

**2014 Strategic Recommendations and
Financial Literacy Implementation Report**

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Chairwoman's Message

It is with pride and appreciation that the members of the District of Columbia Financial Literacy Council (DCFLC) present its "2014 Strategic Recommendations and Financial Literacy Implementation Report" to the Honorable Mayor Vincent Gray, members of the Council of the District of Columbia (DC Council), District residents and financial education providers and stakeholders.

In accordance with the "Financial Literacy Council Establishment Act of 2008," the DCFLC worked with numerous community-based organizations, financial education providers, the District of Columbia Public Schools (DCPS) and other District agencies to develop a consensus view of the qualitative and quantitative state of financial literacy in the District. This report was developed through collaboration with numerous stakeholders central to the delivery of financial education and consumer services in the District.

As with any new organization, the DCFLC began by shaping a mission, goals and guiding principles. The President's Advisory Council on Financial Education served as a model for us. We are grateful to John Hope Bryant, Founder of Operation HOPE, and his colleagues for their timely advice and support throughout our journey. The development of our bylaws, organizational vision and mission were created with the primary goal of assisting Washington, D.C.'s residents achieve greater financial success.

The DCFLC's mission is to:

- Empower residents to achieve short- and long-term financial goals
- Assist and advise the Mayor and DC Council to promote financial literacy
- Facilitate the coordination of public and private financial literacy and education services

The DCFLC's vision is to:

Be a unifying strategic advisor promoting financial literacy and education in the District of Columbia through organizational collaboration, strategic advice and coordination, and dissemination of critical information.

The DCFLC's values are:

- Leadership: Developing a framework for success
- Commitment: Building a results-driven effort
- Diversity: Ensuring the inclusion of all D.C. residents
- Community: Building strong relationships with all financial education stakeholders

The DCFLC's goal to heighten financial literacy in the District can only be achieved with the continued support of stakeholders. This report is a first step in that regard and we look forward to working with our partners to make progress in this long-term mission. Our recommendations present an opportunity for District policymakers to champion low-cost tools that financial education providers, the DCPS and residents can leverage to access necessary guidance and education.

In closing, I would like to thank those who accepted the call from Mayor Gray and the DC Council to serve on the DCFLC. I am humbled by their sacrifice and desire to see the residents of the District achieve greater financial success. We appreciate your consideration and welcome the perspectives and guidance of all who share our aspirations.

Sincerely,

A handwritten signature in black ink that reads "Tamara Haye Daufour". The signature is written in a cursive, flowing style.

Tamara Haye Daufour

Chairwoman
District of Columbia Financial Literacy Council

Introduction

The District of Columbia is a vibrant, multi-cultural home to approximately 630,000 residents.¹ The District is a diverse city characterized by varied neighborhoods, a robust and growing business community, marquee cultural and educational institutions and embassies bearing the flags of nations from every corner of the globe. It is also the seat of our national government, combining federal government agencies and a substantial federal workforce with a broad range of for-profit and non-profit organizations that work closely on a wide range of national public sector initiatives. While the District is a thriving global metropolis, many of its residents continue to lag behind similarly sized cities in the United States in educational achievement, wealth formation and financial literacy.

The U.S. Census Bureau determined in 2011 that 18.7 percent of the city's population lives in poverty, with the child poverty rate exceeding 30 percent. Further, the Federal Deposit Insurance Corporation (FDIC) found in 2011 that nearly a third of District residents are unbanked or under-banked.

In response to these challenges in April 2012, Mayor Vincent Gray, with the support of DC Council, appointed seven members to the District of Columbia Financial Literacy Council Financial Literacy Council (referenced as "DCFLC" throughout this report). The DCFLC's statutory charge is to identify policies and practices that will encourage and enhance financial education for the residents of the District including students and adults.²

The DCFLC has developed an organizational framework and by-laws to guide its efforts, while remaining open, transparent and inclusive of the local and regional stakeholders engaged in financial literacy and financial education. To that end, the DCFLC created a committee structure, inclusive of stakeholders and DCFLC members, aimed at developing objectives and strategic solutions to enhance financial literacy among students and adults. They are as follows:

The Resident Affairs Committee

This committee is charged with conducting research and analyzing the unique needs of the financially illiterate, as well as the structural barriers impeding their progress. The committee's efforts focus on the financial literacy and financial education challenges faced by seniors, veterans, the unemployed, the underemployed and children in single-parent households.

The Student Affairs Committee

This committee explores opportunities to spur greater integration of financial education into the DC Public Schools (DCPS) curriculum. A particular area of emphasis for the Student Affairs Committee was analyzing financial education curricula nationally, with a focus on regional efforts in Maryland and Virginia, and an exemplary program in the state of Iowa.

The Advisory Committee

This committee is tasked with identifying and leveraging the expertise of the DCFLC's strategic partners, including charitable organizations, federal and local agencies, financial institutions and education providers.

¹ U.S. Department of Commerce, United States Census Bureau, State and County QuickFacts, June 2013 - All data are from the American Community Survey except as noted.

² Financial Literacy Council Establishment Act of 2008

In brief, to enhance the financial literacy of the District student and adult communities, the DCFLC has five recommendations:

1. Appoint a District of Columbia Government Financial Education Policy Director.
2. Strengthen the implementation of financial literacy programming and curriculum to ensure equitable educational experiences across public schools.
3. Develop a financial literacy web portal to leverage the strategic use of technology.
4. Encourage support of workplace financial literacy.
5. Produce a hard copy financial literacy resource guide.

