

SUMMER, 2003

Bank • Links

FOR COMMUNITY REINVESTMENT AND ECONOMIC DEVELOPMENT



The Office of Regional & Community Affairs
of the Federal Reserve Bank of New York

The Federal Reserve System has launched a broad initiative that seeks to improve the financial position of U.S. households by expanding the availability of quality financial education resources.

initiative builds upon existing efforts with the introduction of public service messages, a new brochure, enhancements to the System's financial education web site, and the announcement of upcoming System-sponsored programs and events.

Federal Reserve System Creates Initiative to Promote Financial Education

Expanding the availability of quality financial education opportunities for the public and System employees is a high priority for the Federal Reserve Banks. Throughout 2003, the Banks will update existing programs and launch new ones. Some of these initiatives will involve partnerships with area financial institutions and private-sector organizations.

"Americans of every income and educational background want additional tools and training to address the complexities of personal finance," said Federal Reserve Board Governor Edward M. Gramlich at a news conference held in Washington, D.C. in May. "Educated consumers are one key to keeping our economy functioning well."

In the Second District, the Federal Reserve Bank of New York is offering its Banking on Youth program for the second consecutive summer. In this program, employees from area financial institutions act as banker/teachers and present a series of financial education classes for young people enrolled in New York City's Summer Youth Employment Program.

The Federal Reserve Board and 12 Federal Reserve Banks have a long history as promoters and providers of financial education. The

As part of the System-wide initiative, a public service announcement featuring Federal Reserve Chairman Alan Greenspan has been introduced by major television and radio networks. His message: "No matter who you are, making informed decisions about what to do with your money will help build a more stable financial future for you and your family." The announcement was distributed in English and Spanish.

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A Message from the Community Affairs Officer

Policymakers today are concerned that consumers lack a basic understanding of financial concepts and don't have the knowledge to make decisions that can help them reach their long-term financial goals, avoid financial crises, and take responsibility for their retirement investments.

With this in mind, the Federal Reserve Bank of New York's Office of Regional and Community Affairs created the Banking on Youth Program (BOY), which is designed to help young people enhance their knowledge of financial services and connect them with the banking system. The program was introduced last summer to young people participating in New York City's summer jobs program and was so successful, it is being offered again this summer.

Some immigrants and even individuals born in this country are reluctant to use the banking system because they lack access to user-friendly information about financial services or simply don't feel that a bank is a place for them. The goal of BOY is to penetrate that mindset by reaching out early and providing young people with a financial education.

As we developed the program, however, we realized that BOY is about more than just financial education. It's about connecting people to the mainstream of society so that they will get the maximum benefit from the financial system, which is consistent with the Federal Reserve's mission to ensure that all individuals get equal access to credit and financial services.



Our banking partners who are providing volunteers and supporting BOY are industry leaders, innovators, and risk takers. They recognize that the investment they are making today in the financial education of young people will result in better prepared consumers when these individuals become adults. The banks participating are giving these young people the knowledge they need to access the financial system. This summer we are pleased to add Greenpoint Savings Bank and Atlantic Bank to the partnership.

Through classes on checking accounts, savings, and credit, many students are getting their first exposure to banking. By maintaining savings accounts, the young people are receiving hands-on experience managing an account and developing a relationship with a bank.

We learned a lot during the pilot last summer and, after studying the results of the surveys from banker/volunteers and students, we decided to begin the program this summer with an orientation for participants and their parents to ensure that all parties understood the program's objectives. The orientation also served as an opportunity to introduce banking to the parents who may be learning about the financial system for the first time through their children.

We are encouraged by the positive feedback we have received from the young people who participated in the pilot program last summer and by the enthusiasm of the banks with which we collaborated, and we hope that BOY will be used as a model by financial institutions in other cities.

