

The Center for Personal Financial Education is an educational resource and research center. Its mission is to advance the adoption of sound personal financial practices by developing and delivering personal financial education programs and conducting related research. It was founded in 1996 and is a joint venture between the University of Rhode Island Cooperative Extension and the Consumer Credit Counseling Service of Southern New England. The Center produces and provides an array of integrated, coordinated outreach programs and services designed for diverse audiences and delivered through schools, at community sites, in the workplace, and through mass media.

The school curriculum enrichment program, through this newsletter and teacher seminars, is designed to provide:

- ◆ news about the NEFE High School Financial Planning Program,
- ◆ information about new financial literacy teaching resources and events,
- ◆ updates on research related to teens and money, and
- ◆ a forum for teachers, youth leaders, university faculty, financial educators in business and government, and others to share teaching ideas and techniques.

Projects at the Center are funded by grants and donations from foundations and local businesses interested in encouraging implementation of personal financial education in school curricula.

The Minimum Payment

What information do consumers need about the consequences of paying only the minimum payment on their credit card bills?

The Federal Reserve Board, the agency charged with implementing the Truth-in-Lending Act, is studying this question. A provision of the Bankruptcy Act of 2005 requires new generic information on the front of each periodic statement received by a credit card holder. The information must include a warning that paying only the required minimum will increase both the total interest paid and the time it takes to repay the outstanding balance. The new disclosure would also include a hypothetical example of the consequences of paying only the minimum and would set up a toll-free number where the card holder can obtain an estimate of the time it would take to repay their individual account balance.

Last year, five bills were introduced in the House and Senate that would mandate a personalized notice to the cardholder about the total cost

and total time required if they only make the minimum payments. The notice would appear on the cardholder's statement. None of these bills have been reported out of committee.

Consistently paying the minimum on a credit card bill greatly extends the time and cost of paying off the outstanding balance

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Greetings!

To Teachers in
Southern New England

Have you noticed? Financial literacy is getting more *buzz* these days.

Several states, such as Massachusetts, Texas and Georgia, began new financial education initiatives in the past year. At the federal level, a document entitled, “National Strategy for Financial Literacy” was recently released. And the biennial Jump\$tart Coalition for Personal Financial Literacy survey of high school students reports that gains in financial literacy over the past two years have been flat. Much work lies ahead to ensure a financially literate citizenry in the future.

The state Jump\$tart Coalitions are making great strides in many locations. This grassroots network of people from business, education and government who are passionate about financial literacy can be a powerful entity for initiating state and local policy, delivering teacher training and sponsoring activities for youth. Educators have a unique and well-regarded perspective on teens and how to connect with them. If you’re not a member, I encourage you to join your local coalition. If your area does not have a Jump\$tart Coalition, start one!

Best regards as you finish this school year. Please feel free to contact me for other resources; my contact information is on the last page of this newsletter.

Claudia Kerbel

The Minimum Payment

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Today, about three out of five cardholders are “revolvers,” credit users who do not pay off their credit card balance in full. Factors that have contributed to the growth of outstanding consumer credit include low minimum payments that encourage consumers to take on new debt, new penalties and fees, and shortened grace periods. Many households have a level of debt that results in financial crisis if an illness or job loss occurs.



As minimum payment information is incorporated on future credit card bills, educators can play an important role in explaining and reinforcing this message: consistently paying the minimum on a credit card bill greatly extends the time and cost of paying off the outstanding balance. To keep the cost of

using credit as low as possible, consumers should follow these guidelines:

- If you plan to carry a balance, shop around for the best terms (longest grace period, lowest interest rate, and lowest annual fee).
- Always pay at least the minimum payment. Paying less may result in late fees that will only add to your balance.
- Even better, pay more than the minimum required.
- Better still, plan to pay off the debt within 3-4 months.
- Best of all, pay the entire balance in full each month.

Source: Smale, P. (2005) Credit Card Minimum Payments Congressional Research Service. Available:

http://openrcs.cdt.org/rpts/RS22352_20051221.pdf

For more information on the impact of paying more than the minimum, read “Pay More than the Minimum” from Penn State Cooperative Extension at: <http://pubs.cas.psu.edu/FreePubs/pdfs/ui363.pdf>

Happiness is more a matter of wanting what you have than of having what you want.

David G. Myers

The Other Consumer Reporting Agencies

You've ordered your free credit report (*haven't you?*), but did you know that you are entitled to free copies of other information that is being collected about you?

There are several other types of consumer reporting agencies that sell information about your check writing history, medical records, employment history, and rental history. Under the Fair Credit Reporting Act, you have access to all of this information.