It is important to acknowledge that these recommendations were achieved absent a fiscal appropriation by unpaid volunteers. The members of the DCFLC are grateful for the support and consideration of those who tasked us with these responsibilities. We stand ready to continue an ongoing leadership role to enhance the financial literacy and education of District residents of all ages and backgrounds.

Later in this report, the DCFLC expands on these recommendations. But first, as required in the “Financial Literacy Council Establishment Act of 2008,” DCFLC discusses prevailing social and economic factors that impact the financial education of residents including demographics, education, income and housing, foreclosures and bankruptcies.

State of Financial Education in the District

Demographics

The District of Columbia is a dynamic, ethnically and economically diverse city poised for strong short and long-term growth. Per the United States Census Bureau, the city’s 2012 population of 632,323 residents is a 5.1 percent increase from 2010, which exceeds the national population increase of 1.7 percent during the same period. Important to the delivery of financial literacy services are recent changes in the city’s ethnic composition.

The District has witnessed the growth of both its Caucasian and Hispanic populations. In 1970, Hispanics in the District were estimated at 15,671 or 2.1 percent of the District’s population. By 2010, Hispanics were estimated at 54,749 or 9.1 percent of the District’s population.³

In addition, the loss of African-American households and a more modest increase in Euro-American households has been remarkable. According to the U.S. Census Bureau, the District’s 1970 population of 756,510 residents was 71.1 percent African-American and 27.7 percent Euro-American. By the year 2000, the African-American population fell to 60 percent while the Euro-American population had increased to 30.8 percent. Data indicates the city’s population is currently comprised of 50.7 percent

³U.S. Department of Commerce, United States Census Bureau, State and County QuickFacts, June 2013 - All data are from the American Community Survey except as noted.

African-American, 35.3 percent White Non-Hispanic and 9.5 percent Hispanic. This demographic make-up dictates that our financial literacy initiatives must be as inclusive as possible, as well as language accessible, to reflect our city's demographic vibrancy and its ethnic and cultural diversity.

Education, Income and Housing

The District exceeds the national population in educational attainment. In 2011, the U.S. Census Bureau reported that approximately 87 percent of D.C. residents hold a high school degree, while 50.5 percent hold at least a bachelor's degree. Comparatively, 85.4 percent of the nation's population have a high school diploma while 28.2 percent hold a bachelor's degree or higher.⁴

The large number of college graduates in the D.C. metropolitan area reflects a job market which has historically attracted a highly-educated labor force for white collar positions in government and more recently high-tech, health care and higher education institutions. The area's median household income stands at \$61,835, compared to the national figure of \$52,762 – this is also a reflection of the vibrant local economy. It should be noted that financial predators – those who seek to defraud investors under the guise of helping them – tend to focus on high concentrations of wealth. This makes the residents of the District prime targets for financial fraud and highlights the need for greater financial education as a consumer protection tool.

While the local economy has traditionally produced higher wage jobs, unemployment or underemployment and resulting poverty remain a stubbornly persistent reality for thousands of D.C. residents. Housing values typically outpace median incomes. The area's median housing value of \$442,600 dwarfs the national median of \$186,200. Local household incomes are robust relative to the national average of \$61,835, but are less than 14 percent of the region's burgeoning median housing value. The income disparity is reflected in the District's homeownership rate of 42.8 percent, which is well below the national average of 66.1 percent. Financial education may represent a valuable tool for first increasing and then sustaining the District's homeownership rate.

Residential Foreclosures

The District managed to successfully navigate the recent economic downturn; however there were impactful economic casualties, particularly in the area of foreclosures. In 2007-2011, 12,238 foreclosure notices were issued and there were 3,985 foreclosure sales, reflecting a five-year annual average of 2,448 foreclosure notices and 797 foreclosure sales.⁵ A foreclosure notice, also called a notice of default, is the initial filing by the lender that they intend to foreclose unless late payments are made or another agreement is reached, like a short sale or loan modification. A foreclosure sale is when the property is sold by the mortgage lender or financial institution to recover the mortgage debt and the homeowner is forced to leave the property.

In 2009, there were a record 4,042 residential foreclosure notices issued in the District, resulting in 1,397 foreclosure sales in 2010. (See appendix 2) The number of foreclosures dropped significantly after 2010, due in part to the "Saving D.C. Homes from Foreclosure Emergency Amendment Act of

⁴ U.S. Department of Commerce, United States Census Bureau, State and County QuickFacts, June 2013 - All data are from the American Community Survey except as noted.

⁵ District of Columbia Government Recorder of Deeds and Real Property, Neighborhood Info DC, 2013

2010.”The legislation implemented a mediation process providing borrowers and lenders with an opportunity to meet face-to-face to discuss alternatives to foreclosure. The mediation program has yielded a positive result in reducing foreclosures; in 2012, there were 34 notices of foreclosure and 44 foreclosure sales in the District. (See appendix 2)

The District’s stakeholders have reason to be cautiously optimistic about the relatively low number of foreclosure sales in 2012, along with a declining local foreclosure trend. The city’s persistently low homeownership rate, relative to the national rate, coupled with the impact of large numbers of local foreclosures adversely impacts the overall financial health of our most vulnerable citizens. In addition, the District encompasses a little over 61 square miles and is a densely populated urban city, which suggests foreclosures may have a greater adverse impact on adjacent property values due to the District’s limited land area and resulting low volume of available housing units. These conditions may result in a shift of impoverished residents of the District relocating to the surrounding communities.

