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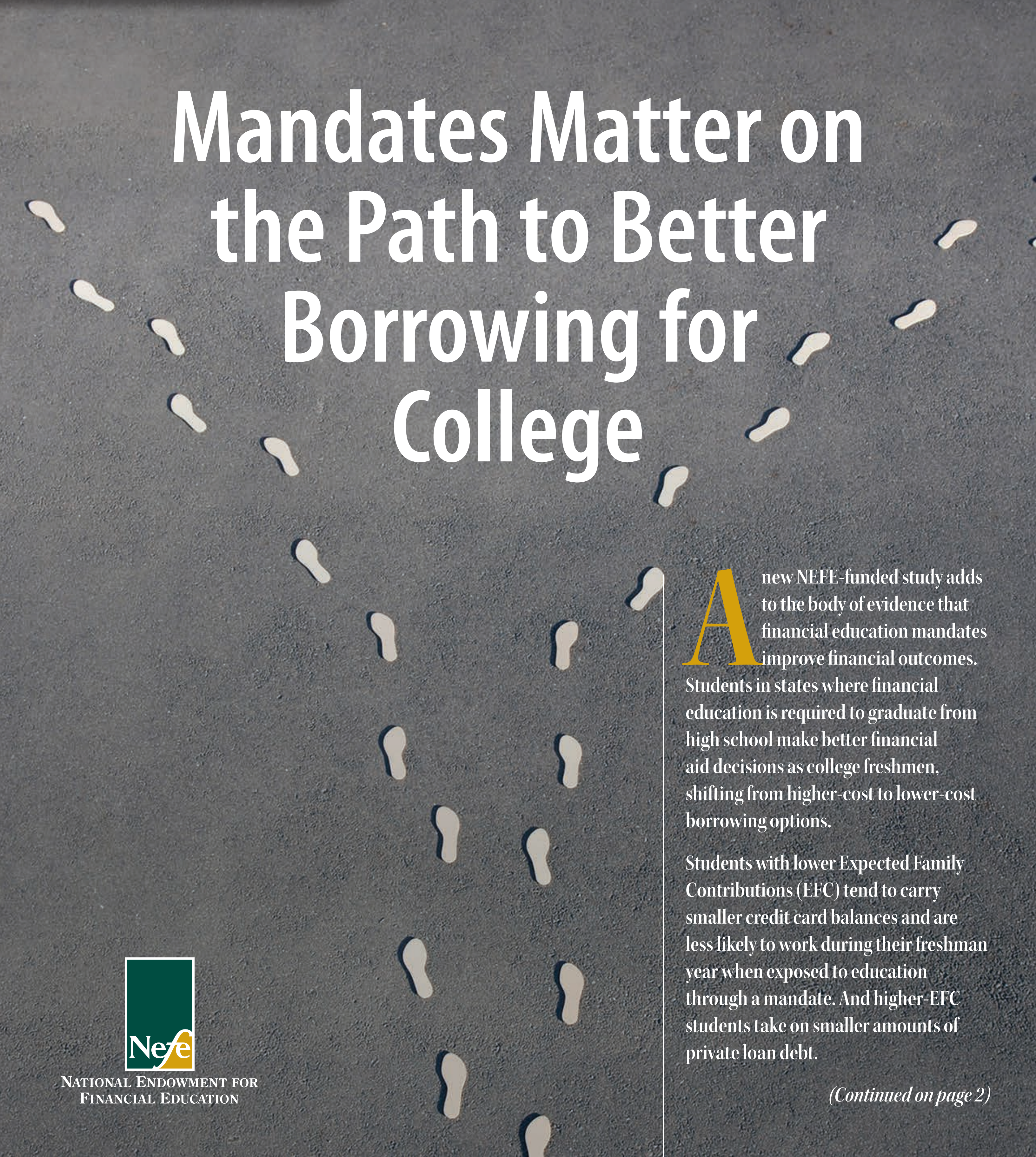
Nefe Digest

Winter 2019



Mandates Matter on the Path to Better Borrowing for College

A new NEFE-funded study adds to the body of evidence that financial education mandates improve financial outcomes. Students in states where financial education is required to graduate from high school make better financial aid decisions as college freshmen, shifting from higher-cost to lower-cost borrowing options.

Students with lower Expected Family Contributions (EFC) tend to carry smaller credit card balances and are less likely to work during their freshman year when exposed to education through a mandate. And higher-EFC students take on smaller amounts of private loan debt.

(Continued on page 2)

Nefe
National Endowment for Financial Education

Making Better Borrowers

This study, conducted by Carly Urban, Ph.D., and Christiana Stoddard, Ph.D., at Montana State University (MSU), is the first to determine the causal effect of financial education graduation standards on positive college borrowing behaviors. It finds a distinct increase in applications for financial aid and in acceptance of both grants and federal loans when financial education coursework is required by the student's home state in order to graduate from high school.

Mandates have positive effects on incoming college freshmen, although the effects are different for higher-EFC and lower-EFC students. Students from lower-EFC backgrounds take on more federal loans, have smaller credit card balances and are less likely to work, potentially allowing them more time to focus on their studies, and possibly shortening their total time in college and improving their likelihood of graduating.

