

# **How Bankers Provide Financial Education in Texas**

Benchmark Research Project  
2010 Final Report  
Fourth Year Results in a Five Year Project

## **A Collaborative Study of Banks in Texas**

### **Cosponsored by:**

Texas Department of Banking  
Independent Bankers Association of Texas (IBAT) Education Foundation  
Texas Bankers Foundation

### **Introduction:**

This study is the fourth part of a five year process to assess specific outreach and activity efforts by Texas bankers in the area of financial literacy.

Financial education is an important life skill for all Texans. It is a skill that impacts banks and the way consumers use the financial system. Financially educated individuals are more likely to use financial services responsibly; they in turn, make it possible to build and maintain stable communities, states and the nation.

To map improvement over time, we set a benchmark in 2007 and are measuring change each year (2007, 2008, 2009 and 2010) against the first survey. The purpose of this ongoing study is multi-pronged:

1. To measure the process improvement year to year;
2. To better understand the financial educations programs being offered;
3. To test this survey again each year to measure progress.

Working in concert, the Texas Department of Banking, the IBAT Education Foundation, and the Texas Bankers Foundation have encouraged all bankers to lead the charge to build financially literate communities across Texas.

### **Profile of the Surveyed Banks**

Six hundred banks with locations in Texas received the benchmark financial literacy survey in 2010. One hundred four responded, a response rate of 17%. The majority of respondent banks are rural or have assets of one billion or less.

### **Respondents by Asset Size**

	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Small Bank (assets under \$250 M)	75%	70%	60.5%	45.7%
Intermediate Bank (\$250 M to 1 B)	18%	21%	29%	36.2%
Large Bank (1 B and up)	7%	9%	10.5%	18.1%

### **Respondents by Bank**

#### **Location**

	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Rural	52%	49%	52%	49.5%
Suburban	29%	26%	27%	28.6%
Urban	19%	25%	21%	21.9%

Most responding banks have between two and ten branch locations. Only 11.3% reported one location (down from 25% last year); approximately 25.5% percent (up from 19%) have between six and ten locations, and a similar percentage has between ten and over one hundred branches.

Of the 104 responding banks to this 2010 survey, most are state-chartered community banks (73.8%). The survey results may be particularly helpful in understanding the unique needs and financial education activities of Texas-based banks.

### **How Many Texas Banks Offer Financial Education?**

Sixty-four percent (up from 47% in 2007 and 60% in 2009) of the responding banks currently have an active financial education outreach program in their communities. Twenty-four percent of the responding banks in 2010 were interested in offering a financial education program and only 12% had no interest.

A deeper look at the different bank characteristics highlights noticeable differences in financial education offerings based on asset size. Among responding banks located in rural areas, approximately half offer financial education. When asset size is taken into account, 54% of the largest responding banks offer financial education as compared to 46% of the smallest banks.

Based on this finding, small and mid-size banks may have the greatest need for assistance in implementing financial education programs. Interested banks could benefit from targeted training and outreach to support the development of financial education initiatives.

### **Administering Financial Education Programs**

It is helpful to identify how banks administer financial education programs as a tool to understand the components of a successful effort. Champions working on their own can be powerful and effective, but having support from bank leadership ensures that programs are allocated the necessary priority and resources.

Eighty-two percent of bank employees with most responsibility for financial education report directly to executive management and/or the Board of Directors. The remaining 18% report to other departments, such as compliance, lending, marketing and operations.

While executive management in the responding banks appears to support financial education efforts, there is little evidence of active education programs in place. The survey results indicate three possible reasons for the lower than expected number of programs.

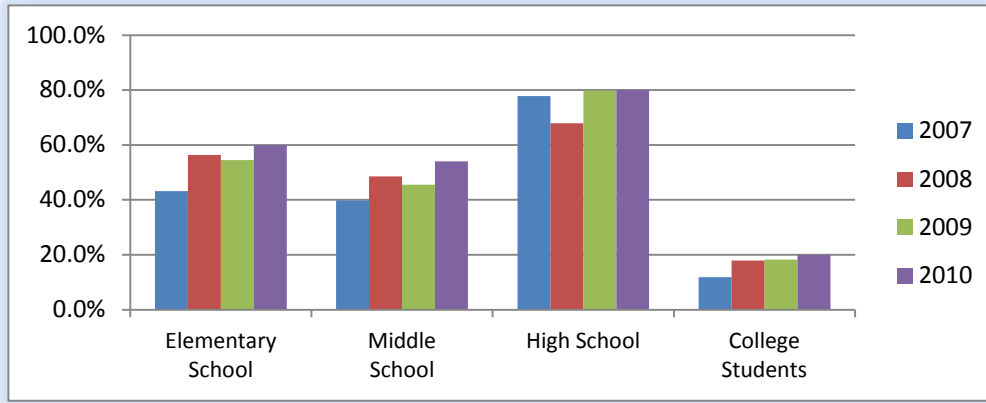
- First, a large majority of banks or 73% assign only one staff person to champion financial literacy initiatives;
- Second, for 76% of the responding banks surveyed, financial literacy is not part of their strategic plans;
- Finally, 41% have no budget for financial education initiatives.

