Remarks by

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Good morning. Thank you very much, Melissa, for that kind introduction.

I would like to begin my remarks by commending the work of the 21 federal agencies and the White House Domestic Policy Council that make up the FLEC. The commission has made significant strides in coordinating federal resources to address its core mission and tackle the important task of improving financial literacy and education. This magnificent and stately Cash Room, here at the Treasury, can inspire us all to believe we can accomplish so much. From this room's beginnings as the office that handled the government's financial business after the Civil War, it is now a place to convene and work together to address the financial capability issues of this nation's citizens.

For those of you who are not familiar with the OCC, we are the regulator and supervisor of national banks and federal savings associations. We supervise over 1,600 financial institutions with collective assets of $10.4 trillion, which represent nearly 70 percent of all banking assets in the United States. The OCC's role is to ensure a safe and sound banking system, but as a regulator, the OCC also focuses on making sure that national banks and federal savings associations provide fair access to financial services and treat their customers fairly. I strongly believe that promoting financial literacy and education is an essential aspect of that mission.

I am happy to report that the "Guidance to Encourage Financial Institutions' Youth Savings Programs and Address Frequently Asked Questions" was released, yesterday. This guidance is the collaborative work of a group of FLEC agencies—the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the U.S. Department of the Treasury's Financial Crimes Enforcement Network, and the OCC.

This guidance applies to all federally insured depository institutions—banks, savings associations, and credit unions. The guidance encourages these financial institutions to develop and implement programs that will expand young peoples' financial capability and build opportunities for financial inclusion for more families.

Let me give you some examples of how these youth savings programs work. Many financial institutions collaborate with schools to set up programs that allow students in elementary, middle, and high schools to open and manage savings accounts. These programs are often structured as in-school credit union or bank programs that offer students basic savings accounts. They also may include more complex asset-building accounts and school district-wide programs that offer universal savings accounts to large numbers of children.

Youth savings accounts generally have very low minimum balance requirements and low or no monthly maintenance fees. Another critical element is that disclosures of material account terms and conditions must be explained in an age-appropriate manner.

Youth savings programs are generally linked with other financial education efforts. For example, there are programs where students run their school's bank branch with oversight from teachers and the sponsoring bank. This collaboration not only teaches important financial management lessons, but also builds students' work ethic and experience. In some instances, these financial education activities are also available to faculty, school administrative staff, parents, and the larger community.

The guidance provides answers to common questions that may arise as financial institutions collaborate with schools, local and state governments, non-profit entities, or other community stakeholders to offer youth savings and financial education programs. It also reiterates the existing Customer Identification Program and other federal requirements and applies them to financial institutions' youth savings programs.

For example, the guidance clarifies that:

- Consumer protection laws and regulations apply to youth savings accounts.
- A financial institution might not be required to submit a branch application to its regulator, when the goal of the youth savings program is financial education designed to teach students the principles of personal financial management, banking operations, and saving for the future.
- Certain Customer Identification Program rules would apply to a youth savings program that is being implemented by a third party, such as a school district. In these instances, a school district can create a master savings account with sub-accounts to hold minors' savings, as long as those accounts have a restricted purpose, such as saving for higher education.

The guidance identifies resources from several FLEC agencies on matters relating to youth savings programs. For example, the guidance references the OCC's Community

Development Insights Report on school-based bank savings program that contains useful information for banks interested in launching this type of youth oriented initiative.

In addition, the guidance clarifies that banks and savings associations may receive consideration under the Community Reinvestment Act, or CRA, for developing and implementing youth savings and financial education programs if those programs are targeted primarily to low- and moderate-income students.

The guidance is consistent with the "Starting Early for Financial Success" focus of the FLEC. Research shows that financially capable young people are more likely to become financially secure adults, so FLEC is undertaking a number of efforts to help young people learn the financial basics before they join the workforce or begin their careers.

Obviously, childhood is a critical time in an individual's financial education. Youth savings programs provide students with a safe setting to experience hands-on learning about spending choices and the value of savings. Research indicates that children who have savings accounts in their own names are more likely to finish college, which also leads to more financially secure futures.

When combined with receiving financial education, participating in a youth savings program offers a powerful opportunity to help students form savings habits early and improve their long-term financial and educational goals.

Financial management skills are not just nice to have—they are essential. Young adults must make important financial decisions fairly early in life, such as, how much student debt to take on and how to handle credit cards responsibly. In addition, we know that starting retirement accounts early in life is essential for a financially secure retirement, to allow sufficient time for assets to accumulate and grow.

Preparing students to make responsible financial decisions simply seems like an obvious course of action, so I am very pleased that we, as financial institution regulators, have taken this important step to encourage youth savings programs. Thank you for the opportunity to speak to the FLEC about this important matter involving our children and their futures. I look forward to this morning's presentations.