For students who take on private loans, the existence of a mandate results in a notable reduction in the amount borrowed — $1,300 on average.

Note: This research segmented students by EFC above and below $5,000 to distinguish the effects of mandates. It is understood, however, that EFC is an index number for institutions to allocate financial aid, even though many students and families believe it means the amount of money they should contribute to college costs.

College Enrollment Decisions Unaffected

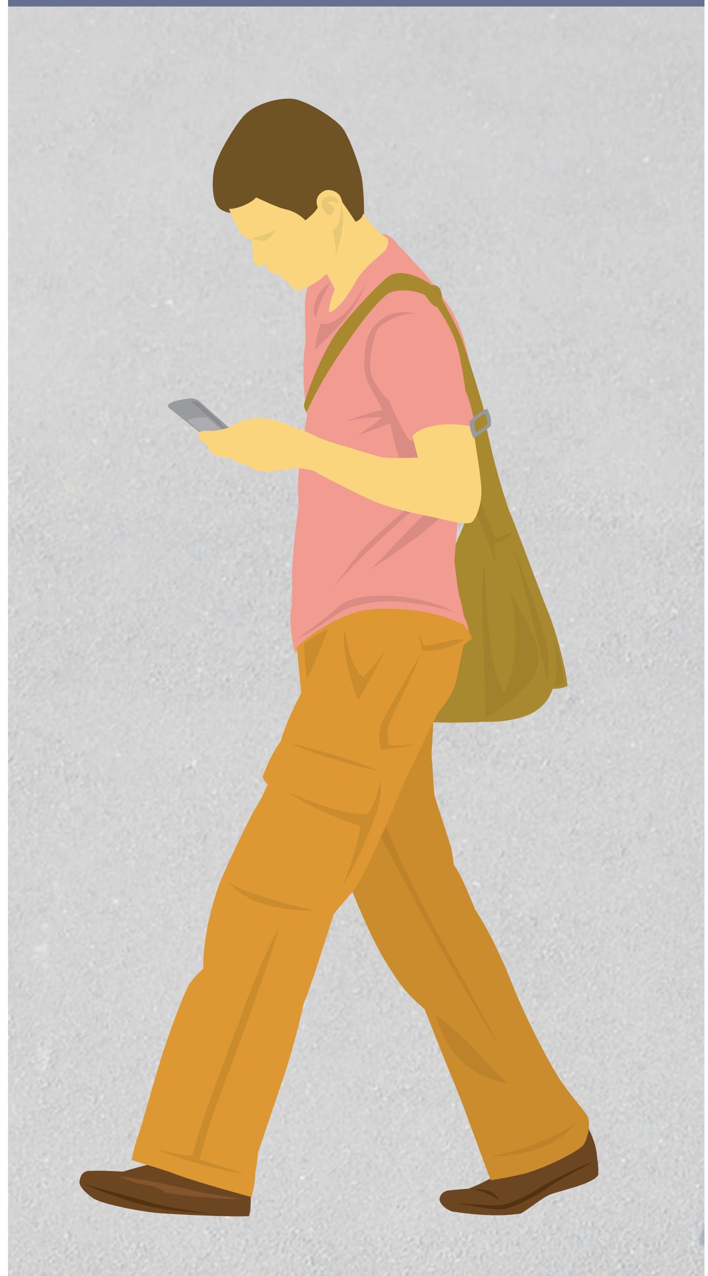
Mandates do not affect the biggest and most basic financial decisions about college. Students exposed to financial education are no more or less likely to:

- Go to college
- Choose a college with a different tuition level
- Choose a different type of education
- Choose a more selective college
- Choose a different financing option based on the initial college choice

This research suggests that high school may be too late to influence students' decisions about whether or not to attend college or the type of higher education they pursue. However, it is not too late to nudge students toward more beneficial decisions about financial aid.

James

EFC < $5,000



Students from Families with Below Median EFC (<$5,000)

Increase their acceptance of federal loans at a rate that is three times larger than more affluent students.

Exhibit a decrease in credit card balances.

Exhibit a decrease in working while enrolled.

Hailey

EFC > $5,000

Students from Families with Above Median EFC (>$5,000)

Decrease private loan borrowing by roughly $2,400 (among those who borrow loans).

No impact on credit card balances or decision to work while enrolled.

Elective vs. Mandated Financial Education

Simply offering a course is not enough to change college financing behavior. Without mandates, elective courses do not appear to have the same positive effects as state requirements for all students.

The study tracked students in Montana, a state without a mandate, based on stand-alone personal finance course offerings in high schools. Ultimately, the analysis found no influence on average college financial aid packages and no effect on having federal loans or grants when financial education electives are offered. There was not enough information to determine whether this was due to low take-up, poor implementation, or the type of student voluntarily taking the class.

Finding the Sweet Spot

This study also contributes to previous research from NEFE and others on how to evaluate optimal student debt options and amounts.

