



Hands-On Learning to Build Financial Habits: Federal Resources to Encourage School-Based and Youth Savings Programs

Mastering financial knowledge and gaining financial skills and habits are important building blocks to help children and youth be better prepared to make important financial decisions. Financial capability establishes a strong foundation for young people to fully participate in the economy and financial system as they enter adulthood. Also, financial capability can help improve their long-term financial and educational outcomes, such as college completion. These outcomes contribute to the overall economic strength of the nation. The federal Financial Literacy and Education Commission's (FLEC)¹ *Starting Early for Financial Success* initiative was created to help prepare children and young people to be financially prepared throughout their lifecycles. FLEC is providing this document as an overview of youth savings programs and key resources to encourage the development and implementation of programs that expand the financial capability of youth and build opportunities for financial inclusion for more families.

Characteristics of Youth Savings Programs

Experiential programs magnify the lasting results achieved from various forms of financial education for young people.² A school-based savings program is an example of providing an opportunity for young people, at an early age, to open savings accounts and make small, regular deposits into those accounts. The accounts have low or no minimum balance requirements, charge no monthly maintenance fees, and explain materials and account terms in an age-appropriate way. These programs are often integrated with the school's financial education activities, money management courses, and, for older children, career development programs. In some instances, these financial education activities are also available to faculty, school administrative staff, parents, and the larger community.

Youth savings programs provide students a safe and relevant setting to experience hands-on learning about spending choices and the value of saving. These programs offer a powerful opportunity to help students develop savings habits at a formative age; and the programs have the potential to promote economic inclusion for entire families and communities.

¹FLEC is comprised of 22 federal entities working together to strengthen federal financial education efforts. Learn more about the FLEC at www.mymoney.gov.

² See e.g., <http://www.aspeninstitute.org/sites/default/files/content/docs/pubs/Two%20Cheers.pdf>; http://www.cfs.wisc.edu/briefs/CFS_Research_Brief_2012-5.2.pdf.

Financial Institution Involvement in Youth Savings Programs

Throughout the country, various financial institutions have collaborated with elementary, middle, and high school administrators, and, in some cases, government, non-profit, or private entity partners to administer youth savings and financial education programs. These programs are typically a cooperative effort between a financial institution and school faculty members, administrators, school board members, school district officials, students, and parents.

Youth savings programs are often structured as in-school credit union or bank programs that offer students basic savings accounts. During the program, financial institution staff may make informal visits to schools to lead financial education lessons and accept deposits. The costs for a financial institution to establish and operate a school-based savings program depend on program complexity, the size and design of the space used on school grounds, the number of students participating, and the number and type of staff needed to supervise and manage the program. Some programs may use technology or other approaches to operate with fewer dedicated resources than more traditional models.

These programs can help a financial institution expand its community service and broaden its customer base. Moreover, an institution may benefit from elevated visibility, reputation, and goodwill. Banks and savings associations may receive consideration under the Community Reinvestment Act if they provide youth savings and financial education programs primarily targeted at low- and moderate-income students.³

The FLEC has considered advice received from a panel of state and local government leaders at the February 12, 2014 Financial Literacy and Education Commission Public Meeting on opportunities to help foster more state and local partnerships that promote financial capability,⁴ and input received from various parties interested in encouraging financial education and financial access for children and youth. Consistent with the advice and input, this document provides a directory of existing resources to help financial institutions, schools, non-profits, policy-makers, and other relevant parties identify national resources available from the federal government that may be useful.

Discussions with financial institutions and local and state government entities revealed that several common regulatory and legal questions might be hindering the development of new partnerships capable of helping young people develop savings relationships. *Guidance to Encourage Financial Institutions' Youth Savings Programs and Address Related Frequently Asked Questions* was issued by the Board of Governors of the Federal Reserve System (FRB), the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Administration (NCUA), and the Office of the Comptroller of the Currency (OCC), as members of the FLEC, together with the Financial Crimes Enforcement Network (FinCEN) of the U.S. Department of

³ See 12 CFR sections 25.12(g)(2), 195.12(g)(2), 228.12(g)(2), 345.12(g)(2). See Interagency Questions and Answers Regarding Community Reinvestment section __.12(h) – 8, 75 Fed. Reg. 11642, 11649-11651 (March 11, 2010), available at <http://www.ffiec.gov/cra/pdf/2010-4903.pdf> (“interagency CRA guidance”). In addition, see Interagency Questions and Answers Regarding Community Reinvestment, section __.12(i) – 3, 78 Fed. Reg. 69671, 69678 (November 20, 2013), available at <http://www.gpo.gov/fdsys/pkg/FR-2013-11-20/pdf/2013-27738.pdf>.