You are entitled to certain rights:

- You may obtain all the information collected about you free of charge once every 12 months.
- You must be given the name, address and phone number of the consumer reporting agency used in an adverse action against you.

In addition, you may obtain an additional free report if an adverse action was taken against you, you are the victim of identity theft and placed a fraud alert on your file, or you are on public assistance.

- You have the right to dispute inaccurate information and have inaccurate, incomplete or unverifiable information removed from your file.

To obtain free copies of your consumer reports, call or go online. Personal information, such as your social security number and driver's license, will be required to obtain the reports. Although you should never give your personal information to someone who contacts you unsolicited, in this situation you are contacting the consumer reporting agencies and they will need that information in order to verify your identity and issue a report.

Company Name	Issue	Phone Number	Internet Address
ChexSystems	Checking or savings account activity	1-800-428-9623	https://www.consumerdebit.com/consumerinfo/us/en/freereport.htm
SCAN SM (Shared Check Authorization Network) Consumer Report	Check has not been accepted	1-800-262-7771	www.consumerdebit.com/consumerinfo/us/en/consumerreports/
Telecheck	Check verification at point of sale	1-800-TELECHECK	www.telecheck.com click on Consumer > Check Writer Contacts
MIB (Medical Information Bureau)	Medical information file	1-866-692-6901	www.mib.com/html/request_your_record.html .
Central site for Equifax, Experian and TransUnion	Free annual credit report	1-877-322-8228	www.annualcreditreport.com

For more information, go to: www.ftc.gov/credit

Research News: The Changing Credit Card Market

Economic trends point to Americans' increasing levels of debt to finance their lifestyle. Much of the increase is attributable to a rise in the level of credit card debt. Researchers examined the credit card market to explain the increases.

The Federal Reserve Board tracks many measures of consumer debt. A new measure, introduced in 2003 called the financial obligations ratio (FOR), is composed of mortgage payments, credit card debt, auto leases, and other types of financial commitments, such as rent, homeowner's insurance, and real estate taxes. These financial obligations are presented as a share of aggregate, after-tax income.



Of the major components of the FOR, the ratio of consumer credit card debt to disposable income rose the most over the past 15 years. Mortgage payments also rose sharply compared to income. Payments on other types of debt obligations fell. Three changes in the credit card market since 1990 have contributed to the rise in credit card payments relative to income.

First, risk-based pricing of credit card debt and new credit-scoring technology have increased the number of households – particularly lower income households – with a credit card. Much of the increase in the number of cardholders came from an expansion of supply to households that would not have qualified for a card before 1990. Instead of denying cards to high risk applicants, card issuers “set the interest rate on these riskier accounts high enough to compensate the lenders for greater risk.”

Second, credit card interest rates began to move in tandem with interest rates in the broader market. In 2001, market rates turned sharply lower. Credit cards with variable rate interest,

gaining popularity since 1994, allowed lenders to lower credit card rates when their cost of funds allowed it, thus providing consumers with a lower rate card. “The decline in credit card interest rates raised the demand for credit card debt.”

Third, more households are using their credit cards as a convenient method to pay for everyday purchases. Card issuers are stimulating demand by offering attractive incentives for frequent credit card use. The incentives include mileage programs tied to airline and other travel, discounts on merchandise, and cash-back rebates on purchases. Demand for credit card transactions has also increased due to increasing numbers of internet and mail order purchases.

The article points to several implications for family financial well being as a result of the changes in the credit card market over the past 15 years. The benefits of this expanded market include: lower interest rates when general interest rates are low, greater convenience, and greater access to credit. For example, the increase in low-to-moderate income consumers' access to credit due to risk-based pricing may allow some households to maintain their lifestyle during temporary income disruptions. However, the benefits are negated if consumers are unable to pay off their higher debt obligations, making them more vulnerable to financial crisis.

As financial educators, we need to be aware of economic trends and the implications for family financial well being. Knowing that the use of credit is increasing, particularly among low-to-moderate income families, can help guide our curriculum.

Excerpted from an article published by: Johnson, Kathleen (2005) “Recent developments in the credit card market and the financial obligations ratio.” *Federal Reserve Bulletin*, Autumn 2005. Available at: http://www.federalreserve.gov/pubs/bulletin/2005/autumn05_lead.pdf

Building Personal Wealth

The Consumer Federation of America recently released findings from a survey (www.consumerfed.org/pdfs/Financial_Planners_Study011006.pdf) that demonstrates a lack of knowledge about how to build personal wealth.