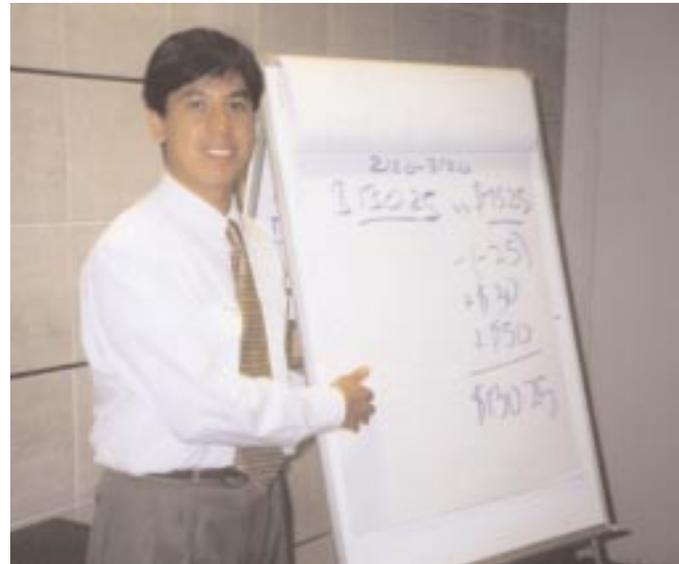
Elizabeth Ann Rodriguez
Vice President

New York Fed Offers Banking on Youth Program Again This Summer

Bankers from New York City are trading their offices for classrooms this summer to teach financial education to 2,800 young people ages 14 to 18 who are participating in the Banking on Youth program (BOY). BOY is a banking and personal financial education initiative created by the Federal Reserve Bank of New York and the New York City Department of Employment.

The New York Fed's Office of Regional and Community Affairs and the Department of Employment launched the BOY program last summer as a pilot for students participating in New York City's Summer Youth Employment Program and it was so successful that the program is being offered again this summer. The two organizations are collaborating on the project with the FDIC, New York City Banking on Our Future-Operation HOPE, and several major corporations and financial institutions.

BOY kicked off this summer with orientation sessions for students and their parents followed by four weeks of financial education classes. To make it more convenient, the orientation and first three classes are taking place at the 16 participating community-based organizations, located in all five boroughs of New York City, with which the Department of Employment is working on the summer jobs program. During the final week of class, the sessions will be held at various corporate locations, including financial institutions.



Rai Angeles, a banker/volunteer who works in the finance department at Atlantic Bank of New York, taught a class in 2002 about checking accounts, the fees involved, how accounts are opened, and how to maintain them responsibly by recording transactions in a check register.

Using the FDIC's "MoneySmart" Financial Education Curriculum, banker/volunteers are teaching 90-minute classes using exercises to illustrate, among other things, how consumers use banking services. The exercises cover workbooks on: Bank on It and Keep It Safe to introduce banking; Money Matters and Pay Yourself First about creating a budget and saving; Check it Out about opening and maintaining checking accounts; Borrowing Basics about loans, and Charge it Right and To Your Credit about using credit cards.

Learning about banking in the classroom, however, is only part of BOY. The other part is giving students hands-on experience with a bank account. All 2,800 participating students

“Now I know why I should have a very good relationship with a bank.

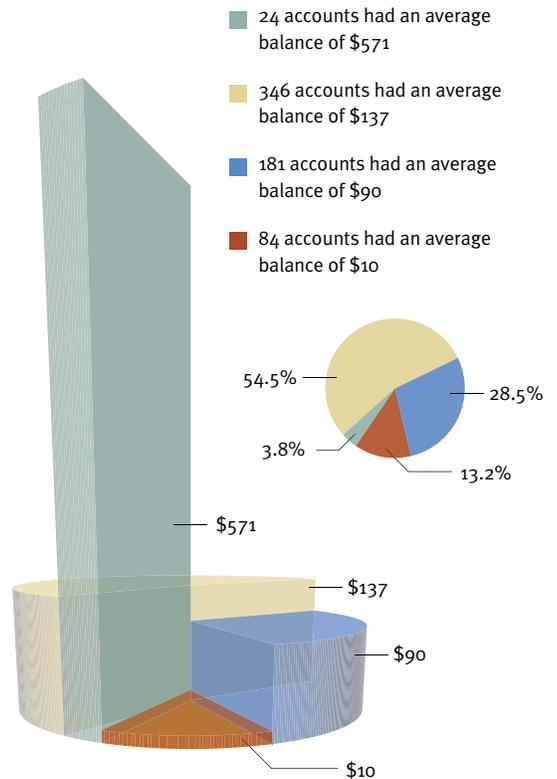
I feel more confident about picking the right bank.”

Lesley Vargas, a 15-year-old junior at Lehman High School in the Bronx who had a summer job at Lehman High School and attended the 2002 BOY classes.

have been offered bank accounts this summer, into which their salaries from their summer jobs will be electronically deposited.

Last summer three financial institutions—Citibank, HSBC Bank USA, and M&T Bank—opened 1,655 accounts for students participating in the program who had their earnings electronically deposited, and issued them ATM cards. During the first year the students maintained the accounts, the banks waived most of the fees. This summer, banks participating in the program and offering accounts are: Citibank, Atlantic Bank, Greenpoint Bank, and M&T Bank. Other financial institutions, such as, JPMorgan Chase, Bank Leumi, Bank of Tokyo-Mitsubishi, and Fleet Bank are providing volunteers to act as banker/teachers.