"The term 'student loan debt' overshadows what should be a more analytical discussion of how to finance college," says Amy Marty Conrad, managing director of CashCourse, NEFE's postsecondary financial education program. "Of course, any reduction in the amount borrowed and any improvement in the borrowing terms will improve the bottom line for students and their families."

Conrad says this is just one approach. "Taking on a realistic amount of debt is crucial, whatever that is for each person's circumstance. But we're learning that doesn't always mean less. Some students benefit from taking out more loans — often that allows them to finish faster and begin repayment sooner."

Benefits Beyond Freshman Borrowing Decisions

The effects described in this study are likely understated, as it examines only initial borrowing decisions of incoming college freshmen. It's likely that there are cumulative effects of the high school requirements over the course of a student's college career, including effects on persistence, graduation and post-education financial behaviors.

Additionally, high school financial education graduation requirements can significantly impact key behaviors beyond college. Previous literature finds that mandated financial education in high schools also reduces non-student debt, increases young adults' credit scores and decreases severe delinquencies. This broad set of impacts suggests that mandated financial education contributes to a range of improved financial decision making among young adults beyond their formal education years.

(Continued on page 4)

Call to Action: Improve Foundational Research Data

Beyond its findings, this MSU research is notable for its commitment to building and testing data. For example, MSU used research assistants to contact every high school in Montana directly to determine the nature of the school's financial education offerings.

MSU also independently researched state mandates rather than relying on existing information that sometimes was incorrect. And the researchers examined numerous potential influencers besides mandates (for example, state unemployment rates, SAT scores, and other high school graduation policy changes such as total math credits required) to confirm that students' behaviors resulted from the mandates and not other external factors.

This leads NEFE to address the fact that research on financial education mandates is only as good as the information available on the mandates and course offerings themselves.

"Incomplete and out-of-date information compromises the integrity of the field's research," says Billy Hensley, Ph.D., NEFE president and CEO. "If we don't know the exact nature of how mandates are implemented at the state, school district and school level, we can't offer meaningful evidence on how financial education works."

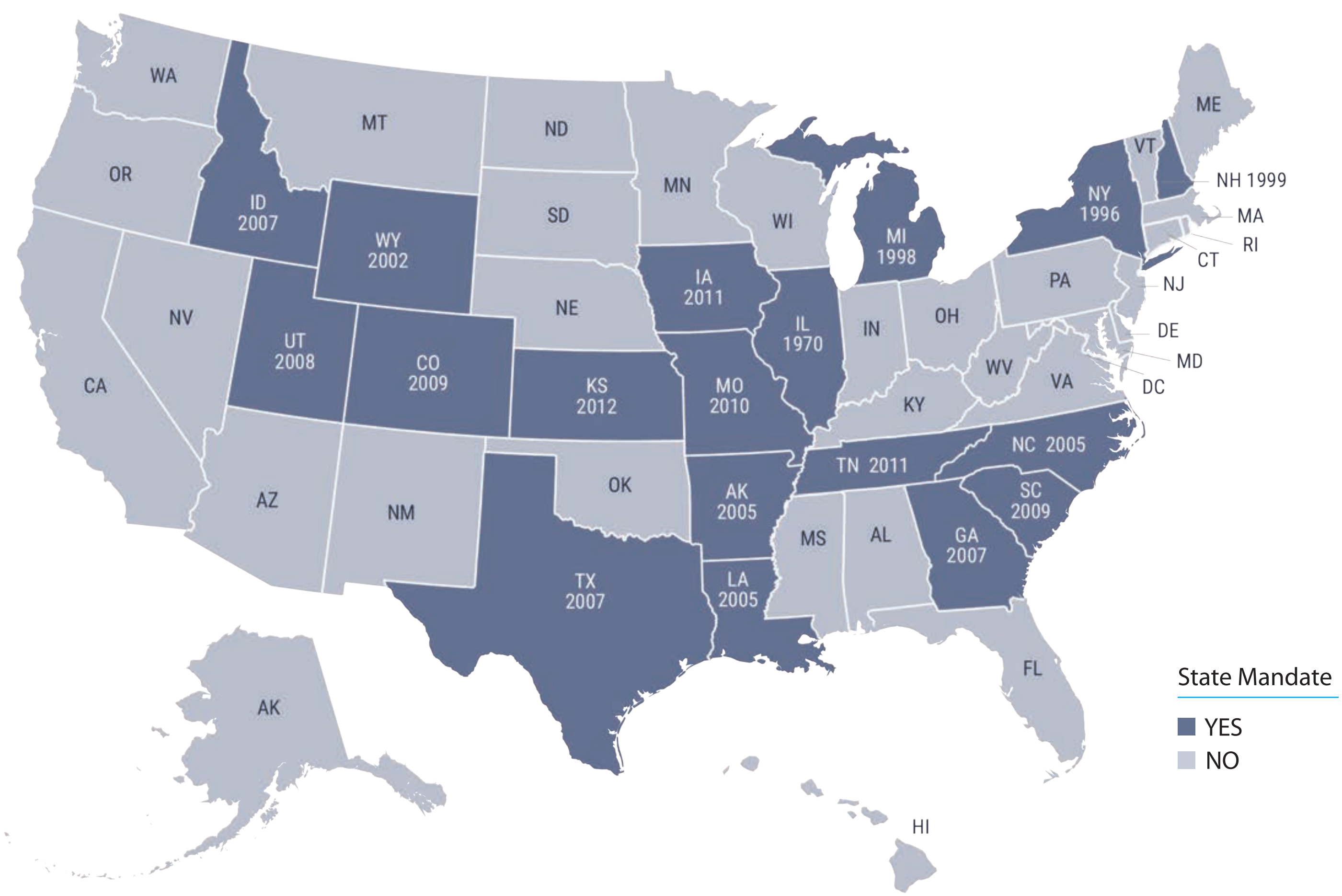
While many organizations and researchers strive to compile this information, they are met with multiple barriers.

