Towards Financial Literacy—Program Leaders Comment on Evaluation and Impact

In this paper, the author refines the meaning of the phrase "financial literacy" in the context of a series of overlapping steps from access to the financial system to prudent personal financial practice. She then presents results from a qualitative survey of 40 program leaders regarding program characteristics and evaluation of the program's effectiveness and efficiency and relates survey responses to three hypotheses concerning program evaluation and impact.

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Introduction

This article reports the results of a qualitative survey of 40 financial literacy programs in the United States and relates these results to three hypotheses of program evaluation and impact.

Hypothesis 1: Programs predominantly focus on financial access and education, with a goal of increasing understanding, but with little emphasis or adequacy regarding consumer interest, attitude, and practice.

Hypothesis 2: While programs are intended to be effective, due to the "missionary" mindset of community development (including financial literacy programs), making these programs efficient as well as effective does not tend to be a priority.

Hypothesis 3: Program evaluation often consists primarily of program leader perceptions, rather than quantitative measurement of effectiveness and efficiency.

<u>What is financial literacy?</u>

Financial literacy goes beyond knowledge. It represents the culmination of financial access, education, and understanding, as well as an individual's interest, attitude, and practice that directly benefits the financial efficiency and effectiveness of that individual, and indirectly and ultimately benefits that of society at large. From access to practice, these components can be thought of as inter-connected steps to financial literacy that often overlap and should repeat. In addition, each individual may enter the paradigm with different experiences and abilities.

> *"Reaching the financially illiterate is not simple. Many in society are intimidated by financial services and are too embarrassed to get help. Others do not fully understand the financial planning mistakes they are making and the true costs of those decisions. Others, simply wrapped up in their busy lives, never take time to assess their financial situation, and consequently they lose thousands of dollars unnecessarily to their creditors…"*[2]

As Senator Debbie Stabenow stated during a 2002 financial literacy Senate hearing, "There is a wealth of information out there, but… it is not always reaching the communities most in need."[3] The first step toward financial literacy requires *access* to the financial system through vehicles such as bank accounts and the awareness of information resources. The responsibility lies largely at the feet of society and not the individual. Training and other advocacy vehicles may push information out to consumers; however there is a difference between the provision of information and education. *Education* involves exposing consumers to and teaching them about financial terms, concepts, and consequences. However, it does not automatically guarantee that a consumer will have increased *knowledge* or act on such knowledge.

While access to, education about, and understanding of information are necessary for financial literacy, informed consumers may still need to learn how to translate these lessons into action. Informing consumers only leads to financial literacy if consumers behave differently. Knowledge must be exhibited through behavior. As Susan Molinari, national chairperson for Americans for Consumer Education and Competition has said, "Being financially literate is essential to controlling, rather than being controlled by one's financial circumstances throughout life."[4]

Benefits of financial literacy

Improving household financial literacy benefits both the consumer and the financial system at large. The consumer benefits in many ways. The most significant benefits are: reduced likelihood of falling victim to predatory lending or credit-related fraud; a better understanding and awareness of options in the marketplace for financial services; decrease in credit risk and/or unintended investment risk; lower vulnerability to economic shocks such as unexpected job loss; and improved planning and balance between current expenditures and future financial needs.

Financial institutions and the financial system also may benefit. Such effects include: improved efficiency of market operations and competitive forces; decrease in bankruptcies, defaults, and their effects; and increase in investment for future economic development.

As concern over financial literacy has grown in recent years, programs have proliferated. While in principle, this heightened attention is positive, Michael Moskow, president and CEO of the Federal Reserve Bank of Chicago noted that, "Organizations, all with the best intentions, still compete head-on for the same scarce resources."[5] Only through the leveraging and extending of the most efficient and effective practices will the impact to the economy and its constituents be maximized.

In addition, program sponsors are requiring better impact assessment to justify expenditures.