Looking toward the future, 19% are planning to budget more for financial literacy than in the past; 52% plan to budget the same amount; and 29% are not sure.

## Who Is the Target for Financial Education?

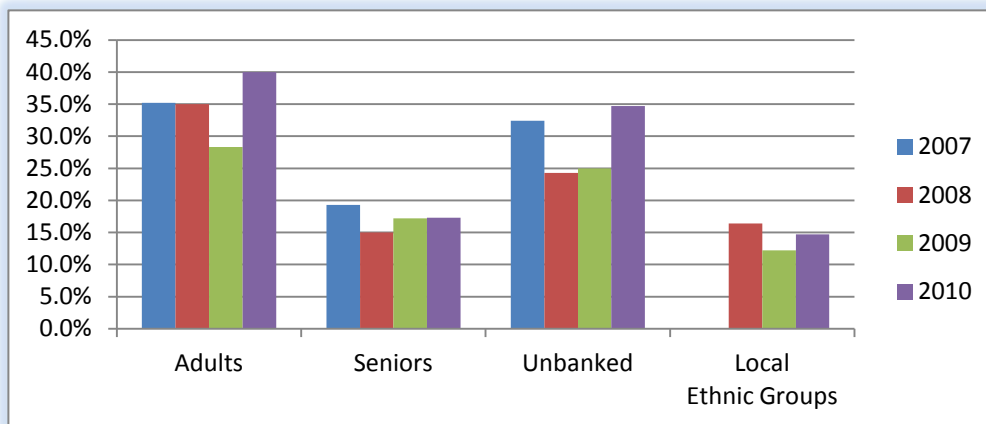
Most of the responding bank financial education programs continue to target high school students (80 %). Elementary students are also a priority (60 %), followed by middle school students (54%), adults and the unbanked.

### Target Groups for Financial Education- Chart 1



The emphasis on high school financial education could be related to Texas legislative requirements that high schools offer financial education to junior and senior students. The renewed focus on elementary and middle schools is encouraging as studies show that it is beneficial to offer financial education at an early age, to enforce positive financial behaviors.

### Target Groups for Financial Education- Chart 2



It is interesting to note the low number of programs targeting senior citizens. Despite the large and growing number of senior citizens, only 17% of programs (down from 19% in 2007) target this demographic. This finding may highlight an untapped opportunity for banks to provide financial education to a vulnerable community that is also a growing market.

## How Do Texas Banks Approach Financial Education?

Overwhelmingly, banks prefer to offer financial education programs using an “enthusiastic staff member” as opposed to bringing in an outside expert. Ninety-two percent (up from 86% in 2007) of responding banks support and encourage employees to provide volunteer financial education services during working hours. Offering financial education inside the bank through counseling during a loan interview is popular among many banks. Many responding banks continue to allocate funds toward established and measurable financial literacy programs. **This finding, coupled with the low number of banks budgeting funds for financial education, may reflect an opportunity for increased collaboration among banks and other financial education providers.**

The 2010 survey instrument probed the awareness of state and federal rules which allow banks to operate “in-school banks” without it being deemed a “branch.” Fourteen percent of the survey respondents offer such a branch. However, 43% noted that they would consider this in the future. (See Data Tables at end of this report for references on the in-school banking rules passed by the FDIC and the Texas Department of Banking.)