Accounts Opened by 2002 BOY Participants That Remained Opened After the End of the Program



“Before taking the class, I didn’t know anything about banks or even what I was getting into. People are happy about getting bank accounts through the program because they are safer. I’m happy because I want a loan some day.”

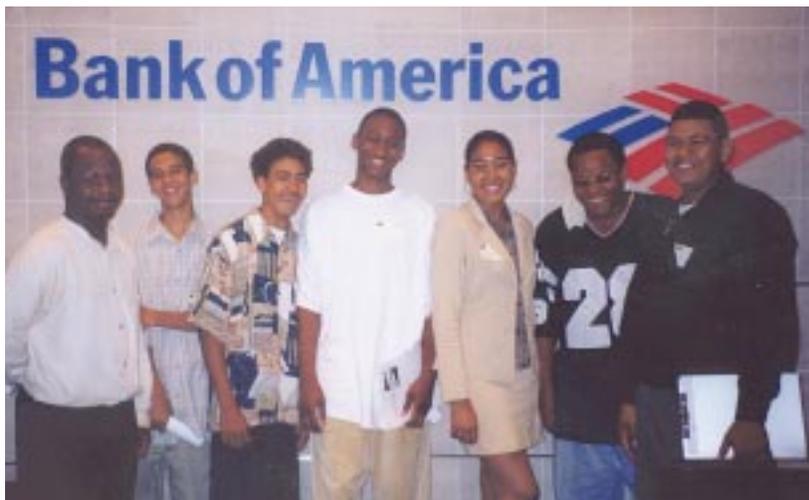
James Vasquez, a 17-year-old senior at Lehman High School in the Bronx who had a summer job at Lehman High School and attended the 2002 BOY classes.

“Before the course, I didn’t know about the different kinds of credit and different kinds of loans. My mom says if I attend college, I’ll have to take out a loan.”

Liling Chen, of Manhattan, a 16-year-old junior at Humanities Preparatory Academy in Manhattan who had a summer job at a day care center in Chinatown and attended the 2002 BOY classes.



Liling Chen, Jing Chen, and Chunting Chen in front of the New York Fed following their class on credit.



James Vasquez, 3rd from left, Lesley Vargas, 5th from left with other participants from a 2002 BOY class.

Fed Paper Examines Need for Financial Literacy

Technological advances and market innovations have enabled the creation of more complex financial products at the same time U.S. demographic changes are indicating that many consumers may be unfamiliar with basic financial services, according to an article in the November 2002 Federal Reserve Bulletin, “Financial Literacy: An Overview of Practice, Research, and Policy.” For a full text of the article, see www.federalreserve.gov/pubs/bulletin/2002/02index.htm.

The Federal Reserve Bank of New York wishes to thank the following current and past partners of the Banking on Youth program:

New York City Department of Employment
FDIC
New York City Banking on Our Future-Project
Hope
Atlantic Bank
Bank of America
Bank Leumi
Bank of Tokyo-Mitsubishi
Bond Markets Association
Carver Savings Bank
Citibank
Deutsche Bank
Fleet Bank
Greenpoint Savings Bank
HSBC Bank, USA
Hunter College
Independence Savings Bank
JP Morgan Chase
KPMG
M&T Bank
Mizuho Corporation
Neighborhood Housing Services’
Homeownership Center
North Fork Bank
St. Francis College

Federal Reserve System *continued from cover*

In June, Chairman Greenspan spoke with students of John Philip Sousa Middle School in Washington, D.C., about how sound mathematical and problem-solving skills can promote good money management. The visit was intended to complement efforts by Los Angeles-based not-for-profit Operation HOPE to support the financial education of urban youth.

"We believe that this is a particularly good time to promote financial education because of the widespread availability of high-quality curricula, programs, and training opportunities for consumers of all ages and backgrounds," Fed Governor Gramlich said. "Our hope is to encourage consumers to take advantage of the programs available in their communities, schools, and on the web."

The Federal Reserve education web site (www.FederalReserveEducation.org) has also been enhanced with links to additional educational resources including a brochure filled with tips for taking charge of personal finances. The brochure, "There's a Lot to Learn about Money," contains information on setting financial goals, budgeting, and using credit wisely. It is available on the Fed's education web site.

In addition, an online repository for financial education and literacy research has been created on the Chicago Federal Reserve's Consumer and Economic Development Research and Information Center web site (www.chicagofed.org/cedric/listing.cfm). The site provides researchers, community organizations, financial institutions, government agencies, and the public with a comprehensive source for abstracts and full texts of articles, reports, working papers, and other studies related to community development issues.



The Federal Reserve System has produced, "There's a Lot to Learn about Money," a brochure that contains information on setting financial goals, budgeting, and using credit wisely. The brochure is available online.

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