The impact of foreclosures between 2007 and 2011 on household wealth, neighborhood stability and local tax revenue has not been fully quantified. Despite the absence of such analysis, stark local income disparities have, if anything, grown wider – magnifying the need for financial education as a tool for maintaining financially sustainable communities. According to the DC Fiscal Policy Institute, in 2012 the top five percent of District households averaged \$473,000 a year, the highest among the 50 largest cities. The poorest DC households by contrast — those in the bottom fifth by income — had an average income of \$9,100. This is close to the average among the largest U.S. cities.⁶

Bankruptcies

The overall number of personal and corporate bankruptcies in a given community is often a strong indicator of the financial health of its residents and the local economy. Likewise, the bankruptcy rate can serve as a barometer for measuring the need for greater financial literacy. In 2012, there were a total of 856 bankruptcies filed in the District, including 720 Chapter 7 bankruptcies, the most common form individuals use to liquidate personal debts.⁷ There were 3,297 Chapter 7 filings between 2007 and 2011, resulting in an annual average of 659 filings.⁸ The highest number of filings during the five-year period occurred in 2009 and 2010 which coincides with the economic recession, which the National Bureau of Economic Research (NBER) believes peaked in 2007 (See appendix 3). The number of Chapter 7 filings has steadily declined in 2011 and 2012, reflecting an overall improvement in the national and the local economies.

⁶ DC Fiscal Policy Institute “A Big Gap: Income Inequality in the District Remains one of the Highest in the Nation.” March 2012

⁷ United States Bankruptcy Court for the District of Columbia, Report on Bankruptcy Case Filings January – December 2012

⁸ United States Bankruptcy Court for the District of Columbia, Report on Bankruptcy Case Filings January – December 2012

Recommendations to Advance Financial Literacy in the District of Columbia

The DCFLC believes the following recommendations are a critical first step in achieving greater financial literacy in the District. Our hope is that financial institutions and educational providers can work with the DCFLC and city policymakers to implement these recommendations.

1. Appointment of a District of Columbia Government Financial Education Policy Director.


The DCFLC recommends the Mayor appoint a Financial Education Policy Director (FEPD). The FEPD would develop comprehensive financial education strategies and help integrate them across the District's various agencies with the goal of improving financial literacy across the public and private sectors. We recommend the Executive Office of the Mayor name the FEPD as a cabinet-level position to direct the implementation of comprehensive financial education in the District. Further, the FEPD can serve as a primary liaison with stakeholders outside the District Government to ensure effective information sharing with, and engagement of, those outside stakeholders.

The FEPD would have the authority to craft and direct policies that better coordinate and leverage the diverse financial education programming currently provided by the District's agencies. The FEPD would also develop a long-term strategic plan that ensures the long-term success of our financial literacy efforts.

Our research identified dozens of existing financial education programs offered by various District government agencies including DCPS, the Department of Insurance, Securities and Banking and its Bank On DC program, the Office of Veterans Affairs and others. Further, we learned that numerous third-party stakeholders provide financial education programs in our schools, libraries, community forums and churches.

The DCFLC believes the efforts of these various agencies and stakeholders could be dramatically enhanced if the District better coordinated and potentially consolidated these programs. For example, each April, free tax preparation and counseling clinics are provided by the DC Office of Tax and Revenue. These events are coupled with efforts to reach the unbanked through the Bank On DC program by aiding taxpayers in receiving their tax refunds by opening new bank accounts. Similar tax preparation programs could benefit from this collaborative effort with the Bank On DC program. This is an example of how the District could better leverage similar outreach efforts of similarly focused organizations and empower residents to improve their financial standing.

The FEPD could also develop strategies within the executive branch's policy and budget recommendations that direct resources to programs that enhance the financial capabilities of residents and employees of the District. For example, the Mayor could adopt policies that enroll all District government employees on an "opt out" rather than on an "opt in" basis to ensure they are enrolled in an appropriate retirement savings vehicle.



The authority and proximity to the Mayor would empower the FEPD to provide analysis, advice and policy recommendations that better integrate financial education into city programs and bring financial literacy solutions to the forefront. For example, whether through the summer youth employment effort or the Department of the Parks and Recreation, the FEPD could work directly with District agencies and programs to ensure that financial literacy is an integral component of the various public education efforts undertaken by the executive branch. The FEPD could also identify and approve third-party organizations that have the resources and expertise to teach financial literacy in the District.

2. Strengthen the implementation of financial literacy programming and curriculum to ensure equitable educational experiences across public schools.

We urge the District of Columbia State Board of Education to adopt a specific set of academic standards for financial literacy education and for the Office of the State Superintendent of Education to ensure the integration of financial literacy education within the city's public school and public charter school curriculum. DCPS and the District's public charter schools should leverage financial education models, including online delivery, to prepare students to meet life's financial realities. A range of third-party educational providers can provide effective, low-cost tools to help teach financial literacy in local schools.