Mandates are relatively easy to track, but implementation varies widely and can change frequently. For example, are the mandates funded, and does that funding change year to year? Are specific resources required or recommended? Are these communicated to schools or easily accessed? How are teachers chosen and trained to provide instruction?

The definition of what constitutes financial education is not standardized and includes very different types and lengths of interventions. Clarification of the details of what is called financial education at the school level is necessary to conduct research accurately. However, collecting this data is time-consuming, expensive, requires regular updating and is not academically rewarded.

"Improving the precision of our research is critical to making the case for effective financial education," Hensley says. "If we want to advance as a field, we need to be willing to embed extra time and funding into our research grants — and to share these data with other researchers. Accurately reflecting the outcomes of financial education depends on it."

States Requiring Personal Finance Prior to High School Graduation, 2017



For more on the MSU research, visit www.nefe.org.

NEFE Welcomes New Chief Financial Officer

Joanne Flores Moses, CPA

As a high school junior in the 1970s, Joanne Flores Moses knew she wanted a career that would provide a solid financial future for herself and her family. One day her American history teacher mentioned the many opportunities for women in personal accounting. He said his wife was a certified public accountant (CPA) and that the field was likely to grow as taxes and retirement plans became more complicated. At that moment, Moses decided to become a CPA.

She was born in Guam and lived in Oklahoma, New York and Libya as a child due to her father's career in the U.S. Air Force. She settled in Colorado in 1976, where she received her bachelor's degree in accounting from the University of Denver. She fulfilled her goal of becoming a CPA and attended the Commonfund Endowment Institute at the Yale School of Management.

Prior to joining NEFE in 2018, Moses worked for 20 years at the Boettcher Foundation in Denver, where she started as controller in 1998 and moved up to director of finance in 2007. She oversaw the growth of the foundation's $300 million investment portfolio, which included a mix of traditional asset classes and alternative investments.

Moses brings experience in accounting, private foundation tax regulations, budget development and management, audit and internal controls, and retirement plan oversight. As NEFE's CFO, she oversees day-to-day business operations and manages the endowment's investment activity and finances. Her responsibilities include recordkeeping, taxes, payroll, information systems, human resources, corporate insurance, building leasing, and coordination of annual financial and pension audits by an outside CPA.

She also serves as chair of the communications committee for the Foundation Financial Officers Group, and is a board member of The Communications Network.

Now married with a son, Moses enjoys cooking, travel and volunteering in the community. Once a month, she and her husband prepare meals at the Ronald McDonald House.

She looks forward to continuing NEFE's legacy while bringing a fresh perspective.

"The world has changed and NEFE is poised to advance in a new direction," Moses says. "I am excited to support NEFE as it modernizes and rises to the next level."

NEFE Contributes to Consumer Financial Protection Bureau Advisory Board

Brent Neiser, NEFE's senior director of strategic partnerships and alliances, was appointed to a three-year term on the CFPB's Consumer Advisory Board in summer 2017 and led board work on mobile financial services for the underserved in spring 2018.

Neiser was selected to create a national thought leadership presentation and organize a discussion for the Consumer Advisory Board. Neiser presented "Lessons Learned About the Needs of Specific, Targeted Vulnerable Populations around Mobile Financial Services (MFS)" at the first CFPB meeting on Trusting Mobile Financial Services: Needs, Barriers, Learnings and Opportunities. Alex King, NEFE's government affairs fellow, contributed to the development of the presentation.

The new acting CFPB director rechartered the Consumer Advisory Board from 25 members to nine in June 2018. New members include consumer organization leaders, fintech firms' founders/officers, a university president and NEFE. Neiser was the only member of the prior advisory board to be reappointed.

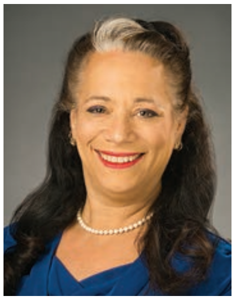
Since then, Neiser has attended several meetings covering topics such as using technology to prevent and respond to elder financial abuse; community bank, credit union and fintech partnerships; artificial intelligence in consumer financial services; consumer access to financial records; and much more.