⁴ See <http://www.treasury.gov/resource-center/financial-education/Pages/February-12,-2014.aspx>.

the Treasury, on February 24, 2015, to address those questions. Specifically, the guidance reiterates agencies' existing Customer Identification Programs and other federal requirements, and applies them to financial institutions' youth savings programs. For example, the guidance explains the following:

- Consumer protection laws and regulations apply to youth savings accounts;
- If the goal of a youth savings program is financial education designed to teach students the principles of personal financial management, banking operations, and saving for the future, then a financial institution might not be required to submit a branch application to their regulator; and
- Because Customer Identification Program verification procedures are risk-based, institutions may use reasonable documentary or non-documentary methods to verify a minor's identity.

Specific questions relating to matters within any of the FLEC agencies' jurisdiction should still be directed to the respective agency. Organizations such as public interest non-profits, foundations, legal assistance providers, or local government officials might also be helpful for anyone considering establishment or expansion of a youth savings program.

Research by FLEC Members

The U.S. Department of the Treasury funded the two-year *Financial Education and Account Access among Elementary Students: Findings from the Assessing Financial Capability Outcomes Pilot* study that evaluated the impact of classroom financial education and access to an in-school bank or credit union on the financial knowledge, financial attitudes, and use of financial institutions among elementary school students. The study found significant positive impacts on students' perception of savings and use of financial institutions. There were also other promising findings.

- Full Report⁵
- [Research Brief](#)⁶
- [Lessons from the Field: Connecting School-Based Financial Education and Account Access in Amarillo, TX](#)⁷

⁵ Available at <http://www.treasury.gov/resource-center/financial-education/Documents/Financial%20Education%20%20Account%20Access%20Among%20Elementary%20Students%20Findings%20from%20the%20Assessing%20Financial%20Capability%20Outcomes%20You...pdf>.

⁶ Available at <http://www.treasury.gov/resource-center/financial-education/Documents/AFCO%20Youth%20Research%20Brief.pdf>.

⁷ Available at <http://www.treasury.gov/resource-center/financial-education/Documents/AFCO%20Youth%20Lessons%20from%20the%20Field%20-%20Amarillo.pdf>.

Recent Programmatic Resources

- *Guidance to Encourage Financial Institutions' Youth Savings Programs and Address Related Frequently Asked Questions*, issued by the FRB, FDIC, NCUA, and OCC, as members of the FLEC, together with the FinCEN of the U.S. Department of the Treasury.
- "School-Based Bank Savings Programs: Bringing Financial Education to Students," OCC's *Community Development Insights* report (<http://www.occ.gov/topics/community-affairs/publications/insights/insights-school-based-bank-savings-programs.pdf>), an OCC Insights report that discusses how school-based bank savings programs operate and overviews several key considerations for banks participating in these programs.
- OCC Fact Sheet: <http://www.occ.gov/topics/community-affairs/publications/fact-sheets/fact-sheet-bank-savings-incentive-programs.pdf>.
- A letter encouraging FDIC-supervised institutions to work with schools to promote financial education, including school-based savings programs: <http://www.fdic.gov/news/news/financial/2010/fil10080.html>.
- Other relevant resources from the FDIC are available at: <https://www.fdic.gov/consumers/banking/youthsavingspilot/resources.html>.
- Various resources for credit unions engaged in this work are available from the National Credit Union Administration: <http://www.ncua.gov/Resources/FinancialLiteracy/Pages/default.aspx>.
- NCUA webinar on how credit unions can put their financial literacy mission into action: <http://event.on24.com/eventRegistration/EventLobbyServlet?target=lobby.jsp&eventid=756999&sessionid=1&key=7908E7594C56D7425B316B8D50F95301&eventuserid=103659848>.

Educational Resources for Youth

Various free resources that support the financial education instruction component of youth savings programs can be found at www.mymoney.gov.

Agency Community Affairs Contacts

The FRB, FDIC, and OCC have community affairs staff throughout the country that may be able to assist financial institutions and their community partners with regulatory questions, increasing awareness of promising practices, and opportunities for fostering collaboration.

Obtain further information on the agency Community Affairs Programs at:

- FRB: <http://www.federalreserve.gov/communityaffairs/>
- FDIC: <http://www.fdic.gov/consumers/community/>
- OCC: <http://www.occ.gov/topics/community-affairs/index-community-affairs.html>
- NCUA: <http://www.mycreditunion.gov/Pages/contact.aspx>

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