The importance of financial literacy education in our schools

The need for financial literacy education is clear. A 2006 National Jump\$tart Coalition study confirmed that 12th-graders nationwide scored only 52.4 percent on a test of their financial knowledge. A follow-up 2008 survey found that the financial literacy of high school students had fallen to its lowest level, with a score of 48.3 percent.⁹

Financial education needs to start early due to the increasingly high-level of financial activity by our youth. According to the Investor Education's Foundation 2009 National Financial Capability Survey, America's children and youth spend \$211 billion dollars annually. Approximately 72 percent of youth (defined as 18-24) have a checking account and approximately 62 percent have a savings account, money market account or CD.¹⁰ It is critical that our youth be sufficiently educated prior to entering the financial services marketplace, and schools are an important point of entry for the delivery of financial literacy education.

Financial literacy stakeholders suggest an early introduction to financial education and consistent instruction throughout primary and secondary schools. According to the Consumer Financial Protection Bureau's April 2013 White Paper "Transforming the Financial Lives of a Generation of Younger Americans," we should start young people on the road to continuous money management practice by systematically introducing age appropriate financial education lessons and activities during the K-12 years. The white paper continued: "When we start early with an age appropriate and relevant financial education and consistently reinforce those lessons throughout the K-12 years, we can give young people more chances to develop positive habits and behaviors."¹¹

⁹ <http://www.jumpstart.org/assets/files/2008SurveyBook.pdf>

¹⁰ http://files.consumerfinance.gov/f/201304_cfpb_OFE-Policy-White-Paper-Final.pdf

¹¹ http://files.consumerfinance.gov/f/201304_cfpb_OFE-Policy-White-Paper-Final.pdf

Lessons from other jurisdictions

In 2000, Wisconsin became the first state to create an Office of Financial Literacy, and in 2005, the state developed the country's first model academic standards for personal financial literacy. The academic standards developed in Wisconsin incorporated specific goals for financial education such as knowledge base and performance requirements for students. Individual school districts were responsible for voluntary K-12 curriculum development while teacher training support was provided through the Wisconsin Institute of Financial and Economic Education. The state's performance metrics were critical to the ongoing successful implementation of financial education in Wisconsin's schools.


The Maryland State Department of Education has adopted academic standards in personal financial literacy education for grades 3-12. Students are being prepared for financial literacy through the following actions:

- Implementing the Maryland State Curriculum for Personal Financial Literacy Education in grades 3-12
- Meeting regularly with the Maryland Financial Literacy Education Advisory Council to support local school system implementation activities
- Requiring local school systems to provide a program of instruction in financial literacy education for all students in grades 3-12
- Partnering with financial institutions and other organizations to provide ongoing professional development for teachers
- Establishing public and private partnerships to fund financial literacy initiatives in local schools

A focus on curriculum integration, online delivery and teacher training

Federal and local government and non-government stakeholders embrace the concept of integrating financial literacy education within existing K-12 curriculums, as opposed to stand-alone financial literacy courses in high school. One of the recommendations in the President's Advisory Council on Financial Capability Final Report issued in early 2013 was the integration of personal finance into the teaching of Math and English Language Arts Common Core State Standards. This is the set of academic standards for math and English used nationwide to ensure that students graduate from high school with the skills and knowledge necessary to succeed in college, career or life regardless of where they live. We view online delivery of financial literacy education as a key tool for implementation across District public schools. A number of providers have high-quality, interactive, online modules that teach students financial literacy concepts and skills.

The Jump\$tart Coalition for Personal Financial Literacy, a 501(c) 3(c) non-profit organization based in Washington, D.C., focuses on advancing financial literacy among students in pre-kindergarten through college. Jump\$tart also sponsors an online library of financial education resources for teachers, parents, caregivers and anyone committed to financial smarts for students called the Jump\$tart Coalition Clearinghouse. These resources are downloadable and many are free.



Teacher training in the integration and delivery of financial literacy education is important as well. Fortunately, teacher training opportunities also exist through providers such as the Jump\$tart Coalition as well as the National Endowment for Financial Education. All business education teachers in DCPS schools are members of the National Business Education Administration, which provided guidance when creating the DCPS Career & Technical Education (CTE) standards for financial education.

The good news is that DCPS is already taking advantage of some of these opportunities. For the 2013-2014 school year, three DCPS high schools are offering the CTE Finance Program of Study and six DCPS high schools are offering Business Management & Administration Program of Study. The Finance Program of Study typically begins with Financial Planning in the 10th grade and includes a three-level program that covers finance, banking, accounting and entrepreneurship. Additional high schools offer Financial Planning as a stand-alone course. A number of outside organizations work with DCPS high schools to supplement the Finance Program of Study. For example, Operation HOPE coordinates an Annual Financial Literacy Day at a DCPS high school, where more than 90 volunteers deliver financial literacy curricula to students and sponsor financial literacy activities throughout the year.

The reality is that the District – by virtue of its proximity to the federal government – could access a number of national financial literacy resources that are well-suited to assist DCPS financial literacy efforts on behalf of local students. We need to seek out, intelligently coordinate and effectively leverage these existing resources to spur our traditional public and public charter school financial education efforts.

3. Development of a financial literacy web portal and the strategic use of technology.

Technology provides the best opportunity to deliver low-cost, comprehensive and real-time access to financial education tools and services, especially for our younger residents. The creation of targeted financial literacy apps for mobile phones could be incorporated to teach in creative, cost-effective ways while reaching a wide audience. Therefore, we recommend that the District develop a comprehensive web portal and smart phone application(s) to offer transparent and bilingual direction to the District's residents. These tools can serve as the District's primary beneficiary-directed resource for adults and students seeking tools to manage and plan for life's financial events. Further, they can also aid in the real-time collection of data that may highlight deficiencies in city services as well as educational gaps for targeted demographics. The ability to identify questions or concerns that arise within similar age or ethnic demographics can help identify financial education strategies.