About half of Americans surveyed last July knew what assets and debts to include in calculating personal wealth. After they were told the definition of personal wealth, less than half knew approximately or exactly how much wealth they had.

Financial planners believe that over 80 percent of young American adults could accumulate a net personal wealth of \$250,000 over a 30 year period. Further, they believe that half of young Americans could accumulate \$1,000,000 within 30 years. However, individuals who were surveyed were much less optimistic. Only 26 percent thought they could save \$200,000 by any point in their life and only 9 percent believed they could build a net wealth of \$1,000,000.



Incredibly, when asked the most practical way for them to accumulate several hundred thousand dollars, over one-fifth of the

respondents said, "Win the lottery." Among the least affluent, this number rose to 38 percent. Those without high school degrees were also more likely to select this option than were those with college degrees.

Higher Insurance Coverage for Retirement Accounts

Federal insurance will be increased to \$250,000, up from \$100,000, for deposits on certain retirement accounts at banks, savings institutions, and credit unions. The new law became effective on April 1, 2006. The basic insurance coverage for other deposit accounts, however, will remain at \$100,000.

The Federal Deposit Insurance Corporation (FDIC) protects depositors against loss if a banking institution fails. Deposit insurance coverage for accounts at credit unions is insured by the National Credit Union Administration (NCUA).

For more information about the new insurance coverage, go to the April 2006 Special Bulletin from the FDIC, available at: <http://www.fdic.gov/consumers/consumer/news/special/>

The next quarterly issue of *FDIC Consumer News* (Spring 2006) to be published in May will provide more details. To subscribe to free online delivery of *FDIC Consumer News* follow instructions posted on the FDIC website. www.fdic.gov/about/subscriptions/index.html

Onguard Online Campaign

The federal government and the technology industry have teamed up to create OnGuardOnline.gov, a new site to help computer users guard against phishing and Internet fraud, secure their computers, and protect their personal information. The helpful content at OnGuardOnline.gov includes tips, articles, videos, and quizzes. It tells where to report spam or scam, and how to sign up for periodic computer security alerts. And OnGuard Online's phishing, spyware, and spam/scam quizzes will help users figure out how savvy they are about computer safety.

To visit the site: <http://www.onguardonline.gov/>

The National Strategy for Financial Literacy

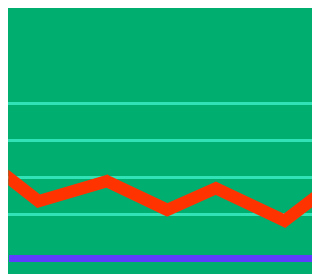
The federal Office of Financial Education in the Treasury Department recently released a report entitled, “Taking Ownership of the Future.” The document presents a strategy for addressing the financial literacy challenges in the U.S. The report was prepared by the Financial Literacy and Education Commission, established under the Fair and Accurate Credit Transactions Act of 2003. The Commission is composed of 20 federal agencies that publish consumer information resources.

The national strategy encompasses four areas of emphasis:

- Building public awareness of available resources – making existing educational resources from federal agencies accessible through internet and telephone
- Developing Tailored, Targeted Materials and Dissemination Strategies – reaching out to all consumers, including unbanked populations, multicultural and multilingual communities, geographically remote communities and consumers with special needs and developing a wide variety of effective channels to disseminate information
- Tapping into Public-Private and Private-Private Partnerships – non-federal government programs will play key roles in meeting consumers’ financial education needs
- Evaluation of Financial Education Programs-- research on the evaluation and effectiveness of financial education programs will result in improvements to the programs and long term gains in financial literacy among all consumers

The bulk of the report details programs that can serve as models for financial education efforts around the country. These programs are found in 13 chapters that are topically organized with a discussion of the challenges and issues specific to that topic. Each chapter concludes with a Call to Action that identifies concrete steps to address the challenges delineated. The report is available at: <http://www.mymoney.gov/ownership.pdf>.

Financial Literacy Survey Shows No Change in Knowledge



Last fall, 5,775 students from 37 states participated in the Jump\$tart Coalition’s biennial survey of financial literacy. The national average score was 52.4

percent, virtually unchanged from 52.3 percent in 2004.