Survey Overview

As Alan Greenspan noted in his 2003 address to attendees of the 33rd Annual Legislative Conference of the Congressional Black Caucus, "Government agencies, major banking companies, grass-roots consumer and community groups, and other organizations have developed a wide variety of financial education programs. Some are tailored to specific products such as credit cards and home equity lines of credit, and others are focused on specific consumers, such as military personnel, college students, or first-time homebuyers. Other programs adopt a more comprehensive approach, teaching broad audiences about savings, credit, budgeting, and similar topics."[6] Additionally, emphasis on financial education as a means toward home ownership has increased, as Peter Werwath observed, "The proliferation of prepurchase homeownership counseling and training programs represents one of the most successful recent developments in the affordable-housing industry. While these kinds of services were offered sporadically to low-income homebuyers as far back as the 1970s, they have spread like wildfire in the past few years."[7]

Sandra Braunstein and Carolyn Welch (2002) note that "A study commissioned by Fannie Mae found that two-thirds of the ninety financial literacy programs that it examined were begun in the 1990s and that three-fourths of those were initiated in the late 1990s or 2000."[8] They also point out the high degree of variance of content and audience for such programs. According to testimony given by Don M. Blandin regarding the Fannie Mae study, associated survey respondents indicated that their organizations offered such programs to empower consumers, to help people avoid or recover from financial hardships, to satisfy regulatory or similar requirements, and/or to meet a broader goal, such as improving employee job satisfaction. The curriculum tended to concentrate on basic budgeting and money management, saving and investment, credit and debt, and other financing issues, such as health care and education. Program representatives identified challenges related to resource deficiencies, inexperience regarding "sociocultural" consideration in program design, and the need to increase program reach.[9]

Survey Purpose

Much of the evidence presented in the literature consists of output-related statistics (number of participants completing a program) or is anecdotal in nature. While there are concerns regarding the true effectiveness of existing programs, some behavioral changes have been documented. However, it is not known to what extent these behavioral changes are directly attributable to particular programs.

Therefore, a survey was created and distributed to a sampling of program leaders representing the financial education community. The survey was open-ended in order to solicit program leaders' own perceptions about their programs' costs and benefits.

Methodology

Representative program leaders from a variety of programs were informally identified through literature and Internet searches and networking. Participants were contacted via phone to introduce the project and its purpose. Subsequently, 80 surveys were distributed via email, resulting in 40 responses. The survey questions are shown in Appendix A.

By its nature, this survey is a subjective assessment of program leaders' general sentiment and not a quantitative census of financial education's current state. It is important to acknowledge potential bias regarding the choice of those included in the sampling and the results, as participation was dictated by both the availability and willingness of the persons involved to cooperate rather than by scientific principles of selection. In addition, the lack of anonymous reporting may have influenced responses.

Survey Findings

Program Characteristics

Emphasis.

The majority (60 percent) of program leaders indicated that their programs were both preventive and remedial. While another 30 percent felt their programs were strictly preventive in nature (and 10 percent did not respond), no one indicated that their program was exclusively remedial. Five of the 12 preventive programs concentrated specifically on educating youths, two on investing, and one on retirement planning.

Program Topics.

While the vast majority of the programs surveyed emphasized such basic financial skills as budgeting, understanding credit, and general money management topics, a few programs focused on more advanced issues related specifically to investing. And one program covered the spectrum of consumer economics.

Homeownership topics often played a prominent role in the curriculum. While three of the six financial institutions in the sample concentrated on homeownership almost exclusively, numerous other programs also highlighted various elements of homeownership. Such topics included mortgage basics, buying a home, and choosing a reputable contractor.

Other specific topics included: taxes, consumer rights and responsibilities, shopping for an automobile, identity theft and fraud, legal concerns, farm family retirement issues, divorce implications, and use of a risk management estimator. Notably, some programs discussed low-to-moderate income assistance mechanisms, such as Individual Development Accounts (IDA's), Volunteer Income Tax Assistance (VITA), Low Income Taxpayer Clinic (LITC), and Welfare-to-Work.

Nature of Organization.

The survey sample was relatively diverse in terms of the size of the organization running the financial education program. Roughly half of the programs appeared to represent just one aspect of the respective organization's enterprise. For instance, six financial institutions are included in this survey, as well as numerous other community entities. While the other half of the programs seemed to be run by smaller, grass-roots organizations, just 20 percent of the programs focused solely on the one financial literacy program surveyed.