The Digital Divide

The "digital divide" in the United States refers to inequalities among groups of different demographic and socioeconomic levels in accessing information and communication technologies, as well as inequalities in the knowledge and skills needed to effectively use online information.

Although the frequency of Internet use among Americans is up (26 percent in 2002 used the Internet for more than an hour per day compared to 48 percent in 2009), still almost one third of Americans are not connected to the Internet. ^{[6][8]} In addition to a divide in access to connectivity, researchers have identified a skill and knowledge gap between groups in the United States on the basis of technological competency and digital literacy.^[9]

According to the 2011 Financial Literacy and Education Commission's National Strategy Book, the level of financial education of adults and families can affect the overall financial health of their local communities. It is the DCFLC's goal to empower the District's residents through transparent and cost efficient access to educational tools and services. A strategy to bridge the digital divide in the District is essential to achieve the effective delivery of financial education to all of the District's residents. The effective and timely delivery of these resources will yield better and more informed financial decision-making in an increasingly complex U.S. and global financial system. Timely delivery of these resources at critical financial junctures, such as during the home-buying process, enrollment in college savings plans, and as part of the educational strategies shared in public schools, colleges, career and technical centers, and workplaces is paramount.

The web portal can act as a "financial literacy triage," transparently directing residents to a multitude of governmental and private-sector service providers based on the resident's needs. Whether the end-user is seeking guidance to avert foreclosure, seeking free tax preparation support, assistance to leverage D.C.'s 529 plan or DC Tuition Assistance Program, opening a checking/savings account or reporting financial fraud, a single support website can aid residents in identifying the resources they need. This might be general information, access to District agencies or third-party education providers, banks or other financial institutions and financial advocacy organizations.


The District must take into account the likelihood that disproportionate access to the internet for many seniors and ethnic minorities will undermine the full use and benefit of the financial literacy web portal. Though, the smart phone application could reach communities with less access to traditional broadband services. Nevertheless, the District should continue to build on traditional practices, community strengths and research regarding effective educational strategies and delivery methods. The web portal will most effectively engage larger audiences, but it is also passive. The support structures for distributing financial literacy and educational information should not be limited to the web portal, but it can serve as a comprehensive starting point.

4. Encourage support of workplace financial literacy.

Supporting a financially healthy and knowledgeable workforce in the District is also an important goal of our financial literacy efforts. We want to find practical ways to encourage and incentivize public and private-sector employers, including the D.C. government, to share best practices and promote employee financial education, through the dissemination of appropriate financial education resources.

Importance of workplace based financial education

Recent studies support the importance of workplace financial education as it relates to business competitiveness and productivity and employee satisfaction and stability. A 2010 survey conducted by the



Personal Finance Employee Education Foundation and Employee Benefits News showed 91 percent of respondents cited employee financial literacy as being extremely important or important in reducing the vulnerability of the American economy to major economic crises. Another 70 percent cited an employer provision of basic workplace financial education as important or extremely important to the overall level of productivity in their workplace.

Increasingly American employers are concluding that in order to be competitive, enhance productivity and drive employee retention, they want to provide financial education, benefits and resources that go beyond just saving for retirement. Research conducted by the President's Advisory Council on Financial Capability in 2012 indicated that:

- 76 percent of Americans say they are stressed about money.
- 58 percent of employers say financial stress contributes to employee absences.
- 78 percent of employers say employees are less productive at work when they are worried about personal financial issues.

Retirement experts generally recommend that individuals need between 70 and 80 percent of pre-retirement income – from a combination of sources including Social Security benefits, pensions, and personal savings – to achieve income adequacy in retirement.

Importantly, the President's Advisory Council on Financial Capability recommended that employers serve as leaders and role models by voluntarily providing financial education in the workplace and driving financial capability among American workers.

Need for workplace financial education in the District of Columbia

Financial education provides consumers with the ability to understand budgeting, savings mechanisms and the necessary skills to make informed and effective financial decisions. Yet in 2011 Bank On DC found that more than 37,000 District households do not have a bank or credit union account, while 72,000 local households have such accounts yet still use high-cost alternative financial services – including check cashers, payday lenders, rent-to-own service providers and pawn shops. These figures suggest that tens of thousands of District households could benefit from greater access to mainstream financial services and financial education. A 2011 Financial Industry Regulatory Authority Investor Education Foundation report about financial capability in the District of Columbia supports the need for financial education in our city. The study indicated:

- 23 percent of individuals reported that over the past year, their household spent more than their income.
- 58 percent of individuals lack a “rainy day” fund to cover expenses for three months, in case of emergencies such as sickness, job loss or economic downturn.
- 25 percent of individuals reported using one or more non-bank borrowing methods in the past five years.
- 59 percent of individuals said that, when obtaining their most recent credit card, they did not collect and compare information about cards from more than one company.