When given a list of existing educational curricula, bankers are most aware of the four following programs:

- Money Smart (FDIC) and Money Smart For Young Adults (FDIC)
- Teach Children to Save (American Bankers Association)
- Junior Achievement
- Building Wealth (Federal Reserve Bank of Dallas)

### Knowledge and Use of Financial Education Curricula

*Top four in use of 16 curricula included in the survey*

Program Name	Using Program				Know of Program				Would like to Learn More				No Interest			
	2007	2008	2009	2010	2007	2008	2009	2010	2007	2008	2009	2010	2007	2008	2009	2010
Money Smart	31%	36%	42.5%	48.7%	48%	54%	43.4%	35.5%	16%	5%	8.5%	11.8%	6%	5%	5.7%	3.9%
Teach Children to Save	18%	28%	31.6%	36.5%	33%	40%	39.8%	37.8%	30%	13%	10.2%	12.2%	19%	19%	18.4%	13.5%
Junior Achievement	15%	26%	38.6%	32.9%	41%	51%	36.6%	45.0%	20%	7%	8.9%	9.2%	24%	16%	15.8%	13.2%
Building Wealth	12%	22%	11%	26.0%	53%	47%	54.9%	50.7%	20%	11%	17.6%	20%	16%	20%	16.5%	8.2%

Local career fairs are used by 32% of the banks surveyed to offer financial education and financial fairs are used by 22% of the respondents. **Based on these results, there may be training opportunities for banks using these available financial education resources.**

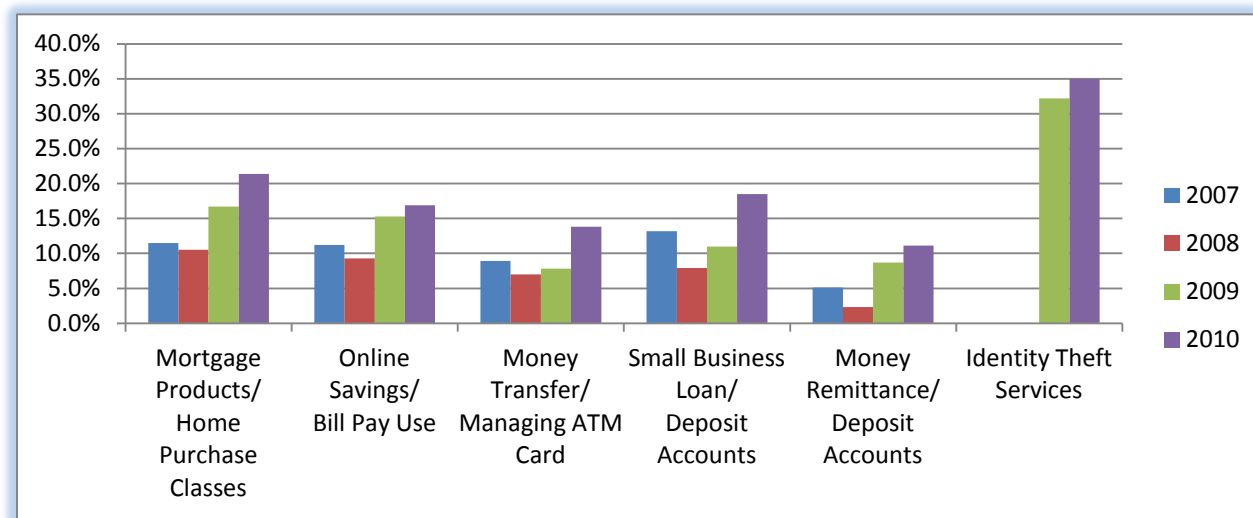
While some responding banks are active in offering particular programs or curricula, more have begun to take the extra step of measuring the success of financial literacy programs. Thirty-four percent measured program success in 2010 (19% in 2007). Of those that measure success, 78% measure the number of students reached and 52% measure the number of contact hours. Twenty-one percent of those responding provided pre- and post-testing tools.

Some banks are reaching out to the growing immigrant communities in Texas by offering financial education in languages other than English. Nearly 36% of the banks offer programs in Spanish. Fifty-eight percent of the respondents offered financial education resources to noncustomers, primarily through school visits/programs and nonprofit/civic programs.

A small number of responding banks are approaching financial education in connection with specific financial product launches. In 2010, the most widely offered financial education product to customers was identity theft services. Mortgage products are the second most commonly offered in conjunction with financial education, followed by small business loans and online savings products.

Introducing customers to new financial services creates a learning moment. Yet, few of the surveyed banks use the opportunity to offer financial education. It may be beneficial to both customers and to the bank to take advantage of these learning moments and provide related financial education.