Twenty-five of the 40 programs were run by non-profit organizations. Nine program leaders indicated that their programs were for-profit, with six of these programs being run by financial institutions. Five other programs were run by government agencies. One program leader did not indicate its nature. One for-profit organization indicated that "(While) we are a sub-chapter S, for-profit corporation, we strongly believe in supporting our community… as evidenced by our about-to-be launched fundraising program to raise money for non-profit organizations while raising financial literacy at the same time."

While it appears that most program leaders surveyed used their own curriculum or a hybrid of their own and others' curricula, a few program leaders made specific mention of "standard" curricula used, such as those offered through the Federal Deposit Insurance Corporation (FDIC), Freddie Mac, and the Jump$tart Coalition. Some program leaders actually provided their own curriculum to other organizations via their train-the-trainer approach to training.

Staff Composition.

The vast majority of respondents indicated that they had one to two full-time equivalent staff members involved with their program. Typically, however, employees involved may have held sole responsibility for the program, but were not solely devoted to the program. They often had other consumer and community development duties. For instance, financial institutions' staff members usually managed their financial literacy programs, along with other means of fulfilling Community Reinvestment Act (CRA) requirements.

In addition, many respondents noted that there were other staff members providing support through consolidated functions in their organization. Often there were also independent contractors hired as needed, and there were reporting staff members and graduate students who assisted. It also appeared that the employees involved in these programs developed, supported, and maintained them, but often volunteers were then heavily involved in service delivery. These volunteers were typically part-time workers putting in hours based on their availability and interest. The survey responses did not provide information on the extent of their knowledge and experience of financial literacy and teaching.

Primary Clients.

Program partnerships with neighborhood associations/groups often dictated the demographic characteristics of participants through referrals and word of mouth. However, many program leaders also identified a target niche that crossed one or more categories. Because some program leaders train trainers rather than consumers, responses often described both the training attendees and the ultimate training recipients or targets. Trainers attending the programs were characterized as being teachers, community development representatives, or volunteers. While some respondents indicated that they did not solicit information from attendees, one respondent noted that "one can form a pretty good opinion based on the questions and/or comments that are raised." Survey respondents' answers regarding the characteristics of programs' *ultimate* clients (i.e., the consumer) can be categorized by:

Income: Twenty-five percent of the program leaders specifically identified low-to-moderate income consumers as their main targets. Only one program indicated definitive targeting to moderate-to-middle income consumers. None exclusively targeted higher income individuals. The remaining majority did not identify a particular income level target.
Sex: Four of the 40 programs worked almost exclusively with women while the others did not identify gender as a distinguishing participant characteristic.
Age: Sixty percent of those surveyed did not narrow their focus to one particular age group. Eight programs were designed specifically for minors, plus two more were primarily for college-aged adults. Four programs catered just to adults, and two honed in on those middle-aged and/or senior citizens.
Ethnicity: Two of the 40 programs focused on Latinos, and one program served clients from various backgrounds with limited English, providing materials in Chinese, English, Korean, Spanish, and Vietnamese.
Occupation: Occupation was not really differentiated in terms of program targets. There were two exceptions to this—several programs catered specifically to teachers, primarily to reach children and young adults. In addition, a couple of programs targeted farm workers and others in rural areas.
Geographical range: Programs varied widely in scope, ranging from highly localized (towns, cities, counties), to state, regional, and national. Drivers of geographic concentration included: location of community perceived to be in greatest need of financial assistance/education, location of the organization, size and/or nature of the organization, program delivery vehicle, and similar characteristics of the program sponsors. For instance, relatively small grass-roots organizations tended to concentrate their programs within a small geographic area near the organization's location. Programs sponsored by large financial institutions were typically more regional or national in scope, while programs relying on Internet training (as opposed to in-person training) reached a broader population.

None of the program leaders mentioned any international efforts.
Sophistication: Programs seemed to focus primarily on explaining basic money management principles. A few programs concentrated on clients currently in financial trouble (i.e., significant credit card debt, bankruptcy, etc.), and a few emphasized investment principles for novice investors.

Partners.