The workplace serves as a major point of entry and represents a captive – and typically willing – audience for financial education. In 2012, the International Foundation of Employee Benefit Plans found that 43 percent of U.S. companies offer financial education at work. Whether planning for retirement or getting out of debt, America’s workforce wants and needs more financial knowledge. According to a study by the Federal Reserve Bank of Kansas City, the average employee spends 28 hours a month preoccupied with concerns over personal finances. Employee financial worries are estimated to cost employers \$5,000 a year per employee in lost productivity.¹²

Fortunately, there are examples of successful workplace financial education programs, products and services that exist at the national and local levels. The Investor Protection Trust offers – in partnership with state regulators – the Investor Education in Your Workplace, a nationally recognized program that provides employees 10 hours of unbiased online financial education. The program is professionally managed, tracks performance and is academically proven to maximize employee participation, increase financial knowledge and produce desired changes in participant behavior. Roughly 400 organizations (including the DC Department of Insurance, Securities and Banking) and 16,000 employees nationally have participated in the award-winning program.

In addition, the Federal Deposit Insurance Corporation has developed Money Smart, a comprehensive financial education curriculum that has reached more than 2.75 million consumers since 2001. The Money Smart curriculum is available free of charge in various formats, including:

- An instructor-led curriculum for adults on CD-ROM
- A self-paced Computer-Based Instruction format online in English and Spanish
- A portable audio (MP3) version, Money Smart Podcast Network

Importantly, research shows that the Money Smart curriculum can positively influence how consumers manage their finances, and these changes are sustainable in the months after the training.

These programs are indicative of the potential success that can be yielded from workforce financial education programs. We support the incorporation of financial literacy educational resources into human resource department employee benefit offerings. Those offerings could include, but are not limited to, information about savings and retirement plans, supplemental insurance, D.C.’s 529 plans and other educational tools essential to achieving long-term financial goals. A financially savvy workforce can spur stronger community demand for financial services, and increase long-term savings and potentially reduce the post-retirement obligations of both public and private District employers.

5. Production of a hard copy financial literacy resource guide

Many residents in the District cannot afford or do not otherwise have regular access to online services. As a result, we encourage financial education practitioners, academicians, behavioral economists, financial services providers and regulatory bodies to work together to produce hard-copy educational materials. The “DC Financial Literacy Guidebook” would serve as a resource for those who lack access to online resources. The guidebook could be distributed by District agencies, financial literacy providers, District libraries and in other public places.

DCFLC Accomplishments to Date

In its first year, the seven volunteer members and numerous volunteer supporters of the DCFLC have achieved the following milestones:

- Developed organizational bylaws and operating policies and procedures
- Elected officers and established four working committees: Resident Affairs, Student Affairs, Communications and Advisory Groups
- Developed organizational values, vision and mission statements
- Held regular meetings and cultivated participation from representatives of federal and local government, national and local non-profit organizations, foundations, trade groups and private sector businesses
- Developed an internet presence through the creation of a web page on the Department of Insurance, Securities and Banking's website at <http://disb.dc.gov/flc>
- Produced a Financial Literacy Town Hall that attracted more than 50 representatives from federal and local government, national and local non-profit organizations, foundations, trade groups and private sector businesses
- Provided guidance and expert testimony that resulted in financial literacy coursework being offered as an elective for graduation in DC Public Schools. Produced and moderated a workshop on financial literacy and homeownership for the DC Department of Housing and Community Development 2013 Housing Expo

To date, the DCFLC committees have used surveys to solicit information from banks, Advisory Neighborhood Commissioners, churches, non-profit organizations, federal and District agencies, etc. The results of this effort to date can be viewed at <http://disb.dc.gov/flc>.

The DCFLC looks forward to continuing an ongoing leadership role to enhance the financial literacy and education of District residents of all ages and backgrounds.

Appendices

District of Columbia Financial Literacy Council Participant Organizations and Supporters

American Express
Bank of Georgetown
BB&T Bank
Edgar Browder Enterprises
Capital Area Asset Builders
Community Financial Education Foundation
Cooper Strategic Affairs
Council of the District of Columbia
District of Columbia Financial Literacy Council Participating Organizations
District of Columbia Department of Insurance, Securities and Banking
District of Columbia Office of the Chief Financial Officer
District of Columbia Public Schools
District of Columbia State Board of Education
ICI Education Foundation
Industrial Bank
Financial Education and Literacy Advisors
Financial Futures Now
Financial Planning Association, NCA
Haye Girl, Inc.
Inspire BBQ
Jump\$tart Coalition
Junior Achievement of Greater Washington
Lieberman and Associates
Lowenstein and Associates
National Endowment for Financial Education
Operation HOPE
Park Road Advisors
Pulse Issues and Advocacy
Rising Sun Programs
Securities Industry and Financial Markets Association
SunTrust Bank
TYL Homeownership Preservation Services
University Legal Services, Inc.
University of the District of Columbia Cooperative Extension
Consumer Financial Protection Bureau
Federal Deposit Insurance Corporation
Department of Housing and Urban Development
Department of the Treasury
Federal Reserve Bank of Richmond
Securities and Exchange Commission
Washington Mathematics Science Technology Public Charter High School



Statement of Appreciation

The DC FLC could not have developed the concepts or crafted this report without the diligent support of the numerous partner organizations and friends that have aided us on this journey. This report is a critical initial step in the journey to achieving greater economic success for the neediest residents of the District of Columbia. We are hopeful our friends will join us, and continue to serve as allies, as we work with policymakers in the District of Columbia to bring these concepts to fruition. Your support has proven invaluable and we are eternally grateful.

