financial Literacy Certification Program and Test is a model for improving financial literacy in this country. The heart of the program is our standardized certification test. It is scored independently, is aligned to state and national standards, and is tied to a detailed curriculum outline that teachers are required to cover before administering the test. Our assessment tool allows teachers to measure instructional effectiveness and demands that students quantifiably demonstrate their mastery of personal finance. Despite our exceptional outcomes, challenges remain. They include 1. the need for funding to support expansion, leverage best practices, and build teacher capacity, and 2. The insufficient number of high school or district officials with a goal to graduate students that are financially literate.

In addition, given WISE's successful track record, it is unfortunate that we are not involved with the High School Challenge, an initiative of the recently convened President's Advisory Council on Financial Literacy. We heartily applaud the formation of the Council and its overarching goals. Nevertheless, our successful Test and awards certification program is already having a profound effect on high school financial literacy around the country. It seems that the High School Challenge, spearheaded by the Treasury Department,

- simply replicates our concept of testing and recognition but
- adds no pedagogical value, new element, perspective or innovation to help reach the goal of youth financial literacy
- and, in the Department's own words, is intended merely to spark interest at a time when the priority is to get the job done. The Jump\$tart survey has been sparking interest for a decade.

The High School Challenge, therefore, seems to be a rather shortsighted and wasteful use of taxpayer money at a time when taxpayer dollars should be used to do more.

The fundamental flaw is that the Challenge is not tied to required learning. Consequently, it will take valuable instructional class time to little effect. Hopefully, this challenge will not mimic the failure of the President's Physical Fitness awards program which has not been sufficient to prevent or reduce obesity among young people because a test or award alone does not necessarily translate to changed behavior or increased knowledge. W!SE, however has demonstrated that its instructional program, which is aligned with a validated test *does* change behavior and results in a statistically significant improvement in knowledge. In short, much like "No Child Left Behind," the only thing the High School Challenge offers is a catchy-sounding headline for a press release.

These facts seem to have been lost on the Treasury and I regret to say that, ultimately the Challenge is a missed opportunity for progress and, consequently, a waste of taxpayer money – ironic on this day when millions of Americans submit their tax returns.

I am not being self serving or proprietary today and have conveyed my concerns to senior Treasury officials on several occasions. Additionally, since the Treasury seemed insistent on having a high school financial literacy test, I offered our assessment tool to them as an alternative and more effective way forward. After all, Treasury awarded w!se its Sherman Award for Excellence in Financial Education for our Certification Test just four months prior to their decision to develop their own test and had solicited and received our copyrighted materials. I can only conclude that Treasury is more not interested in real, demonstrable educational progress. In terms of nourishing the minds of our youth, the Challenge is the equivalent of a plate of syrup without the pancakes. That is truly unfortunate for all concerned.

We will not have financial literacy without effective instructors and instruction. The pending legislation will address the problem and funding for a concerted effort will help the country move the agenda forward. We cannot change history. We can develop a new generation of responsible, financially savvy adults.

In closing, let me say once again that it has been a pleasure for me to offer my observations to you as this distinguished Committee deliberates on how to address the vital issue of financial literacy and education. I am confident that we have much to offer in this process and hope you will tap into our expertise for the benefit of America's youth. w!se stands ready to support your endeavors.  
Thank you.