There were 32 program leaders who commented on whether they had alliances with external partners. Of those, 27 indicated having such partnerships and five noted that they did not. One respondent noted that while she didn't currently partner with external entities, she was seeking financial institutions that have an interest in her program. Another respondent commented that at various times he had reached out to partner with the financial services firms, schools, and others with little success.

In some cases, national programs were affiliated with local partners, and, conversely, there were some relatively local programs affiliated with national partners. Partners were classified as federal agencies (six), state/local agencies (seven), university and university-organized (four), national coalitions or similar (five), national non-profits (nine), philanthropic foundations (five), private corporations (eight), and miscellaneous other entities (four).

Training Features.

Almost 60% of the respondents indicated that they trained both trainers and consumers. The remaining respondents were split evenly between only training trainers and only training consumers. Programs designed for high school students were often executed through training teachers, and some other leaders delivered their programs by training volunteers, who in turn trained consumers.

Over 40% of the programs surveyed used internal professional staff members to deliver their programs. Twenty percent used industry subject matter experts from various agencies, such as the FDIC. The rest of the programs relied on internal and/or external volunteers, external professionals, and/or vendor partners. One respondent noted that those who "have an interest in demonstrating their products to the agency and its partners" were often used.

At least one-third of the time, training sessions were held in community organization locations, such as churches, schools, and other public buildings. Some respondents also indicated that other locations, such as partnering organizations' headquarters, hotel conference rooms, colleges and universities, and the workplace were also used. Ten of those surveyed did not provide a response regarding location. Some of the non-response may have been due to a few programs being offered exclusively online or through self-study. Respondents generally seemed to show flexibility in where the training was held, based on the specifics of the audience.

Delivery Methods.

Sixty-five percent of the respondents indicated that delivery occurred primarily through instructor-led lectures in the form of classes or workshops. Typically, program media included printed take-home materials, sometimes supplemented by videos, manuals, and online information.

Several respondents noted their use of multiple delivery methods, including classroom, self-study, personal counseling, Internet, and/or phone delivery. A few respondents said that bilingual instruction was available.

A couple programs used simulation exercises either online or in the classroom. The online programs appeared to offer discussion boards for participants to converse.

Participant Recruitment.

There were varying degrees of recruitment activity, ranging from proactive solicitation to general advertising, to simple accessibility. It is likely that the specific approach taken relied in part on whether the program sought to train-the-trainer or to reach out to the consumer directly.

Based on survey feedback, direct solicitation methods involved direct communications, such as emails, mailings, faxes, phone calls, and "knocking on doors." More general marketing methods included efforts such as delivering presentations, having booths at conferences, and networking with other community development-oriented organizations. Advertising spanned the gamut of television, radio and newspaper to places of employment, and schools, church bulletins, and magazine articles. Accessibility was offered through the acceptance of referrals, reliance on word-of-mouth, and Websites located through Internet search.

It appears that 15 of the 40 program leaders were highly proactive in seeking participants, while seven were highly reactive, predominantly accepting referrals. The remaining 28 respondents fell somewhere in between.

Participation Fees.

Sixty percent of the programs (24 programs) did not charge participants a fee. However, nine program leaders conceded that while most of the time their programs were free, there were situations where a fee was charged. Additionally, seven programs did explicitly charge a fee to all participants. Some respondents did note that required fees were sometimes covered by various third parties, not necessarily by the participants themselves.

Those consistently charging fees did so based on materials, workshop sessions, and/or user access. Charges for materials ranged from three to thirty dollars. Workshop fees ranged from five to one hundred dollars, based on the program's emphasis, duration, and attendee characteristics. For example, one program had a different fee for adults than for children. In addition, some programs offered volume discounts for attendance and/or materials.

Examples where programs charged fees under certain circumstances included:

- A small number of volunteer instructors charging a materials fee;
- Fee decisions varying by state, particularly based on economic conditions;
- Charging fees if the course was offered for university graduate credit;
- Charging fees only when necessary to recover costs;
- Requiring fee payment for certain seminars, with the proceeds going to scholarships and further educational programs;
- Varying fees based on referral sources;
- Requesting donations, with donation size left to participant discretion and/or ability to pay.