Appendix 2

Number of Single-Family Homes and Condominium Units with Notices of Foreclosure Sale

| Year | City | Ward 1 | Ward 2 | Ward 3 | Ward 4 | Ward 5 | Ward 6 | Ward 7 | Ward 8 |
|------|-------|--------|--------|--------|--------|--------|--------|--------|--------|
| 1999 | 1,990 | 203 | 58 | 38 | 355 | 448 | 327 | 348 | 213 |
| 2000 | 1,789 | 178 | 43 | 26 | 292 | 419 | 263 | 347 | 221 |
| 2001 | 1,551 | 125 | 34 | 28 | 265 | 378 | 246 | 306 | 169 |
| 2002 | 1,651 | 124 | 44 | 30 | 292 | 330 | 237 | 357 | 237 |
| 2003 | 1,522 | 112 | 39 | 38 | 284 | 320 | 200 | 340 | 189 |
| 2004 | 1,188 | 88 | 34 | 32 | 197 | 246 | 127 | 286 | 178 |
| 2005 | 895 | 65 | 40 | 32 | 153 | 171 | 107 | 207 | 120 |
| 2006 | 1,070 | 106 | 54 | 29 | 185 | 229 | 120 | 208 | 139 |
| 2007 | 1,678 | 142 | 105 | 54 | 285 | 342 | 223 | 339 | 188 |
| 2008 | 2,772 | 221 | 130 | 78 | 554 | 550 | 371 | 542 | 326 |
| 2009 | 4,042 | 339 | 226 | 507 | 704 | 682 | 412 | 711 | 461 |
| 2010 | 3,507 | 256 | 178 | 117 | 571 | 604 | 792 | 595 | 394 |
| 2011 | 239 | 7 | 13 | 3 | 126 | 71 | 4 | 11 | 4 |
| 2012 | 34 | 5 | 3 | 3 | 7 | 5 | 2 | 3 | 6 |

Number of Single-Family Homes and Condominium Units with Notices of Trustees Deed Sale

| Year | City | Ward 1 | Ward 2 | Ward 3 | Ward 4 | Ward 5 | Ward 6 | Ward 7 | Ward 8 |
|------|-------|--------|--------|--------|--------|--------|--------|--------|--------|
| 1999 | 782 | 98 | 8 | 8 | 152 | 196 | 131 | 114 | 75 |
| 2000 | 630 | 54 | 3 | 6 | 99 | 159 | 117 | 123 | 69 |
| 2001 | 546 | 44 | 2 | 3 | 76 | 158 | 98 | 101 | 64 |
| 2002 | 389 | 24 | 3 | 1 | 50 | 94 | 57 | 94 | 66 |
| 2003 | 70 | 6 | 1 | 2 | 10 | 18 | 6 | 13 | 14 |
| 2004 | 106 | 9 | 4 | 4 | 7 | 15 | 15 | 30 | 22 |
| 2005 | 106 | 11 | 3 | 6 | 8 | 20 | 13 | 31 | 14 |
| 2006 | 114 | 12 | 9 | 6 | 14 | 28 | 15 | 16 | 14 |
| 2007 | 391 | 45 | 27 | 11 | 65 | 100 | 39 | 69 | 35 |
| 2008 | 926 | 68 | 44 | 22 | 167 | 197 | 131 | 224 | 73 |
| 2009 | 1,016 | 91 | 62 | 27 | 188 | 172 | 121 | 209 | 146 |
| 2010 | 1,397 | 64 | 50 | 24 | 155 | 180 | 566 | 214 | 144 |
| 2011 | 255 | 17 | 9 | 9 | 42 | 53 | 19 | 62 | 44 |
| 2012 | 44 | 2 | 3 | 2 | 7 | 10 | 3 | 8 | 9 |

Source: D.C. Recorder of Deeds and Real Property data tabulated by NeighborhoodInfo DC. February 6, 2013

****The abrupt decline in foreclosures in after 2010 is largely a result of the mediation legislation. The sharp increase in Ward 6 in 2010 is the result of one condominium with more than 400 units owned by the developer entering and completing foreclosure in 2010.**

United States Bankruptcy Court for the District of Columbia

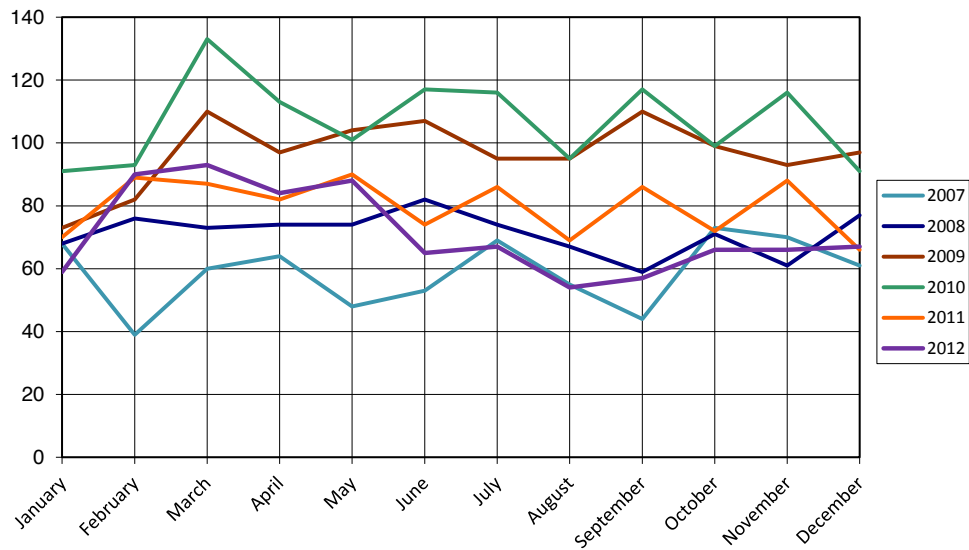
Report on Bankruptcy Case Filings
January-December 2012

| | Month Total | Year Total | 2011 Total |
|--------|-------------|------------|------------|
| Ch. 7 | 56 | 720 | 773 (-53) |
| Ch. 13 | 9 | 108 | 154 (-46) |
| Ch. 11 | 2 | 28 | 32 (-4) |
| | 67 | 856 | 959 (-103) |