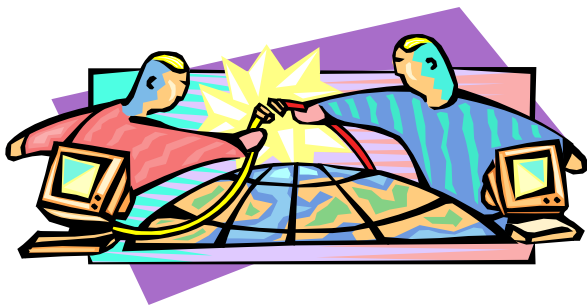
In New England, Massachusetts leads the region with an average score of 55.1 percent; New Hampshire follows with a score of 54.1, Maine has a score of 54 percent, Connecticut’s is 51.2 percent, and in Rhode Island the average score is 48.8 percent. The failing scores on this national survey point to a lack of understanding of basic financial concepts on topics such as credit cards, insurance, investments, retirement funds and savings accounts.

The survey’s author, Dr. Lewis Mandell, professor of finance and managerial economics at SUNY Buffalo, noted that there are ethnic differences in the distribution of scores. White students’ average score was 55 percent, while African American students scored 44.7 percent and Hispanics scored 46.8 percent.

The percentage of students who reported having taken an entire course in money management or personal finance was 16.7 percent, down from 20.1 percent in 2004. Oddly, the mean financial literacy score for students who had taken such a course was 51.6 percent, slightly below the average for all students.

Laura Levine, executive director of the national Jump\$tart Coalition, noted, “. . . I hope we see more state education departments and state governments move financial literacy to the top of their priority list.”

Source: <http://www.jumpstart.org> click on News.



New on the Net

NEFE Teen Resource Bureau

<http://www.ntrbonline.org/>

Choose Your Own Financial Adventure! Teens can practice making smart financial decisions by going on a financial adventure without ever leaving home or opening their wallet.

NYS Banking Department Resources

<http://www.banking.state.ny.us/fec/>

Comprehensive listing of financial education resources

NEFE High School Financial Planning Program®

www.nefe.org/hspfportal/

This website contains a wealth of program materials, including:

- the entire Student Guide (click on Student Portal) and Instructor's Manual (click on Teacher Portal)
- Spanish version of the Student Guide (click on Who We Are) only available online
- Eight interactive games
- Success stories of how teens across America value this program
- Tools to help students track their ongoing quest for financial opportunity through these halls of learning

Professional Development

Educators in Rhode Island and Connecticut plan to attend the NEFE High School Financial Planning Program Teacher Training

September 27, 2006

8 am to 3 pm

FREE

More information to follow

SAVE THE DATE!



Massachusetts HiFi Educator Training

Worcester, April 27 Salem, May 10

Fitchburg, May 17 Boston, May 24

For registration information, go to:

www.mass.gov/hifi

Insurance Education Summer Institute

This FREE two week summer program for teachers is offered at five locations. It is designed for educators who teach insurance and risk management principles. Past participants rave about this program!

<http://www.ief.org/general/IEFBrochure.pdf>

National Institute of Financial and Economic Literacy

Summer in Wisconsin this year and choose from three courses that will provide the expertise and confidence you need to teach personal finance. Plus, you will receive dozens of teaching materials and resources free. The one-week programs will be held on the campus of Edgewood College, Madison WI. Graduate credit available.

<http://www.wdfe.org/resources/indexed/site/ymm/semantevents/educationseries>

NEFE High School Financial Planning Program



The NEFE High School Financial Planning Program introduces teenagers to core financial planning concepts and money management skills. Now in its twentieth year, the program is provided at no cost to high schools throughout the U.S. The program is taught in Math, Family and Consumer Sciences, Economics, Business Education, Independent Living, Guidance advisory, and other courses.

If you would like to order this excellent, free resource for your classroom, please visit the High School Teachers area on the Center for Personal Financial Education website (www.gettingfiscallyfit.org) and complete the online order form.

The program is offered in cooperation with the U.S. Department of Agriculture Cooperative State Research, Education and Extension Service and the Credit Union National Association and America's Credit Unions. To connect with local credit union volunteers in Connecticut who will come to your classroom or will assist in delivering the program in many other ways, contact Mary Ann Pollaro at mpollaro@ctcua.org. For program delivery partners from credit unions in Massachusetts and Rhode Island, contact Paula Dion at pdion@cucenter.org. Claudia Kerbel (cmkerbel@etal.uri.edu) serves as the Cooperative Extension contact for this program in Connecticut, Massachusetts, and Rhode Island.

To contact the Center for Personal Financial Education, please e-mail, call or write:

Claudia M. Kerbel
Director of Outreach
Center for Personal Financial Education
University of Rhode Island
202 Transition Center
2 Lower College Road, Kingston, RI 02881
Phone: (401) 874-7436 Fax: (401) 874-4020
E-mail: cmkerbel@etal.uri.edu Web: www.gettingfiscallyfit.org