One program leader noted that not only were his program workshops offered free of charge, but many grants provided a stipend for teachers who attended. Another program leader indicated that while fees were not currently charged, his organization was exploring the use of fees for the future.

Total Annual Budget.

Many programs were funded directly or indirectly by external sponsors. Contributions often came from: public and private foundations and corporations; federal, state and/or local funding; tax dollars; and/or a mix of contracts from corporations and government entities. One program (concentrated on saving and investing) was funded specifically by administrative assessments levied against violators of securities laws.

Twenty-six of the 40 program leaders provided specific program budget totals, amounting to almost $9 million per year in all. Figures varied significantly from program to program for many reasons, such as the scope and reach of the program, how recently the program was implemented, whether the program was a stand-alone or part of a larger financial literacy and/or community development initiative, etc. In addition, some respondents indicated that their budgets varied significantly from year to year.

Of the almost $9 million dollars budgeted annually for the 26 programs, four of these programs each allocated under $10,000; nine allocated between $10,000 and $100,000; nine allocated more than $100,000 but less than $1,000,000; and four allocated between $1 million and $1.2 million.

Of these 26 program leaders, ten indicated the size of their budget relative to that of their entire organization. Four of these programs allocated 5 percent or less of their organization's budget to their financial literacy program. Two allocated 10-15 percent, and four allocated 20-30 percent. Of the remaining 16 programs, it appears that some of the organizations' entire budgets were devoted to the program; other respondents chose not to provide this information. Some did indicate that their budgets weren't amenable to carving out program-specific expenses.

Some respondents provided details of the types of costs included in their budgets. Examples of budgeted expenses included those supporting: printing and mailings; call centers; refreshments; program maintenance, enhancement, and updates; travel-related costs; publication preparations; and Website maintenance.

None of the respondents included soft costs, such as sweat equity, nor did they differentiate between fixed-and- variable-cost considerations. And only one respondent provided actual expenses relative to those budgeted, indicating that while almost $60,000 was budgeted for the program, the program was operating with a $35,000 deficit.

Initial Funding.

Twenty-eight respondents noted the sources of initial funding. Of these, 22 programs were initially funded by external sources; six were initiated with internal funds. External funding appeared to have been most often obtained through grants from foundations and corporations. However, a couple of program leaders indicated fundraising efforts provided initial funding.

Often an outside foundation or corporate organization provided seed money and/or other developmental resources for program initiation. Of the 28 who responded to the survey question about ongoing support for their program, eight indicated that initial funders continued to sponsor the program after inception; ten indicated that ongoing costs were not necessarily covered by the originating sponsor(s); six programs were started with internal funds; and four respondents did not elaborate on whether initial funders stayed involved past the program's initial implementation.

In addition, two respondents funded program initiation through their own personal savings and loans, and a third respondent indicated that his program was completely self-supported after inception.

Program Impact

Below is an analysis of how the survey results relate to the three hypotheses outlined in the introduction to this article.

Hypothesis 1: Programs predominantly focus on financial access and education, with a goal of increasing understanding, but with little emphasis or adequacy regarding consumer interest, attitude, and practice.

Based on survey results, while these programs may indeed provide real benefits, they typically may fall short of affecting consumer behavior. Program leaders implied or even stated that acquisition of knowledge itself was equivalent to improving financial literacy. One respondent stated, "Financial fitness is information, and knowledge is empowering." Another expressed that the program's benefit was "enlightened awareness."

Often the programs appeared to provide tools to participants, "equipping them… to make sound choices" rather than trying to actually influence their financial decision-making. Such findings were consistent with Chairman Greenspan's comments in 2003 that "All of these programs are designed to give individuals *tools* (emphasis added) to manage their personal financial affairs and make responsible decisions about products that can improve their economic well-being."[10]

The provision of information and disclosure of options and barriers were intended to place consumers in a better-informed position when making financial decisions, versus actually influencing *how* they make those decisions. One typical respondent remarked that the goal of the program was to provide consumers with the "*ability* (emphasis added) to make their own changes in their finances."

Hypothesis 2: While programs are intended to be effective, due to the "missionary" mindset of community development (including financial literacy programs), making these programs efficient as well as effective does not tend to be a priority.