NEFE Board Welcomes New Leadership and Two New Members

The NEFE Board of Trustees welcomes a new chair, Patrick Bannigan, executive vice president and chief financial officer for American Century Investments in Kansas City, Mo., and a new vice chair, Helen Norris, vice president and chief information officer at Chapman University in Orange, Calif.

NEFE also welcomes two new members who each will serve an initial three-year term on the 14-member board.

"NEFE undoubtedly will benefit from the expertise of these accomplished new board members and the ongoing insight from our new board leadership," says NEFE President and CEO Billy Hensley. "We are thrilled to welcome these important perspectives to the NEFE table as we enter into a new era for financial capability."



Rachelle Feldman, associate provost and director of financial aid at the University of North Carolina, Chapel Hill

A native of Washington, D.C., Feldman spent most of her adult life in Northern California, where, after a brief modern dance career, she entered the "dynamic and fascinating" world of financial aid at the University of California, Berkeley, eventually earning the role of director.

She developed and implemented Bears for Student Success, a peer-led financial wellness initiative for undergraduate and graduate students at Berkeley, and implemented the university's Middle Class Access Plan. Feldman also co-founded and co-led the University of California's systemwide Financial Aid Leadership Institute.

Feldman currently holds several national leadership positions, including chair of the Coalition of University State Aid Administrators, board member of the National Association of Student Financial Aid Administrators and executive board member of the Higher Education Loan Coalition. She regularly advocates for students at the national level. Feldman is passionate about access to higher education and giving all students the experience and preparation they need to live successful, fulfilling lives after graduation.

Margaret Libby, CEO and founder, MyPath

Margaret Libby is CEO and founder of MyPath, a national nonprofit that promotes upward economic mobility for low-income working youth.

Since 2007, Libby has led MyPath's pioneering work to demonstrate the effectiveness of integrating banking, saving and credit-building into youth employment settings. MyPath has initiatives in 13 cities with more than 70 partner sites, engaging more than 6,500 low-income working youth.

In partnership with young people, Libby helped launch MyPath Savings, the nation's first model to integrate banking, saving and peer support directly into youth employment settings. It is a rigorously tested and proven model that has supported low-income working youth to save over $2.5 million. She also helped found MyPath Credit, the nation's first youth-focused credit-building model.

Prior to MyPath, Libby oversaw a youth-led research and evaluation project at the Youth Leadership Institute and advocated to end inequities in the subprime mortgage market while at the California Reinvestment Coalition. She has co-written numerous publications around youth financial capability, youth leadership development and evaluation, and predatory lending.

Libby currently serves on the Credit Builders Alliance board of directors and is a founding member of nLIFT (Nonprofit Leaders in Financial Technology). She holds a bachelor's degree from Brown University and a master's in social work from the University of California, Berkeley.

Faces of NEFE – Katherine Sauer, Ph.D.

Senior Director of Education, Research and Strategic Impact

Last issue, we introduced Katherine (Katie) Sauer, who replaced Billy Hensley, Ph.D., when he took over as NEFE's president and CEO. Now we get to know Katie a bit better to find out how her path led her to financial capability in general and to NEFE specifically.

Where are you from originally?

I was born and raised in North Dakota, but I don't have the accent anymore. My parents and extended family predominantly live in Minnesota now, so I get back to the Midwest a couple times a year to refresh my pronunciations of "boat" and "you betcha."

What are your interests outside of work?

I love yoga and have been a certified instructor since 2012. I teach yoga for athletic performance and recovery every Saturday at a local martial arts studio. At a previous job, I used to teach office yoga and meditation in the conference room. Maybe I'll bring that to NEFE now that I'm settling into my new role here. I'm also a certified nutritionist and enjoy cooking whole food plant-based (WFPB) recipes. I enjoy painting (artistic, not walls); acrylic on canvas is my preferred medium and I often base my pieces on graphs from economic theory.

Katie is an avid yoga practitioner — even while on vacation in Bali.

In her free time, Katie also enjoys painting.

What interests you about personal finance?

It sounds strange, but I've been an economist since I was a small child. I've always thought about the world in terms of trade-offs, incentives, choices, costs/benefits, and (un)intended consequences. It's just how I see things. To me, personal finance is a very practical, applied version of the economic way of thinking. Personal finance can breathe life into basic economic theories. For example, economists may theorize about how people go about maximizing their utility from purchasing goods and services. Personal finance includes the everyday, real-world choices people make about spending.

What's something you wish the average American knew about personal finance?

I wish people paid more attention to estate planning and knew that it is about way more than a will. Younger, single adults often think it doesn't apply to them. In reality, all adults need to think about who will make decisions (health and financial) if they become temporarily incapacitated. Thinking through all of your finances in preparation for a temporary "what if" or inevitable "when I die" has another benefit that I recently learned about.

Recently one of my credit card numbers was used fraudulently so I had to close that card. Because I created a list of financial accounts as one of my estate planning reference documents, and it included which subscription services and bills were automatically charged to that card each month, it only took me about 30 minutes to log into each account and input a new credit card number. Without my reference list, it would have been a much larger hassle to try and remember each account that was linked to my credit card — especially the items that only charge periodically (e.g., the tollway I sometimes take or my computer backup service).