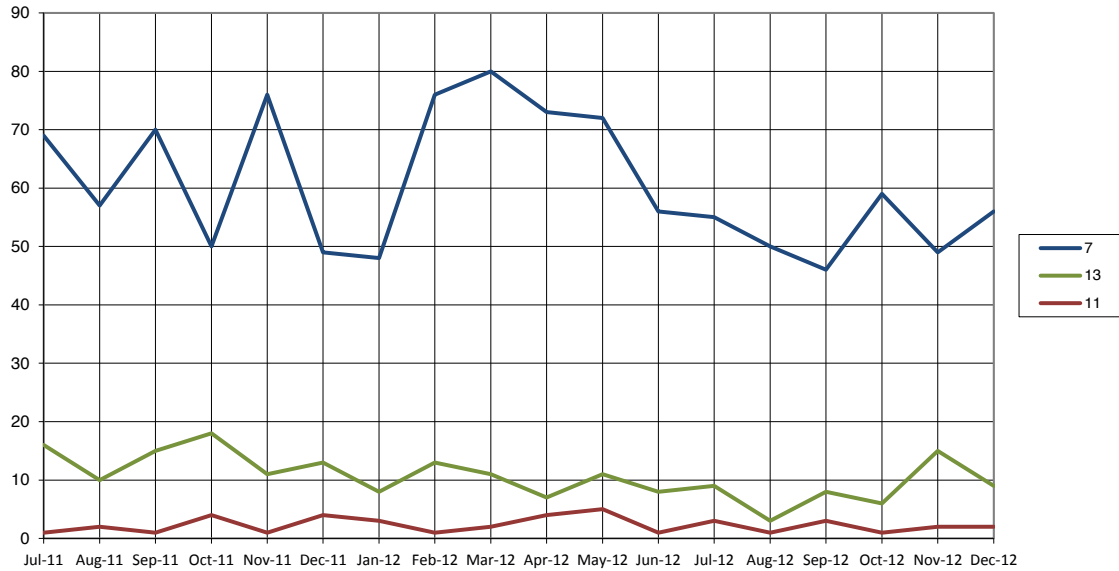
As of December 31, 2012...

- ◆ The total cases for 2012 is **856**
- ◆ Compared to 2011, filings decreased by **11.7%**
- ◆ An average of **2.34** cases were filed each day

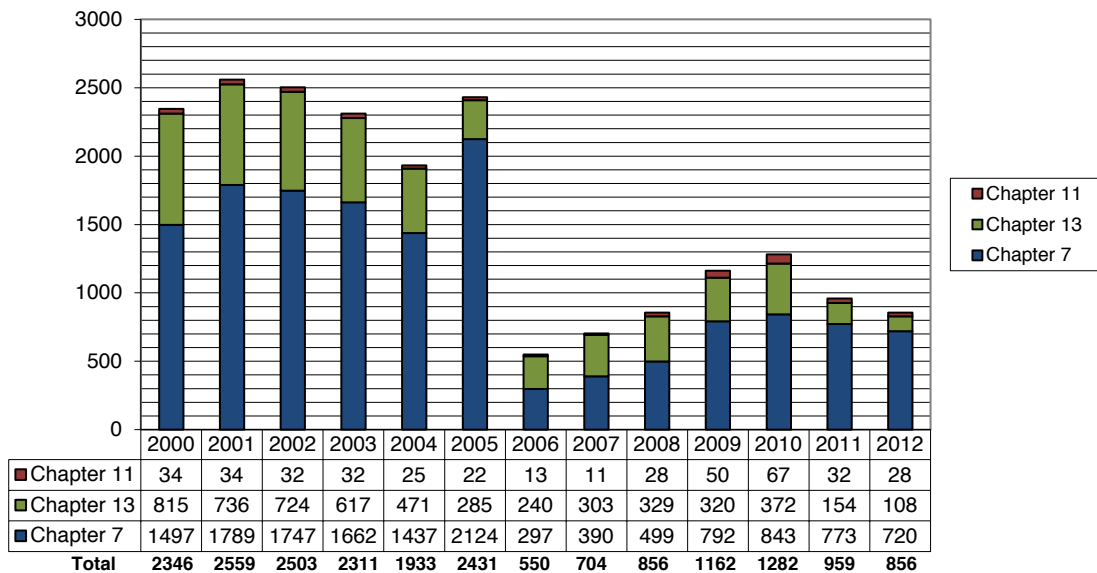
Cases Filed per Month by Year



Cases Filed Per Month by Chapter - 18 months



Total Cases Filed per Year



Pro Se Filings January-December 2012

| | Total | Pro Se |
|--------|-------|--------|
| Ch. 7 | 720 | 122 |
| Ch. 13 | 108 | 22 |
| Ch. 11 | 28 | 2 |