Questions relating to costs and benefits gained responses focused primarily on anecdotal, qualitative benefits. Although cost/benefit and net impact questions were asked, information about costs was provided only in the context of questions asked regarding annual and start-up budgets. It did not appear that costs and benefits were considered in combination for determination of net impact.

Several respondents did indicate that although a cost/benefit analysis (CBA) had not been done, they intended to do one in the future. Some indicated that their programs were too new to have begun such evaluation. Such respondents indicated that contemplation of program evaluation takes place at some point after program completion, rather than considering evaluation methods and objectives at program inception.

Those who had done CBAs seemed to weigh the cost of putting on the training against the costs recovered through fees charged. This analysis focused on net execution and delivery costs, not on evaluation of the program's net impact. In addition, hidden costs, such as the value of volunteers' time, as well as other opportunity costs associated with time devoted to the program's development and execution did not appear to be considered.

Hypothesis 3: Program evaluation often consists primarily of program leader perceptions, rather than quantitative measurement of effectiveness and efficiency.

Based on the answers received, many respondents felt that their program's virtues spoke for themselves and did not see a need for further evidence of both effectiveness and efficiency. It is certainly possible that program leaders had more direct cost/benefit evidence of efficiency, but that evidence, for whatever reason, was not provided. In other cases, they may not have realized that this information existed or had not made use of it. A couple program leaders did indicate that they were in the process of evaluating hard data on longer-term behavioral changes, but did not yet have results available. However, no information was provided regarding the methodologies used or the rigor applied.

Paul Clements has summarized the need for both activity and impact evaluation in saying, "Changing what we measure and report on can have a big influence on how we carry out our work... Focusing only on inputs and outputs can lead organizations... to miss some of the indirect effects that their development programs are having. We often rely on informal assessments, feelings, or anecdotes to assure ourselves and funders that we are on the right track. There is value in those informal assessments, and they should never be skipped or ignored. But sometimes when we are asked to identify program impacts, we jump too quickly to things that are easy to quantify, or we ask questions so broad and vague that we're not sure what the answers really mean."[11]

<u>Activities</u>

While responses varied, benefits (typically perceived and not necessarily proven) were often characterized in terms of activities, rather than in terms of actual impact.[12] While activity evaluation is important in considering program evaluation, such emphasis evaluates *outputs* not *outcomes*. This approach is typical within the community development field. As Sawhill and Williamson have indicated in The McKinsey Quarterly, "Most nonprofit groups track their performance by metrics such as dollars raised, membership growth, number of visitors, people served, and overhead costs. These metrics are certainly important, but they don't measure the real success of an organization in achieving its mission."[13]

As defined by Menendez, activities refer to "data on what a project does or offers."[14] Not only did respondents often misconstrue such outputs as outcomes, but the associated descriptions of such benefits were relatively broad. Responses emphasized providing everyday language to consumers that is easy to understand; tailoring programs to diverse groups; providing access to free and low-cost resources; providing unique assistance in Spanish; distributing information; providing accurate and non-biased information; and providing recourse vehicles if confronted with fraud. One respondent indicated his program's benefit to be the provision of a "safe, comfortable place to get financial information."

One respondent did note that he tracks knowledge and attitude change, as well as how participants did actually change their behavior. However, specifics regarding how this was done were not provided.

<u>Application</u>

When asked how they expected consumers to apply their knowledge, many program leaders responded that the training would help people make better financial decisions and be "less likely to be duped."

A couple respondents noted that, over the long term, their program should promote the "acquisition of assets that stabilizes a family's status" and should "increase net worth and income levels."

Impact

When asked questions regarding program impact in the broader context of society, respondents answered both abstractly in terms of the common good, as well as more specifically, regarding financial institutions, other businesses, and other beneficiaries.

Cultural effects cited in the responses included "helping people move from poverty to self-sufficiency"; improving school attendance—"students who can handle finances are more likely to be able to stay enrolled in school"; reducing crime or the impact of crime—"if participants are less likely to carry large amounts of cash"; making people "better employees"; providing a "connection to the financial mainstream"; and promoting "wiser voting on tax and spending issues, leading to better government".