What's your philosophy on how financial education should be delivered?

Aside from NEFE's Five Factors for Effective Financial Education, I believe effective financial education shouldn't take a stance on whether a particular financial decision is right or wrong, good or bad. Taking on debt isn't inherently good or bad — it depends on the situation. Shopping around for a lower price on something isn't costless — it takes time. Tithing may be a priority for someone even if it means they can't pay all of their bills in a month. Financial education should aim to lay out potential short- and long-term consequences (positive, neutral and negative) of decisions and provide strategies for individuals to use in decision making. If we really want to help people learn more about their finances, then we need to meet them where they are. And that means not judging and not being so rigidly prescriptive about what it means to be "responsible" with one's finances, when delivering financial education.

The Man Behind the Mustache:

NEFE Thanks CFO/COO David J. Kaus For 30 Years of Service

When David (Dave) Kaus first started at the College for Financial Planning in the late 1980s, all he was looking for was a steady paycheck and good benefits to support his growing family.

Raised in the rural Colorado town of Eastlake (population 300), where his dad was the postmaster and owned the frozen food locker, Dave spent his childhood playing baseball and doing "lots of stupid stuff" that he and his buddies tried to hide from the watchful eyes of the "little blue-haired ladies."

He remembers the exact moment when he decided to leave the farm. It was a scorching July afternoon and he had just used all his body weight to shove a sled of 120-pound hay bales onto a field for the thousandth time. Many of his buddies already had left for college. Anything was better than sledding hay, he thought. So, he paid his own way to school and became an accountant.

His early career included a stint with the Comptroller of the Currency and time spent in public accounting where he — sort of — worked with the FBI. (He could tell you more, but … well, you know.)

Once married and the father of three daughters, he transitioned to the College for Financial Planning in February 1989, where his duties went far beyond crunching numbers. He helped construct a new office building, participated in the accreditation process for the College, and ultimately shepherded NEFE through the process of becoming the private nonprofit 501(c)(3) national foundation it is today.

For more than three decades, Dave has helped oversee NEFE's major milestones (see sidebar, next page) while growing and protecting the endowment that powers its work. It's been a career full of challenges, which is just the way he likes it.

"We did our job on the financial side. Took care of our assets. I think what [former President and CEO Ted Beck] and I would say is we were able to grow the organization," he says. "We hired really good people who wanted to do a good job. And we tried very hard to take care of them. That's what I'm most proud of. I have a lot of gratitude for my opportunities."

Over the years, NEFE's mission has come to mean a lot to him.

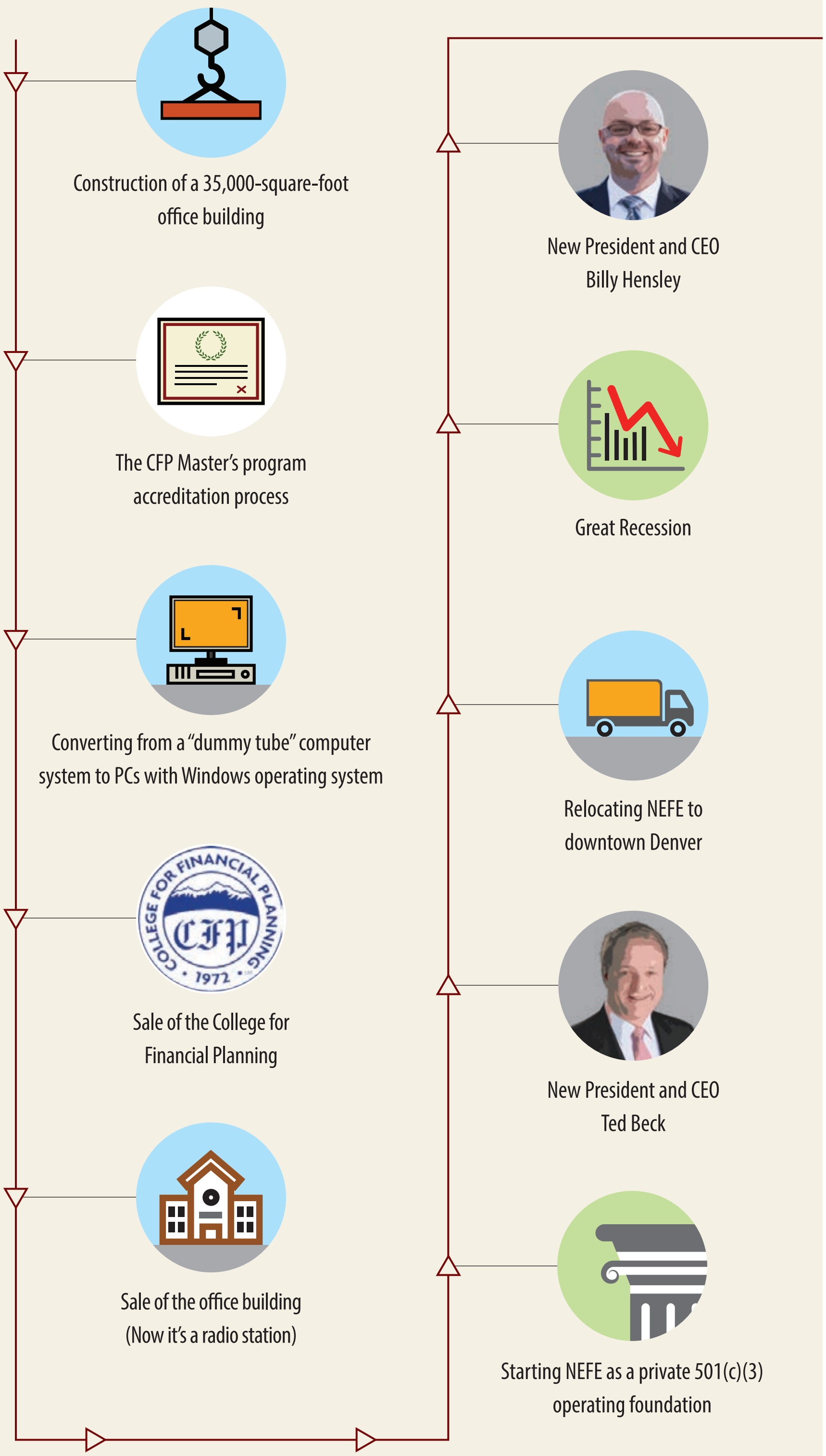
"Sitting in my chair, you don't get to see the direct impact, but you do get to see how fulfilling it is for those on the front lines. Our job is always to make sure that they have the funds and good enough systems to do it. You try to make sure every dollar that can go to the programs goes to programs."