**Banks Connecting Products with Related Financial Education**



## **Training Bankers on Financial Literacy Opportunities**

Over the past four years, bankers have expressed growing interest in ways to approach financial literacy. When asked if there was interest in learning more about financial literacy, 82% indicated their interest in “financial literacy starter kit” to help model successful practices in building a financial literacy plan of action at various age levels. Sixty-eight percent expressed interest in attending a “train the trainer” session for Money Smart, Building Wealth, and Junior Achievement. There was also interest among 74% of the respondents to attend a banker-to-banker financial literacy summit to share successful best practices.

Training opportunities aimed at experienced bankers who see their efforts at the intermediate level, are in highest demand, with 45% selecting this option. Forty-one percent of the respondents requested training at the beginner level, to improve existing programs, and 14% feel their programs are advanced and that they could serve as a role model for other bankers. These findings indicate there is continuing interest in training bankers in financial education outreach.

## **Conclusion**

Texas bankers are interested in providing financial education. Many banks are offering programs in their service area, and there is potential to offer more. There is a gap between the expressed intentions of small and mid-sized banks to offer financial education and the number of implemented programs. The results of the survey point to four main strategies to close the gap:

1. Increase the number of financial education trainings for small and mid-sized banks;
2. Prioritize financial education within bank leadership through including it in strategic plans, allocating more staff time to financial education and providing a budget for financial education activities;
3. Include financial education as an integral part of engaging customers in using new products and services; and
4. Facilitate collaboration between banks and nonbank financial education providers, such as community-based organizations and Junior Achievement programs, to reach community members beyond the banks’ customer base.

This survey documents the state of financial education programs among Texas banks between 2007 and 2010, and, it is also a call to action. As financial product and service options increase and are more complex, financial education is an essential unmet need in our communities. Bankers are a key part of meeting community financial education needs. With the right support and opportunities, they can make a real difference in improving the financial stability and prosperity of our communities and of our state.

## **Data Tables**

### **Methodology**

This survey is a preliminary inquiry to understand the involvement of Texas banks in financial education efforts. The Foundations of the Independent Bankers Association of Texas and Texas Bankers Association, and the Texas Department of Banking collaborated in administering the survey. A combination of hard copy and electronic surveys were sent (August 2010) to 600 banks, targeting a select group of bank officers—namely those who were serving as CEOs and Presidents. Since banks do vary in staffing, there were some cases where a single bank received three survey opportunities, while others may have received less than three.

A total of 220 different banks responded to the survey, with an additional 19 surveys coming from different branches of the same bank. The final size of our sampling is 188, down from 248 completed the survey overall. In spite of repeated reminders about the survey, the program response was lower in 2008. As a result of this drop in participation, the survey for 2011 will be released in late September.

### **Data Summary**

A full compilation of the data tables is available upon request.

### **Reference for In-School Banking Rules**

#### **COMET: Reference for In-School Banking Rules**

- **COMET** (Texas Administrative Code §15.44):  
[http://policy.ctspublish.com/txdob/lpext.dll/Infobase/division00013/sd100037.htm/sd200041.htm?fn=frame\\_default.htm&f=templates#LPTOC18](http://policy.ctspublish.com/txdob/lpext.dll/Infobase/division00013/sd100037.htm/sd200041.htm?fn=frame_default.htm&f=templates#LPTOC18)
- **FDIC**:  
<http://ecfr.gpoaccess.gov/cgi/t/text/textidx?c=ecfr;sid=10e52167cd2c32333cc21d627d33d123;rgn=div2;view=text;node=20080925%3A1.2;idno=14;cc=ecfr>

### **Reference Tools:**

#### **IBAT Education Foundation**

- Resources:  
[http://www.ibat.org/catalog/49/educational\\_products](http://www.ibat.org/catalog/49/educational_products)
  - Meeting the Texas High School Education Legislation Mandate
  - Career Day Tool Kit: Careers in Community Banking
  - Financial Literacy Book Lists for Students and Adults

#### **TBA Foundation**

- How to Get Started-A Guide to Financial Literacy in Your Community:  
[http://www.texasbankers.com/pdfs/TBA\\_Financial\\_Lit\\_kit.pdf?sess\\_id=953d7571d57541b29d5976d8be422ec1](http://www.texasbankers.com/pdfs/TBA_Financial_Lit_kit.pdf?sess_id=953d7571d57541b29d5976d8be422ec1)

### **Special Thanks:**

- To the team who did the day to day work of bringing the idea to life by drafting of questions, monitoring responses, and providing summaries and communication about the survey:
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