The economy at large was viewed as benefiting in several ways—one respondent suggested, "The higher confidence investors place in themselves and the regulatory agencies regarding investing, the better the economy." The impact on future generations was emphasized as well, such as when one respondent felt that participants would set a better example for their children. Another said, "When young people especially are shown that over time investing can positively impact their lives, they will be encouraged to save more and spend less, thereby improving the financial health of our next generation." The perceived power of changing even one person's behavior was reflected in the response, "Anytime you get even one person to spend responsibly, save regularly, and invest wisely, there is a positive impact on the economy." Other examples included reduction in the number of people without bank accounts, fewer bankruptcies and foreclosures, lower unemployment, and better U.S. savings rates.

Positive effects on the local economy were often cited, described by one respondent as a "win-win situation for everyone (attendees, bankers, and community)." Specific examples included: demand for (and resulting supply of) more reputable businesses; more investment in community organizations; new homeowner purchases; new customers for financial institutions; increase in lending to those communities traditionally ignored; lower loan default rates; and more savvy customers in general.

Other examples included consumers potentially being more likely to pay their bills on time and possible reduction in processing garnishments for corporate human resource departments. No one offered any adverse effects—intended or unintended.

Participant Registration Data

Most respondents indicated that they collected only very basic demographic contact information at the time of registration, such as names, addresses, telephone numbers, and perhaps income level. One program leader did ask participants whether they had financial and retirement plans and associated legal arrangements. Financial literacy programs that focused on homeownership also asked for annual income, family size, and whether one had a bank account and already owned a home. Many respondents stressed the value of indiscriminate access and participant anonymity. It was often stated that participants were asked for information about themselves but such disclosure was strictly voluntary.

Some programs did not solicit any participant information. In response to whether he collected information from participants, one respondent said, "Not really… We don't do any 'data collection', per se." In fact, some program leaders only solicited participant information in order to execute the program's logistics. For example, one respondent said, "Participation includes name for generation of username and password." Another said, "The only information we collect about the participants is the possible need for a translator in the classroom."

When training trainers, program leaders did often request information regarding the participant's organization and its interest in the program. One respondent noted that, "All participating educators are added to our database, with name, address, email, grade, subjects taught, etc." and that the organization kept track of all programs the participant attended.

Beyond those who actually participate in these programs, it appears that little has been done to capture or track information on those in the target population who do not complete the program or participate at all. However, this survey did not explicitly ask whether or how any information collected is obtained, validated, and/or whether it is kept confidential. Additionally, the survey did not ask about costs associated with participant and/or non-participant data collection.

Conclusion

Because we live in a world of finite resources, it is important for program leaders and sponsors to optimize the efficiency and effectiveness of their training programs in order to achieve the greatest impact at the lowest cost.

Program leaders should consider both qualitative and quantitative measures of short-term and long-term effects in order to determine whether they are meeting their objectives.

APPENDIX A
PROGRAM SURVEY

Questions

What is the official title of your program?

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1) What are the major topics that your program covers?

2) How many full-time staff members are there in your organization? About how many of them work full-time on this program? Do you have volunteers also working on the program? If so, about how many of them work full-time on this program?

3) Who are your primary clients? (for example, are they students, people in financial trouble, members of an organization such as a church or community group, or employees in a workplace, etc?)

4) Is the aim of the program to prevent problems with your clients' personal finances or to help correct problems that your clients already have, or both?

5) What do you consider to be the primary benefits of the program to your clients? Who benefits in addition to the attendees? Are there other organizations or businesses that benefit? How do you think the economy is impacted?

6) What is the total annual budget (expenditure) of your organization? What is the total annual budget for this program? Where did the initial funding for this program come from?

7) What fee, if any, does a client pay to participate in your program?

8) What is the nature of your organization—is it non-profit? Government agency? Financial institution? Educational institution? A business? Other??)

9) Who were your partners in developing this program? Who are your partners in executing and maintaining the program? Are there any other stakeholders who have special interests in the program?

10) What costs have been invested in starting the program? What costs have been incurred in maintaining it? Has a cost/benefit analysis been done to determine the program's economic impact/success?