NEFE wishes to say, thanks, Dave. We couldn't have done it without you.

"This is a really good jumping off point for me and for NEFE. There are going to be new strategies, new challenges and young, excited professionals to try to move this thing forward. It's just the right time. And it feels right."

Dave's NEFE Milestones

NEFE was created in 1997 using the proceeds from the sale of the College for Financial Planning. As chief operating officer and chief financial officer, Dave has participated in all of NEFE's major milestones, starting before the foundation was even created.



For more on NEFE's history, visit www.nefe.org.

Success Stories:

NEFE Forum Focuses on Higher Education

In December, NEFE convened more than 30 experts to discuss the state of financial capability among young adults while attending postsecondary education and continuing into adulthood.

Researchers from Montana State University and Ohio State University also presented findings from NEFE-funded studies on freshman college financing decisions and the long-term impact of education loans as students reach the age of 30.

Building on the research findings, the experts debated numerous themes, including:

- The impact and importance of financial education mandates
- The importance of treating personal finance as a stand-alone academic discipline on a continuum from kindergarten through postgraduate school (K-20)
- Designing interventions for the variable needs of students attending college at all ages and life circumstances
- The interplay of financial information, financial education, public policy and choice architecture
- The role of emergency aid in college persistence and graduation

"We want to spark serious conversations about the needs of the financial capability field and our responsibility to address those needs," says Billy Hensley, Ph.D., NEFE's president and CEO. "We invite smart, knowledgeable thought leaders to grapple with the obstacles facing us — we don't want to be a self-congratulatory echo chamber."

Attendees represented public, private, two-year and four-year institutions, as well as government and nonprofit organizations across the United States.

Visit www.nefe.org for more information on NEFE's research and forums. A discussion summary of the Higher Education Financial Capability Forum will be available early in 2019.

Meet the NEFE Staff

Executive

Billy Hensley, Ph.D.
President and CEO

I believe in financial education because it can be a powerful, self-enabling consumer protection. While education alone cannot overcome all the financial obstacles people face, the best springboard for a financially capable life is access to and engagement in high-quality learning experiences that are built on an experiential, competency-based platform.

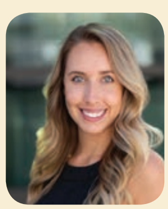
Carol Chapman
Executive Assistant to the President /CEO

My path to financial education started at age 8 when my parents took me to the local bank to open a savings account. I loved walking to the bank every week to deposit my allowance and get my passbook updated to show how much interest I had earned.

Marketing

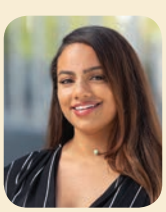
Chelsea Norton
Managing Director

I believe in financial education because everyone has a right to receive the information they need to make informed decisions about their money.



Rebecca Bird
Manager

My parents taught me from a young age the importance of saving for the future and giving back to my community. Each month my allowance was split up into three categories: savings, spending and donation. I continue to use these same principles in my financial life today. Thanks, Mom and Dad!



Naomi Verdun
Associate

I believe in financial education because it is fundamental to live an independent and secure life.

Operations

Joanne Flores Moses
Chief Financial Officer

The path of financial capability leads to less stress and feeling more confident.

Margie Cheatum
Director of Accounting

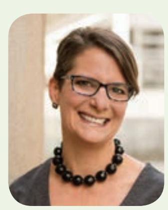
The path of financial capability leads to peace of mind and comfort.

Marietta Klodt
Office Manager

I believe in financial education because it's the gift that keeps on giving and never goes out of style.

Tina Mealer
Manager, Human Resources

I believe in financial education because of its ability to change the trajectory of someone's life, which can impact generations.



Annette Fowler
Managing Director, Technology

I believe in financial education because the adage holds true, "If you give a man a fish you feed him for a day. Teach him how to fish and you feed him for a lifetime."

Mary Beth Kelley
Web Project Manager

I believe in financial education because it is something that is so overlooked in regards to overall education, yet something that is so direly needed throughout one's life.

Research and Education

Katie Sauer, Ph.D.
Senior Director, Education, Research and Strategic Impact
I believe in financial education because it gives people a strong foundation for navigating the mind-boggling amount of financial information, advice and decisions coming their way each day.

Peggy Muldoon
Director, Consumer Education
The path of financial capability leads to greater financial security. By setting your financial goals and then taking action to achieve them, you have more control over living the life you want.

Jeannette Schultz
Director, Financial Workshop Initiatives
I believe in financial education because knowledge is power. Financial education is how you raise the ceiling of opportunities on our financial future — living happy, healthy and wise.

Sarah Volk
Education Associate
I believe in financial education because it is a form of empowerment that can positively impact anyone and everyone.

Mary Hoch
Senior Manager, Grants and Research
The path of financial capability leads to confidence in making values-aligned financial decisions — and much less stress.

CashCourse

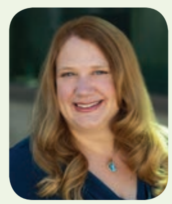
Amy Conrad
Managing Director
The path of financial capability leads to choice. When you are more financially capable, you have more choices available to you in life, and you're better able to make choices that will impact you positively.

Raven Newberry
Manager
Helping people make empowered financial choices gives them freedom. It is through my past experiences that I became interested in and passionate about financial education.

High School Financial Planning Program (HSFPP)

Susan Sharkey
Senior Director
I believe in financial education because financial decision-making skills aren't acquired magically. But having those skills can bring about magical results.

Lanell Daniel Knight
Manager
The path of financial capability leads to a better retirement.

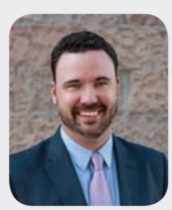


Kimberly Roy
Manager
Financial education empowers people to better understand the costs and benefits of the choices available to them, and the long-term costs and benefits of each option. Armed with knowledge, people are less likely to fall prey to predators.

Strategic Partnerships and Alliances

Brent Neiser
Senior Director
I had a savings account at 8 years old, first job at 11 and an IRA at 20. From that point I was hooked on saving, investing and starting businesses.

Media and Communications



Paul Golden
Managing Director
The path of financial capability leads to confidence. It's rewarding to see people become empowered through education and learn how to advocate for themselves.

For more on NEFE staff, visit www.nefe.org.

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HOLIDAY CLOSINGS

NEFE will be closed Jan. 21 in observance of Martin Luther King Jr. Day and Feb. 18 for Presidents Day.

Stop by Our Booth or Look for Us at the Following Conferences:

American Economic Association (AEA) Annual Meeting at the Allied Social Science Association's (ASSA) Annual Conference	Jan. 4 – 6	Atlanta
Coalition of Higher Education Assistance Organizations (COHEAO) Annual Conference	Jan. 28 – 30	Washington, D.C.
National Academy of Social Insurance (NASI) Annual Conference	Jan. 30 – 31	Washington, D.C.
National Council for Community and Education Partnerships (NCCEP) GEAR UP Workshop	Feb. 10 – 13	San Antonio
National Press Foundation (NPF) Journalism Awards Dinner	Feb. 13	Washington, D.C.
First Year Experience Annual Conference	Feb. 16 – 19	Las Vegas
CFP Board Academic Research Colloquium	Feb. 19 – 21	Arlington, Va.
National Association of Economic Educators (NAEE) Spring Conference	Feb. 28 – Mar. 1	Denver
NASPA Student Affairs Administrators in Higher Education Annual Conference	Mar. 9 – 13	Los Angeles
Radio Television Digital News Foundation (RTDNF) First Amendment Awards	Mar. 13	Washington, D.C.
Consumer Financial Protection Bureau (CFPB) Consumer Advisory Board	Mar. 13 – 14	Washington, D.C.
Coalition on Adult Basic Education (COABE) Annual Conference	Mar. 31 – Apr. 3	New Orleans

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The mission of the National Endowment for Financial Education is to inspire empowered financial decision making for individuals and families through every stage of life.

 Questions? Contact the Marketing and Communications department at marcom@nefe.org. Editor: Cara Hopkins. Associate Editor: Naomi Verdun. NEFE is open Monday through Friday, from 8:30 a.m. to 5 p.m. MT. Main telephone: 303-741-6333; Fax: 303-220-0838.