11) Do you seek to train the consumer directly, do you "train the trainer" (i.e. provide training to educators etc.), or do you do both?

12) Who is responsible for the training? (professionals, volunteers, etc.)

13) Where does training take place? For instance, is it in the workplace, at schools? Are there multiple types of locations/venues? Please describe.

14) How is the program taught? For instance, is it taught via the Internet, over the phone, in a classroom, via other self-study materials, etc? Are multiple ways to teach the material used, and if so, how?

15) How are participants recruited? Is the program advertised? If so, how? How do participants find out about it?

16) Do you have a target age range for your clients?

17) Are there characteristics that your clients share, such as where they live or their income level?

18) What data do you collect about program participants (before, during and after the program)? Do you collect any information about people who are eligible for the program but who do not participate?

19) How many people have completed your program? If you "train the trainers", are you able to tell how many consumers have been impacted?

20) Has the program been reviewed for effectiveness? If so, how often? Who has been involved in that review? What has the program review revealed about the strengths/weaknesses of the program?

21) Do you have any informal or anecdotal evidence that speaks to the effectiveness of the program?

22) What would you like to improve about your program?

23) What else do you think we should know about the program?

24) Do you have information about your program you could send us? Are there other materials you would recommend us to review?

25) Do you know of any other financial literacy programs that you think we should know about? Do you have contact information for them?

26) Do you have any questions about the Michelle's project? If so, I will pass them along to her and be sure that one of us responds to you.

27) Would you be interested in potentially working with the Chicago Fed on a financial literacy pilot program?

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Endnotes

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[2] Prepared Statement of Senator Debbie Stabenow, 2002, The State of Financial Literacy and Education in America, Hearing Before the Committee on Banking, Housing, and Urban Affairs, United States Senate, One Hundred Seventh Congress, Second Session on the State of Financial Literacy and Education in America, February 5/6, p. 114.

[3] Ibid.

[4] Prepared Statement of Susan Molinari, national chairperson, Americans for Consumer Education and Competition, 2002, The State of Financial Literacy and Education in America, Hearing Before the Committee on Banking, Housing, and Urban Affairs, United States Senate, One Hundred Seventh Congress, Second Session on the State of Financial Literacy and Education in America, February 5/6, p. 115.

[5] Michael Moskow, president and CEO, Federal Reserve Bank of Chicago, Perspectives on Community Development speech, Community Affairs Research Conference, Federal Reserve System, The Capital Hilton, Washington, D.C., 3/28/03.

[6] EFT Report, "Fed Officials Speak Out on Financial Literacy", Phillips Business Information, Inc., Vol. 27; Issue 20, 10/01/03.

[7] Peter Werwath, Homeownership II: Home-Buyer Counseling and Training, The Enterprise Foundation Publications/Newsletters, 2001, www.enterprisefoundation.org/pubsnews/bb/cc697_2.asp.

[8] Sandra Braunstein and Carolyn Welch, "Financial Literacy: An Overview of Practice, Research, and Policy, Federal Reserve Bulletin, Federal Reserve Board, November 2002, p. 448.

[9] Prepared Statement of Don M. Blandin, 2002, The State of Financial Literacy and Education in America, Hearing Before the Committee on Banking, Housing, and Urban Affairs, United States Senate, One Hundred Seventh Congress, Second Session on the State of Financial Literacy and Education in America, February 5/6, p. 125.

[10] EFT Report, "Fed Officials Speak Out on Financial Literacy", Phillips Business Information, Inc., Vol. 27; Issue 20, 10/01/03.

[11] Clements, Paul, "Getting at Impact: A Beginner's Guide", Shelterforce Online, NHI, Issue #119, Sept/Oct 2001, p.1.

[12] Further information about the differentiation between activities, data collection, application, and impact can be found in The Thinking Tools Group "Levels of Evidence" paper, authored by Fernando Menendez, who can be reached at info@thinkingtools.org.

[13] John Sawhill and David Williamson, "Measuring What Matters in Nonprofits", The McKinsey Quarterly, McKinsey & Company, Number 2, 2001, p.98.

[14] Menendez, Fernando, "Levels of Evidence".